

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Value of private equity-backed exits down 40% to \$62bn in first quarter of 2016

Figures issued by research provider Preqin show that the value of private equity (PE) buyout-backed exits from portfolio companies reached \$62.2bn in the first quarter of 2016, constituting a drop of 14% from 72.4bn in the fourth quarter of 2015 and a decline of 39.6% from \$103.1bn in the same quarter in 2015. PE funds exited 343 investments in the first quarter of 2016, down by 18.5% from 421 exists in the fourth quarter of 2015 and by 14.7% from 402 exits in the same quarter last year. PE funds exited 63% of their investments through trade sales in the first quarter of 2016, 29.4% of investments through secondary sales to another General Partner and 6.7% via initial public offerings.

In parallel, 874 private equity-backed buyout deals were announced globally in the first quarter of 2016, down by 3.3% from 904 deals in the first quarter of 2015. The value of announced private equity-backed buyout deals reached a record-low of \$43.9bn in the first quarter of 2016, down by 68% from the fourth quarter in 2015 and by 56.7% from the first quarter in 2015. The information technology sector accounted for 44.5% of the total value of announced deals in the first quarter of 2016, followed by the consumer & retail industry (12.5%), the industrial sector (10.8%), the healthcare industry (10.6%) and the energy & utilities sector (10.5%). In parallel, add-on/merger transactions accounted for 46.3% of the aggregate value of private equity-backed buyout deals in the first quarter of 2016, while leveraged buy-out transactions represented 26.2% of the aggregate deal value.

Source: Preqin

Sovereign downgrades outpace upgrades by two-to-one in 2015

Fitch Ratings indicated that it downgraded 14 sovereigns in 2015 compared to 10 downgrades in 2014, while it upgraded seven sovereigns relative to 12 upgrades in the preceding year. As such, it noted that sovereign downgrades outpaced upgrades by two-to-one in 2015, relative to a 0.8-to-1 ratio in 2014. It downgraded 11 emerging market (EM) sovereigns in 2015 relative to eight downgrades in 2014; while it upgraded five EM sovereigns last year, down from nine upgrades in the preceding year, the lowest number of upgrades since 2012. Also, it downgraded three developed market sovereigns in 2015 relative to two downgrades in 2014, while it upgraded the ratings of two developed market sovereigns last year compared to three upgrades in the preceding year. It noted that it lowered the ratings of five sovereigns in each of the Middle East & Africa and Europe, and those of two sovereigns in each of Latin America and Asia-Pacific. It also upgraded the ratings of three sovereigns in the Middle East & Africa region and two in each of Latin America and Europe. It indicated that only 11 sovereigns are currently rated 'AAA', down from 17 at the beginning of 2008. Fitch indicated that its sovereign default rate stood at 0.92% in 2015, while its sovereign average annual default rate was 0.59% for the 1995-2015 period. It noted that only one sovereign defaulted on its debt in 2015.

Source: Fitch Ratings

MENA

M&A deals up 17% to \$7bn in first quarter of 2016

The value of mergers & acquisitions (M&A) deals in the Middle East & North Africa region totaled \$7bn in the first quarter of 2016, constituting an increase of 16.7% from \$6bn in the same quarter last year. M&A deals in the region reached 163 transactions in the first quarter of 2016, up by 10.1% from 148 transactions in the same period last year. Kuwait attracted \$2.6bn or 37.3% of the region's aggregate value of M&As deals. It was followed by Morocco with \$1.03bn (14.7%), the UAE with \$640m (9.1%), Qatar with \$558m (8%) and Saudi Arabia with \$460m (6.6%). The Gulf Cooperation Council region attracted \$4.57bn, or 65.3% of total MENA deal-making, through 64 transactions in the first quarter of the year. The UAE attracted 23 transactions, followed by Saudi Arabia and Kuwait with 15 deals each, Oman with seven transactions, and Qatar and Bahrain with two deals each. M&A deals in the chemicals, rubber and plastics sector totaled \$1.1bn, or 15.6% of the region's aggregate deal value, down by 71% from the preceding quarter. The insurance industry followed with \$841m (12%), the construction sector with \$701m (10%) and the banking industry with \$654m (9.3%).

