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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Perception of corruption in developed economies increases

EY's 2016 Global Fraud Survey showed that 39% of surveyed executives believe that bribery and corrupt practices happen widely in their country, nearly unchanged from 38% of participants in the 2014 survey. Also, 21% of respondents in developed markets consider that bribery and corrupt practices are widespread in their country, up from 17% of participants in the 2014 survey. In addition, 51% of respondents in emerging markets think that bribery and corrupt practices occur widely in their country, down from 53% of participants in the 2014 survey. In contrast, 11% of respondents consider that bribery and corruption take place in their industry compared to 12% of participants who shared the same opinion in the 2014 survey. Also, 4% of participants in developed markets stated that bribery and corrupt practices prevail in their industry, while 15% of respondents in emerging markets shared the same view. In parallel, 36% of respondents said that they would be prepared to engage in at least one form of unethical behavior to safeguard their company's performance during an economic downturn, such as offering entertainment, cash payments, personal gifts or services and misstating financial performance. Also, 42% of participants can justify an inappropriate conduct to meet financial targets, such as changing assumptions that determine valuations or reserves, extending the monthly reporting period, and backdating a contract. In addition, 19% of respondents cited loyalty to their company, while 18% cited loyalty to their colleagues as deterrents to reporting incidents of fraud, bribery and corruption. The survey's results are based on interviews with 2,825 executives in 62 countries and territories between October 2015 and January 2016.

Source: EY

Real estate funds raise $21bn in first quarter of 2016

Figures released by research provider Preqin indicate that private real estate investment funds raised $21.2bn in the first quarter of 2016, up by 1.2% from $21bn in the fourth quarter of 2015 and down by 5.6% from $22.5bn in the same quarter of 2015. A total of 44 funds closed in the first quarter of 2016 compared to 49 funds in the same quarter last year. The average size per fund reached $482.2m in the first quarter of 2016 relative to $458.8m in the first quarter of 2015. Further, 21 North American-focused funds secured $11.7bn in the first quarter of 2016, followed by 14 European-focused funds with $7.3bn, and seven Asian-focused funds with $1.9bn. Also, Preqin indicated that nearly 54% of closed private real estate funds exceeded their target size in the first quarter of 2016 compared to 33% of closed funds in 2015. It added that funds in the covered quarter required an average of 18 months to reach a final close, nearly unchanged from the time required for funds to close in 2015, which indicates that fundraising remains a long process for many firms. Further, it noted that there are currently 489 private real estate funds in the market that are competing for a combined $176bn in capital from institutional investors.

Source: Preqin

Investments in financial technology start-ups up 75% to $22bn in 2015

Global professional services company Accenture indicated that venture capitalists, private equity firms, hedge funds, corporates, accelerators and government-backed funds invested $22.27bn in global financial technology (fintech) start-ups in 2015, up by 75.5% from $12.7bn in 2014. Fintechs are companies that offer technologies for banking and corporate finance, capital markets, financial data analytics and financial management. Accenture attributed the substantial increase in investments last year to the deal-flow across Europe and the Asia-Pacific region. It said that 1,108 deals were executed in the fintech industry in 2015, up by 27.2% from 871 transactions in 2014 and relative to 772 deals in 2013. It indicated that investments in collaborative fintechs, which offers solutions to improve the position of prevailing market players, grew by 138% in 2015 and represented 44% of all investments. Also, funding toward competitive fintechs, which are direct competitors to the incumbent financial services institutions, increased by 23% year-on-year. In parallel, Accenture said that global fintech start-ups received $5.3bn in funding in the first quarter of 2016, up by 47% from the same quarter of 2015. It added that fintech companies in the Asia-Pacific region attracted more than 50% of total investment during the first quarter of the year. It pointed out that about 2,500 fintech start-ups have received more than $50bn in funding since 2010.

Source: Accenture

MENA

Economic slowdown is most significant challenge for insurers

The MENA Insurance Barometer, a survey of 36 regional and international insurance companies and intermediaries, indicated that a slowdown in economic activity and continued geopolitical instability are weighing on sentiment in the MENA insurance markets. However, the survey showed that the insurance sector continues to be resilient, as 61% of respondents expect insurance premiums in the MENA region to expand faster than the region's GDP growth rate over the next 12 months. It said that survey participants remain optimistic about property and casualty insurance products for individuals, which mainly benefit from broadening and deepening compulsory insurance requirements. But it noted that the outlook for commercial lines, such as marine and engineering, has deteriorated due to the challenging economic environment and fiscal tightening. In parallel, insurers cited the region's positive economic growth and insurance market growth as the most relevant strengths for their industry, followed by low natural catastrophe exposure and capital spending. Further, insurers identified low insurance penetration rates in the region as a key market opportunity, followed by compulsory insurance and regulatory improvements. In contrast, insurers cited excessive insurance supply as the most relevant weakness of the MENA insurance industry, followed by inadequate labor force and poor regulations. Also, insurers considered that the slowdown in economic activity is the most serious threat facing their industry, followed by political instability and excessive competition.

