

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

VC investment in fintech startups at \$19bn in 2015

Moody's Investors Service indicated that the rise of financial technology (fintech) firms highlights the shift of the financial services industry toward using digital technology. However, it noted that banks will continue to work alongside, and compete with, new industry entrants. It estimated the number of fintech-related startups at about 4,000 companies worldwide, with total estimated venture capital (VC) investment rising from about \$2.4bn in 2011 to more than \$19bn in 2015. It noted that the fintech sector has shown signs of maturity, with later stage investments accounting for an increasing share of total VC investments in the industry, while the number of exits via acquisitions and IPOs is rising. Moody's anticipated a gradual path for banks, as these traditional players take advantage of new technologies and methods to improve their clients' experience and maintain competitiveness. It noted that Millennials, or people born between 1980 and 2000, are typically more open to technology-enabled services and interfaces, and are behind much of the growth in fintechs. The agency noted that most of the focus of fintechs has been on retail banking services, mainly lending and payment-related products and services. It said that banks have a number of competitive advantages that place them in a good position compared to new entrants, such as a large customer base, deep client relationships, a long lending history, and experience in dealing with regulatory bodies. Moody's noted that several factors could accelerate the transformation of the financial services industry, including greater movement toward open data, a more defined regulatory stance, or the entrance of one or more bigger technology companies to the fintech space.

Source: Moody's Investors Service

Universal Internet penetration to add \$6.7 trillion to global economy by 2020

Management consulting firm Strategy& estimated that 3.2 billion people, or 44% of the world's population, are currently using the Internet and connected to the digital economy. It noted that the expansion of Internet activity in developing countries could stimulate economic growth, create jobs and significantly reduce poverty levels. It expected global economic output to expand by \$6.7 trillion by 2020 if universal Internet penetration is achieved. It considered that three critical and interdependent markets would support Internet access, which are the connectivity market that seeks to provide affordable and reliable Internet access; the content market that seeks to create reasons for people to go online; and the retail market that acts as the sales and services arm of the Internet industry. In parallel, it indicated that the cost of Internet access needs to drop by about 90% to make the Internet universally affordable. However, it said that this is challenging given that margins on data are already negative in many developing countries. It said that a developing country would have to modernize its technology base, to rethink content distribution and to create more national and international data infrastructure, such as Internet exchange points and data centers, in order to reduce the cost of Internet access and increase capacity.

Source: Strategy&

MENA

Bank lending conditions tighten in first quarter of 2016

The Emerging Markets Lending Conditions Index for the MENA region declined marginally to 42.7 in the first quarter of 2016 from 42.8 in the fourth quarter of 2015, constituting its lowest level since the fourth quarter of 2011. The deterioration in the region's lending conditions constitutes a tightening in credit standards and a weakening in funding conditions, while loan demand rebounded from its record low level in the fourth quarter of 2015. As such, the MENA region had the third most favorable lending conditions among emerging markets in the first quarter of 2016, behind Emerging Europe (50.3) and Emerging Asia (46.4). The region's Trade Finance Index regressed to 48.1 in the first quarter of 2016 from 49.1 in the preceding quarter, reflecting a slowdown in the demand and supply of trade finance. In addition, the Demand for Loans Index increased to 46.1 in the first quarter from 43.2 in the fourth quarter of 2015, with demand for loans rising across all loan segments. Further, the non-performing loans (NPLs) Index increased to 44.2 in the first quarter of 2016 from 44 in the previous quarter, constituting a decline in NPLs at MENA banks. In parallel, the Credit Standards Index fell to 39.6 in the first quarter of 2016 from 41.7 in the preceding quarter, with credit standards tightening across all loan segments. In addition, the Funding Conditions Index regressed to 35 in the first quarter from 36.6 in the fourth quarter of 2015, with the indexes for domestic and international funding conditions dropping to their lowest levels since the fourth quarter of 2011.

