

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### MENA

##### Capital inflows to grow by 29% to \$107bn in 2016

The Institute of International Finance projected total non-resident private capital inflows to the Middle East & Africa (ME&A) region at \$107bn in 2016, which would constitute a rise of 29% from \$83bn in 2015 and an increase of \$23bn from its October forecast. It attributed the growth of capital inflows to its expectation that oil exporters, such as Saudi Arabia, would seek external financing in order to preserve their foreign currency reserves in the context of lower hydrocarbon revenues. The IIF anticipated net private capital flows to the region to account for 21.8% of total net private inflows to emerging markets in 2016 compared to a share of 36% last year. It forecast net direct investment to grow from \$36bn in 2015 to \$39bn in 2016, while it projected inflows from portfolio investments to increase from \$10bn last year to \$13bn this year. Further, it expected net commercial bank lending to reach \$38bn this year relative to \$24bn in 2015, while it estimated net non-bank private lending to improve from \$13bn in 2015 to \$17bn in 2016. In parallel, the IIF forecast resident private capital outflows from the ME&A region to regress from \$112bn in 2015 to \$52bn in 2016, due to a shift in resident lending from outflows of \$57bn in 2015 to inflows of \$6bn in 2016. Overall, it expected net capital flows to the ME&A region to shift from net outflows of \$21bn in 2015 to net inflows of \$64bn in 2016.

Source: *Institute of International Finance, Byblos Research*

##### GCC countries have best entrepreneurial ecosystem in MENA region

The 2016 Global Entrepreneurship Index (GEI), issued by the Global Entrepreneurship Development Institute, indicated that the UAE has the most favorable entrepreneurial ecosystem among 15 countries in the Middle East & North Africa (MENA) region and the 19th best ecosystem among 132 countries worldwide. It is followed by Israel (21st), Qatar (24th), Bahrain (29th) and Saudi Arabia (36th). In contrast, Algeria (75th), Morocco (78th), Libya (79th), Iran (80th) and Egypt (89th) have the least favorable entrepreneurial ecosystem in the region. The GEI measures the quality and dynamics of a country's entrepreneurship environment by taking into account the micro and macro aspects of the ecosystem. It assesses the efficiency of ecosystems for start-ups and attempts to highlight the bottlenecks that erode the competitive advantages of new firms. The MENA region received an average score of 41.3 points in 2016 compared to the global average of 37.3 points. The MENA region's entrepreneurial ecosystem is better than that of Asia-Pacific (36.7 points), South & Central America & the Caribbean (31.2 points) and Sub-Saharan Africa (19.8 points), while it is worse than that of North America (64.4 points) and Europe (50.4 points). Also, the entrepreneurial ecosystem in Gulf Cooperation Council (GCC) countries is better than that of non-GCC Arab countries, with average scores of 51.6 points and 32 points, respectively.

Source: *Global Entrepreneurship Development Institute, Byblos Research*

##### MENA economic pessimism third highest globally

A survey conducted by opinion polling and consulting firm Gallup on economic optimism worldwide shows that 34% of respondents in the Middle East & North Africa (MENA) region are optimistic about their country's economic prospects in 2016, relative to 45% of adults worldwide who shared similar views about their economy. In comparison, the share of survey participants who are optimistic about their domestic economic outlook is 60% in West & South Asia, 53% in East Asia & Oceania, 45% in Sub-Saharan Africa (SSA), 31% in Latin America, 29% in Eastern Europe, 27% in North America and 14% in the European Union (EU). Also, 54% of adults in Saudi Arabia are optimistic about their economy's prospects for 2016, the highest optimism level in the MENA region. They were followed by Morocco (53%), Iran (33%), Turkey (32%), Algeria (28%), Tunisia (22%), Lebanon (20%), Palestine (14%) and Iraq (13%). Further, the survey shows that 32% of respondents in the MENA region are pessimistic about the prospects of their economy, compared to 22% of adults worldwide who shared similar views. The share of survey participants in the region who were pessimistic about their domestic economy was similar to that of Latin America, and lower than only in the EU (41%) and SSA (34%). In addition, 61% of respondents in Tunisia are pessimistic about the economic prospects of their country, the highest pessimism level in the region. They were followed by Iraq (58%) and Lebanon (52%); while Iran (27%), Saudi Arabia (22%) and Morocco (9%) had the lowest levels of pessimism in the region. The survey results are based on telephone and face-to-face interviews that were conducted between September and December 2015 with approximately 1,000 adults per country.

