

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### AFRICA

##### Sub-Saharan Africa's sovereign borrowing from commercial sources at \$37bn in 2016

Standard & Poor's projected the aggregate long-term sovereign borrowing from commercial sources by the 18 countries that it rates in Sub-Saharan Africa (SSA) at \$37bn in 2016, which would constitute a decrease of 19.6% from \$46bn in 2015. It attributed the drop to an expected decline in borrowing by South Africa and Angola due to fiscal consolidation. South Africa would hold 36.3% of total commercial long-term borrowing in 2016, followed by Angola (23.5%), Nigeria (14.5%) and Kenya (9.1%). S&P said that \$14bn, or about 37.8% of total sovereign borrowing, would be used to refinance maturing long-term debt, which would result in net borrowing requirements of \$23bn in 2016. In parallel, S&P forecast the total sovereign commercial debt stock of the 18 countries to increase from \$283bn at end-2015 to \$300bn at the end of 2016, and to consist of \$53bn in short-term debt and \$247bn in medium- and long-term debt. South Africa would account for 48% of the commercial debt stock at end-2016, followed by Nigeria (14.3%), Angola (12.8%) and Kenya (8.7%). Further, gross long-term sovereign commercial borrowing would be equivalent to 4% of the aggregate GDP of the 18 economies this year, while the total commercial debt stock would be equivalent to 32.6% of their GDP. S&P expected the region's Eurobond issuance in 2016 to require higher premiums given the challenging macroeconomic conditions for many SSA sovereigns and the subdued outlook of commodity prices.

Source: Standard & Poor's

#### MENA

##### Factors for sustained growth vary across MENA countries

KPMG International's 2015 Variables for Sustained Growth Index indicated that the UAE had the best labor and capital productivity in the Middle East & North Africa region and the 24th highest among 181 countries globally. Israel (27th), Qatar (28th), Bahrain (37th) and Saudi Arabia (42nd) followed as the top ranked MENA countries on the index, while Djibouti (162nd), Iraq (167th), Syria (169th), Yemen (175th) and Sudan (177th) came in last place regionally. The index is composed of 21 indicators that have a significant impact on the productivity of a country's labor and capital stock and, in turn, on its long-term economic growth and wealth. The indicators are grouped into five pillars, while scores range between zero and 10, with a higher score reflecting higher productivity. The MENA region's simple average score was 4.27 points on the index, lower than the global average of 4.62 points. The GCC countries had an average score of 5.85 points, while the non-GCC Arab countries' score was 3.33 points. Iran had the best score on the Macroeconomic Stability category that assesses government deficit and debt. The UAE ranked first on the Openness to Catch Up in Best Practice and Infrastructure Quality categories. Also, the UAE and Qatar came in first place on the Strength of Public Institutions category.

Source: KPMG, Byblos Research

##### Unemployment rate at 10% in 2015, second highest in the world

The International Labor Organization estimated the unemployment rate in the Arab countries of the Middle East region at 10.1% in 2015 compared to a global rate of 5.8%, with rates of 4.7% for GCC economies and of 15.2% for non-GCC Arab economies. It said that the unemployment rate in the Arab countries of the Middle East is, along with that in the North, South & Western Europe, the second highest worldwide in 2015, behind only that in North Africa (12.1%). It expected the unemployment rate in Middle Eastern Arab economies to be nearly unchanged at 10.2% in 2016, with a rate of 4.6% in GCC countries and of 15.4% in non-GCC Arab countries. In parallel, the ILO estimated the vulnerable employment rate in Middle Eastern Arab economies at 18% in 2015, with rates of 2.7% in GCC countries and of 34.2% in non-GCC countries, relative to a global rate of 46.1%. The ILO defined vulnerable employment as the share of self-employed and unpaid family workers in total employment. It noted that these categories of workers are typically subject to high levels of instability, as they often have limited access to social protection plans. It said that the vulnerable employment rate in Middle Eastern Arab economies was the fourth lowest worldwide last year, behind only North, South & Western Europe (11.5%), Eastern Europe (11.2%) and North America (6.5%). It expected the vulnerable employment rate in Arab countries to slightly decrease to 17.7% in 2016, with a rate of 2.7% in GCC countries and of 33.3% in non-GCC Arab countries.