Source: Institute of International Finance

Outward greenfield FDI up 54% to \$60bn in 2015

Figures released by fDi Markets show that the outward greenfield foreign direct investment from the Middle East & Africa (ME&A) region totaled \$59.8bn in 2015, up by 54% from 2014 and equivalent to 8.4% of global outward greenfield FDI. The UAE was the largest source of greenfield FDI in the ME&A region in 2015 with \$21.8bn, accounting for about 36.5% of the region's total. It was followed by Saudi Arabia with \$13.5bn (22.6%), Bahrain with \$4.2bn (7%), Kuwait with \$3.9bn (6.5%), Morocco with \$3.5bn (5.9%), South Africa with \$2.5bn (4.2%), Israel with \$2.3bn (3.8%), Mauritius with \$2.1bn (3.5%), Egypt with \$1.7bn (2.8%) and Kenya with \$1bn (1.7%). In parallel, ME&A countries invested in 562 greenfield FDI projects worldwide in 2015. The UAE invested in 163 greenfield FDI projects last year and accounted for 29% of the total. It was followed by Israel with 92 projects (16.4%), South Africa with 66 projects (11.7%), Kenya with 38 projects (6.8%), Saudi Arabia with 24 projects (4.3%), Morocco and Nigeria with 19 projects each (3.4% each), Bahrain with 17 projects (3%), and Egypt and Oman with 14 projects each (2.5% each). The FDI figures cover cross-border greenfield projects that have either been announced or launched by a company, and that would lead to the direct creation of jobs. They include joint ventures but exclude mergers and acquisitions or other equity-based or non-equity investments.

Source: fDi Markets, Byblos Research

OUTLOOK

ALGERIA

Medium-term outlook dependent on reforms

The International Monetary Fund projected Algeria's real GDP growth to decelerate from 3.9% in 2015 to 3.4% in 2016 due to a slowdown in non-hydrocarbon sector. It forecast hydrocarbon sector growth to accelerate from 0.4% in 2015 to 1.9% in 2016 as new fields come on stream and as a key gas facility that closed after a terrorist attack in 2013 fully resumes its operations. In contrast, it expected non-hydrocarbon sector activity to decelerate from 5.5% in 2015 to 3.7% in 2016 due to fiscal consolidation. It forecast the fiscal deficit to slightly narrow from 16.4% of GDP in 2015 to 15.6% of GDP in 2016, reflecting spending cuts and higher tax revenues. It noted that the government's debt level would rise from 9% of GDP in 2015 to 15.4% of GDP in 2016. It projected the current account deficit to widen from 16.2% of GDP in 2015 to 17.9% of GDP in 2016 as oil prices continue to fall, and anticipated foreign currency reserves to decrease from \$143bn, or 30 months of imports cover, in 2015 to \$113bn or 22 months of imports cover in 2016.

The Fund considered that the country's medium-term outlook would depend on the size and pace of fiscal consolidation, the extent of structural reforms and the implementation of other policies. Under its baseline scenario, it anticipated a gradual fiscal adjustment and some structural reforms. As such, it projected real GDP growth to decelerate to 2.9% in 2017 and 2.6% in 2018, as non-hydrocarbon growth slows down to 3.1% in 2017 and 2.7% in 2018 due to fiscal consolidation. But it expected growth to accelerate from 2019 onwards as the impact of structural reforms starts to materialize. It projected the fiscal deficit to narrow to 12.2% of GDP in 2017 and to reach 8.4% of GDP by 2019, but it anticipated the government debt level to rise to 25.4% of GDP in 2017 and to reach 38.1% of GDP by 2019, given the large financing needs and the declining fiscal buffers. Also, it forecast the current account deficit to gradually narrow as oil prices recover and fiscal consolidation reduces demand for imports. It said that foreign currency reserves would fall to \$62bn, or 13 months of imports cover, a level it considers comfortable. The IMF noted that risks are tilted to the downside and include a further prolonged decline in oil prices and a lack of domestic consensus that would complicate the implementation of reforms.