Source: *Gallup*

#### GCC

##### IPOs down 86% to \$1.5bn in 2015

The total number of Initial Public Offerings (IPOs) in the Gulf Cooperation Council (GCC) reached six issuances in 2015, constituting a drop of 64.7% from 17 deals in 2014 and accounting for 0.5% of total issuances worldwide. Further, the amount of capital raised through IPOs last year totaled \$1.48bn, a decline of 86.4% from \$10.9bn in 2014. The substantial decline in IPO activity in the GCC region was due to the sharp drop in global oil prices as well as to growing geopolitical concerns and global economic uncertainties. Saudi Arabia had four new issuances, while Kuwait and Oman recorded one issuance each. Further, corporates in the manufacturing sector had the highest number of issuances with two IPOs, while the transportation sector raised the largest amount of capital at about \$752m in 2015. In parallel, there were 191 IPOs in the GCC region between 2001 and 2015 that raised \$55.3bn. Saudi Arabia had 104 IPOs during the covered period, followed by the UAE (30 IPOs), Oman (22 IPOs), Qatar and Kuwait (14 IPOs each) and Bahrain (7 IPOs). Corporates in the financial services sector had 66 IPOs during the 2001-15 period, followed by firms in manufacturing firms (26 IPOs), oil & gas companies (16 IPOs), real estate corporates (13 IPOs), and telecom and power & utilities (11 IPOs each).

Source: *KAMCO, Byblos Research*

---

# OUTLOOK

---

## WORLD

### Mass migration and geopolitical volatility are main risks in coming 18 months

A survey conducted by the World Economic Forum shows that 52% of participants cited large-scale involuntary migration as the main global risk in the coming 18 months, followed by state collapse or crisis (28%), interstate conflict (26.3%), high structural unemployment or underemployment (26%) and failure of national governance (25.2%). The survey covered 750 leaders from industry, government, academia and civil society across the world, who were asked to review 29 global risks. The WEF defined global risk as an uncertain event or condition that, if it occurs, can cause significant negative impact on several countries or industries within the next 10 years.

Further, respondents in North America cited large-scale cyber attacks, extreme weather events and massive incident of data fraud & theft as three global risks that are most likely to occur in their region; while survey participants in Latin America & the Caribbean identified the failure of national governance, high structural unemployment or underemployment, and profound social instability. In addition, survey participants in Europe believed that large-scale involuntary migration, high structural unemployment or underemployment and fiscal crises are the main risks to most likely occur in their region; while respondents in the MENA region cited water crises, high structural unemployment or underemployment, profound social instability, and failure of national governance as the main risks that would face their region. Respondents in Sub-Saharan Africa identified the failure of national governance, high structural unemployment or underemployment, and failure of critical infrastructure as the main risks that would face their countries. Also, survey participants in Central Asia, including Russia, cited interstate conflict, energy price shocks and failure of national governance as the main risks that would face their region; those in East Asia & the Pacific identified natural catastrophes, extreme weather events and failure of national governance; while respondents in South Asia noted that water crises, high structural unemployment or underemployment and extreme weather events are the main risks that would face their countries.

Source: *World Economic Forum*

## GCC

### Pressure on currency pegs increases with extended period of low oil prices

Goldman Sachs indicated that Gulf Cooperation Council countries are committed to their pegged exchange rates due to their substantial buffers and because the benefits from a currency devaluation would not support their oil-dependent exports. It added that GCC authorities are reluctant to undermine the credibility of their currency pegs and would only consider a currency adjustment as a last-resort policy action. However, it said that the market is starting to doubt the sustainability of GCC pegs, given the rapid and accelerating depletion pace of foreign assets and as oil prices continue to fall. It noted that the market is assigning a 13.8% probability of a 10% devaluation of the Saudi riyal against the US dollar in the coming 12 months, and an 18.7% probability of a devaluation of the same magnitude in the next 24 months.

Goldman Sachs indicated that its probability estimates for a more than 20% currency devaluation in GCC economies have increased over the past six months due to lower oil prices. It provided probabilities for currency devaluation under different scenarios. Under a scenario of oil prices at \$30 p/b, it estimated that the probability of a currency adjustment could exceed 80% within three years in Oman and could reach 60% within five years in Bahrain. It noted that its devaluation probability would start rising in Saudi Arabia after six years, and would reach 50% within eight years. It did not expect lower oil prices to have a significant impact on devaluation probabilities in the UAE, Qatar and Kuwait in the coming 10 years due to their exceptionally strong fiscal buffers. Under a second scenario whereby oil prices stabilize at about \$50 p/b, devaluation risks decrease for Saudi Arabia, while Bahrain and Oman would benefit from an additional two years before adjusting their currencies.

