

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global life insurance premiums to grow by 3% per year in 2016-25

Global reinsurer Munich Re expected global life insurance premiums to grow by about 3% per year in real terms between 2016 and 2025. It anticipated life insurance premiums in Emerging Asia to grow at a compound annual growth rate (CAGR) of 10.2% between 2016 and 2025, followed by CAGRs of 7.2% in Latin America, 6.5% in the Middle East & North Africa (MENA), 6.2% in Eastern Europe, 2.9% in Sub-Saharan Africa (SSA), 1.8% in North America, 1.5% in the Mature Asia-Pacific countries and 1.4% in Western Europe. On a country basis, it projected life insurance premiums in China to grow at a CAGR of 11.1% during the covered period, followed by Indonesia (+10.1%), the UAE (+10%), Brazil (+8.4%) and the Philippines (+8.3%). In parallel, Munich Re expected global property-casualty (P&C) insurance premiums to grow by an average real rate of 2.9% per year during the 2016-25 period. Further, it forecast primary P&C insurance premiums in Emerging Asia to post a CAGR of 9.1% during the covered period, followed by the MENA region (+5.5%), SSA (+4.7%), Eastern Europe (+4.2%), Latin America (+3.3%), Mature Asia-Pacific (+2%), Western Europe (+1.6%) and North America (+1.5%). It projected North America to generate 26.6% of total primary insurance premiums in 2025, followed by Western Europe with 25.7%, Emerging Asia (21.7%), Mature Asia-Pacific (16.9%), Latin America (4.2%), Eastern Europe (1.9%), MENA (1.6%) and SSA (1.3%).

Source: Munich Re

MENA

Press freedom regresses in the region

In its annual survey of press freedoms in 199 countries and territories, independent think tank Freedom House indicated that press freedom deteriorated in the Arab world in 2015, as the average score of the 20 Arab countries included in the survey was 72.1 points relative to 70.8 points in 2014. The survey assesses the degree of print, broadcast, and Internet freedoms across the world. It provides a numerical rating from zero as most free to 100 as least free for each country. It also categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. The ranks of five Arab countries improved, 11 regressed and four were unchanged from 2014; while the scores of two countries improved, 11 regressed and seven were unchanged year-on-year. Tunisia posted the worst decline in rank among Arab countries, as its global rank fell by 17 spots from 2014; while Yemen registered the steepest decline in scores, as its score regressed by five points. Mauritania had the highest level of press freedom among Arab countries and came in 106th place globally, while Syria had the lowest level of press freedom and ranked in 190th place worldwide. Lebanon, Mauritania, Tunisia and Kuwait were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 16 countries came in the 'Not Free' category.

Source: Freedom House, Byblos Research

Average annual hotel occupancy rate in the region at 64% during past 21 years

The annual survey of the Middle East hotel sector by global hotel consulting firm HVS indicated that the region's average occupancy rate stood at 64% during the 1995-2015 period. The average occupancy rate at hotels in Dubai reached 76% over the covered period and constituted the highest rate among 14 cities in the Middle East for which complete data is available during the 1995-2015 period. It was followed by hotels in Abu Dhabi and Hurghada (71% each), Sharm El Sheikh and Doha (68% each), Jeddah and Cairo (66% each), Muscat and Damascus (63% each), Riyadh (62%), Amman and Manama (61% each), and Beirut and Kuwait City (56% each). In parallel, the average daily rate per room at hotels in the region grew by a compound annual growth rate (CAGR) of 2% between 1995 and 2015, with the daily rate per room at Doha hotels posting the highest growth of 6% over the covered period. In addition, the Middle East region's average revenues per available room (RevPAR) posted a CAGR of 1% during the 1995-2015 period. The RevPAR at hotels in Doha and Jeddah posted a CAGR of 5% each during the 1995-2015 period, the highest CAGR among 14 cities in the Middle East, followed by Dubai, Riyadh, Muscat and Manama with a CAGR of 4% each.