Source: Qatar Financial Center

MENA

Oil exporters to increasingly feel impact of low hydrocarbon prices

The Institute of International Finance indicated that the drop in export receipts and public revenues from the fall in global oil prices is taking its toll on economic activity in the oil-exporting economies of the Middle East & North Africa (MENA) region. It projected growth in Gulf Cooperation Council (GCC) countries to decelerate from 3.1% in 2015 to 2.2% in 2016, as it forecast non-hydrocarbon sector activity to slow down from 3.9% in 2015 to 2.6% in 2016 and hydrocarbon output growth to decelerate from 2.3% in 2015 to 1.7% in 2016. In contrast, it anticipated growth in non-GCC MENA oil exporters to pick-up from 0.4% in 2015 to 3.9% in 2016 due to the strong rebound in Iran's economic activity following the removal of sanctions, and modest growth in Iraq and Libya in case security conditions improve. It forecast non-hydrocarbon sector activity in non-GCC MENA oil exporters to accelerate from 0.7% in 2015 to 2.3% in 2016. It indicated that risks to the outlook for MENA oil exporters include further declines in oil prices due to a weaker-than-anticipated global economic activity or from higher-than-expected global oil production. It noted that most oil exporters would have to implement sharper fiscal adjustment policies in case oil prices further decline, which would weigh on their economic activity.

In parallel, the IIF indicated that most oil-exporters have launched much-needed fiscal reforms as a response to the sharp deterioration in their fiscal position, and have planned additional cuts in spending and increases in non-hydrocarbon revenues for the coming years. Still, it expected most fiscal deficits to widen or to remain wide in 2016, as the average oil price for the year is projected to be below the 2015 levels. It expected the weighted average fiscal breakeven oil price of oil-exporting economies to fall from $81 p/b in 2015 to $67 p/b in 2016 due to reduced public spending. It forecast the GCC's aggregate fiscal deficit to widen from 9.6% of GDP in 2015 to 10.5% of GDP in 2016, as fiscal consolidation efforts would not offset the drop in hydrocarbon revenues. It estimated that the GCC's substantial fiscal consolidation efforts and large financial buffers of 159% of GDP in 2016 would put their fiscal position on a more sustainable path over the medium term. In contrast, it considered that non-GCC MENA oil exporters would face greater challenges. Further, it forecast the GCC's aggregate current account deficit to widen from 2% of GDP in 2015 to 8.4% of GDP in 2016.

Source: Institute of International Finance

NIGERIA

Monetary policy to negatively affect economy

Credit Suisse reduced its projection for Nigeria's real GDP growth to 2% in 2016 and 3.3% in 2017 from its March forecast of 3.9% and 4.6%, respectively, as it did not expect an improvement in activity before the end of 2016. It indicated that the Central Bank of Nigeria's (CBN) restrictive foreign currency policy has negatively affected economic activity in recent months. It noted that the CBN's policies have led to shortages of imported refined fuel products, have increased the inflation rate, and have deterred foreign investment. It revised upwards its forecast of inflation to 14.6% at the end of 2016 from 11.2% previously, and noted that the inflation rate could trend higher.

Credit Suisse noted that the domestic private sector considers the authorities' policy response to the drop in oil prices to be unsustainable. It said that authorities remain committed to the pegged exchange rate of NGN197-199 against the US dollar, while the parallel market rate stands at about NGN320 per dollar. It indicated that the economy has de facto devalued the currency, but without reaping the benefits of the devaluation because of limited supply of foreign currency, restrictions on buying foreign currency to finance certain imports and a sharp reversal in monetary policy. It anticipated the CBN to increase the policy rate by 200 basis points to 14% by the end of 2016 in order to contain inflationary pressure, despite downside risks to economic activity.