Source: International Monetary Fund

LIBYA

Economic rebound contingent on stability and infrastructure development

The World Bank projected Libya's real GDP to grow by 22.2% in 2016 following contractions of 10.2% in 2015 and 24% in 2014. It noted that the country's economic outlook for 2016 depends on the House of Representatives' endorsement of the Government of National Accord. It estimated that growth would rebound if the newly-formed government restores security and launches programs to rebuild the country's economic and social infrastructure. Under such conditions, it expected Libya's average oil production to rise from a record low of 0.4 million b/d in 2015 to one million b/d in 2016. However, it anticipated that the country's fiscal and external positions would continue to deteriorate this year, as hydrocarbon revenues would not cover public spend-

ing and the import bill. As such, it forecast the fiscal deficit at 60% of GDP in 2016 compared to deficits to 43.3% of GDP in 2014 and 75.3% of GDP in 2015. It projected the current account deficit at 69% of GDP in 2016 relative to deficits of 54.8% of GDP in 2014 and 75.6% of GDP in 2015. It noted that authorities used the government's deposits at the Central Bank of Libya to finance the fiscal deficit, and foreign reserves to fund the current account deficit. As such, it said that net foreign reserves fell from \$107.6bn in 2013 to an estimated \$56.8bn by the end of 2015.

In parallel, the Bank noted that real GDP growth would reach 46.2% in 2017 and 15% in 2018 if oil production reaches full capacity, before stabilizing at between 5% and 5.5% over the medium term. It anticipated that the restoration of oil production would significantly improve the fiscal and current account balances, as it forecast the fiscal deficit to narrow to 10.1% of GDP in 2017 and to shift to a surplus from 2018 onwards. Also, it projected the current account deficit to narrow to 10.1% of GDP in 2017 and to gradually decline to less than 0.5% of GDP by 2019. It expected foreign currency reserves to average about \$22bn during the 2017-19 period, equivalent to 8.2 months of imports.

Source: World Bank

DEM REP CONGO

Economic growth to average 5% in 2016-17

The International Monetary Fund projected economic growth in the Democratic Republic of Congo at 4.9% in 2016 and 5.1% in 2017. In parallel, it forecast growth at 3% in 2016 and 4% in 2017 for Sub-Saharan Africa (SSA), and at 4.6% in 2016 and 5.6% in 2017 for the SSA members of the Common Market for Eastern & Southern Africa (COMESA), in which the DRC is a member. It forecast the country's annual average inflation rate at 1.7% in 2016 compared to average inflation rates of 9% in SSA and 8.2% in the COMESA. It also expected the country's average inflation rate to reach 2.5% in 2017 relative to 8.3% for SSA and 7.3% for COMESA. It projected the DRC's real GDP per capita to grow by 1.9% in 2016 and by 2% in 2017. It also forecast total investment at 14.9% of GDP this year and 16.7% of GDP in 2017. Further, it anticipated broad money to expand by 6.8% in 2016 and by 12.2% in 2017. It added that claims on the non-financial private sector grew by 22.7% and by 66.3% in 2014 and 2015, respectively, relative to 15.4% and 11.2% for the SSA region.

In parallel, the Fund projected the government's fiscal balance, excluding grants, to post deficits of 1.8% of GDP in 2016 and 1.3% of GDP in 2017, relative to a deficit of 0.6% of GDP in 2015; while it estimated the government's fiscal balance, including grants, to post surpluses of 1.1% of GDP in both 2016 and 2017, relative to a surplus of 1.9% of GDP in 2015. It projected public revenues, excluding grants, at 13.8% of GDP in 2016 and 14.3% of GDP in 2017, and total expenditures at 15.6% of GDP in 2016 and 15.5% of GDP in 2017. It forecast total external debt to rise from 15.2% of GDP at the end of 2015 to 16.6% of GDP at end-2016 and 19.4% of GDP at end-2017. Further, it expected the current account deficit to widen from 12.2% of GDP in 2015 to 14.2% of GDP in 2016 and to 12.3% of GDP in 2017. It projected the country's gross official reserves at 0.8 months of imports of goods & services in 2016 and 0.7 months of imports cover in 2017, down from one month of imports in 2015.

