

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps up 27% to \$377bn in third quarter of 2014

Trading in emerging markets Credit Default Swaps (CDS) reached \$377bn in the third quarter of 2014, constituting a decline of 3% from \$389bn in the second quarter of the year and a rise of 27% from \$297bn in the same quarter of 2013. The year-on-year increase in the CDS activity is consistent with rising volatility, as well as growing macroeconomic uncertainties. CDS volumes in the third quarter of 2014 reflect higher country-specific risks in Argentina, Russia and Venezuela, among other countries. The most frequently-traded sovereign CDS contracts in the third quarter of 2014 were those of Brazil at \$69bn, followed by Russia at \$67bn and Turkey at \$51bn; while the most frequently-traded corporate CDS contracts were those on Russia's Gazprom at \$4.8bn, and on Venezuela's PDVSA and Brazil's Petrobras at about \$1.7bn each. 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 differs sharply across Arab world

The PricewaterhouseCoopers/World Bank Paying Taxes survey for 2015 included 20 Arab countries, with six countries ranking among the top 15 worldwide. The ease of paying taxes rankings in the 2015 survey are based on the distance to the frontier (DTF) 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 (157th), Algeria (176th) 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 11.8 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 3.1 times, 10.2 times and 12.6 times, respectively. Also, it takes a standard medium-size firm in non-GCC Arab countries 121.6 hours to prepare, file and pay its corporate taxes, 105.6 hours for its labor taxes and 93.9 hours for its consumption taxes, compared to averages of 15.2 hours and 42 hours, respectively, in GCC countries, and to global averages of 70.8 hours, 94 hours and 99.5 hours, respectively. In parallel, the tax rate as a percentage of commercial profits at a standard firm in non-GCC Arab countries is 14.7% for corporate tax, 18.2% for labor tax and 9.4% for non-corporate tax, compared to averages of 2.2%, 12.7% and 0.1%, respectively, for firms in GCC countries and to global averages of 16.3%, 16.2% and 8.5%, respectively.

Source: PricewaterhouseCoopers, Byblos Research

Advertising spending at \$7.6bn in 2019 on CAGR of 6.3% between 2014 and 2019

Strategy&, a management consulting arm of PricewaterhouseCoopers, projected the consumer media and entertainment market in the Middle East & North Africa (MENA) region to reach \$15.5bn in 2014 and to expand at a compound annual growth rate (CAGR) of 6.8% between 2014 and 2019. It also forecast the size of the media and entertainment market, which excludes trade magazines and themed entertainment, at \$16.5bn in 2015, \$17.4bn in 2016, \$18.6bn in 2017, \$19.9bn in 2018 and \$21.5bn in 2019. Strategy& expected Saudi Arabia, Egypt and the UAE to account for more than 50% of the total media and entertainment market in 2019, while countries and territories in the Levant would represent about 10% of the total MENA market. It projected the digital media and audiovisual content segments to post the highest growth rates over the covered period. Also, it expected the print media segment in the region to begin to feel the pressures that have affected their global counterparts over the past decade. Strategy& forecast the advertising market in the MENA region to reach \$5.6bn in 2014 and to post a CAGR of 6.3% during the 2014-19 period relative to a CAGR of 4.4% for the global advertising market. It also anticipated advertising expenditures in the MENA region at \$5.9bn in 2015, \$6.3bn in 2016, \$6.7bn in 2017, \$7.1bn in 2018 and \$7.6bn in 2019. Further, it projected that television would attract 36% of the region's advertising spending in 2019, up from 34% in 2014; followed by newspapers with 19% in 2019 relative to 31% in 2014; and digital media with 20% by 2019, up significantly from 10% in 2014.

Source: Strategy&

Economic freedom in Arab world varies in 2014

The Fraser Institute's 2014 annual Index of Economic Freedom in the Arab World indicated that the UAE and Jordan ranked as the most economically-free economies among 20 Arab countries included in the survey. They were followed by Bahrain, Kuwait, Oman and Qatar as the five most economically-free economies, while Syria, Iraq, and Algeria ranked as the least free economies in the region. The index evaluates individual economies on the basis of 39 variables that are divided into five broad factors of economic freedom that measure the Size of Government; Legal Structure and Security of Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor and Business. The rankings of four Arab countries improved, five regressed and nine were unchanged, as the institute included Syria and Palestine for the first time in the 2014 index. In parallel, the scores of six countries improved, four regressed and eight were unchanged. Lebanon had the best score on the Size of Government category, while Saudi Arabia ranked first in the Legal Structure and Security of Property Rights Category. Also, Bahrain ranked first on each of the Access to Sound Money category and the Regulation of Credit, Labor and Business category, while Yemen came in first place on the Freedom to Trade category.