Credit Suisse forecast the fiscal deficit at 2.8% of GDP in 2016 relative to 1.4% of GDP in 2015. It considered that authorities will pass an expansionary 2016 budget soon, which would help settle salary arrears accumulated by public sector entities. It forecast the current account deficit to widen from 3.3% of GDP in 2015 to 4.2% of GDP in 2016 and for the CBN's foreign currency reserves to regress from 6.1% of GDP in 2015 to 5.3% of GDP in 2016. It anticipated that the CBN could loosen some of its foreign currency restrictions over the coming six to 12 months if it manages to increase its foreign currency reserves, mainly through a rise in global oil prices and international funding agreements.

Source: Credit Suisse

SUDAN

Economic growth at 3.9% in 2016-17, public debt level to trend lower

The International Monetary Fund indicated that limited access to external financing and de-risking by international banks have complicated policy adjustment in Sudan and have kept international reserves at a low level. It projected Sudan's real GDP to grow by 3.7% in 2016 and by 4% in 2017, compared to growth rates of 3% and 4% in 2016 and 2017, respectively, for oil-importers in the MENA region. It estimated the country's nominal GDP at $93.7bn in 2016 and at $98.5bn in 2017. It forecast Sudan's inflation rate to average 13% in 2016 and 12.3% in 2017 compared to 16.9% in 2015. In parallel, the Fund projected the fiscal deficit at 1.7% of GDP in 2016 and at 1.6% of GDP in 2017. It anticipated government revenues, excluding grants, to drop from 10.5% of GDP in 2015 to 9.9% of GDP in 2016 and 10% of GDP in 2017, and for total expenditures and net lending to regress from 12.5% of GDP in 2015 to 12% of GDP in 2016 and 11.9% of GDP in 2017. The IMF expected the government's gross debt level to reach 58.3% of GDP at the end of 2016 and 52.4% of GDP at end-2017, relative to 69% of GDP at end-2015. It also forecast total gross external debt to regress from 57.8% of GDP in 2015 to 53.2% of GDP in 2016 and 52.2% of GDP in 2017. The decline in the debt levels reflects faster growth in nominal GDP than the growth of the debt stock. Further, the Fund estimated Sudan's exports of goods & services at $5.5bn in 2016 and $6.2bn in 2017; and its imports of goods & services at $9.9bn in 2016 and $10.1bn in 2017. It forecast the country's current account balance to post deficits of $5.9bn in 2016 and $5.4bn in 2017, equivalent to 6.3% of GDP and 5.5% of GDP, respectively, and relative to a deficit of $6.5bn or 7.7% of GDP in 2015. The Fund forecast gross official reserves at $1bn at end-2016, unchanged from a year earlier.

Source: International Monetary Fund

ECONOMY & TRADE

SYRIA

Economic activity to contract by 8% in 2016

The World Bank projected Syria's real GDP to shrink by 8% in 2016, following an estimated contraction of 19% in 2015. It noted that the conflict in Syria has significantly damaged the country's public and private assets including healthcare, education, energy, water & sanitation, agriculture, transportation, housing and other infrastructure. It forecast the inflation rate to average 25% in 2016 relative to 30% last year and 90% in 2013, due to disruptions to trade activity and the sharp depreciation of the Syrian pound. Further, it projected the fiscal deficit at 18% of GDP in 2016 compared to deficits of 20% of GDP in 2015 and 12% of GDP annually during the 2011-14 period. It estimated public revenues to have dropped to a record low of below 7% of GDP during the 2014-15 period due to lower hydrocarbon receipts and tax revenues. Further, it pointed out that trade disruptions and the sharp decline in hydrocarbon receipts since the second half of 2012 have weighed on the balance of payments and the exchange rate. It estimated revenues from oil exports to have decreased from \$4.7bn in 2011 to about \$0.22bn in 2014 and \$0.14bn in 2015, as most of the country's oil fields are under the control of Islamic State militants. As such, it projected the current account deficit at 15% of GDP this year compared to a deficit of 22% of GDP in 2015. Also, it estimated foreign currency reserves to have decreased from \$20bn at end-2010 to \$0.7bn at end-2015. It noted that this has led to a significant depreciation of the pound, which was trading at SYP375 against the US dollar at end-February 2016, relative to an average rate of SYP47 per dollar in 2010.

