

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade in counterfeit and pirated goods at \$461bn

A study conducted by the Organization for Economic Cooperation and Development, and the European Union Intellectual Property Office, shows that the value of imported counterfeit and pirated goods worldwide reached \$461bn in 2013, equivalent to about 2.5% of global imports. The 2013 figure reflects a rise of 2.3 times from \$200bn, or 1.9% of global imports in 2008. The study covered all physical counterfeit goods that infringe trademarks, design rights or patents, and tangible pirated products that breach copyrights. It noted that emerging economies tend to usually have the infrastructure for large-scale trade but often suffer from governance gaps and may lack the institutions and enforcement capacity to effectively tackle counterfeiting. It indicated that 63.2% of counterfeit and pirated goods originated from China in 2013, followed by Hong Kong (21.3%), Turkey (3.3%), Singapore (1.9%), Thailand (1.6%), India (1.2%), Morocco (0.6%), the UAE (0.5%), and Pakistan and Egypt (0.4% each). It added that the United States was the top country whose companies had their intellectual property rights infringed during the 2011-13 period, with 20% of the total value of fake goods seized, followed by Italy (14.6%), France (12.1%), Switzerland (11.7%), Japan (8.2%) and Germany (7.5%). The study indicated that footwear and clothing were the most copied products worldwide in 2013. Source: OECD

EMERGING MARKETS

Tight lending conditions in first quarter of 2016

The Emerging Markets Lending Conditions Index was 44.8 in the first quarter of 2016 relative to 45.9 in the preceding quarter, representing its lowest level since the fourth quarter of 2015 and pointing to additional sharp tightening in lending conditions. The Demand for Loans Index declined to 48 in the first quarter of 2016 from 48.6 in the fourth quarter of 2015, while the Trade Finance Index decreased to 47.8 in the first quarter from 49.5 in the preceding quarter. Also, the Credit Standards Index dropped to 43.6 in the first quarter of 2016 from 45.4 in the fourth quarter of 2015, while the Funding Conditions Index rose to 42.5 in the first quarter from 41.4 in the previous quarter. Further, the Non-Performing Loans (NPLs) Index regressed to 40.1 in the covered quarter from 42.7 in the fourth quarter of 2015, constituting its lowest level since the fourth quarter of 2009, with banks expecting a further decrease in NPLs in the second quarter of 2016. In parallel, the Lending Conditions Index in Emerging Europe was the highest globally at 50.3 in the covered quarter compared to 50.7 in the fourth quarter of 2015, while that for Emerging Asia improved to 46.4 in the first quarter of 2016 from 45.7 in the previous quarter. In addition, the Lending Conditions Index for the Middle East & North Africa region regressed marginally to 42.7 in the first quarter of the year from 42.8 in the preceding quarter, that for Latin America decreased to 41.2 in the first quarter from 43.7 in the previous quarter and that for Sub-Saharan Africa dropped significantly from 45.5 in the fourth quarter of 2015 to 38.6 in the first quarter of 2016.