Source: Fraser Institute, Byblos Research

OUTLOOK

TURKEY

Reversal of capital inflows is main risk to economic stability

The International Monetary Fund projected Turkey's real GDP growth to decelerate to 3% in each of 2014 and 2015 from a growth rate of 4.1% in 2013. It forecast the inflation rate at 9% at the end of 2014 and 7.1% at end-2015. It expected the current account deficit to narrow from 7.9% of GDP in 2013 to 5.8% of GDP in 2014 and 6% of GDP in 2015. It anticipated the fiscal deficit at 2% of GDP in 2014 and 1.7% of GDP in 2015 compared to 1.6% of GDP in 2013. The Fund considered that the economy weathered well the volatility in the global financial markets in early 2014. But it cautioned that high inflation rates, a wide current account deficit and reliance on external funding pose vulnerabilities and could weigh on economic activity. It projected Turkey's gross external financing requirements to rise from 25.4% of GDP in 2013 to 26.8% of GDP in 2014 and 26.2% of GDP in 2015. It considered that the main risk for the Turkish economy consists of a reversal in capital flows from the normalization of monetary policy in advanced economies. It noted that other risks include slower growth in Europe, geopolitical instability and a weaker domestic policy framework.

The IMF called on authorities to implement macroeconomic policies and reforms that would rebalance the economy, reduce inflation rates, build fiscal buffers and encourage domestic savings. It welcomed the fiscal tightening in the 2015 budget, as well as the substantial increase in the primary surplus planned within the 2015-17 medium-term program. It noted that fiscal consolidation efforts should focus on improving spending efficiency and limiting current expenditure growth, while simultaneously preserving capital investment. It called on the government to renew its focus on reducing the inflation rate by setting and sustaining a positive real policy rate that anchors expectations. It considered that increasing foreign currency reserves would strengthen the economy's resilience.

Source: International Monetary Fund

JORDAN

Geopolitical risks and high debt level are main risks to the outlook

The Institute of International Finance projected Jordan's real GDP growth to accelerate from 3.1% in 2014 to 3.8% in 2015, supported by rising net exports and a modest increase in domestic demand. It noted that business confidence is slowly improving following the increase in foreign currency reserves and the narrowing of the fiscal deficit. It noted that the Central Bank of Jordan has reduced interest rates in past months to stimulate much-needed growth in the near term. It considered that the intensification of the regional conflicts, domestic political challenges and the high public debt level are the main risks to the outlook. The IIF pointed out that real GDP growth remains well below the country's long-term trend growth rate of about 5% due to spillovers from regional conflicts and subdued business confidence. It noted that credit growth is in single digits, reflecting limited lending opportunities and investment plans. It considered that authorities need to implement deep structural reforms to move the economy to a higher growth path. It noted

that the government is drafting a 10-year development plan to enhance competitiveness and attract more investment.

The IIF forecast the central government's fiscal deficit, excluding losses at the national electricity company (NEPCO), to narrow from 4.9% of GDP in 2014 to 3% of GDP in 2015, reflecting the cut in subsidies and tax reforms. But the deficit would narrow from 10% of GDP in 2014 to 5% of GDP in 2015 when including NEPCO's losses. It noted that NEPCO is gradually raising electric tariffs with the goal of breaking even by 2017. It considered that the recent sharp drop in global oil prices would lead to faster-than-anticipated fall in the energy import bill and in the losses of the national electricity company. It noted that this would slow down the rise in the public debt level that is expected to peak at about 92% of GDP in 2015. In parallel, the IIF projected the current account deficit to narrow from 7.9% of GDP in 2014 to 6.8% of GDP in 2015, reflecting rising exports and lower global oil prices. It projected foreign currency reserves to rise from \$15.8bn, equivalent to 7.2 months of imports in 2014 to \$16.6bn or 7.3 months of imports in 2015.