Source: International Monetary Fund



ECONOMY & TRADE

IRAQ

Multilateral funding to support fiscal imbalance

Fitch Ratings indicated that the agreement between Iraq and the International Monetary Fund on a 36-month \$5.4bn Stand-By Arrangement (SBA) is credit positive for the country. It considered that the deal would likely pave the way for further international support and could allow the government to issue Eurobonds. It said that the SBA would support Iraq's finances, as the country faces lower hydrocarbon revenues, an ongoing conflict with the Islamic State group and a political crisis that has paralyzed Parliament and led to large protests. It added that the arrangement would set benchmarks related to budget spending, lead to the non-accumulation of arrears and various fiscal reforms, as well as strengthen the government's cash management. But the agency noted that the full implementation of the SBA will be challenging, as the wide-ranging fiscal reforms that would put Iraq's finances back on a sustainable path would require tackling a large public sector, a troubled banking sector, and severe weaknesses in governance. It indicated that the disbursements under the SBA and additional foreign assistance would not mask the challenges that Iraq currently faces. It noted that the Iraqi government has built up arrears and projected the fiscal deficit to widen to 15% of GDP in 2016, assuming modest public spending cuts and oil exports of about 3.3 million barrels per day.

Source: Fitch Ratings

SAUDI ARABIA

Economic growth to decelerate to 1.2% in 2016

The International Monetary Fund indicated that the drop in global oil prices has adversely affected Saudi Arabia's economy. It projected real GDP growth to decelerate from 3.5% in 2015 to 1.2% in 2016, while it forecast the fiscal and current account deficits at 14% of GDP and 9% of GDP, respectively, in 2016. But it noted that the government's large financial assets provide a substantial cushion. Also, the Fund pointed out that authorities have accelerated the pace of reforms, while the Kingdom's "Vision 2030" plan sets the goal of a bold and far-reaching transformation of the economy. It considered that privatization, public-private partnerships, as well as reforms to strengthen the business environment, to attract foreign investment and to encourage the development of the capital markets, would be essential to increase the role of the private sector in the economy. In parallel, the Fund indicated that the fiscal policy is appropriately adjusting to the drop in oil prices. It welcomed the control of government spending, the adjustments of energy prices, as well as the introduction of key performance indicators for ministries, the establishment of a National Projects Management Office and the increased scrutiny of new capital projects. It called on authorities to continue with a sizeable and sustained fiscal adjustment in order to achieve a balanced budget over the medium term. As such, it encouraged authorities to increase energy prices, control spending and expand non-hydrocarbon revenues. Further, the IMF said that the government's mixed policy of drawing down foreign currency reserves and issuing international and local debt to finance the fiscal deficit is appropriate. It added that the establishment of a debt management office is a positive step, and encouraged the introduction of a market-based process for debt issuance.