Source: Bureau Van Dijk, Zephyr

Region's creditworthiness regresses

Institutional Investor magazine's semi-annual Country Credit survey shows that creditworthiness in the Arab region regressed in March 2016 from September 2015 as well as from March 2015. The average rating score of 19 Arab countries reached 41.1 points in the March 2016 survey, decreasing from 41.5 points in the September 2015 survey and from 42.9 points in March 2015. Also, it came below the global average score of 44.7 points. The Arab region's creditworthiness was better than that of South & East Asia-Pacific (35.2 points) and Sub-Saharan Africa (25.7 points), while it was lower than that of North America (92.8 points), Asia-Pacific Far-East (84.3 points), Western Europe (79.4 points), Eastern Europe & Central Asia (47.7 points) and Latin America & the Caribbean (43.8 points). In parallel, the Gulf Cooperation Council (GCC) countries' average credit rating regressed to 69.4 points in March 2016 from 70 points in the September 2015 survey, while the average rating of non-GCC Arab countries decreased to 28 points in March 2016 from 28.3 points six months earlier. In parallel, the rankings of 12 Arab countries regressed, three improved and four were unchanged, while the scores of nine countries dropped and 10 improved from the September 2015 survey. Qatar is the country with the best creditworthiness in the region and ranked in 25th place worldwide, followed by Kuwait (27th), the UAE (29th) and Saudi Arabia (34th); while Mauritania (159th), Yemen (172nd), Syria (173rd) and Sudan (176th) had the highest probability of default regionally.

Source: *Institutional Investor*, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to reach \$560bn in 2016

The Institute of International Finance projected non-resident private capital inflows to emerging markets (EMs) at \$560bn in 2016, which would constitute an increase of 133.3% from \$240bn in 2015. It noted that the current projections for the year are higher than the January forecast of \$490bn, mainly due to a pickup in global risk appetite, as concerns about downside risks to the global economy and financial markets have receded. It attributed the expected increase in capital inflows this year to a shift in non-resident flows to China from outflows to inflows in 2015, as well as higher inflows to the remaining countries in Asia. It indicated that risks to the outlook include renewed concerns about China's economic activity and more challenging global financial markets, as the U.S Federal Reserve increases policy rates further during the summer. The IIF revised downwards its January forecast for inflows to Latin America by \$8bn to \$214bn, those to the Middle East & Africa by \$3bn to \$104bn and those to Emerging Europe by \$29bn to \$3bn; while it revised upwards its inflows projections to Emerging Asia by \$110bn to \$239bn.

Further, the IIF forecast net direct investment in EMs at \$474bn in 2016, down from \$516bn in 2015. It expected net inflows from portfolio investment to increase from \$17bn in 2015 to \$58bn in 2016. Also, it estimated net non-bank private lending to shift from net outflows of \$77bn in 2015 to net inflows of \$62bn in 2016, while it projected outflows from net commercial bank lending to decrease from \$216bn in 2015 to \$34bn in 2016. It revised upwards by \$27bn its projections for non-bank private lending in 2016 and by \$2bn its forecast for net portfolio investment, while it revised downwards by \$2bn its projections for net FDI.

In parallel, the IIF projected resident capital outflows from EMs to rise from \$372bn in 2015 to \$694bn in 2016. As such, it forecast net capital flows to be negative for the second consecutive year with net outflows from EMs at \$375bn in 2016 relative to \$570bn in 2015, and at \$501bn this year compared to \$755bn last year when including errors and omissions.

Source: Institute of International Finance

MENA

Growth to slow down to 2.9% in 2016

The International Monetary Fund projected economic growth in the Middle East & North Africa at 2.9% in 2016, down from a January forecast of 3.5%. In comparison, it forecast real GDP growth at 4.1% for emerging and developing economies and at 3.2% for the global economy this year. It attributed the downward revision to lower-than-previously anticipated oil prices, as well as to intensifying conflicts and security risks.

The IMF forecast real GDP growth in the economies of the Gulf Cooperation Council (GCC) to decelerate from 3.3% in 2015 to 1.8% in 2016. But it estimated that, in case oil production increased in Iran and Iraq and if the conflict in Yemen gradually eases, activity in the MENA region's oil-exporting economies would accelerate from 1.9% in 2015 to 2.9% in 2016. It expected the aggregate fiscal deficit of oil-exporters to widen despite the local authorities' substantial measures to restrain government spending, cut subsidies and raise revenues.