Source: Institute of International Finance

EGYPT

Reforms to support growth, narrow fiscal deficit

The International Monetary Fund projected Egypt's real GDP growth at 3.8% in the fiscal year ending in June 2015, supported by the implementation of macroeconomic policies and improving confidence. It pointed out that Egypt faces several challenges that include accelerating growth, reducing unemployment and poverty levels, narrowing the fiscal deficit and building foreign currency reserves. It added that the economy is vulnerable to adverse global economic developments and regional security risks. It said that authorities have started to address these challenges and are seeking to narrow the fiscal deficit to about 8% to 8.5% of GDP and reduce the public debt level to between 80% and 85% of GDP by FY2018/19. It added that the government intends to improve the country's external position, but it noted that Egypt would still need additional external financing needs through the medium term.

The Fund forecast the fiscal deficit to narrow to about 11% of GDP in FY2014/15, as measures implemented so far would reduce the deficit by about 2.5% of GDP. It noted that other planned fiscal measures include reducing targeted energy subsidies, controlling the public-sector wage bill, introducing a value-added tax and ratifying the mining law. It added that ongoing reforms to the subsidy system and controlling spending would narrow the fiscal deficit to below 10% of GDP in FY2015/16. The IMF considered that the authorities' fiscal consolidation measures would not be a drag on economic activity, as higher public spending on education and healthcare, and stronger social protection policies, should improve the quality and availability of public services and support long-term growth. It pointed out that energy reforms and investments are crucial to reduce energy supply bottlenecks and raise potential growth. It noted that the implementation of megaprojects should be closely monitored to limit potential fiscal risks, such as large contingent liabilities.

Source: International Monetary Fund

ECONOMY & TRADE

SUDAN

Growth to pick up to 3.3% in 2015, challenges remain

The United Nation's Economic and Social Commission for Western Asia (ESCWA) projected Sudan's real GDP growth at 2.5% in 2014 and 3.3% in 2015 compared to a growth rate of 3.2% in 2013 and relative to growth rates of 3.5% in 2014 and 4.3% in 2015 in Arab countries. Sudan's projected real GDP growth rate for 2014 would be the fourth lowest among 21 Arab countries, while its growth rate for 2015 would be the six lowest in the region. In parallel, the ESCWA forecast consumer price inflation in Sudan to average 32% in 2014 and 15% in 2015 relative to an average inflation rate of 37.1% in 2013, and compared to inflation rates of 6.1% in 2014 and 4.7% in 2015 in Arab countries. Sudan's projected inflation rate for 2014 would be the second highest rate among Arab countries, lower than Syria's inflation rate of 42.7%, while the country's 2015 inflation rate would be the highest in the region. ESCWA considered that Sudan continues to be affected by foreign currency constraints that are leading to high inflation rates. It noted that authorities managed to stop the depletion of foreign currency reserves and avoided a balance-of-payments crisis. But it noted that Sudan's balance-of-payments continues to be fragile. It expected Sudan's crude oil production to stabilize at 150,000 barrels per day (b/d) in 2014 and 2015 relative to 152,000 b/d in 2013. It forecast gross oil exports to reach \$3.8bn in 2014 and \$3.7bn in 2015 compared to \$4bn in 2013.

Source: ESCWA

SAUDI ARABIA

Optimism of non-hydrocarbon sector improves

The D&B Business Optimism Index for Saudi Arabia showed that the composite optimism index for the non-hydrocarbon sector reached 47 in the fourth quarter of 2014, constituting a rise of 11 points from the previous quarter. The increase is due to improving demand, profitability and expectations of new projects and contracts. The index for expected sales jumped from 41 in the third quarter of 2014 to 62 in the fourth quarter, that for expected profits rose to 59 from 41 in the previous quarter, the index for expected new orders increased to 57 from 43 in the third quarter, and that for the level of selling prices grew to 21 in the fourth quarter from 13 in the previous quarter. In contrast, the index for number of employees fell to 38 in the fourth quarter of 2014 from 44 in the third quarter, and that for inventory levels declined marginally to 31 from 32 in the previous quarter. Further, construction was the most optimistic non-hydrocarbon sector as its underlying index increased to 56 from 49 in the third quarter of 2014. The trade & hospitality index increased significantly to 53 in the fourth quarter of 2014 from 28 in the third quarter; the transportation, storage & communication index expanded from 44 to 49 in the fourth quarter; the finance, real estate & business services index grew to 45 from 30 in the previous quarter; and the manufacturing index rose to 40 in the fourth quarter of 2014 from 36 in the third quarter.