Source: International Labor Organization

##### Energy architecture of MENA countries lags global levels

The World Economic Forum ranked Morocco in first place among 18 countries in the Middle East & North Africa region and in 59th place globally among 126 countries on its Energy Architecture Performance Index for 2016. Tunisia (63rd), Algeria (71st) and Libya (82nd) followed as the top ranked countries on the index, while the lowest ranked countries were Iran, which came in 117th place worldwide, Yemen (124th), Lebanon (125th) and Bahrain (126th). The EAPI's seven-year trend shows that Morocco's rank rose by 13 spots from the 2009 survey and posted the best improvement regionally, while Algeria's rank dropped by 17 spots and represented the steepest decline in the MENA region. The index assesses the performance of energy systems across three fundamental objectives that are delivering economic growth, achieving economic growth in an environmentally-sustainable way, and providing universal energy access and security. The scores and ranks of each country are based on how well its current energy architecture contributes to the three objectives. Scores range between zero and one, with a higher score reflecting better performance. The MENA region received an average score of 0.51 points, lower than the global average of 0.6 points. Also, the region's score was the lowest among all regions, while Nordic economies (0.74 points) posted the best performance.

Source: World Economic Forum, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### Banking sectors to face volatile conditions

Standard & Poor's indicated that low oil prices, local currency depreciation and legacy non-performing loans are the main threats for banking sectors in emerging Europe, the Middle East, and Africa (EMEA) in 2016. It noted that the economic slowdown in some EMEA countries would likely lead to weaker growth in lending, narrower margins, higher borrowing costs and lower profits for banks. It said that banks in oil-dependent countries like Russia, Nigeria, Azerbaijan and Kazakhstan, as well as those in the Gulf Cooperation Council (GCC) countries, continue to feel the pressure of low hydrocarbon prices. It expected banking business growth to slow in oil-exporting economies due to weaker economic activity and to deteriorating domestic liquidity conditions and asset quality. It expected GCC banks' asset quality metrics to decline in 2016 due to the economic slowdown. It anticipated tighter liquidity conditions in GCC banking systems due to lower public sector deposits, which would increase the cost of funding for banks. However, it noted that GCC banks have generally sound asset quality and strong capitalization, which makes them better prepared for deterioration in operating conditions.

Further, S&P estimated that banks in Kazakhstan, Belarus, Ukraine, Azerbaijan and Nigeria are the most vulnerable to foreign exchange risk, followed by those in Russia, Georgia and Turkey. It added that foreign-currency denominated loans are the key source of risks for banks in Central & Eastern Europe.

In parallel, S&P indicated that country-specific factors represent a threat for some EMEA banking systems. It pointed out that geopolitical uncertainties in Turkey, the ongoing tensions between Russia and the West, and instability in Ukraine are putting additional pressure on local banks. Also, it said that investors' appetite for emerging markets have subsided in 2015, as reflected by increased outflows from the region. It expected this trend to continue in 2016, which would reduce the sources of funding in emerging markets that have traditionally relied on foreign investment, such as Turkey. It noted that the main risks for Turkish banks are funding and asset quality vulnerability.

*Source: Standard & Poor's*

## GCC

### Low oil prices to maintain pressure on public finances and non-oil sector

Regional investment bank EFG Hermes anticipated most GCC economies to post fiscal and current account deficits in 2016, given that their fiscal and external breakeven oil prices significantly exceed the projected average oil price of \$35 per barrel this year. It expected Oman to post the widest fiscal deficit at 22% of GDP in 2016, followed by Saudi Arabia (14.5% of GDP), the UAE (7.6% of GDP), Kuwait (5.1% of GDP) and Qatar (0.6% of GDP). In parallel, it projected Oman's current account balance to post the widest deficit among GCC countries at 24.2% of GDP in 2016, followed by Saudi Arabia (14% of GDP), Kuwait (6% of GDP) and the UAE (1.9% of GDP), while it forecast Qatar to post a double digit current account surplus this year. EFG Hermes excluded Bahrain from its coverage.

EFG Hermes added that lower oil prices have led to cuts in public spending, as well as to fiscal consolidation, weakening confidence amid rising economic and policy uncertainty, and tightening liquidity conditions. It considered that GCC governments need to adopt a mix of funding options to finance their deficits in the medium term, rather than just relying on foreign reserves and domestic borrowing.

It forecast the weighted real non-oil GDP growth of the GCC region, excluding Bahrain, to decelerate from 4.1% in 2015 to 2.9% in 2016, well below the average growth rate of 6% posted during the 2011-14 period. It expected Qatar to post the highest non-oil real GDP growth rate among GCC economies at 4.3% in 2016 and for Oman to post the lowest rate of 1%. EFG Hermes noted that GCC monetary authorities are committed to maintain their currency pegs to the US dollar over the short term. But it said that the pegs' sustainability in the medium term depends on the progress of fiscal consolidation and revenue diversification.