Source: HVS Research

Majority of Arab citizens believe that governments are ineffective in fighting corruption

Transparency International's 2016 Global Corruption Barometer, a survey about the general public's views and experiences on corruption, indicates that 68% of survey respondents in the Middle East & North Africa region consider that their government is ineffective in fighting corruption, while 26% of participants think that their government is doing well in tackling graft. The results show that 91% of respondents in Yemen consider that their government's efforts to fight corruption are 'ineffective', followed by 76% in Lebanon, 69% in Algeria, 64% in Morocco, 62% in Tunisia, 61% in each of Palestine and Jordan and 58% in Egypt. Further, the survey pointed out that bribery is most widespread in the MENA region's court systems, where 31% of respondents had to pay a bribe. Also, 28% of adults who dealt with the police resorted to bribery, 23% of participants had to pay a bribe to government officials for documents or permits, 20% of respondents resorted to bribery in public clinics and hospitals, 18% of adults had to pay a bribe for household utility services and 13% of adults resorted to bribery in public educational systems. In parallel, 58% of respondents believe that they can make a difference in fighting corruption, while 28% feel disempowered. Further, 24% of survey respondents believe that reporting corruption incidents is an effective way to stop corruption, while 25% believe that refusing to pay bribes could help fight graft.

Source: Transparency International

OUTLOOK

MENA

Oil exporters to post wide fiscal deficits in 2016-17

The International Monetary Fund revised downwards the growth forecasts for most oil-exporting economies in the Middle East & North Africa region, as it expected oil prices to remain low over the foreseeable future. It forecast growth in the Gulf Cooperation Council (GCC) countries to decelerate from 3.3% in 2015 to 1.8% in 2016 and 2.3% in 2017 due to tighter fiscal policy, weaker private sector confidence and lower liquidity in the banking system. It anticipated the GCC's non-hydrocarbon sector to expand by 2.5% in 2016 and by 3% in 2017, well below the 7.8% average growth rate over the 2006-15 period. Further, it anticipated real GDP in non-GCC oil exporters in the MENA region to grow by 4.2% this year and 4% in 2017 compared to a growth rate of 0.3% in 2015, partly due to rising oil production from Iraq and Iran. It forecast the non-hydrocarbon sector in non-GCC oil exporters to grow by 1.1% in 2016 and by 2.5% next year.

The Fund indicated that risks to the outlook are tilted to the downside. It noted that the planned fiscal measures in the GCC economies could exert a larger-than-expected drag on growth, especially given tightening financial conditions. It added that other risks include regional conflicts and a faster-than-anticipated increase in U.S. interest rates.

In parallel, the IMF estimated the combined losses from oil export revenues in MENA oil-exporting economies at \$390bn in 2015, equivalent to 17.5% of their aggregate GDP. It said that the outlook for lower oil prices implies weak oil revenues for years to come, which would dramatically curtail government expenditures. It forecast the GCC's aggregate fiscal deficit to widen from 9.9% of GDP in 2015 to 12.3% of GDP in 2016 and 10.8% of GDP in 2017, despite ambitious fiscal consolidation measures. Also, it expected the fiscal deficit in non-GCC oil exporters to widen from 10.3% of GDP last year to 10.9% of GDP in 2016, but to narrow to 7.7% of GDP in 2017. In addition, it forecast Bahrain, Oman, and Saudi Arabia to become significant debtors during the 2016-21 period, as their financing needs would exceed their current liquid financial buffers. The Fund projected the GCC's aggregate government debt at 23.4% of GDP in 2016 and 29.6% of GDP in 2017, up from 14% of GDP last year. Further, it forecast the GCC's aggregate current account deficit at 7% of GDP in 2016 and 4.1% of GDP next year, and expected that of non-GCC oil-exporters at 9.6% of GDP this year and 8% of GDP in 2017.

Source: International Monetary Fund

IRAN

Medium-term economic outlook faces significant challenges

The United Nations Economic & Social Commission for Asia and the Pacific (ESCAP) estimated economic growth in Iran to have accelerated from 0.8% in the fiscal year that ended in March 2015 to 4.4% in FY2015/16, and projected it at 5.1% in FY2016/17. It mainly attributed the acceleration in economic activity to the lifting of sanctions in January 2016. The UN expected foreign investment to pick up strongly in the near term, mainly in infrastructure projects. However, it indicated that the

country's medium-term outlook is limited by significant domestic bottlenecks and restrictive business conditions. It anticipated the country's oil export receipts to help raise government revenues and improve the current account surplus in coming years, despite the persistent low oil price environment. It projected the inflation rate to average 12.5% in 2016 relative to an average of 13.6% in 2015, which could exceed the Central Bank of Iran's single-digit target. It attributed the high inflation rate to supply-side bottlenecks and to higher consumption as a result of renewed access to global markets.