Source: World Bank

JORDAN

Outlook on sovereign ratings revised to 'negative'

Standard & Poor's affirmed at 'BB-/B' Jordan's long- and short-term foreign and local currency sovereign ratings, and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to the country's weaker growth prospects from an extremely difficult external environment, which could constrain the government's efforts to reduce structural fiscal imbalances. It noted that regional instability has continued to dent confidence and reduce investment, while slower economic activity in GCC countries would reduce external demand and further weigh on investment. It anticipated that this has put economic growth on a lower trend, even though it expected real GDP growth to slightly accelerate from 2.4% in 2015 to 2.8% in 2016. In parallel, it estimated the fiscal deficit to have narrowed from 7.1% of GDP in 2014 to 4.5% of GDP in 2015 due to reduced transfers to the state-owned National Electric Power Company, and forecast it at 3.2% of GDP in 2016. It considered that spending pressures would remain elevated, which would restrict efforts to reduce fiscal imbalances in coming years, aside from a further reduction in transfer to NEPCO and an increase in foreign grants. It considered that the upcoming program with the International Monetary Fund would require substantial fiscal adjustments, and expected the public debt level to rise from 75.4% of GDP in 2015 to 78% of GDP in 2016. It forecast the current account deficit to average 8.1% of GDP during the 2016-19 period due to the unsupportive regional growth environment, despite an expected increase in foreign grants.

Source: Standard & Poor's

MOROCCO

Agencies affirm sovereign ratings, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term foreign and local currency Issuer Default Ratings at 'BBB-' and 'BBB', respectively, with a 'stable' outlook. It said that the ratings balance weak structural indicators with macroeconomic stability and public and external finance indicators that are in line with similarly rated peers. It noted that the sharp drop in oil prices and the development of new export industries have reduced Morocco's external vulnerabilities. It estimated the current account deficit to have narrowed from 5.7% of GDP in 2014 to 1.9% of GDP in 2015, and the net external debt to have declined for the first time since 2007 to reach 24.8% of current account receipts. It considered that the increase in foreign currency reserves to more than six months of current account payments at the end of 2015, as well as the rise in FDI inflows and the \$5bn precautionary line from the IMF, would mitigate the risks from oil price fluctuations, and from the impact of terrorism on tourism receipts. In parallel, Standard & Poor's affirmed at 'BBB-/A-3' Morocco's foreign and local currency sovereign ratings, with a 'stable' outlook. It noted that the ratings are supported by economic growth prospects and a moderate public debt burden. It added that low income levels, high social needs and a relatively high external liability position continue to weigh on the ratings. It projected the fiscal deficit to narrow from 4.3% of GDP last year to 3.5% of GDP in 2016 due to subsidy cuts, public-sector wage control and lower oil prices. Further, it expected Morocco's external financing needs at about 84% of current account receipts and usable reserves in coming years.

Source: Fitch Ratings, Standard & Poor's

IRAN

Ratings affirmed at 'BB-', outlook 'stable'

Capital Intelligence affirmed Iran's long-term foreign and local currency ratings at 'BB-', with a 'stable' outlook. It indicated that the ratings reflect the economy's improved short- and medium-term prospects, following the recent lifting of international sanctions related to the country's nuclear program. It noted that Iran has started to repatriate its previously frozen external financial assets, to increase its hydrocarbon exports, to diversify its export base, and to regain access to global financial markets. It forecast Iran's real GDP growth at about 3.8% in the fiscal years ending in March 2017 and 2018 due to higher oil production, lower costs for trade and financial transactions, and restored access to foreign assets. It also anticipated that the improved terms-of-trade and renewed access to foreign assets and capital would support the stability of the exchange rate and help reduce the inflation rate to 6% in FY2017/18 from 34.7% in FY2012/13. Further, it projected the fiscal balance to shift from a deficit in previous years to a surplus of 0.5% of GDP in FY2017/18. It said that Iran's public debt level is low, while its official foreign assets cover 14.5 months of imports and 12 times the amount of external debt payments due in 2016. But it noted that uncertainties persist about the liquidity of these assets. In parallel, it said that Iran's sovereign ratings are constrained by its heavy reliance on the hydrocarbon sector, limited data disclosure, fundamental weaknesses in the economy, expenditure rigidity, as well as a weak financial system and complex internal politics.