Source: Institute of International Finance

MENA

Greenfield FDI inflows at \$97bn in 2015

Figures released by fDi Markets show that the Middle East & Africa (ME&A) region attracted \$96.9bn in greenfield foreign direct investment (FDI) in 2015, equivalent to 13.6% of greenfield FDI around the world. Egypt attracted \$14.5bn of greenfield FDI in 2015, equivalent to about 15% of total greenfield FDI in the ME&A region. It was followed by Saudi Arabia with \$9.8bn (10.1%), the UAE with \$8.8bn (9.1%), Nigeria with \$8.6bn (8.9%), Mozambique with \$5.1bn (5.3%), South Africa with \$4.7bn (4.9%), Uganda with \$4.6bn (4.7%), Morocco with \$4.5bn (4.6%), Côte d'Ivoire with \$3.5bn (3.6%) and Angola with \$2.7bn (2.8%). Also, other ME&A countries received \$30.1bn in greenfield FDI last year, or 31.1% of total FDI inflows to the region. In parallel, ME&A countries attracted 1,254 greenfield FDI projects in 2015, up by 0.6% year-on-year. The UAE attracted 298 greenfield FDI projects last year and accounted for 23.8% of the total. It was followed by South Africa with 118 projects (9.4%), Kenya with 84 projects (6.7%), Saudi Arabia with 78 projects (6.2%), Morocco with 71 projects (5.7%), Egypt with 59 projects (4.7%), Nigeria with 51 projects (4.1%), Ghana with 40 projects (3.2%), Oman with 35 projects (2.8%) and Bahrain with 34 projects (2.7%). The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation, but exclude mergers & acquisitions. Source: fDi Markets, Byblos Research

GCC

Holdings of U.S. Treasury debt at \$231bn at end-March, down 7% in first quarter of 2016

Figures released by the U.S. Department of the Treasury show that the six economies of the Gulf Cooperation Council (GCC) held \$231.3bn in U.S. marketable and non-marketable Treasury bills, bonds, and notes at the end of March 2016, down by 6.8% from \$248.3bn at end-2015 and by 4.5% from \$242.2bn at the end of March 2015. The GCC's cumulative holdings of U.S. Treasury debt consisted of 91.2% in long-term and 8.8% in short-term securities at the end of March 2016. Saudi Arabia held \$116.8bn of U.S. Treasuries at end-March 2016 and accounted for 50.5% of the GCC's cumulative holdings of U.S. Treasury securities. It was followed by the UAE with \$62.5bn (27%), Kuwait with \$31.2bn (13.5%), Oman with \$15.9bn (6.9%), Qatar with \$3.7bn (1.6%) and Bahrain with \$1.2bn (0.5%). In parallel, Qatar's holdings of U.S. Treasury debt regressed by 47.1% from end-2015 and posted the steepest decline among GCC holdings. It was followed by Oman's Treasury holdings with a drop of 20.6% during the first quarter of 2016, those of the UAE (-10%), Saudi Arabia (-1.9%) and Kuwait (-1.5%), while Bahrain's U.S. Treasury holdings grew by 20.6% in the covered quarter. Also, Saudi Arabia was the 13th largest holder of U.S. Treasury debt worldwide, followed by the UAE in 23rd place and Kuwait in 35th place. In parallel, the GCC holdings of U.S. Treasury securities accounted for 3.7% of total foreign holdings of U.S. Treasury debt at the end of March 2016, down from 3.9% a year earlier. Source: U.S. Department of the Treasury, Byblos Research

OUTLOOK

GCC

Foregone revenues from low oil prices to reach \$900bn in 2015-16

Deutsche Bank indicated that the sustained low oil price environment since June 2014 led the economies of the Gulf Cooperation Council (GCC) to face double-digit fiscal and external deficits, a slowdown in economic growth and increased uncertainties in financial and foreign exchange markets. It estimated that the GCC's foregone revenues from hydrocarbon production at \$400bn in 2015, or 30% of their 2015 GDP, and expected these losses to further increase to \$500bn in 2016. It forecast the GCC's real GDP growth to decelerate from 3.3% in 2015 to 1.9% in 2016 and 2.5% in 2017, mainly due to lower growth in the non-hydrocarbon sector. It attributed the further drop in non-oil growth to lower public consumption and investment growth, as well as to a slowdown in credit, as bank lending standards tighten and governments reduce their deposits in the banking sector. It added that the drop in oil prices led the GCC's aggregate nominal GDP to fall by 15.4% in 2015 to its lowest level since 2010. Also, it expected the region's nominal GDP to further contract by about 5% in 2016.