*Source: EFG Hermes*

## IRAQ

### Non-oil activity to contract by 4% in 2016

The Institute of International Finance projected Iraq's real GDP growth to decelerate from 2.2% in 2015 to 0.9% in 2016. It noted that the drop in global oil prices and the ongoing war with Islamic State (IS) militants have severely impacted Iraq's non-oil economy, public finances and external balance. It projected the non-hydrocarbon sector to shrink by 4% in 2016 following a contraction of 8% last year. But it noted that the IS insurgency did not constrain the expansion of the hydrocarbon sector. It forecast hydrocarbon output to grow by 5% in 2016 compared to a growth rate of 12.5% in 2015. It indicated that risks to the medium-term outlook include the intensification of the conflict with IS, worsening security conditions in the South, domestic political tensions and poor policy implementation.

In parallel, the IIF forecast the fiscal deficit to widen from 15.3% of GDP in 2015 to 19% of GDP in 2016, as it did not expect fiscal consolidation efforts to offset the drop in hydrocarbon revenues. Still, it projected the fiscal breakeven oil price to decline from \$81 p/b in 2015 to \$67 p/b in 2016, but to remain above oil prices. It noted that authorities have financed most of the deficit through borrowing from the domestic banking system and through the use of foreign currency reserves. It estimated foreign currency reserves to have dropped from a peak of \$76.1bn in 2013 to \$48bn in 2015, and expected them to decline to \$30.4bn this year. It forecast the public debt level to rise from 60.4% of GDP at end-2015 to 81% of GDP at the end of 2016. The IIF estimated that the authorities' current fiscal measures would be insufficient to achieve the needed medium-term fiscal consolidation if oil prices remain below \$40 p/b through 2020. It added that Iraq would run out of liquid financial assets in less than four years and its debt-to-GDP ratio would exceed 100% by 2020. Further, it projected the current account deficit to widen from 10% of GDP in 2015 to 13% of GDP this year. It expected the Central Bank of Iraq to maintain the dinar's peg against the US dollar, provided that the fiscal deficit narrows. But it noted that the exchange rate adjustment may be a matter of time rather than choice if oil prices remain at low levels in the medium term.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## GCC

### **Bahrain's ratings downgraded, ratings of five GCC sovereigns on review for possible downgrade**

Moody's Investors Service downgraded Bahrain's government issuer rating by one notch from 'Baa3' to 'Ba1' and placed it under review for possible further downgrade. It also lowered Bahrain's foreign currency bond ceiling from 'Baa1' to 'Baa2' and its foreign currency deposit ceiling from 'Baa3' to 'Ba2'. It attributed the downgrades to the significant deterioration in the country's public finances, balance of payments and economic performance. It expected Bahrain's fiscal deficit to widen from 13.4% of GDP in 2015 to an average of 15% of GDP between 2016 and 2018 as it did not anticipate a clear policy response to the low oil price environment. As such, it forecast the government debt to grow from 61% of GDP in 2015 to around 100% of GDP by 2018. In addition, it projected Bahrain's current account deficit to average 6.6% of GDP in the 2016-18 period. The agency noted that Bahrain has thin foreign currency buffers, which it forecast to drop to \$5bn by the end of 2017. In parallel, Moody's placed under review for possible downgrade the long-term issuer ratings of Saudi Arabia, Kuwait, the UAE and Qatar. It said that the sharp fall in oil prices has weakened the four countries' credit profiles. It noted that authorities have introduced several measures to mitigate the impact of low oil prices on their respective economies and balance sheets. It added that the review will allow it to assess the credibility and sustainability of those measures and the governments' ability to mitigate the impact of the low oil prices.