The UN did not expect the fiscal policy to have a significant impact on economic activity, as public spending would be constrained by low global oil prices. It estimated that a drop of \$10 per barrel in global oil prices would worsen Iran's fiscal balance by 1% of GDP. It noted that the government is seeking to strengthen compliance measures, remove tax exemptions and continue with subsidy reforms in order to improve its fiscal position. It indicated that one of the government's policy efforts to revive economic growth has been to improve financial intermediation through reducing non-performing loans and easing financial bottlenecks.

Source: United Nations Economic & Social Commission for Asia and the Pacific

ANGOLA

Non-oil GDP growth at 2.8% in 2016-17

The International Monetary Fund projected economic growth in Angola to decelerate from 3% in 2015 to 2.5% in 2016 and 2.7% in 2017, partly due to limited foreign currency supply and reduced public spending. In comparison, it forecast real GDP growth at 2.2% in 2016 and 3.4% in 2017 in Sub-Saharan Africa's (SSA) oil-exporting countries. It expected the country's non-oil GDP to grow by a real rate of 1.6% in 2016 and 4% in 2017, compared to growth rates of 2.8% and 3.6% in 2016 and 2017, respectively, for the SSA region's oil-exporting economies.

The IMF indicated that the emergence of large parallel exchange rate premiums in Angola reflects the wide imbalances in the foreign exchange market and, therefore, the urgent need for more sustainable macroeconomic policies. It forecast Angola's annual average inflation rate at 19.1% in 2016 and 15.2% next year, compared to inflation rates of 12% and 11.5% in 2016 and 2017, respectively, for SSA's oil-exporting economies. It said that total investment fell from 15.3% of GDP in 2014 to 9.3% of GDP in 2015, and expected it to slightly rise to 10.5% of GDP this year.

The Fund projected the government's fiscal balance, including grants, to post deficits of 7.1% of GDP in 2016 and 6.1% of GDP in 2017. It said that the decline in commodity export revenues and the resulting fiscal expansion, along with a depreciating exchange rate, have contributed to rising debt levels. The IMF projected the government's debt at 70.1% of GDP in 2016 and 68.7% of GDP in 2017, up from 62.3% of GDP last year. It expected the current account deficit to widen from 8.5% of GDP in 2015 to 11.6% of GDP in 2016 and 8.8% of GDP in 2017. It projected Angola's gross official reserves to reach 6.3 months of imports of goods & services in 2016 and 5.5 months of import cover in 2017, down from 9.4 months of imports in 2015.

Source: International Monetary Fund



ECONOMY & TRADE

SYRIA

Economic losses at \$260bn in 2011-15 period

The United Nations Economic and Social Commission for Western Asia (ESCWA) indicated that Syria's real GDP contracted by 8.1% in 2015, following contractions of 11.6% in 2014, 16.9% in 2013, 28.2% in 2012 and 6.8% in 2011. As such, it noted that the country's nominal GDP reached \$27.2bn at constant 2010 prices in 2015, relative to \$29.6bn in 2014 and \$60.2bn in 2010. Further, it said that Real GDP contracted by 55% between 2010 and 2015. It noted that the cumulative economic losses in Syria from the start of the conflict in 2011 up until the end of 2015 reached \$259.6bn. It pointed out that output losses totaled \$169.7bn during the covered period and accounted for 65.4% of total economic losses, while capital stock losses reached \$90bn (34.6%). It said that losses in the construction sector accounted for 30.3% of total capital stock losses, followed by the manufacturing sector (17.7%), mining (9.4%), utilities (9.1%) and services (8.5%). The ESCWA indicated that the conflict led to wide fiscal deficits in Syria, as government revenues began to drop since 2012. As such, it noted that the public debt level surged by more than eight times from SYP651m in 2010 to about SYP5.5 trillion in 2015. It added that the economic slowdown and sanctions had a direct impact on foreign trade. Also, it noted that both the official exchange rate of the Syrian pound and the parallel market rate depreciated by 647% and by 714%, respectively, between March 2011 and the end of 2015. It added that the inflation rate averaged 43.2% in 2015.