Source: Dun & Bradstreet

TURKEY

Ratings affirmed, outlook remains 'negative'

Standard & Poor's affirmed Turkey's long-term foreign and local currency sovereign credit rating at 'BB+' and 'BBB', respectively, and maintained the outlook at 'negative'. It also affirmed the short-term foreign and local currency rating at 'B' and 'A-2', respectively. It said that the 'negative' outlook reflects persisting risks to the country's substantial dependency on external financing in 2015. It said that the ratings reflect a gradual acceleration in real GDP growth to above 3% in coming years, a stabilization of external debt metrics and a tight fiscal policy. It anticipated that the country's fundamentals would be unchanged in coming years with stable public finances, a private sector that is dependent on external financing and elevated inflation rates that erode income gains. It said that risks to Turkey's economic prospects persist and many of these risks are beyond the authorities' control. It pointed out that the country is vulnerable to changes in international sentiment due to the large "short" foreign currency position of the corporate sector of more than \$100bn; the increased foreign borrowing by banks; the narrowing but wide current account deficit; the uncertain global economic environment and the high pass-through of exchange rate depreciation into inflation. But it noted that Turkey's monetary flexibility, with deep local capital markets and a floating exchange rate, mitigates external vulnerabilities.

Source: Standard & Poor's

GHANA

Macroeconomic stability contingent on reforms

The International Monetary Fund indicated that the Ghanaian authorities and the IMF made significant progress towards reaching an agreement on a medium-term fiscal path that ensures debt sustainability and reduces the current account deficit. The Fund welcomed the government's 2015 budget, which targets a narrowing of the fiscal deficit on a cash basis from 9.5% of GDP in 2014 to 6.5% of GDP in 2015, with projected arrears repayments of 1.2% of GDP next year. It said that the 2015 budget includes measures to increase revenues, to eliminate distortive and inefficient energy subsidies, and to contain growth in the high public-sector wage bill. It added that the budget maintains public investments at above 5% of GDP and increases social protection spending. Further, the IMF welcomed the authorities' plan to implement structural reforms that would support a narrowing of the fiscal deficit to 3.5% of GDP by 2017. It said that reforms would include strengthening public finance management, reducing tax exemptions, enhancing tax administration and reviewing the earmarking of revenues for statutory funds. It considered that the public-sector wage bill has been a significant source of fiscal risk, and called for the implementation of reforms and appropriate pay and hiring policies to control it. It added that the authorities' fiscal measures, along with sound debt management and actions to further improve the effectiveness of the Bank of Ghana's inflation targeting framework, would help restore macroeconomic stability. The Fund indicated that it would reach a staff level agreement with authorities when they finalize their medium-term reform plan and receive external financing assurances from bilateral donors and international institutions.

Source: International Monetary Fund



BANKING

UAE

Banking sector has 'stable' outlook

Moody's Investors Service maintained its 'stable' outlook on the UAE's banking system, reflecting continued improvements in the operating environment, a modest increase in banks' profitability, and sustained strong capital buffers and substantial liquidity. It forecast credit growth to range between 7% and 10% in 2015, supported by strong economic activity and rising confidence. It expected the banking sector's non-performing loans ratio to decline to around 7% in coming months from 9% at the end of 2013, reflecting the recovery in economic activity, tighter underwriting standards, as well as continued settlements, recoveries and commercial restructurings. It considered that the improvement in banks' asset quality would result in lower loan-loss provisions. It noted that lower provisioning along with sustained growth in banks' assets, would support a modest increase of returns on assets to about 2% over the next 12 to 18 months. It pointed out that this would offset some of the weaknesses in profitability, which continues to be affected by margin pressures from low interest rates and the increasingly competitive business environment. It anticipated that the modest increase in profitability would improve internal capital generation and support the banks' strong Tier One capital levels. The agency indicated that the banking sector would continue to benefit from its strong funding and liquidity profiles over the coming months. However, Moody's indicated that banks' high lending concentrations and exposure to large corporate restructurings and government-related issuers continue to leave banks more susceptible to event risks.