*Source: Moody's Investors Service*

## AFRICA

### **Angola and Nigeria's sovereign ratings on review for possible downgrade**

Moody's Investors Service placed Nigeria's 'Ba3' and Angola's 'Ba2' government bond and issuer ratings on review for possible downgrade, reflecting the uncertainty over the credibility and sustainability of both countries' plans and ability to mitigate the impact of lower oil prices on their credit profile. It indicated that the sharp drop in oil prices has weakened economic activity and the government's balance sheet of the two countries. It estimated Nigeria's fiscal deficit to have widened from 2.3% of GDP in 2013 to 4.2% of GDP in 2015, while it noted that Angola's fiscal surplus of 3% of GDP in 2013 has shifted to a deficit of 2% of GDP last year. It anticipated that a prolonged period of low oil prices would lead to wider fiscal deficits and larger debt burdens for the two economies in coming years. Also, it said that Nigeria's current account surplus of 3.7% of GDP in 2013 shifted to a deficit of 2.8% of GDP in 2015, while Angola's surplus of 6.7% of GDP in 2013 shifted to a deficit of 5.7% of GDP last year. Further, Moody's indicated that the Nigerian naira has depreciated by about 25% since the beginning of the drop in oil prices, while the Angolan kwanza has lost about 50% of its value between January 2015 and February 2016. It said that external buffers decreased in both countries, as Nigeria's foreign currency reserves fell from \$42.8bn in 2013 to \$28.4bn last year, and Angola's reserves declined from \$32bn at end-2013 to \$24.7bn at end-2015. Further, it estimated Nigeria's fiscal buffer at about 0.8% of GDP in 2016, and Angola's buffer at 26% of GDP this year.

*Source: Moody's Investors Service*

## IRAQ

### **Ratings affirmed, outlook revised to 'negative'**

Fitch Ratings affirmed Iraq's long-term foreign currency Issuer Default Rating (IDR) at 'B-' and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the significant deterioration in Iraq's public finances and external position due to the decline in global oil prices. It projected Iraq's fiscal deficit to widen from an estimated 8.2% of GDP in 2015 to 15% of GDP in 2016, in case the country's crude oil exports remain at their current levels of about 3.3 million barrels per day and that the government implements modest spending cuts. The agency considered that the issuance of a \$2bn Eurobond in 2016 would be contingent on securing a Stand-By Agreement with the IMF. It expected Iraq's public debt level to rise from 56% of GDP at the end of 2015 to more than 70% of GDP in 2016 and 2017. But it said that the debt stock includes funds provided by GCC countries during the 1980-88 Iran-Iraq war and the accumulated interest rates on these funds, which reached 24% of GDP in 2015. It noted that Iraq does not face pressure to repay or service this debt. Further, it forecast Iraq's current account deficit to average 9% of GDP annually during the 2016-17 period, which would weigh on foreign currency reserves. It expected foreign reserves to drop from \$53bn at end-2015 to less than \$40bn at end-2016 and to cover about eight months of current account payments. It anticipated that the Central Bank of Iraq would maintain the dinar's peg against the US dollar. Further, the agency noted that its ratings on Iraq reflect the country's political risks and insecurity, as well as its high oil production and weak banking sector.

*Source: Fitch Ratings*

## TUNISIA

### **Agencies take actions on sovereign ratings**

Fitch Ratings revised the outlook on Tunisia's 'BB-/BB' long-term foreign and local currency Issuer Default Ratings to 'negative' from 'stable' due to weakening economic prospects, deteriorating public finances and increased political and geopolitical risks. Fitch revised downward its projections for real GDP growth to 1.2% this year from 2% previously and to 2% in 2017 from an earlier forecast of over 3%, due to increased security risks in the country. Further, it estimated the fiscal deficit at 5.3% of GDP in 2015, as wage increases and bank recapitalization costs have offset savings from reduced energy subsidy costs. It noted that the 2016 budget falls short of improving the budget composition, with the public-sector wage bill still consuming about 60% of revenues. It projected the public debt level to rise from 53% of GDP at end-2015 to 58.4% of GDP by 2017. In addition, Fitch indicated that the country's external finances continue to be a key weakness for the ratings. It projected the current account deficit to narrow from 8.7% of GDP in 2015 to a still wide 7.5% of GDP in 2016 and 2017. It noted that Tunisia is increasingly reliant on official external creditors to finance its foreign financing gap. It forecast Tunisia's external liquidity ratio to be low at 102% in 2016 and for foreign exchange reserves to cover 3.3 months of current external payments. In parallel, Moody's Investors Service affirmed Tunisia's government issuer rating at 'Ba3', with a 'stable' outlook. It indicated that the current rating incorporates the recent increase in security risks and the political developments that could delay the progress of structural reforms.