Source: International Monetary Fund

UAE

Real estate market affected by lower oil prices and strong U.S. dollar

Standard & Poor's indicated that prices in the UAE real estate sector decreased in 2015, constituting the first annual decrease since the global financial crisis. It did not expect the performance of the UAE's real estate sector to improve in 2016 despite better housing affordability. First, it said that the adverse impact of low oil prices on the UAE's real estate market will be more pronounced in 2016 than last year. It noted that sustained low oil prices have dampened the hiring and expansion plans of oil-exposed companies, while business activity among non-oil private companies has decelerated, which would weigh on real estate demand. Second, it pointed out that a relatively strong U.S. dollar, especially against the Chinese renminbi, the Indian rupee and the British pound, would weaken international demand for real estate in 2016. It added that the weaker euro, Russian ruble and renminbi could affect tourism activity and, in turn, restrict demand in the residential, retail, office and hotels segments. Overall, it noted that the retail segment would remain vulnerable to tourist sentiment, while the office segment would be constrained by a slowdown in corporate activity. S&P estimated that Dubai's residential real estate prices dropped by about 10% to 13% in 2015 and that most areas of the city were affected. It anticipated that sustained public spending in Dubai and positive demographic growth would limit the decline in the emirate's real estate prices to about 10% in 2016.

Source: Standard & Poor's

TUNISIA

Economy facing significant challenges

The International Monetary Fund indicated that the Tunisian economy continues to face important fiscal, external, structural and social challenges, such as weak economic activity, low employment levels, persisting social tensions and elevated external imbalances. As such, it noted that authorities have drafted a five-year economic and financial reform program that aims to promote stronger and more inclusive growth by consolidating macroeconomic stability, reforming public institutions, including the civil service, as well as by promoting financial intermediation and improving the business climate. The Fund considered that the planned fiscal policy would put the public debt level on a downward path, which would help ease financing constraints, reduce external imbalances, and ensure macroeconomic sustainability. It added that the program's prudent monetary policy would contain inflation, while greater exchange rate flexibility would preserve foreign currency reserves. It added that the adoption of a new investment code, the streamlining of tax incentives, and the simplification of procedures to reduce entry barriers and protect investor rights would improve the business climate. As such, the Fund projected Tunisia's real GDP growth to accelerate from 0.8% in 2015 to 2% in 2016 and 3% in 2017, the fiscal deficit to narrow from 5.5% of GDP in 2015 to 4.6% of GDP in 2016 and 3.9% of GDP in 2017, and the public debt level to stabilize at 54.5% of GDP during in 2016-17. In parallel, the IMF approved a 48-month extended arrangement under the Extended Fund Facility with Tunisia for about \$2.9bn to support the country's reform program.

Source: International Monetary Fund



BANKING

GCC

Agency takes action on banks' ratings

Moody's Investors Service affirmed at 'Aa3' the long-term ratings of National Bank of Abu Dhabi, at 'A1' those of Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank, and at 'A2' the ratings of Abu Dhabi Islamic Bank, with a 'negative' outlook. It said that the affirmation of the banks' ratings reflect the UAE governments' fiscal capacity and willingness to provide support to the banks in case of need. But it noted that the 'negative' outlook to the banks' ratings signals that the government's capacity to provide support to banks could weaken in the future. It noted that the ratings of the five banks are closer to the UAE's 'Aa2' ratings and benefit from a higher degree of support, which make their ratings more sensitive to changes in the government's credit strength. In parallel, Moody's downgraded the long-term deposit ratings of Bank Muscat from 'A3' to 'Baa1' and those of Oman Arab Bank and Bank Dhofar from 'Baa1' to 'Baa2', while it affirmed at 'Baa1' the long-term deposit ratings of HSBC Bank Oman. It assigned a 'negative' outlook to the ratings of Bank Dhofar, while it assigned a 'stable' outlook to the remaining banks' ratings. It attributed the downgrades to the government's weakened capacity to support the banking sector, but it noted that the government's willingness to support the banks in case of need remains unchanged. Moody's indicated that declining business volumes, lower investor confidence, weakened borrowers' payment capacity and tighter liquidity conditions would weigh on the banks' performance.