Source: *Goldman Sachs*

## AFRICA

### Political risks and deteriorating public finances are main risks to growth

The World Bank projected economic growth in the developing countries of Sub-Saharan Africa (SSA) at 4.2% in 2016, down from a June forecast of 4.5%, and relative to growth rates of 4.8% for developing nations and 2.9% for the global economy. It added that its projections for the SSA region assume that commodity prices would stabilize and electricity constraints would ease. Still, it noted that this would constitute a rebound from an estimated growth rate of 3.4% in 2015, the weakest performance since 2009. It attributed the weaker-than-previously expected recovery in growth to low commodity prices, the normalization of U.S. monetary policy that is expected to tighten global financial conditions, and electricity supply bottlenecks. It forecast the region's oil-exporters to grow by 4.5% in 2016 compared to a growth rate of 3.3% in 2015, and projected economic activity in CFA franc countries to accelerate from 4.4% in 2015 to 5.7% in 2016.

The Bank anticipated that consumption dynamics among oil-exporters and importers in the region would continue to differ. It expected private consumption growth to remain weak in oil-exporting economies due to subsidy cuts and currency depreciation that would weigh on consumers' purchasing power. In contrast, it noted that lower inflation in oil-importing countries would support consumers. Further, it projected the slowdown in major emerging markets, low commodity prices and deteriorating growth prospects in many commodity exporters to result in lower FDI inflows to SSA. It also anticipated limited exploration and development activity in the region's oil & gas sector.

The Bank indicated that risks to the outlook are tilted to the downside. It said that domestic risks include political uncertainty associated with upcoming elections and the Boko Haram insurgency. It noted that deteriorating public finances and external positions in countries with large current account and fiscal deficits could lead to substantial currency pressure, higher inflation and lower business confidence. It pointed out that external risks include a further drop in commodity prices, a faster-than-expected slowdown in China, and a decline in capital inflows.

Source: *World Bank*



# ECONOMY & TRADE

## UAE

### Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook. It said that the ratings reflect the country's strong external position and its capacity to absorb economic shocks, as well as moderate public debt levels. It added that the ratings take into account the country's substantial hydrocarbon reserves, as well as Abu Dhabi's ample financial assets, with the assets managed by the Abu Dhabi Investment Authority at about 150% of GDP. It anticipated that Abu Dhabi would be willing to support federal institutions in the event of financial distress. It projected the UAE's real GDP growth to average 3.1% during the 2016-17 period, with growth in the services sector partially offsetting the impact of low oil prices on the overall economy. CI expected the consolidated budget deficit to narrow from an estimated 5.5% of GDP in 2015 to 4% of GDP in 2016 and 1.8% of GDP in 2017, based on an average oil price of \$35 per barrel (p/b) in 2016 and \$50 p/b next year, and assuming the proper implementation of the fiscal consolidation plan. It anticipated the UAE's external accounts to remain relatively strong, as it projected the current account balance to remain in surplus in 2016 and 2017. It noted that foreign currency reserves stood at about \$78.7bn at end-2015, or 23.2% of GDP, and expected them to remain at healthy levels over the medium term, which would provide adequate support to the currency peg and a buffer against external liquidity shocks.

*Source: Capital Intelligence*

## IRAN

### Ratings upgraded to 'BB-', outlook 'stable'

Capital Intelligence upgraded Iran's long-term foreign and local currency ratings from 'B+' to 'BB-', with a 'stable' outlook. It also affirmed the short-term foreign and local currency ratings at 'B'. It attributed the upgrade to the recent lifting of international economic and financial sanctions related to the country's nuclear program. It expected the reversal of sanctions to improve the country's medium term economic growth prospects, as it would allow Iran to regain access to frozen external financial assets, increase its hydrocarbon exports, restore access to cross-border funding and improve trade and investment. As such, it forecast Iran's growth rate to accelerate from 0.8% in the fiscal year that ended in March 2015 to between 4% and 5.5% in FY2015/16. It anticipated that the improved terms-of-trade and renewed access to foreign assets and capital would support the stability of the exchange rate and help contain high inflation. Further, it expected public finances to improve, but at a slow pace, due to the steep drop in global oil prices since mid-2014. It forecast the fiscal balance to shift from a small deficit in FY2015/16 to a surplus of 0.5% of GDP in FY2016/17. Further, it said that Iran's public debt level is low, while official foreign assets cover 15 months of imports and 10 times the amount of external debt payments due in 2016. But it noted that uncertainty persist about the liquidity of these assets. In parallel, the agency said that Iran's sovereign ratings are constrained by its heavy reliance on the hydrocarbon sector, limited data disclosure, fundamental weaknesses in the economy, expenditure rigidity, as well as a weak financial system, institutional shortcomings and complex internal politics.