Source: Moody's Investors Service

LIBYA

Banking sector's profits down 38% in first half of 2014

Figures issued by the Central Bank of Libya show that the total assets of commercial banks reached LYD93.2bn, or \$77bn, at the end of June 2014, constituting a decrease of 5.2% from the end of 2013 and a rise of 9.2% from end-June 2013. Commercial banks' lending reached LYD19.3bn, or \$15.9bn at end-June 2014, up by 5.6% from end-2013 and by 14% from a year earlier. Total loans accounted for 20.7% of total assets at the end of June 2014, up from 19.8% a year earlier. In parallel, commercial banks' aggregate deposits totaled LYD78.1bn, or \$64.6bn at the end of June 2014, constituting a decrease of 6.5% from the end of 2013 and an increase of 11.7% from end-June 2013. Demand deposits accounted for 70.4% of total deposits at end-June 2014, followed by time deposits (28.8%) and saving deposits (0.8%). Total deposits accounted for 83.8% of aggregate liabilities at end-June relative to 85% at end-2013 and 81.9% at end-June 2013. The loan-to-deposit ratio increased to 24.7% at end-June 2014 from 21.8% at the end of 2013 and 23.3% a year earlier. In parallel, banks' pre-tax profits reached LYD172m, or \$138.6m, in the first half of 2014, constituting a drop of 38.4% from LYD279.2m in the same period last year, and relative to pre-tax earnings of LYD513.3m in 2013.

Source: Central Bank of Libya, Byblos Research

SAUDI ARABIA

Ratings on 11 banks affirmed, outlook 'stable'

Fitch Ratings affirmed at 'A+' the long-term Issuer Default Ratings (IDR) of Al Rajhi Bank, National Commercial Bank (NCB), Riyadh Bank and SAMBA Financial Group (SAMBA); at 'A' that of Arab National Bank (ANB), Banque Saudi Fransi (BSF) and Saudi British Bank (SABB); and at 'A-' that of Saudi Hollandi Bank (SHB), Saudi Investment Bank (SIB), Alinma Bank and Bank Aljazira. It also affirmed the viability rating at 'a' of Al Rajhi Bank, NCB, Riyadh Bank, SAMBA, ANB, BSF and SABB; at 'bbb' that of SHB; at 'bbb-' that of SIB and Alinma Bank; and at 'bb+' that of Bank Aljazira. It said that the 11 banks' long-term IDRs have a 'stable' outlook. Fitch indicated that the 11 banks benefit from a favorable operating environment, a conservative and hands-on regulator, sound liquidity and capital ratios, high barriers to entry into the Saudi Arabian banking market and strong pre-impairment operating profits, which helps banks to absorb high credit costs if needed. It considered that a weakening of the operating environment constitutes the key driver to negative rating actions, especially if it is combined with rapid credit growth and a rise in risk appetite that would lead to a deterioration in asset quality or a reduction in capital ratios. The agency pointed out that NCB's viability rating reflects its strong profitability and stable funding. But it noted that the bank has high lending concentration to large corporate borrowers, as well as higher leverage than peers due to its large investment portfolio.

Source: Fitch Ratings

ANGOLA

Currency stability dependent on global oil prices

Business Monitor International anticipated the outlook of the Angolan kwanza to depend largely on the magnitude and duration of the decline in global oil prices. It said that the currency has faced increasing pressure over the past few months, as falling oil prices have negatively affected the country's hydrocarbon exports. It noted that the kwanza has lost 3.3% against the US dollar since September 2014, and fell to below AOA100 per dollar for the first time on November 12, 2014, when oil prices dropped to below \$80 per barrel. It anticipated that Brent prices could fall to below \$60 p/b in 2015 if members of the Organization of the Petroleum Exporting Countries fail to agree to reduce their oil output. It noted that a fall in oil prices of this magnitude would significantly weigh on the currency. However, BMI considered that authorities would be highly reluctant to let the currency fall dramatically. It said that the Banco Nacional de Angola's (BNA) foreign currency reserves reached \$26.5bn at the end of September 2014 and would allow it to defend the currency over the short-term. It added that the BNA raised its benchmark interest rate by 50 bps in October 2014, the first policy tightening since the rate's introduction in October 2011. But it noted that the increase in the benchmark rate would not have a significant impact on liquidity given the weak policy transmission mechanism. It pointed out that increasing the supply of US dollars on the market through weekly auctions remains the BNA's most effective tool for controlling the currency.