Source: Capital Intelligence

MENA

Banks well-positioned to cope with low oil prices

The Institute of International Finance indicated that banking sectors in oil-exporting economies in the Middle East & North Africa are well-positioned to withstand the adverse effects of lower global oil prices. It noted that low hydrocarbon prices could lead to a deterioration in the banks' asset quality and liquidity, and could increase pressure in the financial sector. It pointed out that the banks' liquidity conditions have tightened due to the slowdown in economic activity and the decline in government deposits. It noted that financial stress has emerged more rapidly in Algeria and Iran than in GCC countries. It added that GCC banks are facing increased pressure, but that the impact on their banks' asset quality has been moderate so far. The IIF said that GCC banks have improved their risk management and have built capital buffers and loan-loss provisions in order to limit systemic risks in the financial sector. Also, it noted that the banks' balance sheets have benefited from strong economic activity in past years and from elevated government participation. Further, it said that capital adequacy ratios exceeded 15% in all banking sectors of oil exporters in the MENA region, except for Iran. It added that the Tier One capital at banks in oil-exporting countries represented more than 80% of their total capital. Also, it indicated that the banks' provisions to non-preforming loans are high, which would help mitigate systemic financial sector risks.

Source: Institute of International Finance

QATAR

Banks' ratings affirmed on government support

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Ratings of Qatar National Bank (QNB) and at 'A+' that of Commercial Bank of Qatar (CBQ), Doha Bank, Qatar Islamic Bank (QIB), Al Khalij Commercial Bank, Qatar International Islamic Bank (QIIB), Ahli Bank and International Bank of Qatar (IBQ). It said that the banks' long-term IDRs have a 'stable' outlook, reflecting the similar outlook on the sovereign ratings. Fitch indicated that the ratings on the eight banks reflect the extremely high probability of support from the Qatari authorities in case of need. It did not expect the drop in oil prices to reduce the government's willingness to support the banking sector. In parallel, Fitch upgraded the viability rating (VR) of IBQ from 'bb+' to 'bbb-', due to the bank's sound growth strategy, asset quality and liquidity. Further, it affirmed at 'a' QNB's VR and maintained it on Rating Watch Negative, as it expected the acquisition of Finansbank to weaken its risk profile. In addition it affirmed at 'bbb' the VR of CBQ, QIB and Doha Bank; at 'bbb-' that of Ahli Bank and Al Khalij Commercial Bank; and at 'bb+' that of QIIB. It said that all banks' VRs benefit from a stable and supportive operating environment, with the government's commitment to infrastructure projects driving lending opportunities. The agency indicated that liquidity in the banking sector is tightening due to reduced public-sector deposit growth, but expected the liquidity squeeze to slightly moderate in coming months. It anticipated the increased competition for deposits to weigh on the banks' profitability through rising funding costs. It said that the banks' asset quality would remain resilient despite some pressure from the real estate and construction sectors.

Source: Fitch Ratings

SAUDI ARABIA

Net interest income drives banks' profit growth in first quarter of 2016

The net profits of 12 listed banks in Saudi Arabia totaled SAR11.7bn, equivalent to $3.1bn, in the first quarter of 2016, constituting increases of 16.2% from SAR10.1bn in the preceding quarter and of 5% from SAR11.2bn in the same quarter of 2015. The increase in profits in the first quarter of the year reflects mainly a 6% year-on-year rise in net interest income. Also, the quarter-on-quarter rise in earnings was due to wider spreads, a resilient non-interest income, loan growth and good provisioning levels. The banks' aggregate net interest income totaled SAR13.8bn in the first quarter of 2016, up by 0.7% from the fourth quarter of 2015 and by 6% annually; while non-interest income reached SAR6.6bn and grew by 10.3% from the preceding quarter and decreased by 7.8% year-on-year. In parallel, the banks' total assets reached SAR2,198bn, equivalent to $586.1bn at the end of March 2016, constituting a rise of 2.4% from end-March 2015. Net loans totaled SAR1,419bn, or $378.3bn, at the end of March 2016 and rose by 9.7% year-on-year. The growth in lending is due to a pick-up in private sector credit demand, as businesses are seeking working capital financing in the context of a slowdown in government payments. Further, aggregate customer deposits reached SAR1,679bn or $447.8bn, at the end of March 2016, nearly unchanged from a year earlier. The loans-to-deposits ratio stood at 84.5% at end-March 2016 relative to 77.2% at the end of March 2015.