*Source: Capital Intelligence*

## ARMENIA

### Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Armenia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+' and the Country Ceiling at 'BB-', with a 'stable' outlook on the long-term ratings. It said that the IDRs are mainly supported by Armenia's favorable business climate and increasing economic resilience, and are constrained by the country's vulnerability to external shocks, high levels of external and foreign currency debt, and elevated political risks. It indicated that Armenia has been resilient to the severe economic downturn in Russia and the drop in global commodity prices that resulted in severe financial pressures in Armenia in late 2014 and a sharp contraction in domestic demand in 2015. It said that the resilience reflects Armenia's strong trade performance, access to international financing and effective policy response. Still, it considered that it would be too early to declare that the external shock is over, given that oil prices, the Russian ruble and copper prices are currently well below their 2015 average with downward pressure on prices. Further, it said that the rebalancing of the economy and access to funding have eased the pressure on Armenia's external finances. It estimated the current account deficit to have narrowed to 4.3% of GDP in 2015, while it noted that foreign currency reserves increased from \$1.3bn at end-February 2015 to \$1.8bn at the end of December 2015. However, it indicated that the country's net external debt is high at 46.5% of GDP at end-2015 compared to a median of 21.5% of GDP among 'B'-rated peers. It pointed out that the Armenian dram has been broadly stable against the US dollar following its 14% depreciation between October 2014 and February 2015.

*Source: Fitch Ratings*

## ALGERIA

### Fiscal deficit projected at 9% of GDP despite fiscal measures

BMI Research projected Algeria's fiscal deficit at 8.7% of GDP in 2016 despite a more restrained fiscal policy, due to low global oil prices and the heavy reliance on hydrocarbon revenues. It said that the 2016 finance law constitutes the government's first real plan to address the fiscal crisis, largely through policies used during previous periods of low oil prices. It noted that authorities plan to increase import duties on fruits, computers and vehicles, raise the value-added tax on mobile internet services, and double the tax on telecom operators, among other revenue enhancing measures. It added that authorities have approved plans to restrict the imports of some goods, especially higher-value consumer goods and construction materials. Further, it said that the 2016 budget targets a 10% cut in public spending, mainly through lower capital expenditures. It added that the government's cost-cutting drive and restrictions on construction materials would negatively impact investment activity in transportation, power and energy sectors. It noted that investment in the country largely depends on public spending, with few other domestic sources available to fill the gap. Further, it said that Parliament has endorsed a modest rise in subsidized diesel, gasoline and electricity prices, but it did not expect more pronounced subsidy reforms in the near term. BMI considered that Algeria's large fiscal buffers would help it delay a steeper fiscal and economic adjustment. Still, it expected economic challenges to rise in coming years.

*Source: BMI Research*



# BANKING

## WORLD

### Small banks need to allocate more capital to meet revised market risk framework

Fitch Ratings anticipated that smaller banks would likely need to allocate more Pillar One capital to cover potential market risks, once the Basel Committee on Banking Supervision's revised market risk framework comes into force in 2019. It said that this would take place because smaller banks, mostly second-tier and less sophisticated banks, adopt the standardized approach to calculate market risk capital requirements. It added that some banks involved in straightforward commercial banking have sizeable derivative portfolios to hedge currency and interest-rate risks. As such, it noted that the shift from the standardized approach to the revised framework would entail steeper capital charges for interest rate, credit, foreign currency and commodity derivatives. However, it pointed out that market risk is low as a proportion of overall risks faced by banks, which means the additional capital that banks would need to earmark for market risk under the new rules should not be too difficult to allocate. In parallel, Fitch considered that the revised framework would overcome some of the shortcomings in the current framework. It noted that the new framework amends the assumption that all positions can be sold or hedged within 10 days. Also, the new framework addresses both the inability to assign capital, based on pricing model sensitivities, and the failure to fully capture risks associated with credit products, such as credit spread and jump-to-default risks. It said that banks with internal models that are used to calculate market risks are required to adopt the revised framework.