Source: ESCWA

TURKEY

Ratings affirmed, outlook revised to 'stable'

Standard & Poor's affirmed at 'BB+/B' Turkey's foreign currency sovereign credit ratings and at 'BBB-/A-3' its local currency sovereign credit ratings, while it revised the outlook on the ratings from 'negative' to 'stable'. It attributed the outlook revision to the resilience of the Turkish economy in the face of two general elections in 2015, heightened geopolitical risks and weak investor sentiment. Also, it noted that the change in outlook reflects the receding risks of financing the country's wide current account deficit and the roll-over of external debt. It estimated the country's current account deficit to have narrowed from 5.5% of GDP in 2014 to 4.5% of GDP in 2015 due to lower oil prices and gold exports, but it noted that the deficit has widened when excluding the impact of low oil prices and gold exports. It forecast the current account deficit to gradually narrow to 4.2% of GDP in 2016 and to 2.9% of GDP by 2019. It estimated the country's usable reserves at about \$30bn at the end of 2015 when excluding foreign currency and gold reserve requirements, which would provide a limited buffer against any further exchange-rate pressure. S&P indicated that the uncertain global economic environment, especially an increase in U.S. interest rates could weigh on economic activity and reduce the risk appetite of non-resident investors in Turkey's government debt and equity markets. Overall, the agency indicated that the 'stable' outlook balances the economy's resilient growth prospects to external shocks and its modest fiscal deficits, against ongoing geopolitical risks and still-high external financing needs.

Source: Standard & Poor's

UAE

Economy resilient amid low oil price environment

The International Monetary Fund expected economic activity in the UAE to moderate in 2016 amid low oil prices. It projected non-hydrocarbon growth to slow down from 3.2% in 2015 to 2.4% this year due to significant fiscal consolidation, weaker economic sentiment, and slightly tighter monetary and financial conditions. The Fund projected economic growth to pick up over the medium term due to an expected rise in oil prices, to increased investment ahead of Dubai's World Expo 2020, and to more favorable external conditions. It considered that the government's macroeconomic policy mix should focus on gradual fiscal consolidation, as well as on maintaining the currency peg and the supporting conditions for private sector credit growth. The Fund anticipated the fiscal deficit to widen to about 7.2% of GDP in 2016 despite the strong policy adjustments to the low oil price environment. Also, it expected the current account surplus to narrow from 3.9% in 2015 to 0.3% of GDP this year. It considered that the authorities' goal to continue to diversify the economy away from oil requires them to speed up the structural reforms aimed at further developing the private sector and at transitioning toward a knowledge-driven economy, among other requirements. The IMF expected the growth in private sector lending to moderate in 2016 due to slowing economic activity and to the larger financing needs of the government. It added that the ongoing efforts to strengthen the anti-money laundering and combating the financing of terrorism framework, along with addressing de-risking, should continue.

Source: International Monetary Fund

IRAQ

Mounting uncertainties over fiscal trajectory

Citi expected the ongoing political crisis in Iraq, which can be traced back to the eruption of anti-corruption protests across the country in August 2015, to have a significant impact on the government's financing capacity in the near term. It noted that the key issues include the legitimacy of any new Cabinet and its ability to govern, which, in turn, would determine the appetite of the international community to finance the government's fiscal deficit. It said that Iraq is currently facing significant fiscal challenges amid the low oil price environment. It added that the lack of a timely resolution to the political crisis would jeopardize the government's ability to engage with the International Monetary Fund and to issue Eurobonds. It estimated the Iraqi government's financing gap at \$5bn in 2016, assuming all funding targets outlined in the budget are achieved. These include a mixture of draw-downs of government deposits and domestic borrowing, mainly from the Central Bank of Iraq, along with some borrowing from multilateral institutions. Citi indicated that the country's fiscal outlook for 2016 is mixed and uncertain. It projected Iraq's fiscal deficit at 24% of GDP in 2016 relative to the official budget estimate of 15% of GDP, as oil prices in 2016 would be lower than the \$45 p/b oil price assumption in the 2016 budget. Citi estimated that for every increase in oil exports by 100,000 barrels per day would lead the financing gap in Iraq to shrink by about \$1bn. It said that progress in tackling corruption will improve Iraq's medium to long-term fiscal trajectory.