Deutsche Bank said that the impact of low oil prices is most evident on the GCC's fiscal balance, given the sharp fall in hydrocarbon revenues. It projected the GCC's oil and gas revenues in 2016 to be 55% lower than in 2014 and 62% below their peak in 2012. It anticipated total government revenues in the GCC in 2016 to be at less than 60% of their 2014 level, due to lower hydrocarbon revenues, which significantly reduces the fiscal space of the GCC governments. In parallel, it expected the region's cumulative nominal public spending to drop by 6% in 2016 relative to a decrease of 9% in 2015, and compared to an average increase of 16% per year between 2005 and 2014. It said that the fiscal adjustments since 2015 have resulted in a reduction in the average fiscal break-even oil prices from \$86.7 per barrel in 2014 to about \$65.2 per barrel in 2016. Deutsche Bank added that the gap between oil prices and fiscal break-even oil prices for 2016 is the largest in Bahrain, Oman and Saudi Arabia, which means that the three countries will post double-digit fiscal deficits in 2016. As such, it expected GCC countries to continue to tap their financial reserves and issue debt to cover their fiscal deficits.

Source: Deutsche Bank

ARMENIA

Real GDP to grow by 2.7% in 2016-17

The United Nations Economic & Social Commission for Asia and the Pacific (ESCAP) estimated economic growth in Armenia to have decelerated from 3.5% in 2014 to 3% in 2015, as remittance inflows from expatriate workers in Russia declined and as tight monetary policy constrained consumer spending. It projected real GDP growth to further decelerate to 2.5% in 2016 and 2.8% in 2017. It said that the outlook for 2016 is weighed to the downside, given that a deterioration in economic conditions in Russia would further reduce remittance inflows to Armenia, which are equivalent to about 13% of Armenia's GDP. Other key challenges include lower government spending amid fiscal consolidation and weak export receipts due to low prices for metals and minerals. It projected the inflation rate to average 3.3% in

2016 relative to an average of 3.5% in 2015, partly due to tight monetary policy and subdued private consumption.

The UN pointed out that Armenia's medium-term economic prospects could improve through its accession to the Eurasian Economic Union (EEU) that became effective in January 2015. It added that Armenia's membership in the EEU could benefit its economy through lower import prices for energy, enhanced access for its exports amid lower tariffs and reduced non-tariff barriers, and mobilization of external financing for infrastructure development projects. It also expected the country's expatriates to benefit from more secure working conditions in Russia, given that the latter is also a member of the EEU. It added that the government's increased emphasis on innovation as a strategy for sustainable development, along with an educated workforce, is expected to introduce new sources of economic growth and diversification.

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

SAUDI ARABIA

Non-hydrocarbon sector growth to decelerate to 1.3% in 2016-17

The Institute of International Finance projected Saudi Arabia's real GDP growth to decelerate from 3.4% in 2015 to 1.4% in 2016 and 1.8% in 2017 due lower oil prices and a slowdown in the non-oil economy. It forecast hydrocarbon sector growth to regress from 3.1% in 2015 to 2% in each of 2016 and 2017, and for non-hydrocarbon sector activity to decelerate from 3.6% in 2015 to 1% in 2016 and 1.6% in 2017. It anticipated the implementation of the Kingdom's "Vision 2030" plan to lead to sustained higher growth rates beyond 2017. It indicated that some of the economic targets set in the plan could need a longer time to achieve. It added that the main risks to the implementation of the government's ambitious plan include a further decline in global oil prices and social unrest.

In parallel, the IIF projected Saudi Arabia's fiscal deficit to narrow from 16.3% of GDP in 2015 to 11.7% of GDP in 2016 and 6.2% of GDP in 2017, reflecting fiscal consolidation measures, the increase in non-hydrocarbon revenues and the recovery in oil prices in 2017. It estimated that public spending fell by 15% in real terms in 2015 and expected it to further contract by 16% this year. It considered that fiscal consolidation efforts would put the fiscal position on a more sustainable path over the medium term. It projected the government's debt level to rise from 5.8% of GDP in 2015 to 17.6% of GDP in 2016 and 22.5% of GDP in 2017.

