

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Insurers' losses from disasters at \$28bn in 2015

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at \$92bn in 2015, constituting a decrease of 18.6% from \$113bn in 2014 and well below the 10-year annual average losses of \$192bn. Total economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached about \$80bn in 2015 and represented 87% of total losses, while those from man-made disasters reached \$12bn and accounted for 13% of the total. Economic losses in Asia amounted to \$38bn and were equivalent to 0.15% of the region's GDP, followed by North America with \$29bn (0.14% of GDP), Europe with \$13bn (0.06% of GDP), Latin America & the Caribbean with \$7bn (0.14% of GDP), Oceania & Australia with \$3bn (0.2% of GDP) and Africa with \$1bn (0.05% of GDP). Also, total economic losses in Seas & Space stood at about \$1bn last year. In parallel, insurers' overall losses totaled \$37bn in 2015, well below the average annual losses of \$62bn in the previous 10 years. Insurers' losses from natural catastrophes and man-made disasters in North America reached \$17.3bn in 2015 and accounted for 47.1% of the total, followed by Asia with \$7bn (19%), Europe with \$6.2bn (17%), Latin America & the Caribbean with \$3.2bn (8.7%) and Oceania & Australia with \$2.1bn (5.7%). In addition, insurers' losses from natural catastrophes amounted to \$28bn in 2015, the lowest level since 2009 and below the annual average losses of \$55bn in the previous 10 years.

Source: Swiss Re

Private equity firms raise \$527bn in 2015

Bain & Company indicated that the total amount of capital raised by private equity (PE) firms worldwide reached \$527bn in 2015, down by 5% from \$555bn in 2014. It said that the amount of capital raised in PE secondaries dropped by 32% year-on-year, followed by growth funds (-30%), infrastructure funds (-16%), buyout funds (-11%), distressed PE funds (-5%), and real estate and venture capital funds (-2% each). However, it noted that capital raised in mezzanine funds grew by 118% in 2015, followed by natural resources funds (+44%) and fund of funds (+14%). It noted that fundraising in 2015 was solid as strong cash distributions to Limited Partners (LPs) have outpaced capital calls in each year since 2011, which supported LPs' capacity to redeploy capital into the PE industry. Further, it said that PE funds are closing faster, and the share of funds that reached or exceeded their fundraising targets in 2015 was the highest since the global financial crisis. In parallel, it said that the aggregate value of buyout-backed exits totaled \$422bn in 2015, down by 7.5% from an all-time peak of \$456bn in 2014. It added that exit activity was robust across all major channels, led by sales to corporate buyers, with more than \$275bn in asset sales last year. Bain said that many General Partners took advantage of favorable exit conditions in 2015 to sell their large inventories of unrealized assets that were acquired prior to the global financial crisis, which, in turn, reduced the median holding period for their portfolio investment from a peak of 5.8 years in 2014 to 4.9 years in 2015.

Source: Bain & Company

EMERGING MARKETS

Fixed income trading down 20% to \$4,726bn in 2015

Trading in emerging markets (EM) debt instruments reached \$1,152bn in the fourth quarter of 2015, constituting a rise of 1% from \$1,137bn in the preceding quarter and a decrease of 5% from \$1,210bn in the fourth quarter of 2014. In comparison, trading reached \$1,226bn in the first quarter of 2015 and \$1,211bn in the second quarter of the year. Further, turnover in local-currency instruments reached \$740bn in the fourth quarter of 2015, up by 5% from \$706bn in the preceding quarter and by 7% from \$688bn in the fourth quarter of 2014. In parallel, trading in sovereign and corporate Eurobonds stood at \$406bn in the fourth quarter of 2015, and dropped by 5% from \$430bn in the third quarter and by 22% from \$519bn in the fourth quarter of 2014. The volume of traded sovereign Eurobonds reached \$219bn and accounted for 54% of the total debt traded in the covered quarter, while the volume of traded corporate Eurobonds reached \$172bn or 42% of the total. The most frequently traded instruments in the fourth quarter of 2015 were Mexican fixed income assets with a turnover of \$227bn, or 19.7% of the total, followed by instruments from India with \$135bn (11.7%), securities from Brazil with \$128bn (11.1%), assets from China with \$84bn (7.3%) and securities from South Africa with \$53bn (4.6%). Overall, trading in EM debt instruments totaled \$4,726bn in 2015, down by 20% from \$5,922bn in 2014, and constituting the lowest volume since 2009.