Source: Business Monitor International



ENERGY / COMMODITIES

Downward pressure on oil prices following OPEC decision to keep output quota unchanged

Crude oil prices have dropped by more than 30% since June 2014. A coordinated cut in the Organization of the Petroleum Exporting Countries (OPEC) production is vital, given a strengthening US dollar and lower economic growth outlook. An estimated decrease of one million barrels per day (b/d) in the OPEC current output quota of 30 million b/d would have restored confidence in the markets and helped to stabilize oil prices. But OPEC decided to maintain its quota unchanged following its November 27 meeting, which led to further downward pressure on prices, mainly on investors' expectations that global oversupply will build up in coming months. OPEC have maintained its current production ceiling unchanged since 2009. OPEC would have to establish some corrective measures in its June 2015 meeting, especially in the absence of new supply disruptions. Historically, over the past 20 years, a reduction in OPEC's output ceiling led oil prices to increase, except for the recession years of 1998, 2001 and 2009. In addition, in the event of a drop in OPEC's output quota, Saudi Arabia would be subject to the largest production cut among OPEC members, followed by Kuwait and the UAE.

Source: Deutsche Bank, Byblos Research

KRG on track to meet oil output target by 2016

The Kurdistan Regional Government (KRG) indicated that it remains on track to meet its production target of one million b/d by 2015 or by early 2016. The KRG has shipped 34.5 million barrels of crude oil since January 2014, of which 21.5 million barrels were sold through the Turkish port of Ceyhan and the other 13 million barrels were trucked to the Turkish city of Mersin. The total value of Kurdish oil exports reached \$2.87bn, of which \$2.1bn was received in cash and 710,000 tons of products consisting of kerosene, benzene and diesel worth \$775m. The KRG noted that oil exports through the Kurdish pipeline averaged 300,000 b/d in the first week of November 2014.

Source: Thomson Reuters

KNPC to spend \$40bn on energy projects

The Kuwait National Petroleum Corporation plans to spend \$40bn during the 2014-22 period on energy projects, including a new refinery and a clean fuels project. It said that the clean fuels project would include the expansion and modernization of refineries, with a focus on producing high-grade products, such as diesel fuel and kerosene for exports. It added that the new oil refinery, al-Zour, is due to be completed in 2019, and will be the largest in the Middle East with a capacity of 615,000 barrels per day. Contracts worth around \$12bn were awarded in February 2014 to international companies for the project's construction work.

Source: Thomson Reuters

OPEC's oil output down 1% in October 2014

OPEC's crude oil production averaged 30.25 million b/d in October 2014, reflecting a decrease of 0.7% from 30.48 million b/d in the preceding month. Saudi Arabia's oil output reached 9.6 million b/d in October, equivalent to about 31.7% of total OPEC oil production. It was followed by Iraq with 3.23 million b/d (10.7%) and Kuwait with 2.77 million b/d (9.2%).

Source: Organization of the Petroleum Exporting Countries

Base Metals: China to remain largest steel consumer in 2015, benchmark price to drop in 2015

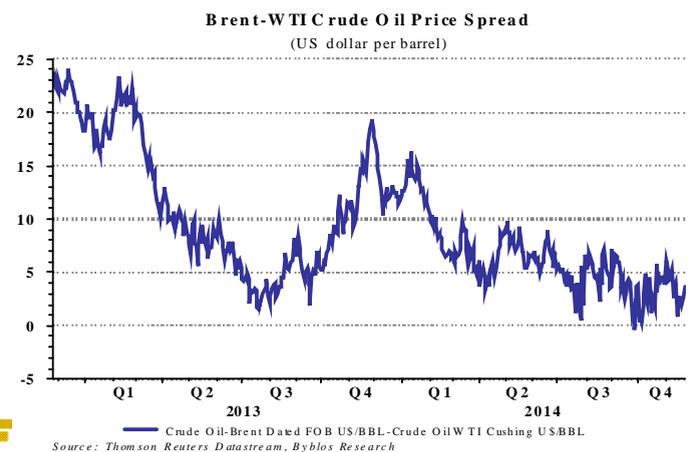
The steel market is projected to move towards a more balanced position during the 2014-15 period as increases in output meet higher demand levels. Global steel consumption is forecast to reach 1,713 million tons in 2015, reflecting a rise of 3.6% from 1,654 million tons in 2014 and relative to a growth rate of 2.6% in 2014. China would remain the largest consumer of steel in 2015 and would account for 44.2% of the metal's global demand. It would be followed by Asian countries excluding China with a 21.8% share of total consumption, EU economies with 9.7%, the North American Free Trade Agreement member countries with 8.6%, and Middle Eastern economies with 4.5%. In parallel, global crude steel production is projected to grow by 3.7% year-on-year to 1,715 million tons in 2015, relative to a growth rate of 2.9% in 2014. EU hot rolled coil steel prices, the metal's benchmark price, are forecast to average \$578 a ton in the first quarter of 2015, which reflects an increase of 1.9% from the preceding quarter and a decline of 3.7% from the same quarter of 2014. In parallel, Asian steel prices remain the world's cheapest, mainly due to the region's excess supply of the metal.