Source: Citi



BANKING

SAUDI ARABIA

Low risks for sector's funding

Standard & Poor's classified Saudi Arabia's banking sector in 'Group 4' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '5' and an industry risk score of '3'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. It noted that other countries in BICRA's 'Group 4' include the Czech Republic, Kuwait, Malaysia, Mexico, New Zealand, and Taiwan. S&P indicated that Saudi Arabia's economic risk score reflects its "high risks" in economic resilience, as well as "intermediate risks" in economic imbalances and in credit risks in the economy. It expected lending opportunities for Saudi banks to decrease over the next two years due to the decline in government spending and the resulting impact on the domestic economy. It anticipated credit conditions for Saudi banks to deteriorate, which would lead to higher non-performing loans and credit losses, and to lower profitability. As such, it considered that overall economic risks in the Kingdom have increased. In parallel, it pointed out that the industry score reflects the country's "low risks" in its institutional framework and its system-wide funding, and "intermediate risks" in its competitive dynamics. S&P did not expect a fundamental change in the banks' funding profiles despite the gradual slowdown in deposit growth and a low-cost domestic deposit base with limited reliance on external debt. It indicated that the trend for economic and industry risks is "stable".

Source: Standard & Poor's

JORDAN

Resident private sector lending up 3% in first quarter of 2016

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD47.4bn or \$66.8bn at the end of March 2016, constituting a rise of 0.5% from the end of 2015 and an increase of 4.1% from end-March 2015. Resident private sector claims grew by 2.6% from end-2015 to JD19.2bn, while credit facilities to the non-resident private sector regressed by 3.8% to JD459m, leading to an increase of 2.4% in overall private sector credit facilities in the first quarter of 2016. Lending to the resident private sector accounted for 40.4% of total assets at end-March 2016 compared to 39% at end-March 2015. In parallel, resident private sector deposits reached JD25.9bn at end-March 2016, constituting an increase of 0.5% from end-2015 and a rise of 6.4% from a year earlier. Also, deposits of non-bank financial institutions declined by 11.6% from end-2015 to JD392m. The government's deposits totaled JD1.3bn, up by 1.1% from end-2015, while those of public non-financial institutions increased by 21.4% to JD427.8m. In parallel, claims on the public sector accounted for 24.6% of total assets at end-March 2016, compared to 25.6% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.03bn or \$9.9bn, down by 4.5% from JD7.4bn at end-2015; while capital accounts and allowances dropped by 1.2% from end-2015 to JD7bn. Also, deposits with foreign banks reached JD3.3bn, or \$4.7bn, at the end of March 2016, up by 1.5% from end-2015; while the sector's foreign liabilities increased by 1.4% from end-2015 to JD6.8bn.

Source: Central Bank of Jordan, Byblos Research

MAURITANIA

Loans-to-deposits ratio at 134%, NPLs at 28%

The International Monetary Fund indicated that asset quality in the Mauritanian banking sector has deteriorated amid the slow-down in economic activity. The sector's non-performing loans ratio was 27.6% at the end of 2015, up from 23.9% at end-2014 and 20.4% at end-2013. It said that subdued economic growth in the country could diminish the capacity of the financial sector to lend to the private sector, as loans to the private sector grew by 8% year-on-year in 2015 compared to an increase of 21.3% in 2014 and 15% in 2013. The Fund indicated that liquidity ratios declined, but that the banking system remained broadly liquid. The sector's liquid assets reached 21.4% of total assets at the end of 2015 relative to 23.5% at end-2014 and 24% at end-2013. Further, the private sector's loans-to-deposits ratio reached 134.1% at the end of 2015 relative to 137.7% at end-2014 and 113.7% at the end of 2013. The Fund noted that banks' risk management practices are weak and profitability is low. It said that the sector's average capital adequacy ratio dropped from 28.1% at end-2014 to 23.1% at the end of 2015, but remains above the regulatory requirements. It added that banks' operational costs are increasing due to higher compliance requirements on foreign exchange transactions with international banks. The sector's aggregate assets were equivalent to 43.2% of GDP in 2015.