Source: EFG Hermes

YEMEN

Banks' ratings downgraded due to challenging operating environment

Capital Intelligence downgraded the Financial Strength Rating (FSR) of Tadhamon International Islamic Bank (TIIB) and International Bank of Yemen (IBY) from 'B'to 'B-', with a 'negative' outlook. It attributed the downgrades to the continued war and its impact on the banks' operating environment and financial performance. Also, it noted that TIIB's downgrade takes into account the continued pressure on its profitability. It pointed out that TIIB's FSR is supported by its good liquidity, a large base of unrestricted investment and savings accounts, and diversified asset base with 40% of the balance sheet outside Yemen. It indicated that the IBY's FSR is supported by its adequate liquidity due to the increase in its customer deposits and its small loan portfolio. It said that the IBY's liquidity is contingent on the stability of the bank's holdings of short-term sovereign debt, which account of about 75% of its balance sheet. It added that the government has continued to pay debt obligations on its Treasury bills despite the war. Further, it revised TIIB's and IBY's long-term Foreign Currency Rating (FCR) from 'C+' to 'C', with a 'negative' outlook. In parallel, the agency withdrew the ratings assigned to Yemen Bank for Reconstruction & Development and the National Bank of Yemen, as it does not have sufficient information to make a reliable assessment of the banks' credit standing. It suspended in January 2016 the banks' 'C+' long-term FCR and 'B+' FSR due to insufficient information. Both banks had a 'negative' outlook on their ratings.

Source: Capital Intelligence

ENERGY / COMMODITIES

Market oversupply to ease in second half of 2016

Crude oil prices reached their highest level so far in 2016, mainly driven by a weaker US dollar and by further declines in U.S. oil production. ICE Brent crude oil front-month prices closed at $47.2 per barrel (p/b) on April 27, 2016, constituting a rise of 26.6% from the end of 2015. Also, WTI oil prices increased by 22% from end-2015 to close at $45.3 p/b, after the American Petroleum Institute reported a drop of about 1.1 million barrels in U.S. crude inventories last week. The oil market is projected to start rebalancing in the third quarter of the year on the back of further production cuts following the steep drop in oil prices. Indeed, U.S. shale oil production is expected to decrease significantly in the coming quarters amid the drop in oil-related investments since 2015. Also, further declines in non-OPEC output and rising global demand would lead the market closer to balance, which would support oil prices. As such, crude oil prices are projected to average $43 p/b in 2016 and $49 p/b in 2017, up from previous forecasts of $40 p/b and $43 p/b, respectively. Also, oil prices are forecast to fluctuate between $40 p/b and $60 p/b during the 2017-19 period. Downside risks to the price outlook include threats by Russia and Saudi Arabia to increase production significantly, which would weigh on an already oversupplied market. Conversely, upside risks include further declines in U.S. shale output or security-related issues in oil-producing countries.

Source: Institute of International Finance, BCA Research

Global wind energy capacity up 17% at end-2015

Figures released by the Global Wind Energy Council (GWEC) show that global investments in the renewable energy sector reached a record-high of $329bn in 2015, up by 4% from $316bn in 2014. The global wind power capacity reached 432.9 gigawatts (GW) at the end of 2015, up by 63.5 GW or 17.1% from a year earlier. The aggregate installed wind power capacity in Asia totaled 175.8 GW and accounted for 40.6% of global wind capacity at end-2015, followed by Europe with 147.8 GW (34.1%), North America with 88.7 GW (20.5%), Latin America & the Caribbean with 12.2 GW (2.8%), the Pacific region with 4.8 GW (1.1%) and the Middle East & Africa region with 3.5 GW (0.8%).

Source: Global Wind Energy Council, Byblos Research

ME&A's oil demand to rise by 2.1% in 2016

Crude oil consumption in the Middle East & Africa region is expected to average 12.48 million barrels per day (b/d) in 2016, which would reflect a rise of 2.1% from 12.22 million b/d in 2015. The region's demand for oil would account for about 13.3% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.59 million b/d in 2016, which would reflect a drop of 1.4% from 3.64 million b/d in 2015. It would account for 6.4% of global non-OPEC oil supply in 2016.

Source: OPEC, Byblos Research

ME&A's steel output down 10% in first quarter

The Middle East & Africa region's crude steel production totaled 9.7 million tons in the first quarter of 2016, down 9.5% from 10.7 million tons in the same quarter of 2015, and accounted for 2.5% of global steel output. Iran was the largest producer of steel in the region with 4.2 million tons in the first quarter, equivalent to 43.1% of total output. It was followed by South Africa with 1.5 million tons (16%) and Saudi Arabia with 1.2 million tons (12%).