*Source: Fitch Ratings, Moody's Investor Service*



# BANKING

## SAUDI ARABIA

### Banks to benefit from sovereign bond issuance

Jadwa Investment estimated the excess liquidity in the Saudi banking system at SAR356bn, equivalent to \$94.9bn at the end of January 2016, constituting a decline of 20.5% from SAR448bn, or \$119.5bn a year earlier. It considered that the excess liquidity would be sufficient to finance part of the kingdom's fiscal deficit over the medium term, assuming that the government continue to finance its deficit through bond issuance and by using foreign currency reserves. It expected the Saudi Arabian Monetary Authority (SAMA) to allow other investors, such as investment companies, insurance firms and family offices, to subscribe to sovereign bonds in the event of pressure on liquidity. However, it said that allowing other local investors to subscribe to government debt could squeeze liquidity in the economy and lead to sovereign bond issuance in foreign currency. In addition, it noted that government debt would provide an additional source of stable income for banks to diversify their loan portfolio and to reduce credit risks in the current period of rising interest rates. It projected net sovereign bond issuance to banks and other public institutions to rise from SAR98bn, or \$26.1bn, in 2015 to SAR120, or \$32bn, in 2016. In parallel, Jadwa Investment anticipated that SAMA would be cautious in responding to the increase in U.S. interest rates. It said that higher U.S. interest rates would lead to higher repo rates in Saudi Arabia, which would be a cause for concern, given that the prevailing negative sentiment from lower oil prices is already leading to higher borrowing costs. Still, it considered that higher rates would benefit Saudi banks through higher profitability because a large share of their liabilities is in the form of non-interest bearing demand deposits. It pointed out that the impact of higher rates on credit demand is limited, given that public spending drives credit demand in the country.

Source: *Jadwa Investment*

## OMAN

### Ratings on five banks downgraded

Moody's Investors Service downgraded the long-term foreign and local currency deposit ratings of Bank Muscat from 'A1' to 'A3', those of Oman Arab Bank from 'A2' to 'Baa1', and those of Bank Dhofar, National Bank of Oman and HSBC Bank Oman from 'A3' to 'Baa1'. It attributed the downgrades to its similar action on Oman's sovereign ratings, which reflects the government's weakening capacity to support the banking sector in case of need. It also placed the banks' deposit ratings on review for further downgrade, reflecting a potential downgrade of Oman's sovereign rating and the agency's ongoing assessment of the government's willingness to support banks in case of need. Moody's indicated that the downgrades take into account the weakening of the banks' operating environment, with declining business volumes, falling investment, tighter liquidity and reduced consumer confidence. It expected these developments to negatively impact the banks' funding, profitability and asset quality. Therefore, it lowered the banking sector's macro profile from "Moderate+" to "Moderate". As such, Moody's downgraded the standalone baseline credit assessment (BCA) of Bank Muscat from 'baa1' to 'baa2' and that of Oman Arab Bank from 'baa2' to 'ba1', while it maintained the 'ba1' BCA on Bank Dhofar, National Bank of

Oman and HSBC Bank Oman. Also, it placed the BCA of Bank Muscat, Oman Arab Bank and Bank Dhofar on review for further downgrade, which signals the high sensitivity of the three banks' credit profiles to a weakening operating environment.

Source: *Moody's Investors Service*

## ALGERIA

### Algeria no longer subject to FATF monitoring

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Algeria has made significant progress to improve its AML/CFT regime. It noted that authorities have established the legal and regulatory framework that was necessary to meet its commitments in its action plan about the strategic deficiencies that the FATF had identified in October 2011. As such, it declared that Algeria is no longer subject to monitoring under its ongoing global AML/CFT compliance process. It indicated that Algeria will work with the FATF-style regional body MENAFATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Source: *Financial Action Task Force*

## NIGERIA

### Low oil prices to weigh further on banks' performance

Standard & Poor's considered that the drop in oil prices and the depreciation of the Nigerian naira are the two major challenges facing Nigerian banks in 2016. It anticipated that low oil prices, slower economic growth and tighter liquidity would likely weaken domestic lending growth and the banks' asset quality over the next two years. It expected the banks' credit losses to increase by up to 2% and for their non-performing loan (NPLs) ratio to potentially exceed the 5% regulatory limit. It said that banks usually lend to the oil sector in foreign currency, which increases credit risk in the banking sector given the naira's ongoing depreciation. It said that the banks' exposure to the public sector and to local states could exacerbate the credit risk for banks. S&P anticipated the naira to depreciate further over the next 12 months if oil prices remain at low levels. It noted that US dollar liquidity is not well managed across the banking sector, where many banks rely on credit lines from the Central Bank of Nigeria and foreign banks in case of need. It anticipated that the weak management of foreign liquidity, along with the weakening naira and lower foreign currency reserves, would affect the banks' ability to repay their US dollar liabilities. It expected profitability to be muted across the sector, but with large differences between top-tier banks and the rest of the sector.