Source: International Monetary Fund

TURKEY

Banking sector can face significant shocks

The International Monetary Fund indicated that the Turkish banking sector is well-capitalized, and has strong liquidity buffers and good asset quality. It added that banks operating in the country are resilient to significant shocks, given that they do not have open foreign currency positions, are well-managed, and have high loss-absorbing levels of capital. It noted that the sector's average capital adequacy ratio dropped from 16.3% at end-2014 to 15.6% at the end of 2015, but remains above the regulatory requirements. The Fund cautioned that the banks' indirect exposure to foreign exchange risk is elevated and that profitability has declined. It noted that the sector's return on average equity regressed from 14.2% in 2013 and 12.3% in 2014 to 11.3% in 2015, partly due to a narrower net interest margin and the fee rebates that the banks had to pay to their customers. Also, the sector's return on average assets decreased from 1.6% in 2013 and 1.3% in 2014 to 1.2% in 2015. It indicated that the sector's non-performing loan ratio increased slightly from 2.9% at end-2014 to 3.1% at the end of 2015. It added that the sector's liquidity has tightened, with the loan-to-deposit ratio rising from 110.7% at end-2013 to 119.2% at the end of 2015. It indicated that macroprudential measures, which limited short-term wholesale foreign currency funding, as well as low economic growth, have constrained credit growth. It noted that the sector's average foreign currency liquidity coverage ratio currently stands at around 145%. It added that banks can tap, in case of need, into their deposits with the Central Bank under the reserve option mechanism and the foreign currency reserves requirements.

Source: International Monetary Fund



ENERGY / COMMODITIES

Oil market to remain volatile in coming months

The fundamentals of the global oil market have largely remained the same since the beginning of the year. ICE Brent crude oil front-month prices closed at \$47.6 per barrel (p/b) on May 11, 2016, constituting an increase of 28% from the end of 2015; while WTI oil prices rose by 25% from end-2015 to close at \$46.2 p/b. The year-to-date increase in oil prices was supported by a weaker US dollar, robust global demand for oil and unexpected supply disruptions. Also, Brent and WTI oil prices rose by 4.6% and 3.4%, respectively, on May 11 from the preceding day, after U.S. data revealed an unexpected drop in crude oil inventories, and as U.S. crude output fell to 8.8 million barrels per day, the lowest since the fourth quarter of 2014. The oil market is expected to remain highly volatile in the coming months due to uncertainties about future production levels in key oil-producing countries, about economic activity in China and other emerging market economies, as well as about growth in U.S. gasoline demand and crude oil inventories. Further, Brent oil prices are projected to average \$40.5 p/b in 2016, while WTI oil prices are expected to reach an average of \$40.3 p/b this year. The Bloomberg Brent Crude Oil Total Return Sub-Index rose by 15.8% from end-2015.

Source: Julius Baer, Bloomberg Indices

MENA investments in power sector to reach \$334bn over the 2016-20 period

Total investments in the Middle East & North Africa's power sector are projected at \$334bn during the 2016-20 period, of which \$198bn, or 59.3%, would be allocated to new capacity generation, while the remaining \$136bn, or 40.7%, would go towards power transmission and distribution. Further, the Gulf Cooperation Council countries' investments in the power sector are projected at \$137bn, or 40.7% of the total. Saudi Arabia's investments are forecast at \$71bn or 51.8% of total investments in the GCC region's power sector, followed by the UAE with \$34bn (24.8%), Kuwait with \$12bn (8.8%) and Qatar with \$9bn (6.6%).

Source: Arab Petroleum Investments Corporation

Kurdish oil exports up 51% in April 2016

The Kurdistan Regional Government's (KRG) crude oil exports totaled 15.36 million barrels in April 2016, up by 51.3% from 10.15 million barrels in the preceding month. On a daily basis, Kurdish hydrocarbon exports rose by 56.4% month-on-month to an average of 511,888 barrels per day in April. The KRG's crude oil export receipts totaled \$376.4m in April 2016, down by 32.5% from \$557.3m in March. The KRG paid a total of \$58.9m directly to producers and retained \$317.5m.

Source: KRG Ministry of Natural Resources

Nigeria's hydrocarbon export receipts down 49% in first quarter of 2016

Nigeria's crude oil & condensate export receipts totaled \$786.4m in the first quarter of 2016, constituting a drop of 49.2% from \$1.5bn in the same quarter of 2015. Export receipts consisted of \$444m from crude oil exports, \$210.7m from gas exports and \$131.8m in other receipts. In parallel, the authorities used all the hydrocarbon receipts to pay international oil companies and did not transfer any funds to the Federation Account during the covered quarter. Hydrocarbon receipts reached \$142m in March 2016, down by 40.1% from \$236.7m in the preceding month.