Source: EMTA

MENA

Quality of living in Arab cities lags global trends

The 2016 Quality of Life Index, produced by crowd-sourced global database Numbeo, shows that Riyadh is the city with the highest living standards among seven Arab cities, and ranks in 34th place among 143 cities worldwide. It is followed by Abu Dhabi in 66th place, Dubai (82nd), Doha (98th), Amman (112th), Beirut (118th) and Cairo (130th). Numbeo assesses the quality of living in each city based on a Purchasing Power Index, a Pollution Index, a Property Price-to-Income ratio, a Consumer Price Index, a Safety Index, a Healthcare Index, a Traffic Commute Time Index and a Climate Index. A higher score represents a better quality of life. Based on the 129 cities included in both the 2015 and 2016 surveys, the rankings of three Arab cities rose, reflecting a year-on-year improvement in the quality of living in these cities. In contrast, the rankings of four Arab cities regressed from the 2015 survey. Beirut's rank increased by nine spots, posting the highest rise in the region; while Qatar and Dubai's ranks regressed by 41 spots each, the steepest decreases in the region and the second steepest declines in the world. Also, the scores of four Arab cities improved from the 2015 survey, with Cairo posting the highest increase of 94.9 points; while three Arab cities registered a year-on-year decline in their scores, with Dubai posting the steepest drop of 18.6 points. Arab cities received an average of 132.6 points, lower than the global score of 146.8 points. Numbeo relies on Internet users' input and collects data from official sources to compute the indices.

Source: Numbeo, Byblos Research

OUTLOOK

AFRICA

Medium-term prospects subject to downside risks

The International Monetary Fund projected real GDP growth in member countries of the West African Economic and Monetary Union (WAEMU) at 6.3% in 2016, unchanged from the preceding year. It expected economic growth to average 6.5% during the 2017-20 period and to be supported by strong domestic demand. But it noted that the outlook is subject to significant downside risks that include elevated security risks over the short term. It added that weaker growth at trading partners, tighter global financing conditions and delays in implementing fiscal consolidation and structural reforms could weaken the region's growth prospects over the medium term. It forecast the annual average inflation rate in WAEMU economies at 1.7% in 2016 and at about 2% in coming years.

Further, the Fund projected the region's overall fiscal deficit to narrow from 4.6% of GDP in 2015 to 4% of GDP in 2016 and to reach 2.8% of GDP by 2020. It expected the public debt level to slightly increase from 44.7% of GDP in 2015 to 45.3% of GDP in 2016, but to regress to 41.3% of GDP by 2020. Also, it forecast the current account deficit to slightly widen from 5.6% of GDP last year to 5.8% of GDP in 2016 and to reach 6.3% of GDP by 2020. In addition, it forecast foreign currency reserves, excluding intra-WAEMU trade, at 4.8 months of import cover at the end of 2016 relative to five months of imports at end-2015. It noted that the reserve coverage would remain at about five months of imports over the medium-term.

In parallel, the Fund encouraged local authorities to preserve macroeconomic and financial stability by implementing prudent and well-coordinated national fiscal policies and reforms, as well as regional monetary policy. It called on authorities to increase domestic revenues by broadening the tax base and strengthening the tax administration, as well as to rationalize current expenditures, especially the public-sector wage bill. Also, it noted that authorities should modernize the financial sector and strengthen banking supervision. In addition, it called for the implementation of structural reforms to increase economic competitiveness and diversification, especially reforms to the business climate.

Source: International Monetary Fund

MENA

Regional instability and conflicts offset benefits of low oil prices for oil-importers

Moody's Investors Service anticipated that the positive impact of lower oil prices on economic activity and public finances of the five oil-importing economies in the Middle East & North Africa (MENA) region would be offset by the cost of regional conflicts and persistent social challenges. Also, it expected workers' remittances, grants and foreign investment from Gulf Cooperation Council (GCC) countries to decrease, which would mitigate the benefits from lower oil prices on the five economies. It forecast real non-oil GDP growth in the GCC to decelerate from 5.9% in 2012-14 to 3.2% during the 2015-16 period, which would cause total remittances from the GCC to decline by about 1.4% to 2% annually. However, it noted that remittance inflows to oil-importers in the MENA region have historically been less volatile

than oil prices and have usually recovered rapidly. Overall, it anticipated Jordan, Lebanon and Morocco to benefit the most from lower oil prices, as it estimated their current account deficits to narrow by between four to six percentage points of GDP between 2013 and 2016 due to their lower energy import bills.