Also, it projected the aggregate current account deficit of oil-exporters to widen from 3.6% of GDP in 2015 to 6.9% of GDP in 2016. Further, the IMF forecast real GDP growth in oil-importing economies to decelerate from 3.8% in 2015 to 3.5% in 2016, as spillovers from security disruptions, social tensions, regional conflicts and the economic slowdown in the GCC would offset gains from greater policy stability, economic reforms, reduced adverse impact from fiscal consolidation, and lower oil prices. It expected the aggregate current account deficit of oil-importers to slightly narrow from 4.6% of GDP in 2015 to 4.5% of GDP in 2016.

In parallel, the Fund projected real GDP growth in the Maghreb countries of Algeria, Libya, Mauritania, Morocco and Tunisia to regress from 2.7% in 2015 to 2.5% in 2016, while it forecast their current account deficit to widen from 13.8% of GDP in 2015 to 14.1% of GDP in 2016. It expected growth in the Mashreq countries of Egypt, Jordan and Lebanon to decelerate from 3.9% in 2015 to 3.1% in 2016, and for their current account deficit to widen from 6.7% of GDP in 2015 to 7.3% of GDP in 2016.

Source: International Monetary Fund

EGYPT

Additional measures needed to increase foreign currency reserves

Barclays Capital considered that the Central Bank of Egypt (CBE) will face significant challenges to increase its foreign currency reserves from about \$16bn currently to \$25bn by the end of 2016, given the country's large external financing needs of about \$25bn in the coming 18 months. It pointed out that Egypt's foreign currency reserves stood at \$16.5bn at the end of March 2016, equivalent to 2.6 months of imports cover and 55% lower than the standard adequacy metrics. It estimated that Egypt needs to increase its foreign reserves by at least \$9bn to \$10bn in order to be in the "safe range" according to the IMF's criteria. As such, it noted that authorities have to simultaneously devalue the Egyptian pound to EGP9.5 per US dollar from about EGP8.78 per dollar currently, as well as to rapidly implement fiscal reforms, issue external sovereign debt and receive between \$3bn to \$5bn in official external financial support.

Barclays Capital indicated that the March 2016 currency devaluation would have a limited impact on Egypt's current account deficit in the short term. It said that import restrictions and the shortage of foreign currency would not immediately improve the competitiveness of exports. It noted that a rebound in tourism activity would take time to materialize, while remittance inflows and grants from Gulf countries are likely to decrease. As such, it projected the current account deficit to remain wide at about \$12bn, or 3.5% of GDP, in the fiscal year that ends in June 2016 and at \$10.5bn or 3% of GDP in FY2016/17. In this context, it considered that fiscal consolidation measures would be necessary to contain external imbalances. It noted that measures should include the introduction of a value-added tax, new cuts in energy prices and addressing the public-sector wage bill. It considered that the CBE's ability to contain inflationary pressure and pursue the necessary adjustment to the exchange rate could be undermined in the absence of these reforms. It added that these reforms have become a prerequisite for multilateral financial support and would help foreign investors return to Egypt.

Source: Barclays Capital



ECONOMY & TRADE

JORDAN

Adverse conditions to limit growth at 3% in 2016

The International Monetary Fund indicated that Jordan's economy has continued to perform favorably even though the conflicts in Iraq and Syria are affecting its trade, tourism and overall activity. It projected real GDP growth to slightly accelerate from 2.4% in 2015 to between 2.5% and 3% in 2016, supported by low oil prices and a rebound in confidence from the implementation of policies under the Jordan Compact and Response Plan. It noted that downside risks to the outlook include the negative impact of low oil prices on remittance and FDI inflows to Jordan from oil-exporting economies. It forecast the inflation rate to shift from -0.9% in 2015 to about 1% to 1.5% this year, as fuel prices stabilize. The Fund indicated that Jordan's current account deficit, excluding grants, reached 11.7% of GDP in 2015 due to continued weakness in exports and tourism activity. But it noted that the level of foreign currency reserves remains adequate. In addition, it noted that the primary fiscal deficit, excluding grants and transfers to the National Electric Power Company and the Water Authority of Jordan, widened from 4.5% of GDP in 2014 to 5.2% of GDP in 2015 due to revenue slippages and one-off expenditures. It added that the overall fiscal deficit reached 6.1% of GDP last year and exceeded the 3.5% of GDP target deficit under the IMF program. As a result, it said that the public debt level stood at 93.4% of GDP at the end of 2015. The IMF noted that potential areas for policies and reforms include public finances, the energy sector, access to credit, as well as the business environment.