Further, the IIF forecast Saudi Arabia's current account deficit to widen from 8.2% of GDP in 2015 to 11% of GDP in 2016 due to lower oil prices during the year. But it projected the deficit to narrow to 5.6% of GDP in 2017 due to rising exports. It noted that foreign currency reserves managed by the Saudi Arabian Monetary Authority (SAMA) declined from \$732bn at the end of 2014 to \$616bn at end-2015 and expected them to further drop to \$533.5bn at the end of 2016. It estimated that about two-thirds of reserves would be transferred to the Public Investment Fund under the "Vision 2030" plan, while SAMA would hold the remaining balance for monetary and exchange rate policy purposes.

Source: Institute of International



ECONOMY & TRADE

GCC

Agency takes actions on sovereign ratings

Moody's Investors Service affirmed the 'Aa2' long-term issuer ratings of Kuwait, Qatar, the UAE and the Emirate of Abu Dhabi, and assigned a 'negative' outlook to the ratings. It said that the overall credit profile of Kuwait and Qatar are within the 'Aa2' rating despite the negative effect of a prolonged period of low oil prices on the economy, public finances and external position. It noted that the ratings of the UAE and Abu Dhabi are backed by Abu Dhabi's very large fiscal buffers, which would support economic and fiscal resilience during a period of lower oil prices and subdued growth. It indicated that the 'negative' outlook on the UAE's ratings reflects the lack of clarity about government policies to reduce and reverse the large fiscal deficit, as well as to ease the deterioration in the net asset position. Also, it noted that the 'negative' outlook on Qatar's ratings reflects the risks from a higher-than-projected government debt level, while that on Kuwait's ratings is due to uncertainties about the government's ability to implement fiscal and economic reforms. In parallel, the agency lowered Saudi Arabia's long-term issuer ratings from 'Aa3' to 'A1', those of Oman from 'A3' to 'Baa1' and those of Bahrain from 'Ba1' to 'Ba2'. It noted that the outlook on Oman and Saudi Arabia's ratings is 'stable', while that on Bahrain's ratings is 'negative'. It attributed the downgrades to a significant deterioration in the sovereigns' credit profiles from lower oil prices. It noted that Saudi Arabia's ability to weather future shocks weakened in the context of slow economic activity, higher debt levels and smaller domestic and external buffers. It added that Saudi Arabia's plans to address the low oil price environment are at an early stage of development and their impact remains uncertain.

Source: Moody's Investors Service

EGYPT

Outlook revised to 'negative' on rising fiscal and external vulnerabilities

S&P Global Ratings affirmed Egypt's 'B-/B' long- and short-term foreign and local currency sovereign credit ratings, and revised the outlook on the long-term ratings from 'stable' to 'negative'. The agency indicated that its 'negative' outlook on the ratings reflects its expectations that Egypt's fiscal and external vulnerabilities could increase further in the next 12 months, which could dampen the country's economic recovery and worsen sociopolitical tensions. It said that the ratings are constrained by wide fiscal deficits, elevated public debt levels, low income levels, as well as by institutional and social fragility. S&P expected fiscal consolidation to continue at a slower-than-anticipated pace, given the country's social fragility and the government's limited ability to significantly cut spending. As such, it projected the fiscal deficit to slightly narrow from an average of 11.8% of GDP during the 2012-15 period to 10.7% of GDP during the 2016-19 period, and forecast the government debt level to average about 91% of GDP during the 2016-19 period. Further, it projected the current account deficit to widen from an average of 2.6% of GDP during the 2012-15 period to 4.8% of GDP during the 2016-19 period, due to strong import demand and subdued export and tourism receipts. S&P projected the country's overall net external liabilities at 169.2% of current account receipts (CARs) in 2016 and to rise to 249.1% of CARs in 2019. It considered that foreign

reserves, which fell from \$20.5bn at end-April 2015 to \$17bn at end-April 2016, represent a limited buffer to absorb any additional downward pressure on the Egyptian pound.