In parallel, the agency projected real GDP growth of the five MENA oil-importing economies to slightly decelerate from 2.9% in 2015 to 2.7% in 2016. It attributed the subdued growth outlook in 2016 to the negative impact on tourism and investment activity in most countries from the conflicts in Syria and Libya and from domestic security tensions. It added that the latter factors would impose significant fiscal costs on countries hosting a large number of refugees, especially Lebanon and Jordan, and increasingly on Tunisia. Moody's forecast real GDP growth in Egypt to slow down from 4.2% last year to 3.5% in 2016 due to lower tourism, manufacturing and trade activity. It expected economic growth in Morocco to decelerate from 4.4% in 2015 to 2.5% this year due to adverse weather conditions that would affect the agricultural sector. Also, it anticipated economic activity in Jordan to accelerate from 2.9% in 2015 to 3.7% this year, and real GDP in Lebanon to expand from 1.8% last year to 2.5% in 2016.

Source: Moody's Investors Service

GCC

Structural reforms essential for economic diversification

The International Monetary Fund indicated that Gulf Cooperation Council (GCC) economies face the challenge of increasing economic diversification to support high non-hydrocarbon growth in the context of a low oil price environment. It estimated the GCC's annual average growth potential to drop by more than three percentage points during the 2015-20 period from the average growth rate between 2003 and 2007. As such, it called on GCC authorities to improve the business environment by streamlining business regulations and reducing bureaucratic red tape, which would significantly reduce the cost of doing business, raise the efficiency of government services and promote innovation.

Further, the Fund said that GCC countries need to develop their financial markets by improving access to finance, especially to small- and medium-sized enterprises, and by modernizing the legal framework. It considered that strengthening credit information systems would enable lenders to better assess the creditworthiness of borrowers. Also, it noted that appropriate protection of minority shareholders would improve the ability of companies to raise capital.

In addition, the IMF called on authorities to prepare their nationals for the labor market by improving the quality of education, by gradually increasing female labor force participation and by introducing greater labor market efficiency. It estimated that the implementation of reforms to the business environment, and to the financial and labor markets, among other reforms, would increase GCC economies' growth prospects by 1.5 percentage points over the coming five years, and would help diversify their economies away from oil and toward a more private-sector driven growth model.

Source: International Monetary Fund



ECONOMY & TRADE

GCC

Pressure on profitability is major concern for insurers in 2016

Moody's Investors Service's survey of chief financial officers (CFOs) at insurance companies in the Gulf Cooperation Council countries shows that 43% of CFOs expect their company's operating profits to grow by about 5% to 10% in 2016, while 14% of respondents anticipated a growth in excess of 10%. However, Moody's indicated that insurers' expectations were more optimistic than its own projections for the sector's overall profitability. It expected the insurance industry's operating profits to remain broadly stable, with some moderate downside pressures. It noted that insurers operating in jurisdictions that have recently introduced actuarial reserving measures, such as the UAE, will suffer from downside pressures on their profitability. Further, the survey indicated that 40% of surveyed CFOs cited pressure on profitability as their major concern in 2016 and beyond, followed by the region's highly competitive environment (20% of CFOs), and new regulatory requirements and low oil prices (13% of participants each). Also, the survey noted that 46% of surveyed CFOs expected enhanced regulations to result in market consolidation and 20% of participants anticipated regulations to require additional capital. In contrast, Moody's expected pressure on insurers' capitalization to increase, but it did not anticipate any significant consolidation, as well-capitalized insurers are hesitant to acquire insurers with weaker balance sheets. In parallel, surveyed CFOs plan to keep between 10% and 30% of their invested assets in investment-grade bonds to improve the stability of their returns.