Source: Fitch Ratings

## EGYPT

### CBE decisions could weaken banks' asset quality

Fitch Ratings indicated that the Central Bank of Egypt's (CBE) new stimulus package for small and medium-sized enterprises (SMEs) could weaken the quality of bank loans over the medium term. It said that the government intends to increase credit extended to SMEs by EGP200bn, or \$25bn, during the 2016-20 period, which is equivalent to 26% of the banking sector's loans at end-September 2015. It considered that this could force domestic banks to lend to weaker borrowers in order to fulfill the lending quotas. Also, it noted that this could encourage banks to restructure existing corporate and SME loans to meet the lending quotas, which may result in understated asset quality indicators. Further, it indicated that the CBE has set an annual maximum lending rate of 5% for SME loans, which is well below the current yield on local treasury bonds of about 13% and lower than the normal commercial lending rates. It expected risk weights on SME portfolios to be reduced, but it noted that any shift from the zero risk weight on government bonds, which are equivalent to about 40% of the sector's aggregate assets, will be costly for the banks' capital levels. It anticipated that banks could seek greater incentives from the CBE to support the SME lending scheme, in order to compensate for low returns, higher capital charges and the higher default rates associated with SME lending. In parallel, the agency viewed the CBE's decision to cut exposure limits on consumer and corporate lending, as well as to set limits on investment in money market funds, to be moderately credit positive for banks.

Source: Fitch Ratings

## SAUDI ARABIA

### Authorities have wide options to defend peg

Merrill Lynch indicated that the Saudi Arabian Monetary Agency's decision to prohibit banks operating in the country from trading currency options on Saudi Riyal forwards aims to maintain the currency peg to the US dollar and limit speculation. It noted that Saudi authorities are committed to the currency peg to the US dollar, which is likely to hold over the medium term. It said that trading currency options contracts, along with tightening liquidity, could exacerbate the increase in interest rates and have cost implications for businesses. Merrill Lynch anticipated that authorities could further intervene either directly, indirectly or through prudential measures to limit speculation and defend the currency. It considered that the market could move to become entirely offshore or activity could turn instead to the foreign currency forward market, given the current liquidity squeeze in the currency options market. It noted that it would be difficult for authorities to stop activity in the foreign currency forward market, as this market is used for corporate hedging and by banks to access foreign liquidity. It added that banning activity in the foreign currency forward market would push banks to turn to the wholesale market to access foreign liquidity at a higher cost. Merrill Lynch did not expect authorities to amend the required reserves ratio or to increase the policy rate corridor in order to strengthen the interest rate support for the currency peg. It added that authorities continue to monitor domestic liquidity trends and are considering external debt issuance to mitigate it.

Source: Merrill Lynch

## GHANA

### Capital adequacy at 17.4%, NPL ratio at 14.1%

The International Monetary Fund indicated that the Ghanaian banking system is well capitalized, liquid and profitable, but it noted substantial variation across banks. The risk-weighted capital adequacy ratio (CAR) of banks operating in Ghana reached 17.4% at the end of October 2015 relative to 17.9% at end-2014; while the banks' Tier-One capital ratio stood at 14.3% at end-October 2015, down from 15.3% at end-2014. The Fund indicated that the Bank of Ghana imposed restrictions on dividend payments for banks with a CAR below the 13% minimum regulatory requirement. The sector's core liquid assets accounted for 26.3% of total assets at the end of October 2015 relative to 26.8% at the end of 2014; while they were equivalent to 34.6% of total short-term liabilities at end-October 2015, down from 34.8% at end-2014. Further, liquid assets were equivalent to 42.1% of total deposits at end-October 2015 relative to 42.5% at end-2014. In parallel, the sector's non-performing loans ratio rose from about 11% in June 2014 to 14.1% in October 2015, due to the depreciation of the Ghanaian cedi in the first half of 2015 and the economic slowdown. The Fund noted that the banks' asset quality deteriorated the most in the manufacturing sector that was affected by the exchange rate volatility and problems in energy provision. Also, the sector's provisions-to-NPL ratio decreased to 66.2% at end-October 2015 from 69.5% at end-2014. In parallel, the banks' annualized return on assets was 3.8% in October 2015 compared to 4.7% in 2014, while their annualized return on equity reached 36.8% in October 2015 relative to 44% in 2014.