Source: *International Monetary Fund*

SAUDI ARABIA

Agencies take mixed actions on sovereign ratings

Fitch Ratings downgraded Saudi Arabia's long-term Issuer Default Ratings from 'AA' to 'AA-', and kept the 'negative' outlook on the ratings. It attributed the downgrade to the adverse impact of lower-than-previously anticipated oil prices in 2016 and 2017 on the country's fiscal and external balances. It noted that the fiscal deficit widened from 2.3% of GDP in 2014 to 14.8% of GDP in 2015, and expected it to slightly narrow in 2016. It projected the government debt level to rise from 1.5% of GDP in 2014 to 9.4% of GDP in 2017. It estimated that the full implementation of the planned fiscal reforms would not prevent a substantial erosion of fiscal and external buffers in 2016 and 2017, but it noted that the buffers will be sufficiently high to constitute an important rating strength. In parallel, Standard & Poor's affirmed at 'A-/A-2' Saudi Arabia's long- and short-term sovereign credit ratings. It noted that the ratings have a 'stable' outlook as it anticipated authorities to take the necessary steps to prevent a steeper deterioration in the fiscal position in the coming two years. It said that the ratings are supported by the country's strong external and fiscal buffers despite the wide current account and fiscal deficits. It considered that Saudi Arabia is entering a period of adverse terms of trade from a strong position, as the government's net asset position peaked at 124% of GDP in 2015, but it expected it to drop to 79% of GDP in 2019. It forecast the current account deficit to widen from 6.9% of GDP in 2015 to 14% of GDP in 2016. It projected the government's net liquid external assets to average about 214% of current account receipts during the 2016-19 period.

Source: *Standard & Poor's, Fitch Ratings*

ANGOLA

Request of IMF support signals fiscal challenges

BMI Research considered that the Angolan authorities' decision to seek financial assistance from the International Monetary Fund means that Angola is no longer betting on a significant recovery in global oil prices to meet its debt obligations to foreign creditors, mainly to China. It noted that the government has heavily relied on foreign lenders to respond to the collapse in oil prices. It added that Angola issued a \$1.5bn Eurobond in November 2015 and has offered discounted oil futures in return for loans from the Chinese government. But it noted that the financing of the fiscal deficit has required discounting a growing share of future production, given that oil prices did not recover. It added that authorities have borrowed in exchange of about 50% of the country's future production. BMI indicated that the negotiations with the IMF would shift the government's policy away from selling future oil production, which would be a positive move for the economy in coming years. It estimated that an IMF program would lead to a stricter fiscal policy, even if the government fails to meet all of its targets. It said that lower public spending would prevent significant increases in Angola's elevated public external debt level. It estimated Angola's debt servicing cost at 21.4% of export receipts and 36% of government revenues, the highest such ratios in Sub-Saharan Africa. It considered that the concessional loan from the IMF, in case it materialized, would gradually ease the debt servicing burden and provide some relief to Angola's public finances. In parallel, BMI considered that the government's decision to approach the IMF aims to increase the regime's credibility in the run up to the Presidential succession.

Source: *BMI Research*

ETHIOPIA

Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ethiopia's long-term foreign and local currency Issuer Default Ratings at 'B' with a 'stable' outlook. It indicated that the ratings reflect structurally high and volatile inflation rates, a wide current account deficit, rising external vulnerabilities and a contained fiscal deficit. It noted that macroeconomic spillovers from the ongoing severe drought have been contained compared to previous drought periods. Fitch reduced its forecast for Ethiopia's real GDP growth to 7% for the fiscal year ending in July 2016 from 7.5% previously, due to the anticipated fall in agricultural production. It added that the planned massive investments by the government and its state-owned enterprises would continue to support economic activity. Fitch estimated the current account deficit to have widened to 12.8% of GDP in FY2014/15 and expected it to remain in double digits in the current fiscal year. It noted that authorities would finance the deficit through external borrowing, which would increase the net external debt to 180% of current account receipts (CARs) by the end of FY2015/16. Further, it pointed out that the wide current account deficit has limited foreign currency reserves to about 2.3 months of current account payments at the end of 2015. It considered that Ethiopia is exposed to the risk of an exchange rate adjustment and that the Central Bank's ability to contain the currency depreciation to 5% a year would depend on its capacity to generate foreign currency from exports in coming years.