Source: S&P Global Ratings

IRAN

Economy facing structural challenges

The International Monetary Fund indicated that the Iranian authorities have made considerable progress in recent years in restoring macroeconomic stability under difficult circumstances. It noted that the inflation rate regressed from 45% in 2013 to about 8% recently, the foreign exchange market has stabilized and some key reforms have been implemented. It projected the country's annual real GDP growth at about 4% to 4.5% over the medium term, as higher oil exports and lower costs of trade and financial transactions would support the economy. The Fund encouraged authorities to strengthen the policy frameworks for monetary and fiscal policies in order to establish macroeconomic stability, with greater focus on policy stability, mobilizing domestic revenues and building buffers. Also, it called for the support of the private sector by encouraging private ownership, attracting foreign investment, reducing the cost of doing business, as well as by enhancing transparency and governance. In parallel, the IMF considered that it is crucial to restructure public banks to help lower real interest rates and stimulate credit to the economy. Also, it called on authorities to strengthen the country's framework for anti-money laundering and combating the financing of terrorism in order to facilitate the integration of Iranian banks in the global financial system. Overall, the Fund considered that addressing Iran's structural challenges would not be easy and that gains from the reforms would become visible in the longer term.

Source: International Monetary Fund

GHANA

Fiscal reforms essential for public finance stability

The International Monetary Fund estimated Ghana's real GDP growth at about 4% in 2015 despite the difficult external environment, lower commodity prices and domestic power shortages. It noted that the inflation rate, which reached 19.2% in March 2016, reflects the rise in utility tariffs, energy sector levies and transportation costs. The Fund indicated that Ghana's fiscal deficit, on a cash basis, narrowed from 10.6% of GDP in 2014 to 6.7% of GDP in 2015, and that the primary balance was close to zero relative to a deficit of 4.4% of GDP in 2014 due to fiscal adjustments. It noted that authorities made progress in implementing fiscal structural reforms, but at a slower pace than expected. It welcomed the government's recent adoption of new tax laws and efforts to address payroll irregularities and to advance public financial management reforms. It pointed out that authorities need to continue implementing the planned fiscal adjustment despite the sustained pressure from low commodity prices, given the country's elevated public debt level. It anticipated that the government's relatively large cash resources at the end of 2015 and possible additional donor support in 2016 would allow authorities to adapt the budget financing strategy to prevailing market conditions. In parallel, the Fund indicated that authorities are developing a new strategy to address the difficult financial situation of state-owned enterprises and to subsequently prevent additional fiscal pressure and possible spillovers on the banking sector.

Source: International Monetary Fund



BANKING

JORDAN

Construction and trade account for 43% of overall lending at end-March 2016

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD21.5bn, or \$30.3bn, at the end of March 2016, constituting an increase of 1.8% from JD21.1bn at end-2015 and a rise of 8.6% from JD19.8bn at end-March 2015. Credit in foreign currency accounted for 13.3% of the total at the end of March 2016, relative to 13.5% a year earlier. The resident private sector accounted for 86.4% of total credit relative to 87.1% at end-March 2015; followed by the central government with 9.8%, up from 8.5% a year earlier; the non-resident private sector with 2.1% relative to 2.5% at end-March 2015; and public entities with 1.6%, down from 1.8% a year earlier. The distribution of credit by sector shows that construction represented JD5.3bn or 24.7% of the total at end-March 2016, up from 22.7% a year earlier; while general trade represented JD3.9bn or 18% of the total relative to 19.1% a year earlier. They were followed by public services & utilities with JD3.2bn or 14.7% of the total; industry with JD2.2bn (10.3%); tourism, hotels & restaurants with JD592.6m (2.8%); financial services with JD487.7m (2.3%); transportation services with JD319.3m (1.5%); agriculture with JD254.7m (1.2%) and mining with JD220.2m (1%). Further, other sectors accounted for JD5.1bn, or 23.6% of total credit, of which JD180.3m were extended to buy shares. In parallel, loans & advances reached JD14bn at end-March 2016, followed by Islamic banks' receivables with JD4.8bn, overdrafts with JD2.2bn and discounted bills with JD235.9m.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Outlook on banks' ratings revised to 'negative'