Source: *Moody's Investors Service*

IRAQ

Economy continues to face a number of challenges

The International Monetary Fund indicated that Iraq continues to face a number of challenges, including the ongoing armed conflict with Islamic State militants that is weighing on the country's resources, as well as the sharp drop in global oil prices that has severely affected the balance of payments and fiscal revenues. It said that Iraq's real GDP contracted by 2.1% in 2015 due to the ongoing conflict, the destruction of infrastructure and assets, the disruption of trade activity, and the deterioration in investor confidence. But it noted that the increase in oil production, which is located in areas under the control of the Iraqi government and the Kurdistan Regional Government, has helped mitigate the deterioration in the non-oil economy. Further, it estimated the current account deficit to have widened to 5.1% of GDP in 2015, which reduced foreign currency reserves by \$13bn to \$54bn at the end of 2015. The Fund pointed out that authorities continue to make progress under the Staff-Monitored Program, as they met three out of the five indicative targets for December 2015, mainly because of lower spending on public-sector wages, pension, and goods and services. It added that the government missed the target on reducing external arrears due to cash constraints. The IMF indicated that the Iraqi authorities and the IMF staff have made progress toward reaching an understanding on an economic and financial policies program that could be backed by financing from the Fund. It noted that the program would include further fiscal consolidation to bring spending in line with lower oil prices.

Source: *International Monetary Fund*

ANGOLA

Ratings affirmed, outlook revised to 'negative'

Fitch Ratings affirmed at 'B+' Angola's long-term foreign and local currency Issuer Default Ratings and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the deterioration in Angola's macroeconomic, fiscal and external outlooks and to the increased downside risks from the further decline in oil prices since September 2015. It noted that the deterioration occurred despite the authorities' strong policy response to the oil price shock, which has helped limit the depletion of foreign currency reserves and government buffers. It forecast the budget deficit to widen from about 1.6% of GDP in 2015 to 4.6% of GDP in 2016, despite significant fiscal adjustment. It noted that downside risks to the fiscal outlook include uncertainty about the path of oil prices and the government's capacity to reduce spending without accumulating debt arrears and negatively affecting economic activity. It said that the government's debt level rose from about 30% of GDP in 2014 to 47.4% of GDP at end-2015 and expected it to reach around 60% of GDP by 2017. It cautioned that the continuous depreciation of the Angolan kwanza poses downside risks to the debt outlook. Further, it forecast the current account deficit to widen from 8.7% of GDP in 2015 to 14% of GDP in 2016. It expected Angola to shift to a net external debt position this year due to lower FDI inflows, and for the authorities to increase external borrowing to avoid the depletion of foreign reserves. It said that the Banco Nacional de Angola's decision to let the kwanza devalue by about 20% against the US dollar since January 2016 has helped stabilize foreign reserves at about \$24bn, and has narrowed the spread with the parallel exchange rate.

Source: *Fitch Ratings*

GHANA

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed at 'B' Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs), with a 'negative' outlook. It said that the ratings reflect Ghana's fiscal and external deficits, which make the country vulnerable to domestic and external shocks that include low global oil prices and tight financing conditions. It pointed out that authorities have made significant progress on fiscal consolidation in 2015, supported by a \$918m IMF program. It estimated the fiscal deficit to have narrowed from 10.2% of GDP in 2014 to 7.2% of GDP last year, and expected it to reach 6.3% of GDP in 2016. But it noted that fiscal slippage ahead of the parliamentary and presidential elections, due in November 2016, would increase inflationary and financing pressures. It added that a further decrease in commodity prices would negatively impact the country's growth rates and worsen its fiscal and external balances. It said that the growth outlook is contingent on an increase in oil & gas production. Further, it pointed out that the downward pressure on the exchange rate and overall foreign exchange volatility have dampened economic activity and increased external pressure. But it expected the Ghanaian cedi to be more stable during the year and to trade at an average of GHS4.1 against the dollar, which would reflect an 8% depreciation from the 2015 levels compared to a depreciation of 22% during 2015. In parallel, it anticipated the Bank of Ghana to maintain a relatively tight monetary policy this year, which would support greater price and exchange rate stability.

Source: *Fitch Ratings*



BANKING

GCC

Currency peg to stay, advantages outweigh benefits of devaluation

The Institute of International Finance indicated that Gulf Cooperation Council (GCC) countries continue to be firmly committed to their pegged exchange rates because the pegs have preserved economic stability, provided monetary policy credibility and helped deliver low inflation rates. It added that GCC authorities are currently better prepared to defend the peg than in previous periods of low oil prices because of their substantial foreign assets. It noted that the currency pegs in GCC countries are backed by large stocks of international assets and low debt ratios, which would help authorities manage wide fiscal deficits and defend the currency, at least for the next few years. It projected the GCC's aggregate foreign assets to decline in coming years, but to continue to cover more than 20 months of imports by 2020. Further, the IIF considered that a currency adjustment has limited benefits for GCC countries. It pointed out that currency devaluation would lead to a significant rise in inflation rates, a loss of private sector confidence and a pick up in capital outflows. It noted that a steep devaluation could support fiscal adjustment, in case governments did not increase public-sector wages after the devaluation. But it noted that this could fuel social tensions. It added that a devaluation would raise the cost of imported goods and services. Overall, the IIF considered that the exchange rate peg is appropriate for GCC economies in case authorities implement the fiscal adjustments needed for medium-term sustainability.