Source: *Fitch Ratings*



BANKING

QATAR

Banks' ratings affirmed

Capital Intelligence affirmed at 'AA' the long-term foreign currency rating (FCR) of Qatar National Bank (QNB), at 'A' that of Commercial Bank of Qatar (CBQ), Doha Bank and Qatar Islamic Bank (QIB), and at 'A-' that of Qatar International Islamic Bank (QIIB). It revised the outlook on the long-term FCR of QNB, CBQ and Doha bank from 'stable' to 'negative', while it maintained the outlook on QIB at 'stable' and that of QIIB at 'positive'. It indicated that the banks' FCRs reflect the ongoing government support to the Qatari banking system and their intrinsic financial profile. The agency revised the outlook on QNB's FCR following a similar action on Qatar's sovereign ratings. Also, it attributed the outlook revision on CBQ's FCR to the deterioration in the bank's asset quality metrics and its overall weaker financial profile. It noted that QIIB's outlook indicates that the bank remains well positioned to achieve growth in its business volumes and operating profits, while still maintaining its very strong capital position and improving its liquidity. In parallel, the agency affirmed at 'AA-' the financial strength rating (FSR) of QNB, at 'A-' that of QIIB and CBQ, and at 'A' that of Doha Bank and QIB. It said that QNB and QIB's FSRs have a 'stable' outlook, CBQ and Doha Bank have a 'negative' outlook, while QIIB has a 'positive' outlook. It noted that the outlook on the FSR for QNB, QIIB and QIB is supported by their good asset quality, strong capitalization and good profitability levels. It indicated that CBQ's FSR is supported by its diversified franchise, the good level of non-interest income and by the growth potential of the domestic economy.

Source: Capital Intelligence

LIBYA

Banking sector's profits down 14% to \$153m in 2015

The Libyan banking sector's pre-tax profits reached LYD213m, or \$152.9m in 2015, constituting a drop of 14.3% from pre-tax earnings of LYD248.4m in 2014. Total assets reached LYD90.2bn, or \$64.8bn at the end of 2015, constituting a decrease of 5.2% from the end of 2014. Liquid assets totaled LYD54.3bn, or \$39bn at end-2015, down by 15.8% from end-2014; while they accounted for 60.2% of total assets, down from 67.8% at end-2014. Commercial banks' lending reached LYD20.2bn, or \$14.5bn at the end of 2015, up by 1.3% from a year earlier. Total loans accounted for 22.4% of aggregate assets relative to 21% at the end of 2014. In parallel, commercial banks' aggregate deposits totaled LYD71.3bn, or \$51.2bn at the end of 2015, reflecting a drop of 9.9% from a year earlier. Demand deposits represented 82.4% of total deposits at end-2015, followed by time deposits (16.8%) and savings deposits (0.8%). Further, total deposits accounted for 79% of aggregate liabilities at the end of 2015 relative to 83.1% at the end of 2014. The loans-to-deposits ratio stood at 28.4% at the end of 2015 relative to 25.2% at end-2014. Also, the banks' pre-tax return on equity was 4.4% in 2015 compared to 5.4% a year earlier; while their pre-tax return on assets was 0.2% relative to 0.3% in 2014.

Source: Central Bank of Libya, Byblos Research

TURKEY

Basel III rules could erode banks' capital

Moody's Investors Service anticipated that some Turkish banks would need to issue additional capital to meet Basel III requirements by 2019. It estimated that the Turkish banking sector can only support lending growth of about 9% annually without depleting the banks' capital, assuming a 20% dividend payout ratio for banks. As such, it considered that the banks' ability to maintain their capital ratios above the minimum capital requirements would depend on the growth rate of their balance sheets. It noted that a higher growth rate would start to erode capital ratios, since the risk weighted assets would outgrow the capital. Further, Moody's indicated that additional pressure on profitability, such as from higher funding costs, narrowing interest margins, or a rise in loan-loss provisions, could accelerate the decline in capital. It added that further depreciation of the Turkish lira would consume capital. On the positive side, the agency considered that the pressure on the banks' capital ratios would improve their risk discipline. It noted that the need to meet Basel III standards by 2019 would encourage banks to optimize their capital composition and tighten their underwriting practices to protect their margins and enhance internal capital generation. It estimated that banks with the strongest core capital, which consist of the four largest banks in the country, would have a competitive advantage to extend more credit and increase their market share. Overall, it pointed out that some banks would face increasing challenges in complying with Basel III requirements and maintaining elevated growth rates, given the wide divergence in capital ratios and profitability among Turkish banks.