S&P Global Ratings affirmed the 'B-/C' short- and long-term counterparty credit rating of National Bank of Egypt (NBE), Banque Misr (BM) and Commercial International Bank (CIB), and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to its similar action on Egypt's long-term sovereign ratings. It indicated that the three banks face significant sovereign risk due to their substantial holding of government bonds compared to their equity base and earnings capacity. It noted that NBE's holdings of government debt was equivalent to 9.1 times its total equity at the end of June 2015, BM's exposure to the sovereign was at eight times its equity base at the end of June 2015, and CIB's holding of government securities was equivalent to 4.8 times its total equity at the end of June 2015. It considered that the banks are unlikely to withstand a scenario where the sovereign defaults on its debt obligations. It added that it would reassess the banks' credit ratings in the event of a similar action on the sovereign. Further, S&P noted that the ratings reflect the banks' "strong" business position, "moderate" risk position, "average" funding and "adequate" liquidity. It added that the capital and earnings of NBE and BM are "very weak", while those of CIB are "weak". The agency maintained at 'b-' the stand-alone credit profile of BM and NBE and at 'b' that of CIB.

Source: S&P Global Ratings

QATAR

Liquidity tightens as growth in lending outpaces deposits

Regional investment bank EFG Hermes indicated that the aggregate earnings of five Qatari listed banks reached QAR4,537m, or \$1.25bn, in the first quarter of 2016, constituting an increase of 1.8% from the same quarter last year relative to a rise of 7.9% in the first quarter of 2015. The five banks' aggregate assets accounted for 86.2% of the sector's assets at the end of March 2016. EFG said that the banks' net interest spread was under pressure in the first quarter due to higher funding costs. It added that funding costs increased by 21 basis points year-on-year in March 2016 and led to a 0.2% decrease in the banks' net interest spread. In parallel, it noted that the banks' aggregate assets reached QAR977.1bn, or \$268.4bn at the end of March 2016, up by 2.2% from a year earlier. The aggregate lending of the five banks was QAR690.8bn, or \$189.8bn, at the end of March 2016, reflecting a rise of 16% from a year earlier and compared to an annual increase of 13.6% at end-March 2015. EFG Hermes added that total deposits reached QAR672bn, or \$184.6bn, at end-March, up 11% year-on-year and relative to an annual growth of 8% a year earlier. As such, EFG indicated that the liquidity position of the five Qatari banks has tightened. It said that their cumulative loans-to-deposits ratio increased from 98% at end-March 2015 to 102.8% in at end-March 2016, as growth in lending outpaced that of deposits. In parallel, it pointed out that the banks' NPL coverage ratio declined from 111.1% at end-March 2015 to 104.1% at the end of March 2016, but is still high at over 100%.