Source: Nigerian National Petroleum Corporation

Base Metals: Copper prices to drop by 12% in 2016

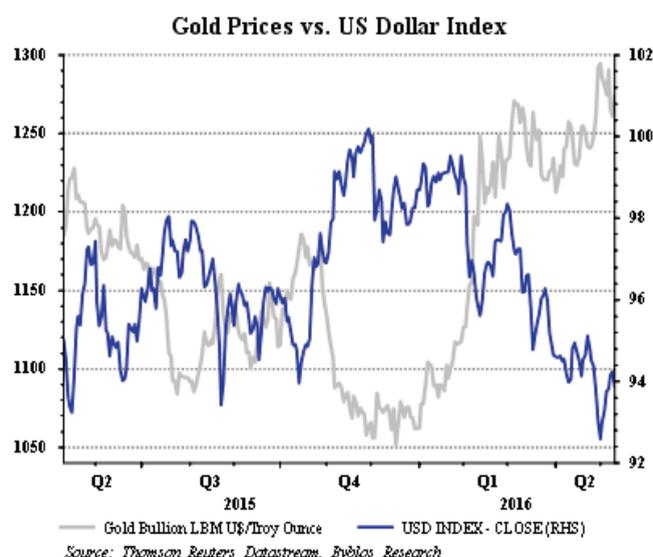
The LME cash price of copper averaged \$4,740.8 a ton so far in 2016, trading at a low of \$4,328 per ton and a high of \$5,096 per ton. The metal's average price is forecast to drop by 11.7% to \$4,850 a ton in 2016, the lowest level since 2005, and to increase by 5.2% to \$5,100 a ton in 2017, in case global economic activity improves. The downside pressure on copper prices in 2016 is due to lower Chinese demand and insufficient cutbacks in the metal's production. The metal's global refined production is projected to increase by an average of 2.1% in the next three years, compared to a growth rate of 3.5% in 2015 and 2.1% in 2014. On the demand side, global copper consumption is expected to rise by around 2% in 2016 and by 3% over the medium-term, compared to an increase of 1.9% in 2015 and a growth of 3.9% in 2014. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index increased by 7.2% in April 2016 and by 9.6% in the first four months of 2016, while the Copper Sub-Index grew by 4.2% last month and by 6.5% in the first four months of 2016.

Source: Thomson Reuters GFMS, Bloomberg Indexes, Byblos Research

Precious Metals: Gold prices to average \$1,275 a troy ounce in 2016

Gold prices grew by 20% from the end of 2015 to close at \$1,275 a troy ounce on May 11, 2016. The double-digit increase is due to a rise in investors' demand for the metal as a result of a weaker US dollar and to expectations that the U.S. Federal Reserve will not raise interest rates in its June monetary policy meeting. Indeed, the metal is highly sensitive to rising U.S. interest rates as the latter increases the opportunity cost of holding non-yielding assets. Overall, gold prices are expected to average \$1,275 a troy ounce in 2016, which would reflect a 10% increase from an average of \$1,160 a troy ounce in 2015. The metal's price would be supported by rising inflationary pressures. Also, a sustained depreciation of the Chinese Yuan against the US dollar would increase the metal's attractiveness as a store of value for the world's largest consumer of gold. In parallel, the Bloomberg Precious Metals Total Return Sub-Index grew by 7.3% in April and by 23.7% in the first four months of 2016, while the Gold Sub-Index increased by 4.5% last month and by 21.7% from end-2015.

Source: BMI Research, Bloomberg Indexes, 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	B1	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+	B1	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-	BBB	-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
	Stable	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	-	-	Stable								

*to official creditors

**Credit Watch Negative

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



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25-0.50	27-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	12-May-16	No change	16-Jun-16
Japan	O/N Call Rate	0.00-0.10	28-Apr-16	No change	16-Jun-16
Australia	Cash Rate	1.75	03-May-16	Cut 25 bps	07-Jun-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	15-Jun-16
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	11-May-16	No change	22-Jun-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	28-Apr-16	No Change	16-Jun-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	05-May-16	No change	30-Jun-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	05-May-16	No change	30-Jun-16
Bulgaria	Base Interest	0.00	02-May-16	No change	01-Jun-16
Kazakhstan	Repo Rate	15.00	05-May-16	Cut 200bps	06-Jun-16
Ukraine	Discount Rate	19.00	21-Apr-16	Cut 300bps	26-May-16
Russia	Refi Rate	11.00	29-Apr-16	No change	10-Jun-16



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