Source: World Steel Association, Byblos Research

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

The LME cash price of copper averaged $4,724 per metric ton so far in 2016, trading at a low of $4,327 per ton and a high of $5,096 per ton. Prices are forecast to average $4,677 per ton in 2016, which would reflect a drop of about 15% from an average of $5,511 per ton in 2015. Downside pressure on the metal's price would mainly come from a stronger US dollar and weak demand from China, the world's largest consumer of copper. In parallel, global demand for refined copper is estimated to have increased by 4.5% year-on-year in January 2016, driven by strong Chinese demand for the metal. China's refined copper imports are expected to increase in the short term due to improved sentiment about its construction sector and to government spending on infrastructure. On a regional basis, demand for refined copper grew by 9% in Asia and by 1% in Oceania, while it declined by 7% in the Americas, by 3% in Europe and by 1.5% in Africa. In parallel, the metal's global refined production is estimated to have increased by 6.8% to 2 million tons in January 2016. China was the main contributor to the growth in refined supply during the covered month. The refined copper market posted an estimated production surplus of 56,000 tons in January 2016 compared to a surplus of 15,000 tons in the same month of 2015.

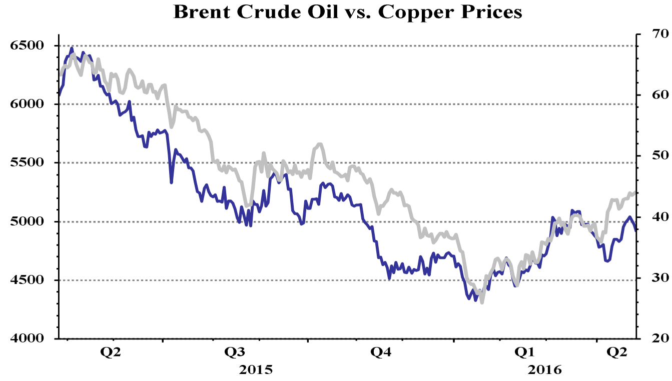
Source: International Copper Study Group, Byblos Research

Precious Metals: Gold prices up 17% in first four months of 2016

Gold prices surged by more than 17% so far in 2016 on expectations that the U.S. Federal Reserve will not raise interest rates aggressively this year due to global economic risks. Prices closed at $1,248 per troy ounce on April 27, up by 0.5% from the preceding day as the US dollar depreciated amid weaker-than-expected U.S. economic data. The metal's price rose to about $1,256 per ounce in mid-day trading on April 28 after the U.S. Federal Reserve kept short-term interest rates unchanged and suggested a gradual path for future rate hikes. Prices are forecast to average $1,200 a troy ounce in the third quarter and to rise to $1,250 a troy ounce in the fourth quarter of 2016. According to the International Monetary Fund, the probability of the 12-month forward gold prices dropping below $1,000 a troy ounce regressed to 11.5% in April 2016 from 12.7% in March, while the probability of gold prices rising above $1,300 a troy ounce increased to 33.5% from 27.2% previously, reflecting a rise in investor demand for the metal. In parallel, global gold demand regressed by 24% year-on-year to 781 tons in the first quarter, its weakest quarter in seven years due to lower demand from China and India.