Source: EFG Hermes

NIGERIA

Agency takes actions on Nigerian banks

Moody's Investors Service downgraded the long-term Issuer Rating of Access Bank and Bank of Industry from 'Ba3' to 'B1' and affirmed Sterling Bank's Issuer Rating at 'B2'. It also lowered Access Bank's local currency deposit ratings from 'Ba3' to 'B1' and its foreign currency deposit ratings from 'B1' to 'B2', while it affirmed Sterling Bank's deposit ratings at 'B2'. It noted that the banks' ratings have a 'stable' outlook. It attributed the downgrades to the government's weakened capacity to provide support to the banks in case of need, as reflected by the downgrade of Nigeria's sovereign ratings from 'Ba3' to 'B1' and the subsequent lowering of the rating ceilings for Nigerian issuers. In parallel, the agency affirmed at 'b2' the standalone baseline credit assessment of Access Bank and at 'b3' that of Sterling Bank, as it expected their standalone credit profiles to remain resilient despite the challenging operating conditions. It anticipated that lower global oil prices would continue to weigh on corporate borrowers and on the overall economy, but it considered that the two banks would manage any deterioration in asset quality and liquidity. Also, it expected the deterioration in the banks' asset quality and liquidity to be within the level of their standalone ratings, given the strength of their respective risk management, and of their capital and liquidity buffers. The agency indicated that there is a limited possibility to upgrade the banks' ratings, given the current challenges that the banks and the sovereign face.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Crude oil prices nears \$50 p/b amid supply outages

ICE Brent crude oil front-month prices closed at \$48.9 per barrel (p/b) on May 18, 2016, constituting an increase of 12.1% from the preceding week and a rise of 31.1% from the end of 2015. Also, WTI oil prices grew by about 11% week-on-week and by 29.6% from end-2015 to close at \$48.1 p/b. The increase in oil prices was due to production outages in Nigeria and Canada, economic challenges among Latin American producers, and production declines in the United States, which led to expectations of a decline in oversupply in the market. Goldman Sachs indicated that the crude oil market is shifting faster than expected toward a deficit from near storage saturation. It said that this shift is supported by the sharp decline in crude oil production and improved demand. It expected crude oil prices to average \$50 per barrel in the second half of 2016, up from a previous forecast of \$45 p/b. Also, it projected crude oil prices to trade below \$45 p/b in the first quarter of 2017, which constitutes a decline from a previous forecast of \$55 p/b, and to rise to \$60 p/b by the fourth quarter of 2017. Upside pressure to the price outlook include unexpected production outages, a sharper-than-expected increase in demand ahead of the U.S. summer season, a weaker US dollar and an OPEC output freeze. In contrast, downside risks include a stronger-than-expected oil exports from Libya, Iran and Iraq, and a stronger US dollar.

Source: Goldman Sachs, CNBC, Byblos Research

OPEC's oil basket price up 9% in April 2016

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$37.86 per barrel (p/b) in April 2016, constituting an increase of 9.3% from \$34.65 p/b in March. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$42.47p/b in April, followed by Algeria's Saharan Blend at \$42.33 p/b and Nigeria's Bonny Light at \$41.51 p/b. All 13 prices included in the OPEC reference basket posted an increase between \$2.4 p/b and \$3.6 p/b in April 2016.

Source: OPEC, Byblos Research

Middle East's jewelry demand down 10% in first quarter of 2016

The Middle East region's demand for jewelry totaled 56.5 tons in the first quarter of 2016, reflecting a decrease of 10.3% from 63 tons in the same quarter of 2015, and accounting for 11.7% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 15.3 tons in the first quarter of 2016 and accounted for 27.1% of the region's total demand. It was followed by the UAE with 14 tons (24.8%), Iran with 9.9 tons (17.5%), Egypt with 7.7 tons (13.6%) and Kuwait with 3.1 tons (5.5%).

Source: World Gold Council, Byblos Research

MENA's crude oil exports up 6% in 2016

The Middle East & North Africa region's crude oil exports are forecast to average 19.75 million barrels per day (b/d) in 2016, which would constitute an increase of 5.7% from 18.69 b/d in 2015. The Gulf Cooperation Council (GCC) countries' crude oil exports would account for 68.3% of the region's oil exports in 2016, while non-GCC exporters would represent the remaining balance of 31.7%. Saudi Arabia's crude oil exports are projected at 7.35 million b/d in 2016, equivalent to 37.2% of the region's oil exports, followed by Iraq with 3.6 million b/d (18.2%) and the UAE with 2.61 million b/d (13.2%).