Source: *Institute of International Finance*

EGYPT

Increase in interest rates positive for banks' net interest margins

Regional investment bank EFG Hermes anticipated that the Central Bank of Egypt's (CBE) decision to increase its policy rates would have a positive impact on the net interest margins of banks operating in Egypt. It noted that the CBE increased on March 17 its overnight deposit and lending rates by 150 basis points each to 10.75% and 11.75%, respectively. It said that the returns on interbank assets that are denominated in Egyptian pound, in addition to yields on Treasury bills and interest rates on corporate loans in local currency, would adjust to the new interest rate environment. It pointed out that most corporate loans carry floating interest rates and are benchmarked to corridor rates, which would result in a fast re-pricing of the banks' corporate loan portfolio. It added that Egyptian banks usually increase interest rates on deposits at a lag relative to assets, while it expected banks to increase their rates on deposits by less than 150 basis points. Further, EFG Hermes considered that the rise in interest rates would not increase risks to the banks' asset quality, given the low leverage of Egyptian corporates. It anticipated corporates, especially large ones, to absorb the higher borrowing costs. But it noted that retail lending growth could decelerate due to higher rates, while existing retail loans would not be affected by the rate increase because they carry fixed rates.

Source: *EFG Hermes*

NIGERIA

Outlook on banks' ratings revised to 'negative'

Standard & Poor's affirmed at 'B+/B' the long- and short-term counterparty credit ratings of Access Bank, Ecobank Nigeria, First Bank of Nigeria, Guaranty Trust Bank, Stanbic IBTC Bank and Zenith Bank. It revised the six banks' outlooks from 'stable' to 'negative' following similar actions on the sovereign ratings. In parallel, S&P maintained Nigeria's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', with 'Group 10' including the riskiest banking sectors. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector. S&P kept Nigeria's economic and industry risks scores for the banking sector at '9' but revised their trend to 'negative' from 'stable'. In terms of economic risks, it expected the banks' asset quality indicators to deteriorate, and for the sector-wide credit losses to increase from about 2% in 2015 to 3% in 2016 due to the slowdown in economic activity. It considered the banks' exposure to the upstream oil & gas and power sectors, as well as their large share of lending in US dollars, to be their major weaknesses. In terms of industry risks, it said that the country's restrictive foreign currency regime is limiting the banks' access to foreign currency, and that many banks are currently relying on the Central Bank to pay their trade obligations. It added that the shortage of US dollars could affect Nigerian banks' ability to repay their dollar liabilities in the context of a weak Nigerian naira and declining foreign currency reserves.

Source: *Standard & Poor's*

IRAN

Banks facing challenges over medium term

Consulting firm Darien Analytics anticipated bank credit in Iran to increase over the short and medium terms. First, it expected the repatriation of about \$30bn in released funds from the removal of sanctions to increase banks' liquidity, which would support lending activity. Second, it said that the decrease in interest rates as a result of lower inflation levels is making borrowing more attractive to bank customers. Third, it noted that the Central Bank of Iran has reduced the banks' reserve requirements, which would free about \$5bn in liquidity that would be used to extend credit. Fourth, it indicated that the government's economic stimulus encourages consumer borrowing in order to promote consumption. However, it expected higher domestic liquidity and increased demand for credit to lead to the accumulation of non-performing loans (NPL) over the medium term. It said that the NPL ratio currently stands at about 12%, but it noted that the official figures are underestimated, given that Iranian banks do not recognize the full extent of their NPLs. It estimated that the NPL ratio could exceed 20% at some banks over the medium term. It anticipated that several Iranian banks would become technically insolvent as a result of the elevated NPL level and low capital ratios. But it expected the CBI to allow these banks to continue operating despite breaching the regulatory requirements. In parallel, it noted that improved government liquidity would likely allow the authorities to regularize the public sector's non-performing loans and arrears, such as through swapping non-performing facilities with bonds. Overall, it expected the monetary environment to be challenging for Iranian banks over the medium term.