In parallel, Moody's Investors Service placed on review for downgrade the long-term ratings of Access Bank, Sterling Bank and Bank of Industry. The ratings' review follows a similar action on the sovereign ratings and reflects the potential weakening of the government's capacity and willingness to provide support to the banks in times of stress.

Source: *Standard & Poor's, Moody's Investors Service*



# ENERGY / COMMODITIES

## Crude oil prices to rise in second half of 2016

ICE Brent crude oil front-month prices reached their highest level in three months to close at \$41 per barrel (p/b) on March 9, up by about 15% from the end of 2015. The price increase is mainly due to the markets' expectations that the world's largest oil exporters could agree to freeze output by the end of the month to reduce the market oversupply. However, BMI Research forecast crude oil prices to remain at low levels this month and to mostly trade between \$25 p/b and \$40 p/b, as a drop in global oil demand offsets possible output cuts. It expected crude oil prices to improve to between \$40 p/b and \$55 p/b in the second half of 2016, driven in part by an accelerated decline in U.S. shale oil output and stronger seasonal demand. BMI forecast Brent oil prices to average \$40 p/b in 2016 and WTI crude oil prices to average \$39.5 p/b, in line with Bloomberg's consensus prices. In parallel, the Bloomberg Energy Total Return Sub-Index dropped by 9.3% in February and by 16% in the first two months of 2016, while the Petroleum Sub-Index decreased by 3.2% last month and by 12.4% from end-2015. Also, the Bloomberg WTI Crude Oil Total Return Sub-Index regressed by 6.8% in February and by 18% in the first two months of the year, while the Brent Crude Oil Sub-Index fell by 0.7% last month and by 8.1% from end-2015.

Source: BMI Research, Bloomberg Indexes, Byblos Research

## Kurdish oil exports down 46% in February 2016

The Kurdistan Regional Government's crude oil exports totaled 10.15 million barrels in February 2016, down by 45.6% from 18.66 million barrels in the preceding month. On a daily basis, Kurdish oil exports fell by 41.8% month-on-month to an average of 350,067 b/d in February. All oil exports were channeled through the northern port of Ceyhan in the covered month. Export activity regressed due to the sabotage of the Ceyhan pipeline in mid-February, which caused operations to be halted for 13 days during the month.

Source: KRG Ministry of Natural Resources

## Nigeria reorganizes state-owned oil company

The Nigerian President approved the restructuring of the Nigerian National Petroleum Corporation (NNPC) into seven new independent units that include an upstream, downstream, gas and power units, as well as a division in charge of refineries. The move comes as part of the ongoing restructuring at the state-owned oil company to help combat corruption and mismanagement, while improving its productivity. In parallel, oil workers in Nigeria have shut down the operations of the NNPC nationwide following the announcement of the firm's reorganization. Nigeria's crude oil & condensate export receipts totaled \$4.74bn in 2015, of which \$3.2bn were generated from crude oil exports and \$1.3bn from gas exports.

Source: BusinessDay, Nigerian National Petroleum Corp.

## ME&A's steel output down 13% in January 2016

The Middle East & Africa region's crude steel production totaled 3.2 million tons in January 2016, down by 12.6% from 3.7 million tons in the same month of 2015, and accounted for 2.5% of global steel output. Iran produced 1.3 million tons in January 2016, equivalent to about 40.6% of the region's total output. It was followed by South Africa with 0.65 million tons (20.3%), Egypt with 0.39 million tons (12.1%), the UAE with 0.3 million tons (8.8%) and Saudi Arabia with 0.28 million tons (8.7%).