Source: International Monetary Fund, Byblos Research

Base Metals: Copper prices to drop in near term

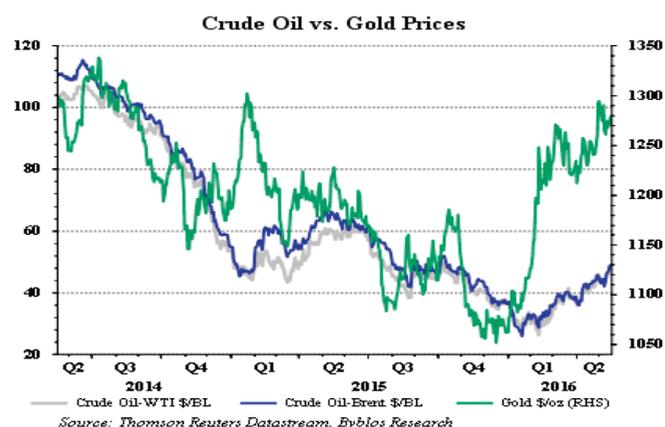
Global demand for refined copper is forecast to increase by 1.5% to 22 million tons in 2016 and by an additional 1.8% to 22.4 million tons in 2017, driven by stronger Chinese demand for the metal. Refined copper demand in China, the world's largest consumer of the metal, is expected to rise by 2.5% to 10.34 million tons in 2016 and by another 2.2% in 2017. In parallel, copper mine output is projected to reach 18.9 million tons in 2016 and to grow by 3.4% to 19.6 million tons in 2017; while production of refined copper is expected to remain nearly flat at 22 million tons in 2016 and to rise by 1.7% to 22.3 million tons in 2017. As such, the refined copper market is forecast to nearly balance during the 2016-17 period. In parallel, the LME cash price of copper reached its lowest level in two months to close at \$4,623 per ton on May 18, as the US dollar strengthened on renewed expectations of further increases in U.S. interest rates. Goldman Sachs expected copper prices to drop in the near term as copper mine supply is set to rise during the second half of 2016 and into 2017, following the commissioning of a number of major new mines around the world in early 2016 and in late 2015. It forecast prices to average \$4,200 per ton in the next six months.

Source: International Wrought Copper Council, Goldman Sachs

Precious Metals: Gold prices down 3% year-on-year in first quarter of 2016

Gold prices averaged \$1,182.6 a troy ounce in the first quarter of 2016, constituting an increase of 7% from the preceding quarter and a drop of 3% from the same quarter of 2015. Global gold supply increased by 5% year-on-year in the first quarter of 2016 to 1,134.9 tons, with mine production accounting for about 65% of the total. In parallel, global gold demand grew by 20.5% in the first quarter of 2016 to 1,289.8 tons, equivalent to \$49bn. This increase was driven by large inflows into physically-backed gold exchange traded funds (ETFs), driven by concerns around the shifting global economic and financial landscape. Inflows into ETFs reached 363.7 tons, equivalent to \$13.8bn, their highest level since the first quarter of 2009. In addition, demand for gold jewelry totaled 481.9 tons, equivalent to \$18.3bn in the first quarter of 2016, constituting a decrease of 19.3% from 596.9 tons in the same quarter of 2015. The decline in jewelry demand was due to higher gold prices, market disruption in India and supply-constraints in China. In parallel, Goldman Sachs expected gold prices to moderate in 2017 due to renewed confidence in China's economic activity. It forecast prices to average \$1,180 an ounce in the next six months.

Source: World Gold Council, Goldman Sachs, 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	Ba2	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	Baa1	-	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-	A1	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	13-May-16	No change	09-Jun-16
Malaysia	O/N Policy Rate	3.25	19-May-16	No change	13-Jul-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	16-May-16	No change	18-Jun-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	7.75	17-May-16	Cut 50bps	28-Jun-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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