Source: Moody's Investors Service

JORDAN

Banks are liquid, well-capitalized and profitable

Fitch Ratings indicated that Jordanian banks maintain a good liquidity profile, with an average loans-to-deposits ratio of 70% at the end of June 2015. It expected the sector to remain liquid in 2016, given the stable domestic funding base and a slowdown in credit growth. Also, it noted that the banking sector is adequately capitalized with an average capital adequacy ratio of 18.5% at the end of June 2015, above the 12% minimum regulatory requirement. It indicated that total credit facilities extended by banks grew by 9.5% in 2015 relative to a 1.8% rise in 2014, mainly driven by lending to the public sector. It added that loans to the private sector grew by 4% in 2015 and expected private sector credit growth to decelerate in 2016 due to the lack of lending opportunities and cautious lending practices. It noted that the banks' asset quality is improving as the sector's average impaired loans ratio dropped from 7% at end-2013 to 5.5% at the end of June 2015 due to write-offs. It added that the reserve coverage ratio rose from an average of 65% over the past five years to 80% at end-June 2015. It said that Jordanian banks' loan books are concentrated, and are vulnerable to extreme credit events. It noted that interest income drives about 75% of bank revenues. It added that banks are trying to increase their fee income through trade financing due to pressure on their net-interest margins as a result of the Central Bank of Jordan's latest interest rate cut. It said that the sector's ROA and ROE were 1.4% and 11.1%, respectively. Fitch expected banks' profitability to remain flat in 2016 due to slower credit growth, lower interest rates and higher tax rates.

Source: Fitch Ratings

SAUDI ARABIA

Agency takes rating actions on 11 banks

Moody's Investors Service downgraded the deposit ratings of SAMBA Financial Group (SAMBA), Banque Saudi Fransi (BSF) and Saudi British Bank (SABB) from 'Aa3' to 'A1'; those of Arab National Bank (ANB) and Riyadh Bank from 'A1' to 'A2'; those of Saudi Hollandi Bank (SHB) from 'A1/Prime-1' to 'A3/Prime-2', those of Saudi Investment Bank (SIB) and Bank Albilad (BAB) from 'A2/Prime-1' to 'A3/Prime-2'; and those of Bank Aljazira (BAJ) from 'A3' to 'Baa1'. Also, it affirmed at 'A1' the deposit ratings of National Commercial Bank (NCB) and Al Rajhi Bank (ARB). It assigned a 'stable' outlook to all the banks' ratings. The agency noted that the downgrades follow its similar action on the sovereign ratings and reflect the authorities' reduced capacity to provide support to the banks in case of need. Also, it said that the downgrades take into account the deterioration in the operating environment, which would weigh on the banks' funding, asset quality and profitability metrics. It expected lower deposit inflows, weaker credit growth and tighter liquidity to increase the pressure on asset quality. It anticipated the ratings on NCB and ARB to be resilient to the prevailing pressures. In parallel, Moody's lowered the baseline credit assessment of BSF and SABB from 'a2' to 'a3', that of NCB, Riyadh Bank and ANB from 'a3' to 'baa1', and that of SHB from 'baa1' to 'baa2'. It noted that the six banks' credit profiles are more sensitive to the economic slowdown than rated peers. It added that the difficult operating environment would lead to a modest rise in the six banks' NPLs.

Source: Moody's Investors Service

NIGERIA

Central Bank to set dual exchange rate system

BMI Research anticipated that Nigeria would establish a dual exchange rate following the Central Bank of Nigeria's (CBN) statement that it will adopt a more flexible exchange rate policy. It did not expect the establishment of a dual rate to be a radical change from current practice, as the parallel black market rate has become the *de facto* exchange rate for most importers over the past 12 months. It noted that the CBN would continue to support certain sectors by providing foreign currency at a lower rate. As such, it said that the preferential rate provided for certain sectors would make their imports less expensive, while other sectors, which account for most imports, would pay more for their imports but will benefit from greater liquidity. BMI Research indicated that the parallel exchange rate depreciated from about NGN320 per U.S. dollar to around NGN340 per dollar, after the CBN granted importers of refined fuels access to alternative sources of foreign currency in mid-May. It anticipated the newly-introduced rate to be around the current black market rate. It considered that a dual exchange rate would be positive for the economy in the second half of the year, as it will improve liquidity and encourage foreign currency inflows by reassuring investors and expatriates. It added that investors will be able to access naira at a lower rate than the long-held official rate of about NGN197 per dollar. In parallel, Research and analytics provider IHS Global Insight indicated that the government's approval of a lower exchange rate of NGN285 per dollar for fuel imports in May could imply a 44.7% *de facto* devaluation.