Source: International Monetary Fund



## Crude oil prices to remain subdued in 2016

ICE Brent crude oil front-month prices averaged \$32 per barrel (p/b) so far in 2016, constituting a decline of 14.3% from the end of 2015 and a drop of 72.2% from its most recent peak of \$115.1 p/b in June 2014. Standard & Poor's pointed out that downward pressures on oil prices include an increase in crude oil inventories worldwide, the disagreement among OPEC members on cutting production, as well as the uncertainty surrounding demand from China. It added that the expected addition to the market of more than 500,000 barrels per day of Iranian oil following the removal of sanctions, the record high levels of oil production in Russia and the resilience of U.S. shale oil producers are also weighing on oil prices. In parallel, S&P revised downwards its projection for Brent crude oil price from \$55 p/b to \$40 p/b in 2016, and that for WTI price from \$50 p/b to \$40 p/b. S&P attributed the revisions to the ongoing oversupply in the global oil market. It also noted that it eliminated the \$5 price differential between Brent and WTI prices for 2016 following the lifting of the U.S. crude oil export ban.

Source: Standard & Poor's, Byblos Research

## Iraqi crude oil exports up 20% in 2015

Iraqi crude oil exports reached 1,097 million barrels in 2015, up by 19.5% from 918.2 million barrels in 2014. Also, the country's oil exports averaged 3 million barrels per day (b/d) in 2015, up by 19.3% from an average of 2.52 million b/d in 2014. Iraq generated more than \$49bn in oil export receipts during 2015 at an annual average oil price of \$44.56 per barrel. Iraq is currently the second-largest crude oil producer among OPEC countries.

Source: Iraq's Ministry of Oil, State Oil Marketing Organization, Byblos Research

## Angola to raise its diamond production in 2016

Angola expects its rough diamond production to reach 8.96 million carats in 2016, which would reflect an increase of 1.4% from 8.84 million carats in 2015. The country's diamond industry generated about \$1.11bn in revenues in 2015, down by 15% from \$1.32bn in 2014 due to a drop in the price of diamonds on international markets. Diamond production in Angola reached 880,115 carats for a total value of \$104.7m in December 2015, constituting a rise of 10.6% from 796,075 carats in the preceding month. Angola is currently the third largest diamond producer in Africa.

Source: Jornal de Noticias, allAfrica, Byblos Research

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

Crude oil consumption in the Middle East & Africa region is expected to average 12.4 million barrels per day (b/d) in the first quarter of 2016, which would constitute a rise of 2.3% 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. Further, the ME&A's non-OPEC oil supply is forecast to drop by 2.2% year-on-year to an average of 3.58 million b/d in the first quarter of 2016. In parallel, OPEC's crude oil production averaged 32.2 million b/d in December 2015, down by 0.7% from 32.4 million b/d in November. Saudi Arabia produced 10.1 million b/d in December, equivalent to 31.3% of OPEC's total oil output. It was followed by Iraq with 4.3 million b/d (13.4%), the UAE and Iran with 2.9 million b/d each (9% each), and Kuwait with 2.7 million b/d (8.4%).

Source: OPEC, Byblos Research

## Base Metals: Copper prices to ease in 2016

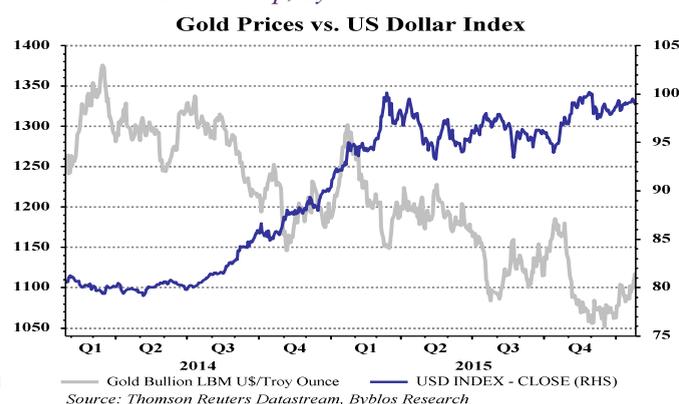
The LME cash price of copper averaged \$4,475 per ton so far this year, constituting decreases of 5% from the end of 2015 and of 56% from the all-time peak of \$10,180 per ton in mid-February 2011. Also, the metal's price reached its lowest level since November 2005 to close at \$4,328 per ton on January 15, 2016, as worries about China's economy weighed on demand expectations from the world's largest copper consumer. Further, copper prices are expected to average \$4,858 a ton this year, which would constitute the lowest annual average price for the metal since 2005. The drop in prices is attributed to weak demand growth in China as well as to the oversupply in the market of 150,000 tons this year. In parallel, global demand for refined copper is estimated to have decreased by 1.1% year-on-year to 18.85 million tons in the first 10 months of 2015. On a regional basis, demand for refined copper rose by about 1% in Africa, the Americas and Asia, while it dropped by 60% in Oceania and by 10% in Europe. The metal's global refined production rose by 1.8% to 18.9 million tons in the first 10 months of 2015. China was the main contributor to the growth in refined supply during the covered period, followed by the Democratic Republic of Congo and India.