Source: *Darien Analytics*



ENERGY / COMMODITIES

Global energy consumption to grow by 1.4% per year between 2014 and 2035

BP projected demand for global energy to increase by an annual average rate of 1.4% during the 2014-35 period, with most of this growth coming from non-members of the Organization for Economic Cooperation and Development economies, especially from China and India. It indicated that the main drivers behind the growing demand for energy would be population growth and increases in income per capita. BP expected the consumption of renewable energy to grow by an annual average rate of 6.6% during the 2014-35 period, reflecting the fastest growth rate among all sources of energy. It said that renewable energy, including biofuels, would account for 9% of global energy demand in 2035 relative to a share of 3% currently. Further, it projected natural gas consumption to grow by an annual average growth rate of 1.8% during the 2014-35 period, the fastest growth rate among fossil fuels. In contrast, it forecast coal consumption to expand by 0.5% per year during the covered period, which would constitute the slowest growth among fossil fuels. It said that the aggregate share of fossil fuels from total energy consumption would drop from 86% in 2014 to 80% by 2035. BP noted that the pace of economic growth in China and other emerging economies is a major source of uncertainty for global growth and, in turn, for energy demand.

Source: BP, Byblos Research

OPEC's oil production nearly flat in March 2016

The Organization of the Petroleum Exporting Countries' oil output reached 32.47 million barrels per day (b/d) in March 2016, up by 100,000 b/d, or 0.3% from 32.37 million b/d in the preceding month. The figures are based on shipping data and information from sources at oil companies, OPEC and consultants. The increase in oil output was mainly due to higher production levels from Iran following the lifting of Western sanctions in January 2016. In parallel, Iran indicated that it will attend the April 17 meeting with OPEC and non-OPEC producers in Qatar without agreeing to their proposal to freeze production.

Source: Thomson Reuters

Middle East's energy consumption to post a CAGR of 2.3% over 2014-35 period

The Middle East region's energy consumption is expected to increase by a compound annual growth rate of 2.3% between 2014 and 2035. Natural gas would constitute 53% of the region's energy mix in 2035, followed by liquid fuels (42.1%), renewable energy (2.1%), nuclear energy (1.6%), and hydroelectricity and coal (0.7% each). The industrial sector is expected to remain the region's main consumer of primary energy in 2035 with a share of 39%, followed by the power sector (35.5%), the transport sector (19.8%) and other sectors (5.8%).

Source: BP, Byblos Research

ME&A's oil demand to rise by 2.4% in 2016

Crude oil consumption in the Middle East & Africa region is expected to average 12.6 million barrels per day (b/d) in 2016, which would reflect a rise of 2.4% from 12.3 million b/d in 2015. The region's demand for oil is expected to account for about 13.2% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is projected to average 3.5 million b/d in 2016, which would reflect a drop of 2.8% from 3.6 million b/d in 2015.

Source: IEA, Deutsche Bank, Byblos Research

Base Metals: Copper prices to drop in 2016

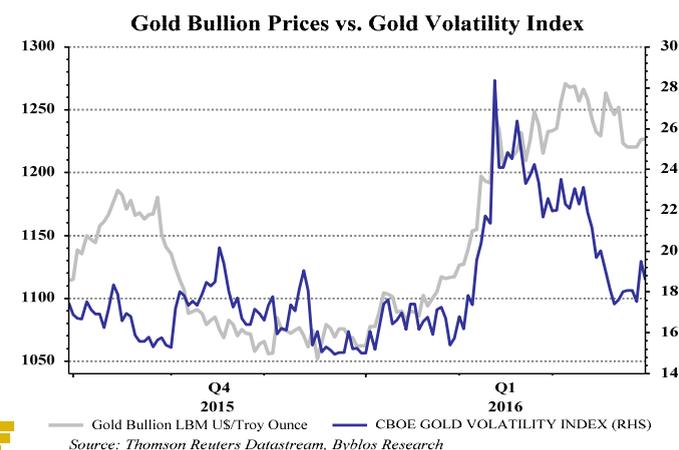
The LME cash price of copper closed at \$4,903 per ton on March 30, constituting an increase of 4.2% from end-2015. Copper prices averaged \$4,685 per ton in the first quarter and are forecast to average \$4,900 a ton in the second quarter, \$4,500 a ton in the third quarter and \$4,400 per ton in the fourth quarter of 2016. Overall, the metal's price is projected to average \$4,619 a ton in 2016, which would reflect a drop of 16.2% from \$5,512 a ton in 2015. Downside pressure on the metal's price would mainly stem from sustained weaker demand from China, the world's largest consumer of copper. Indeed, growth in Chinese copper demand slowed from 7.3% in 2014 to 3% in 2015 and is expected to further decelerate to 2.1% in 2016. However, the U.S. Federal Reserve's more cautious stance on further interest rate hikes has weakened the US dollar, which could support copper prices over the near term. In parallel, Barclays Capital indicated that copper prices could drop to a low of \$4,000 per ton as investors may decide to liquidate their positions to secure gains from the price rally so far this year.