Source: Economist Intelligence Unit, Byblos Research

Precious Metals: Gold price to stay bearish for the rest of 2014 and into 2015

Gold is expected to remain in a bear market for the rest of 2014 with the price of bullion dropping by about 13% from its 2014 peak of \$1,376 a troy ounce. Gold prices would move towards \$1,000 a troy ounce in 2015 as U.S. real interest rates continue to normalize and as the US dollar strengthens. Gold prices are forecast to average \$1,100 an ounce in 2015, below Bloomberg's consensus price of \$1,200 an ounce, and to drop to \$1,050 an ounce in 2016, below a consensus price of \$1,200 a troy ounce. In parallel, the metal's physical demand from Asia would rise as prices fall, and would partially offset the selling pressure from elsewhere, especially from Exchange Traded Fund liquidation during the 2015-16 period. Also, central bank net purchases of gold would remain steady in coming quarters as the combination of a resurgent US dollar and weaker gold prices would limit the desire of emerging market central banks to diversify holdings away from dollars and towards gold. In contrast, geopolitical risks to the global economy are likely to remain elevated during the coming quarters, which could raise investment demand for safe haven assets such as gold and support the price of the metal.

Source: Business Monitor International, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-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	Stable	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
	Stable	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
	Stable	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	29-Oct-14	No change	17-Dec-14
Eurozone	Refi Rate	0.05	06-Nov-14	No change	04-Dec-14
UK	Bank Rate	0.50	06-Nov-14	No change	04-Dec-14
Japan	O/N Call Rate	0-0.10	19-Nov-14	No change	19-Dec-14
Australia	Cash Rate	2.50	04-Nov-14	No change	02-Dec-14
New Zealand	Cash Rate	3.50	30-Oct-14	No change	11-Dec-14
Switzerland	3 month Libor target	0.00-0.25	18-Sept-14	No change	11-Dec-14
Canada	Overnight rate	1.00	22-Oct-14	No change	03-Dec-14
Emerging Markets					
China	One-year lending rate	6.00	06-July-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	29-Oct-14	No change	17-Dec-14
Taiwan	Discount Rate	1.875	25-Sept-14	No change	25-Dec-14
South Korea	Base Rate	2.00	13-Nov-14	No change	11-Dec-14
Malaysia	O/N Policy Rate	3.25	06-Nov-14	No change	28-Jan-15
Thailand	1D Repo	2.00	05-Nov-14	No change	17-Dec-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	Raised 100bps	N/A
Turkey	Base Rate	8.25	20-Nov-14	No change	24-Dec-14
South Africa	Repo rate	5.75	19-Nov-14	No change	27-Jan-15
Kenya	Central Bank Rate	8.50	04-Nov-14	No change	04-Feb-15
Nigeria	Monetary Policy Rate	13.00	25-Nov-14	Raised 100bps	N/A
Ghana	Prime Rate	21.00	12-Nov-14	Raised 200bps	9-Jan-15
Angola	Base rate	9.00	27-Oct-14	Raised 25bps	24-Nov-14
Mexico	Target Rate	3.00	05-Sept-14	No change	05-Dec-14
Brazil	Selic Rate	11.25	06-Nov-14	No change	03-Dec-14
Armenia	Refi Rate	6.75	23-Sept-14	No change	N/A
Romania	Policy Rate	2.75	05-Nov-14	Cut 25bps	07-Jan-15
Bulgaria	Base Interest	0.02	01-Nov-14	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	14.0	13-Nov-14	Raised 150bps	N/A
Russia	Refi Rate	8.25	13-Dec-13	No change	N/A



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