Source: International Copper Study Group, Byblos Research

## Precious Metals: Gold prices to drop by 7% in 2016

Gold prices averaged \$1,105 a troy ounce in the fourth quarter of 2015, constituting decreases of 1.8% from \$1,125 a troy ounce in the third quarter and of 35.7% from its quarterly peak of \$1,718 a troy ounce in the fourth quarter of 2012. The drop in prices was mainly due to weaker investor demand, a stronger US dollar and to investors' anticipation of an increase in U.S. interest rates. Rising interest rates typically have negative implications on gold prices, as investors shift towards yield-bearing assets. In parallel, the metal's global mine output declined by 4% annually to 767 tons in the fourth quarter of 2015, and is expected to remain on a downward trend in 2016 due to lower production at maturing mines and a lack of new mines coming on stream. Gold mining companies continue to focus on aggressive cost reduction, supported by lower oil prices, improved efficiency and the depreciating currencies of producers. Overall, the metal's price is projected at \$1,075 a troy ounce in 2016, which would constitute a drop of 7.3% from an average of \$1,160 a troy ounce in 2015. Downside pressures on the metal's price include further monetary tightening in the U.S. and a higher-than-expected appreciation of the US dollar. In contrast, upside pressures include a significantly weaker U.S. economic growth, rising geopolitical risks as well as stronger demand from consumers, central banks and investors.

Source: World Bank Group, 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	IHS								
<b>Africa</b>													
Algeria	-	-	-	-	BB+	-14.8	16.6	1.6	7.3	1.0	-	-18.5	1.1
Angola	B+	Ba2	B+	-	B+	-3.5	57.4	38.3*	101.7	13.5	-	-7.6	-1.8
Egypt	B-	B3	B	B-	B-	-10.3	92.7	20.7	154.6	6.1	-	-3.8	-
Ethiopia	B	B1	B	-	B+	-2.8	22.6	24.5*	-	-	-	-12.5	3.5
Ghana	B-	B3	B	-	B+	-7.3	72.8	44.9	117	-	-	-8.7	8.2
Ivory Coast	-	Ba3	B+	-	B+	-3.7	47.9	38.8	-	-	-	-2.3	-2.1
Libya	-	-	B	-	B-	-60.8	61.8	16.3	38.7	6.5	-	-53.7	-
Dem Rep Congo	B-	B3	-	-	CCC	0.5	19.7	14.9*	-	3.4	-	-7.5	4.7
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	61.6	43.4	114.2	16.8	-	-2.0	2.6
Nigeria	B+	Ba3	BB-	-	BB-	-3.9	11.9	4.9	39.2	0.5	-	-1.6	0.4
Sudan	-	-	-	-	CC	-1.8	71.5	57.8	-	-	-	-5.8	-
Tunisia	-	Ba3	BB-	-	BB+	-6.5	54.4	81.5	173.0	11.5	-	-13.5	2.3
Burkina Faso	B	-	-	-	B+	-2.5	33.2	23.3*	-	-	-	-7.9	0.5
Rwanda	B+	-	B	-	B+	-3.2	32.7	25.9*	-	-	-	-10.6	3.3
<b>Middle East</b>													
Bahrain	BBB-	Baa3	BBB-	BBB-	BBB	-12.7	59.3	165.4	-	-	-	-2.6	-
Iran	-	-	-	BB-	BB-	-3.1	15.7	1.8	8.2	-	-	-0.8	-
Iraq	B-	(P)Caa1	B-	-	CC+	-21.9	66.9	51.6	169.6	-	-	-13.5	-
Jordan	BB-	B1	-	BB-	BB+	-3.9	92.8	75.4	188.8	-	-	-2.7	-
Kuwait	AA	Aa2	AA	AA-	AA-	7.0	10.4	34.8	50.6	-	-	9.7	-
Lebanon	B-	B2	B	B	B-	-7.6	140.1	162.4	-	18.3	-	-14.9	5.5
Oman	BBB+	A1	-	A	A-	-15.6	8.3	22.1	35.5	-	-	-12.5	-
Qatar	AA	Aa2	AA	AA-	AA-	1.5	39.9	101.0	180	-	-	4.4	-
Saudi Arabia	A+	Aa3	AA	AA-	AA-	-21.0	8.2	16.5	41.6	-	-	-2.8	-
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-	-4.0	-	46.5	48.9	-	-	2.6	-
Yemen	-	-	-	-	CCC	-	-	-	-	-	-	-	-