Source: Deutsche Bank, Barclays Capital, Byblos Research

Precious Metals: Auto-catalyst demand to account for 83% of global palladium consumption

Palladium prices averaged \$525 per troy ounce in the first quarter of 2016 and are forecast to reach \$550 per ounce in the second quarter, \$600 per ounce in the third quarter and \$650 per ounce in the fourth quarter of the year. Overall, the metal's price is forecast to average \$581 an ounce in 2016, which would reflect a decrease of 16% from \$692 per ounce in 2015. Downside pressure on the metal's price would stem in part from stagnating U.S. automotive sales and the volatility of Chinese vehicle sales, which have dampened investors' interest in the metal. Global palladium production is projected to average 8.74 million ounces in 2016, nearly unchanged from 8.76 million ounces in 2015 and relative to a growth rate of 7.2% last year. Russia is expected to remain the world's largest producer of palladium and to account for about 28.6% of the metal's global production in 2016, followed by South Africa (27.4%) and North America (11.6%). In parallel, global palladium consumption is forecast to increase by 5% to 9.6 million ounces in 2016, mainly driven by a rise in vehicle ownership and tightening emission standards. Auto-catalyst demand would account for 82.6% of the metal's global consumption in 2016, while that of electronics would be equivalent to 6.8% of the total.

Source: Deutsche Bank, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
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
Middle East													
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								
Asia													
Armenia	-	B1	B+	-	B-	-3.9	48.3	81.6	168.2	23.6	612.8	-6.4	3.8
	-	Stable	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								
Central & Eastern Europe													
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	16-Mar-16	No change	27-Apr-16
Eurozone	Refi Rate	0.00	10-Mar-16	Cut 5bps	21-Apr-16
UK	Bank Rate	0.50	17-Mar-16	No change	14-Apr-16
Japan	O/N Call Rate	0.00-0.10	15-Mar-16	No change	28-Apr-16
Australia	Cash Rate	2.00	01-Mar-16	No change	05-Apr-16
New Zealand	Cash Rate	2.25	10-Mar-16	Cut 25bps	28-Apr-16
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Mar-16	No change	16-Jun-16
Canada	Overnight rate	0.50	09-Mar-16	No change	13-Apr-16
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	16-Mar-16	No Change	27-Apr-16
Taiwan	Discount Rate	1.50	24-Mar-16	Cut 13bps	30-Jun-16
South Korea	Base Rate	1.50	10-Mar-16	No change	19-Apr-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	11-May-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	10.75	17-Mar-16	Raised 150bps	28-Apr-16
Turkey	Base Rate	7.50	24-Mar-16	No change	20-Apr-16
South Africa	Repo rate	7.00	17-Mar-16	Raised 25bps	19-May-16
Kenya	Central Bank Rate	11.50	14-Mar-16	No change	22-May-16
Nigeria	Monetary Policy Rate	14.00	22-Mar-16	Raised 100bps	24-May-16
Ghana	Prime Rate	26.00	21-Mar-16	Raised 100bps	16-May-16
Angola	Base rate	12.00	28-Mar-16	Raised 200bps	25-May-16
Mexico	Target Rate	3.75	18-Mar-16	Raised 25bps	1-Apr-16
Brazil	Selic Rate	14.25	02-Mar-16	No change	27-Apr-16
Armenia	Refi Rate	8.25	29-Mar-16	Cut 25bps	17-May-16
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	05-May-16
Ukraine	Discount Rate	22.00	03-Mar-16	No change	21-Apr-16
Russia	Refi Rate	11.00	18-Mar-16	No change	29-Apr-16



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