Source: BMI Research, IHS Global Insight



ENERGY / COMMODITIES

Volatility in crude oil market to persist in near term

Goldman Sachs expected the global oil market to remain oversupplied during the 2016-18 period, driven in part by shale oil production and elevated OPEC supply. ICE Brent crude oil prices for July delivery closed at \$50.2 per barrel (p/b) on May 25, 2016, constituting an increase of 1.6% from the preceding week and a rise of 33.3% from the end of 2015. Also, WTI oil prices grew by about 2% week-on-week and by 32.2% from end-2015 to close at \$49.1 p/b. The year-to-date increase in oil prices is due to output declines in the United States, as well as supply outages in Venezuela, Nigeria and Canada, which raised investors' sentiment about a decline in oversupply in the market. Indeed, prices ticked above the \$50 p/b mark in the fourth week of May, for the first time in 2016, after U.S. government figures showed a sharper-than-expected drawdown of crude oil inventories. Oil prices are expected to remain volatile due to unexpeted supply disruptions, a higher demand for oil, and following Iran's announcement of an increase in its oil export capacity to 2.2 million barrels by summer 2016. Goldman Sachs projected crude oil prices to remain at low levels and to range between \$50 p/b and \$60 p/b through 2020. It forecast Brent oil prices to average \$45 p/b in 2016, up from a previous forecast of \$39 p/b. Also, it projected WTI oil prices to average \$45 p/b in 2016, up from a previous forecast of \$38p/b.

Source: Goldman Sachs, Byblos Research

Egypt's gas output to increase by 50% in four years

Egypt plans to increase its natural gas production to between 5.5 billion cubic feet per day (bcf/d) and 6 bcf/d by the end of 2019, which would constitute an increase of more than 50% from 3.9 bcf/d produced currently. The country has 12 natural gas field development projects underway for \$33bn in investment. The three largest projects are forecast to jointly produce 4.6 bcf/d of gas by 2019. Egypt currently spends about \$250m to \$300m on natural gas imports.

Source: Thomson Reuters

Greenfield FDI in renewable energy at \$76bn in 2015

Global greenfield foreign direct investment (FDI) announced in the renewable energy sector reached \$76bn in 2015, equivalent to 10.7% of total greenfield FDI. Solar and wind power attracted 67% of all renewable FDI between 2010 and 2015. Global greenfield FDI in solar power projects grew by 2.4 times since 2010, with FDI of \$36.7bn announced in 2015. There were 1,615 FDI projects in the renewable energy sector between 2010 and 2015. In parallel, global greenfield FDI in the coal, oil and natural gas sectors reached \$113.5bn in 2015, or 16% of total greenfield FDI.

Source: fDi Markets

Middle East's gold demand down 9% in first quarter of 2016

The Middle East region's demand for gold totaled 79.3 tons in the first quarter of 2016, down by 8.8% from 86.9 tons in the same quarter of 2015, and equivalent to 10.8% of global demand for the precious metal. Iran's demand for gold was 24.7 tons in the first quarter of 2016 and represented 31.2% of the region's total demand. It was followed by Saudi Arabia with 19.1 tons (24.1%), the UAE with 16.5 tons (20.8%), Egypt with 8.5 tons (10.7%) and Kuwait with 3.3 tons (4.2%).