Source: Moody's Investors Service

NIGERIA

NPLs ratio at 5.2%, Tier One capital at 16.3%

The risk-weighted capital adequacy ratio of banks operating in Nigeria reached 17.5% at the end of June 2015, constituting an increase from 16.4% at end-June 2014. Also, the sector's Tier-One capital ratio stood at 16.3% at end-June 2015 compared to 16.1% a year earlier. The sector's liquid assets reached 10.7% of total assets at end-June 2015, and regressed from 11.7% at end-June 2014; while they were equivalent to 15.8% of total short-term liabilities at end-June 2015 compared to 16.6% at end-June 2014. Further, the sector's non-performing loans ratio (NPLs) reached 5.2% at end-June 2015, up from 3.7% at end-June 2014. The banks' NPLs net of provisions were equivalent to 11.9% of capital at end-June 2015, constituting a significant increase from 5.6% at end-June-2014. In parallel, the banks' annualized return on assets was 2.5% in June 2015, unchanged from June 2014, while their return on equity reached 20.7% on an annualized basis in June, unchanged from June 2014. The International Monetary Fund indicated that the economic slowdown has weakened corporate balance sheets and lowered the banks' assets quality. It cautioned that the additional financial deterioration of the corporate sector could weaken the banks' resilience and ability to lend to the economy, given that the corporate sector accounts for 80% of total lending. It estimated that a doubling of NPLs from the corporate sector could reduce by 11% the banks' ability to extend credit.

Source: International Monetary Fund



ENERGY / COMMODITIES

Global oil market oversupply to persist in 2016

Crude oil prices reached their highest level in more than four months in the second week of April, mainly due to the markets' expectations that a potential deal could be reached on April 17, 2016 between OPEC and non-OPEC producers to freeze output at January levels. However, the increase in prices was short-lived and the oil market is expected to remain highly volatile amid speculation about a possible agreement at the meeting. ICE Brent crude oil front-month prices closed at \$42.1 per barrel (p/b) on April 12, 2016, constituting a rise of 24.3% from the end of 2015. Also, WTI oil prices increased by 12.3% from end-2015 to close at \$42.1 p/b after U.S. production fell below nine million barrels per day. The potential risk for prices is on the downside, given that freezing output at current levels would be symbolic rather than a real market intervention. The oil market is projected to remain in surplus in 2016 due to subdued growth in oil demand, persistently high oil output from OPEC members and rising commercial crude stock levels. Also, the US dollar is still expected to strengthen over 2016 as central banks in Europe, Japan, and possibly China, pursue monetary easing policies. Brent oil prices are forecast to average \$33 p/b in 2016 and \$44 p/b in 2017.

Source: *Jadwa Investment, Byblos Research*

Investments in MENA energy projects at \$289bn over the 2016-20 period

Total investments committed to energy projects under execution in the MENA region are estimated at \$289bn during the 2016-20 period. The oil sector accounts for the largest share of committed investments with \$110bn or 38.1% of the total, followed by the power sector with \$81bn (28%), the gas sector with \$76bn (26.3%) and the chemicals sector with \$22bn (7.6%). Saudi Arabia leads the region with \$53bn in committed investments, or 18.3% of the total, followed by Iraq with \$47bn (16.3%), the UAE with \$43bn (14.9%) and Kuwait with \$37bn (12.8%).

Source: *APICORP Energy Research, Byblos Research*

Egypt secures its petroleum needs for five years

The Saudi Arabian Oil Company (Saudi Aramco) signed a \$23bn agreement with the Egyptian General Petroleum Corporation to supply 700,000 tons of petroleum products per month to Egypt over a five-year period. The petroleum products consist of 400,000 tons of gas oil, 200,000 tons of benzene and 100,000 tons of Mazut. Egypt would settle the cost of the products to Saudi Arabia over 15 years at a 2% interest rate.

Source: *Thomson Reuters*

Renewable energy capacity up 8.1% in 2010-15

Figures released by the International Renewable Energy Agency (IRENA) show that global investments in renewable energy reached \$286bn in 2015, up by 4.8% from \$273bn in 2014. The global capacity of renewable energy generation totaled 1,985 gigawatts (GW) at the end of 2015, reflecting a rise of 8.3% from 1,833 GW a year earlier. Also, the capacity of renewable energy grew by a compound annual rate of 8.1% between 2010 and 2015, with most of this growth coming from new installations of wind and solar energy. Hydropower accounted for 53.2% of total renewable energy capacity in 2015, followed by wind energy with 21.8% and solar energy with 11.2%. Also, over 80% of renewable energy capacity is in Asia, Europe and North America.