Source: Morgan Stanley, Thomson Reuters, IMF

Brent Crude Oil vs. Copper Prices



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-12.2	25.4	3.6	15.8	-	-	-15.6	1.0
Angola	B	Ba2	B+	-	B+								
	Stable	CWN**	Negative	-	Stable	-1.4	53.0	36.4*	90.8	7.3	14.4	-5.6	2.0
Egypt	B-	B3	B	B-	B-								
	Stable	Stable	Stable	Stable	Stable	-10.3	92.7	20.7	154.6	10.0	302.8	-3.8	2.6
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-2.8	23.5	25.4*	159.6	4.3	634.6	-9.3	4.1
Ghana	B-	B3	B	-	B+								
	Stable	Negative	Negative	-	Negative	-5.3	72.4	44.3	110.4	10.3	371.8	-7.4	7.7
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-3.5	45.1	29.0	62.9	2.7	169.6	-2.9	2.9
Libya	-	-	B	-	B-								
	-	-	Stable	-	Negative	-47.7	108.8	17.4	38.9	-	-	-44.8	-3.8
Dem Rep	B-	B3	-	-	CCC								
Congo	Negative	Stable	-	-	Stable	0.0	21.5	16.0*	41.6	2.1	6.5	-7.7	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-3.5	64.4	32.7	114.4	6.3	185.6	-8.0	4.8
Nigeria	B+	Ba3	BB-	-	BB-								
	Negative	CWN**	Negative	-	Negative	-4.7	13.8	5.6	80.2	0.7	63.2	-3.8	1.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-1.3	74.0	43.5	-	-	-	-6.9	1.6
Tunisia	-	Ba3	BB-	-	BB+								
	-	Stable	Negative	-	Stable	-5.5	56.2	84.8	179.6	15.7	423.9	-12.7	4.1
Burkina Faso	B-	-	-	-	B+								
	Stable	-	-	-	Stable	-3.0	32.2	23.8*	-	-	-	-7.8	0.8
Rwanda	B+	-	B	-	B+								
	Negative	-	Positive	-	Stable	-3.1	34.8	27.0*	-	-	-	-9.6	3.2
Middle East													
Bahrain	BB	Ba1	BBB-	BBB-	BBB-								
	Stable	CWN**	Negative	Negative	Negative	-11.3	67.6	159.0	-	24.6	-	-3.3	-0.2
Iran	-	-	-	BB-	BB-								
	-	-	-	Stable	Stable	-2.8	16.4	1.9	8.8	-	-	-1.8	-
Iraq	B-	(P)Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-17.5	79.1	54.7	178.3	-	-	-12.4	-
Jordan	BB-	B1	-	BB-	BB+								
	Negative	Stable	-	Stable	Stable	-3.2	92.5	76.6	187.5	10.5	177.3	-1.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	CWN**	Stable	Stable	Stable	-7.1	12.5	28.9	-	10.5	107.6	-16.5	-8.4
Lebanon	B-	B2	B	B	B-								
	Negative	Negative	Negative	Negative	Stable	-8.4	142.2	165.5*	-	23.4	151.1	-16.2	1.3
Oman	BBB	A3	-	A-	BBB								
	Stable	CWN**	-	Negative	Negative	-14.5	10.5	25.3	41.1	5.6	-	-11.8	-1.0
Qatar	AA	Aa2	AA	AA-	AA-								
	Stable	CWN**	Stable	Negative	Stable	-4.3	44.0	113.7	254.2	24.9	-	-13.6	-1.8
Saudi Arabia	A-	Aa3	AA-	AA-	AA-								
	Stable	CWN**	Negative	Negative	Stable	-12.7	16.1	17.1	53.5	4.2	-	-11.0	0.8
Syria	-	-	-	-	C								
	-	-	-	-	Negative	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-								
	-	CWN**	-	Stable	Stable	-2.1	51.9	48.3	50.9	4.0	-	2.4	1.1
Yemen	-	-	-	-	CCC								
	-	-	-	-	Negative	-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-								
	-	Stable	Stable	-	Stable	-3.9	48.3	81.6	168.2	23.6	612.8	-6.4	3.8
China	AA-	Aa3	A+	-	A								
	Stable	Stable	Stable	-	Stable	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-6.0	47.1	22.9	112.4	7.3	156.2	-0.6	1.0
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-								
	Negative	CWN**	Stable	-	Negative	-0.2	22.8	127.9	325.8	33.6	824.6	-2.2	3.5
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB-								
	Negative	Stable	Stable	-	Stable	-1.6	29.6	89.9	135.0	28.0	236.3	0.2	2.5
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Negative	Stable	-	Positive	-2.6	41.5	49.4	101.0	14.4	224.0	-1.5	1.7
Russia	BB+	Baa3	BBB-	-	BB+								
	Negative	CWN**	Negative	-	Negative	-3.9	21.0	40.4	98.2	19.6	150.3	5.4	-1.7
Turkey	BB+	Baa3	BBB-	BB+	BB-								
	Negative	Negative	Stable	Stable	Negative	-0.8	32.6	54.4	154.2	19.8	405.8	-4.7	0.7
Ukraine	CCC	Caa3	CCC	-	B-								
	Negative	Negative	-	-	Stable	-3.7	92.1	139.5	211.4	22.4	663.6	-1.7	1.1

**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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	0.25-0.50	27-Apr-16	No change	15-Jun-16
Eurozone	Refi Rate	0.00	21-Apr-16	No change	02-Jun-16
UK	Bank Rate	0.50	14-Apr-16	No change	12-May-16
Japan	O/N Call Rate	0.00-0.10	28-Apr-16	No change	16-Jun-16
Australia	Cash Rate	2.00	05-Apr-16	No change	03-May-16
New Zealand	Cash Rate	2.25	28-Apr-16	No change	08-Jun-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	N/A
Taiwan	Discount Rate	1.50	24-Mar-16	Cut 13bps	30-Jun-16
South Korea	Base Rate	1.50	19-Apr-16	No change	13-May-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	20-Apr-16	No change	24-May-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	27-Apr-16	No change	08-Jun-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	19.00	21-Apr-16	Cut 300bps	26-May-16
Russia	Refi Rate	11.00	18-Mar-16	No change	29-Apr-16

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