# 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	IHS								
<b>Asia</b>													
Armenia	-	Ba3	B+	-	B-	-3.9	48.2	80.5	264.7	5.8	-	-4.9	3.1
	-	Negative	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-1.9	43.2	8.3	32.9	2.7	-	3.1	-
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-7.2	65.3	19.5	14.5	6.9	-	-1.4	-
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB+	-	BBB-	-3.2	18.1	79.8	284.8	54.3	-	-3.3	-2.5
	Stable	Positive	Stable	-	Negative								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BBB-	-2.0	28.6	101.2	142	23.2	-	1.0	-
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-1.8	40.9	65.4	133.5	21.1	-	-0.7	-
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-5.7	20.4	40.4	120.2	23.3	-	5.0	-
	Negative	-	Negative	-	Negative								
Turkey	BB+	Baa3	BBB-	BB+	BB-	-0.8	32.1	54.0	128.0	31.4	-	-4.5	-
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-4.2	94.4	122.0	199.0	28.4	-	-1.7	-
	Negative	Negative	-	-	Negative								

\*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	0.25-0.50	27-Jan-16	No change	16-Mar-16
Eurozone	Refi Rate	0.05	21-Jan-16	No change	10-Mar-16
UK	Bank Rate	0.50	14-Jan-16	No change	04-Feb-16
Japan	O/N Call Rate	0.00-0.10	18-Dec-15	No change	29-Jan-16
Australia	Cash Rate	2.00	01-Dec-15	No change	02-Feb-15
New Zealand	Cash Rate	2.50	28-Jan-16	No change	09-Mar-16
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Dec-15	No change	17-Mar-16
Canada	Overnight rate	0.50	20-Jan-16	No change	09-Mar-16
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	21-Oct-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	27-Jan-16	No Change	N/A
Taiwan	Discount Rate	1.63	17-Dec-15	Cut 13bps	31-Mar-16
South Korea	Base Rate	1.50	14-Jan-16	No change	16-Feb-16
Malaysia	O/N Policy Rate	3.25	21-Jan-16	No change	09-Mar-16
Thailand	1D Repo	1.50	16-Dec-15	No change	03-Feb-16
India	Reverse repo rate	6.75	01-Dec-15	No change	02-Feb-16
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Reverse repo rate	0.50	16-Dec-15	Raised 25bps	N/A
Egypt	Overnight Deposit	9.25	17-Dec-15	Raised 50bps	29-Jan-16
Turkey	Base Rate	7.50	19-Jan-16	No change	23-Feb-16
South Africa	Repo rate	6.25	19-Nov-15	Raised 25bps	28-Jan-16
Kenya	Central Bank Rate	11.50	16-Jan-16	No change	18-Mar-16
Nigeria	Monetary Policy Rate	11.00	24-Nov-15	Cut 200bps	22-Mar-16
Ghana	Prime Rate	26.00	16-Nov-15	Raised 100bps	29-Jan-16
Angola	Base rate	11.00	21-Dec-15	Raised 50bps	25-Jan-16
Mexico	Target Rate	3.25	17-Dec-15	Raised 25bps	04-Feb-16
Brazil	Selic Rate	14.25	20-Jan-16	No change	02-Mar-16
Armenia	Refi Rate	8.75	22-Dec-15	Cut 100bnps	10-Feb-16
Romania	Policy Rate	1.75	07-Jan-16	No change	05-Feb-16
Bulgaria	Base Interest	0.01	30-Dec-15	No change	01-Feb-16
Kazakhstan	Repo Rate	16.00	02-Oct-15	Raised 400bps	N/A
Ukraine	Discount Rate	22.00	28-Jan-16	No change	03-Mar-16
Russia	Refi Rate	11.00	11-Dec-15	No change	18-Mar-16



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](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

---

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



---

# 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 7518 8100  
Fax: (+ 44) 20 7518 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