Source: *IRENA, Byblos Research*

Base Metals: Aluminium prices to drop in 2016 amid market oversupply

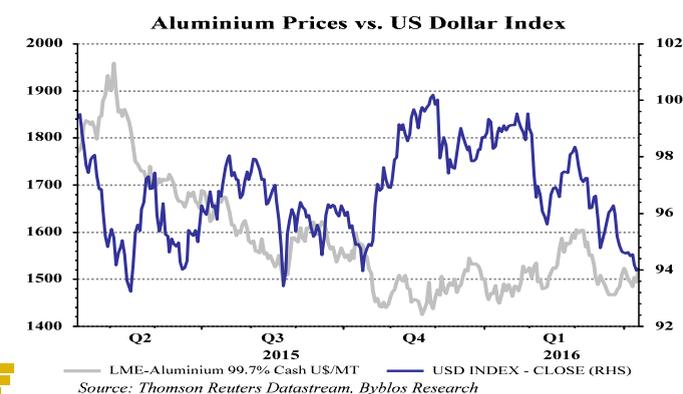
The LME cash price of aluminium averaged \$1,513 per metric ton in the first quarter of 2016, constituting a drop of 16% from the same quarter of 2015. The decline in the metal's price is due in part to slowing global demand for the metal and to a strong growth in China's aluminium exports, which adds further pressure to the oversupplied market. However, the metal's price rose by 3.1% from end-2015 to close at \$1,547 on April 13, 2016 as better Chinese trade data eased investors' concerns about demand from the world's largest consumer for the metal. The increase in the metal's price is expected to be short-lived, as a structurally oversupplied Chinese market and improving energy efficiencies from Chinese producers would keep prices under pressure. As such, aluminium prices are projected to decrease by 7.6% from an average of \$1,664 per metric ton in 2015 to \$1,538 per ton in 2016. On a quarterly basis, aluminium prices are expected to average \$1,560 per ton in the second quarter, \$1,530 per ton in the third quarter and \$1,520 per ton in the fourth quarter of 2016. Upside risks to the price outlook include a structural acceleration of aluminium demand growth in China and a re-pricing of energy in China due to carbon emission taxes. In parallel, global aluminium production is forecast to rise by 3% to 58.4 million tons in 2016, while global consumption is forecast to increase by 3.8% to 58.1 million tons in 2016. As such, the aluminium market is expected to post an oversupply of 0.3 million tons this year.

Source: *Deutsche Bank, Thomson Reuters, Byblos Research*

Precious Metals: Gold prices to drop in 2016

Gold prices grew to a three-week high to close at \$1,257.6 per troy ounce on April 12 as the US dollar depreciated to a near eight-month low, because of market expectations that the U.S. Federal Reserve will not raise interest rates over the short term. However, prices dropped by more than 1% to about \$1,232 an ounce on April 14, as the US dollar strengthened amid improved risk sentiment and as Asian stocks gained on hopes that global central banks would ease monetary policies to support their economies. Gold prices are expected to remain volatile in the near term due to persistent market uncertainties. Prices are forecast to average \$1,130 a troy ounce in 2016, which would reflect a drop of 2.6% from 2015. According to the International Monetary Fund, the probability of the 12-month forward gold prices dropping below \$1,000 a troy ounce decreased to 12.7% in March 2016 from 18.8% in February, while the probability of gold prices rising above \$1,300 a troy ounce increased to 27.2% from 21.7% previously, reflecting a rise in investor demand for the metal.

Source: *IMF, Standard Chartered, Thomson Reuters*



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	14-Apr-16	No change	12-May-16
Japan	O/N Call Rate	0.00-0.10	15-Mar-16	No change	28-Apr-16
Australia	Cash Rate	2.00	05-Apr-16	No change	03-May-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	13-Apr-16	No change	25-May-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	6.50	05-Apr-16	Cut 25bps	07-Jun-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	12.00	22-Mar-16	Cut 200bps	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	01-Apr-16	No change	05-May-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	31-Mar-16	No change	05-May-16
Bulgaria	Base Interest	0.00	01-Apr-16	No change	02-May-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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