Source: World Gold Council, Byblos Research

Base Metals: Steel production down 3% in first four months of 2016

The London Metal Exchange steel billet cash price reached \$76 per ton on May 25, constituting a drop of 61.4% from \$197 per ton at the end of 2015. It averaged \$125.8 per ton year-to-date, down by 65% from \$360.3 per ton in the first five months of 2015. In parallel, global crude steel output was 521.3 million tons in the first four months of 2016, according to the latest available figures, down by 2.8% from 536.1 million tons in the same period of 2015. China's crude steel production totaled 261.4 million tons in the first four months of 2016, or 50.2% of global steel output. It was followed by Japan with 34.3 million tons (6.6%), India with 30.7 million tons (5.9%) and the U.S. with 26.2 million tons (5%). On a regional level, steel output in Asia totaled 358 million tons and accounted for 68.7% of global production in the covered period, followed by the EU with 54.4 million tons (10.4%), North America with 36.4 million tons (7%), the Commonwealth of Independent States (CIS) with 33.8 million tons (6.5%), South America with 12.6 million tons (2.4%), other European countries with 11.4 million tons (2.2%), the Middle East region with 9 million tons (1.7%), Africa with 4 million tons (0.8%) and Oceania with 1.7 million tons (0.3%). The figures are based on 66 producing countries that account for about 99% of global steel supply.

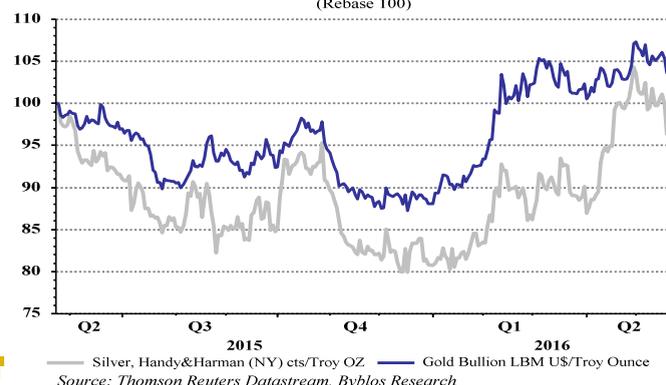
Source: World Steel Association, Byblos Research

Precious Metals: Silver prices up 18% in first four months of 2016

Silver prices reached \$16.4 a troy ounce on May 25, up by 18% from \$13.9 an ounce at the end of 2015, partly due to a stronger US dollar. Prices averaged \$15.6 an ounce so far this year, down by 6.4% from \$16.6 in the same period of 2015. In parallel, global physical silver demand reached 1,170.5 million ounces in 2015, up by 3.4% from 1,131.9 million ounces in 2014. The increase was mainly due to a 23.8% rise in coin & bar demand to 292.3 million ounces in 2015. Further, industrial usage accounted for 50.3% of total physical silver demand. It was followed by coins & bars (25%) and jewelry (19.4%). In parallel, the metal's global supply totaled 1,040.6 million ounces in 2015, down by 1.2% from 1,053.3 million ounces in 2014. Silver mine production increased by 2.1% to 886.7 million ounces in 2015 and accounted for 85.2% of total supply. The rise in the metal's mine production was mainly due to increases in production in Peru, Russia, Argentina and India, and was offset by a 3% decline in Chinese production. Also, the metal's scrap supply dropped by 13.2% to 146.1 million ounces and accounted for 14% of supply.

Source: Thomson Reuters GFMS, Byblos Research

Gold vs. Silver Prices
(Rebase 100)



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	-0.10	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	25-May-16	No change	13-Jul-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	24-May-16	No change	21-Jun-16
South Africa	Repo rate	7.00	19-May-16	No change	21-Jul-16
Kenya	Central Bank Rate	10.50	22-May-16	Cut 100 bps	N/A
Nigeria	Monetary Policy Rate	12.00	24-May-16	No change	26-Jul-16
Ghana	Prime Rate	26.00	16-May-16	No change	18-Jun-16
Angola	Base rate	14.00	30-Mar-16	Raised 200bps	31-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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