Source: World Steel Association, Byblos Research

## Base Metals: Copper prices to drop by 15% in 2016

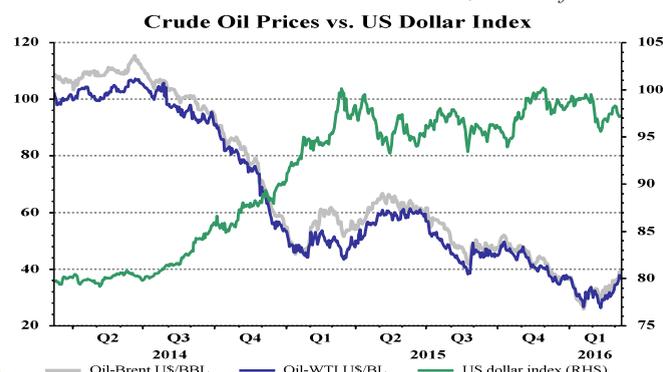
The LME cash price of copper reached its highest level in four months to close at \$5,037 per ton on March 4, 2016. The increase in prices was mainly due to the recent favorable U.S. economic data, which raised investors' prospects that the global economy could be recovering. Also, expectations of additional stimulus measures to support economic growth in China increased investors' hopes of growing demand for the metal. However, the price improvement was short-lived and the metal's price dropped to \$4,945 per ton on March 9, as weak Chinese trade data raised concerns about demand from the world's largest copper consumer. In parallel, Goldman Sachs anticipated that the deleveraging in China and emerging markets, the strengthening of the US dollar, the fall in mining costs and strong supply growth would weigh on the metal's price during the year. The International Monetary Fund forecast copper prices to average \$4,599 per ton in the first quarter, \$4,709 per ton in the second quarter, \$4,702 in the third quarter and \$4,697 per ton in the fourth quarter of 2016. Overall, copper prices are expected to average \$4,677 per ton in 2016, which would reflect a drop of 15.1% from 2015.

Source: IMF, Goldman Sachs, Byblos Research

## Precious Metals: Platinum output to grow by 3% in 2016 due to increased recycling

Global platinum supply is expected to reach 8 million ounces in 2016, which would constitute an increase of 2.6% from 7.83 million ounces in 2015. The anticipated increase in platinum production reflects a 13.6% improvement in the metal's recycling worldwide from a 14.3% increase in autocatalyst recycling and a 12.3% rise in jewelry recycling. Global mine supply is projected to remain nearly flat at 6.1 million ounces in 2016, equivalent to 75.6% of aggregate output. South Africa's mine production would account for 71% of global mine supply in 2016, followed by Russia with 11.1% of the total, Zimbabwe (7.1%) and North America (6.4%). South Africa's mine supply is expected to regress by 1.8% in 2016 to 4.3 million ounces, given expectations of actions related to wage negotiations, safety stoppages and mine shaft closures. In parallel, global demand for platinum is projected to drop by a marginal 0.5% to 8.2 million ounces this year as the decline in industrial and investment demand would more than offset the growth in automotive and jewelry demand. The global automotive sector is expected to account for 43.4% of total platinum demand in 2016, followed by the jewelry industry with 35.8% and the chemicals sector with 7.2%. Overall, the global platinum market is expected to remain in deficit in 2016, as demand would exceed supply by 135,000 ounces.

Source: World Platinum Investment Council, SFA Oxford



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
<b>Africa</b>													
Algeria	-	-	-	-	BB+	-12.2	25.4	3.6	15.8	-	-	-15.6	1.0
Angola	B	Ba2	B+	-	B+	-1.4	53.0	36.4*	90.8	7.3	14.4	-5.6	2.0
Egypt	B-	B3	B	B-	B-	-10.3	92.7	20.7	154.6	10.0	302.8	-3.8	2.6
Ethiopia	B	B1	B	-	B+	-2.8	23.5	25.4*	159.6	4.3	634.6	-9.3	4.1
Ghana	B-	B3	B	-	B+	-5.3	72.4	44.3	110.4	10.3	371.8	-7.4	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.5	45.1	29.0	62.9	2.7	169.6	-2.9	2.9
Libya	-	-	B	-	B-	-47.7	108.8	17.4	38.9	-	-	-44.8	-3.8
Dem Rep Congo	B-	B3	-	-	CCC	0.0	21.5	16.0*	41.6	2.1	6.5	-7.7	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.4	32.7	114.4	6.3	185.6	-8.0	4.8
Nigeria	B+	Ba3	BB-	-	BB-	-4.7	13.8	5.6	80.2	0.7	63.2	-3.8	1.2
Sudan	-	-	-	-	CC	-1.3	74.0	43.5	-	-	-	-6.9	1.6
Tunisia	-	Ba3	BB-	-	BB+	-5.5	56.2	84.8	179.6	15.7	423.9	-12.7	4.1
Burkina Faso	B-	-	-	-	B+	-3.0	32.2	23.8*	-	-	-	-7.8	0.8
Rwanda	B+	-	B	-	B+	-3.1	34.8	27.0*	-	-	-	-9.6	3.2
<b>Middle East</b>													
Bahrain	BB	Ba1	BBB-	BBB-	BBB	-11.3	67.6	159.0	-	24.6	-	-3.3	-0.2
Iran	-	-	-	BB-	BB-	-2.8	16.4	1.9	8.8	-	-	-1.8	-
Iraq	B-	(P)Caa1	B-	-	CC+	-17.5	79.1	54.7	178.3	-	-	-12.4	-
Jordan	BB-	B1	-	BB-	BB+	-3.2	92.5	76.6	187.5	10.5	177.3	-1.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-7.1	12.5	28.9	-	10.5	107.6	-16.5	-8.4
Lebanon	B-	B2	B	B	B-	-8.4	142.2	165.5*	-	23.4	151.1	-16.2	1.3
Oman	BBB	A3	-	A-	A-	-14.5	10.5	25.3	41.1	5.6	-	-11.8	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-4.3	44.0	113.7	254.2	24.9	-	-13.6	-1.8
Saudi Arabia	A-	Aa3	AA	AA-	AA-	-12.7	16.1	17.1	53.5	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-2.1	51.9	48.3	50.9	4.0	-	2.4	1.1
Yemen	-	-	-	-	CCC	-35.3	-	43.9	-	-	197.2	-10.5	-0.2

# 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	48.3	81.6	168.2	23.6	612.8	-6.4	3.8
	-	Negative	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.0	47.1	22.9	112.4	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-0.2	22.8	127.9	325.8	33.6	824.6	-2.2	3.5
	Negative	CWN**	Stable	-	Negative								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BBB-	-1.6	29.6	89.9	135.0	28.0	236.3	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.6	41.5	49.4	101.0	14.4	224.0	-1.5	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.9	21.0	40.4	98.2	19.6	150.3	5.4	-1.7
	Negative	CWN**	Negative	-	Negative								
Turkey	BB+	Baa3	BBB-	BB+	BB-	-0.8	32.6	54.4	154.2	19.8	405.8	-4.7	0.7
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-3.7	92.1	139.5	211.4	22.4	663.6	-1.7	1.1
	Negative	Negative	-	-	Negative								

\*to official creditors

\*\*Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insights; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2016



## 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	04-Feb-16	No change	17-Mar-16
Japan	O/N Call Rate	0.00-0.10	29-Jan-16	No change	15-Mar-16
Australia	Cash Rate	2.00	01-Mar-16	No change	05-Apr-16
New Zealand	Cash Rate	2.50	28-Jan-16	No change	10-Mar-16
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Dec-15	No change	17-Mar-16
Canada	Overnight rate	0.50	09-Mar-16	No change	13-Apr-16
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	27-Jan-16	No Change	16-Mar-16
Taiwan	Discount Rate	1.63	17-Dec-15	Cut 13bps	31-Mar-16
South Korea	Base Rate	1.50	16-Feb-16	No change	10-Mar-16
Malaysia	O/N Policy Rate	3.25	09-Mar-16	No change	19-May-16
Thailand	1D Repo	1.50	03-Feb-16	No change	23-Apr-16
India	Reverse repo rate	6.75	02-Feb-16	No change	05-Apr-16
UAE	Overnight repo rate	1.25	17-Dec-15	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	0.50	16-Dec-15	Raised 25bps	N/A
Egypt	Overnight Deposit	9.25	29-Jan-16	Raised 50bps	17-Mar-16
Turkey	Base Rate	7.50	23-Feb-16	No change	24-Mar-16
South Africa	Repo rate	6.75	28-Jan-16	Raised 50bps	17-Mar-16
Kenya	Central Bank Rate	11.50	16-Jan-16	No change	14-Mar-16
Nigeria	Monetary Policy Rate	11.00	24-Nov-15	Cut 200bps	22-Mar-16
Ghana	Prime Rate	26.00	29-Jan-16	Raised 100bps	21-Mar-16
Angola	Base rate	12.00	29-Feb-16	No change	28-Mar-16
Mexico	Target Rate	3.25	04-Feb-16	No change	18-Mar-16
Brazil	Selic Rate	14.25	02-Mar-16	No change	27-Apr-16
Armenia	Refi Rate	8.75	11-Feb-16	Cut 25bps	N/A
Romania	Policy Rate	1.75	05-Feb-16	No change	31-Mar-16
Bulgaria	Base Interest	0.00	01-Mar-16	No change	01-Apr-16
Kazakhstan	Repo Rate	17.00	01-Feb-16	Raised 100bps	N/A
Ukraine	Discount Rate	22.00	03-Mar-16	No change	21-Apr-16
Russia	Refi Rate	11.00	11-Dec-15	No change	18-Mar-16



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