

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global patent filings at record high in 2015

The World Intellectual Property Organization (WIPO) indicated that the number of global patent applications filed under its Patent Cooperation Treaty (PCT) totaled 218,000 in 2015, constituting a 1.7% increase year-on-year, and representing a record high. It attributed the increase last year to a rise in the number of filings of global patents by China (+16.8%), Korea (+11.5%) and Japan (+4.4%), which led Asia to more than double its share of all PCT applications filed since 2005. The PCT system facilitates the acquisition of patent rights in 148 jurisdictions. The United States was the source of 57,385 international patent applications in 2015, equivalent to 26.3% of global patent applications. It was followed by Japan with 44,235 PCT filings, or 20.3% of the total, then China with 29,846 applications (13.7%), Germany with 18,072 filings (8.3%), Korea with 14,626 applications (6.7%), France with 8,476 filings (3.9%), the United Kingdom with 5,313 applications (2.4%), the Netherlands with 4,357 and Switzerland with 4,280 filings (2% each), and Sweden with 3,858 applications (1.8%). Further, there were 16,385 published applications in the computer technology field in 2015, 16,047 applications in digital communication, 14,612 applications in electronic machinery and 12,633 filings in medical technology. Telecommunications firms topped the list of PCT filers worldwide in 2015, with China-based Huawei Technologies leading for the second consecutive year with 3,898 published PCT applications.

Source: World Intellectual Property Organization

EMERGING MARKETS

Trading in Credit Default Swaps down 5% to \$363bn in first quarter of 2016

Trading in emerging markets Credit Default Swaps (CDS) reached \$363bn in the first quarter of 2016, constituting an increase of 43% from \$254bn in the fourth quarter of 2015 and a decrease of 5% from \$383bn in the same quarter last year. The most frequently-traded sovereign CDS contracts in the first quarter of 2016 were those of Brazil at \$57bn, followed by Turkey at \$41bn and Mexico at \$35bn. The most frequently-traded corporate CDS contracts in the covered quarter were those of Mexico's Pemex at \$3bn. The high volume of traded CDS during the first quarter of 2016 was similar to that recorded in the same period of 2014 and 2015, and well above the volumes posted in the first quarter of each of 2012 and 2013, despite the regulatory limitations of trading in some European credits. Credit Default Swaps represent the cost of insuring government bonds against default and are a reflection of perceived credit risk. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers from 13 major international banks and broker-dealers.

Source: EMTA

MENA

Food security level differs across region

The Economist Intelligence Unit's 2016 Global Food Security Index indicates that Qatar has the highest level of food security among 14 Arab countries and the 20th highest level among 113 countries globally. It was followed by Oman in 26th place, Kuwait (27th), the UAE (30th), Saudi Arabia (32nd), Bahrain (33rd), Tunisia (53rd), Egypt (57th), Jordan (60th), Morocco (62nd), Algeria (66th), Syria (96th), Sudan (98th) and Yemen (100th). The index aims to determine countries that are most and least vulnerable to food insecurity, which reflects food affordability, food availability, and nutritional quality & food safety. The rankings are based on scores that range from zero to 100, with zero reflecting economies with the lowest level of food security. The 14 Arab countries received an average score of 58.9 points on the index, higher than the global average of 57.3 points. The GCC countries received an average score of 72.9 points, while non-GCC Arab countries had an average score of 48.3 points. Also, the Arab countries' average score was higher than the average score of Sub-Saharan Africa (37.5 points), Asia & Pacific (56.4 points) and Central & South America (57.5 points), but it was lower than the average scores of North America (78.9 points) and Europe (74.1 points).

Source: Economist Intelligence Unit, Byblos Research

Eight Arab countries recipients of IMF technical assistance in 2016

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that it allocated 235 person weeks (PWs), or 1,175 days worth of technical assistance, to eight Arab countries and Afghanistan during the fiscal year that ended in April 2016, compared to 216.5 PWs or 1,082.5 days in FY2015. Egypt was the largest recipient of such assistance in FY2016 with 50 PWs, or 21.3% of the total, followed by Sudan with 42.5 PWs (18.1%), Jordan with 36 PWs (15.3%), Lebanon with 35.5 PWs (15.1%), Iraq with 21 PWs (8.9%), the West Bank & Gaza with 19 PWs (8.1%), Afghanistan with 5 PWs (2.1%) and Libya with 4 PWs (1.7%). The nine countries received 70 PWs, or 350 days, in banking supervision, which accounted for 29.8% of METAC's total assistance. METAC assisted in the implementation of new guidelines and standards aimed at efficiently managing and measuring credit risk, market risk and interest rate risk in the banks' books. Also, the countries received 66 PWs, or 330 days in customs and tax revenue administration, which represented 28.1% of total assistance. Further, member countries received 60 PWs, or 300 days, in public financial management, which accounted for 25.5% of total assistance. METAC assisted the countries in bringing their public financial management closer to international practices and standards. In parallel, the nine countries received 39 PWs, or 195 days, in macroeconomic statistics support, which represented 16.6% of total assistance. METAC provided assistance in data collection, compilation and dissemination and in developing macroeconomic statistics to better adhere to international standards and good practices in FY2016.

Source: IMF, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth outlook varies across regions

The World Bank projected real GDP growth in emerging markets and developing economies (EMDEs) at 3.5% in 2016, down from its January 2016 forecast of 4.1%. It pointed out that the forecast masks ongoing divergences between commodity exporters and importers. It said that the decline in commodity prices has worsened the prospects of commodity-exporting EMDEs, as it reduced their 2016 GDP growth to 0.4% from 1.6% in January. It noted that economic activity in commodity-importing EMDEs continues to be resilient, as it slightly revised downward their GDP growth rate to 5.8% in 2016 from 5.9% previously. It noted that EMDEs would continue to be affected by low commodity prices, reduced monetary policy space to support growth, as well as from weak global trade and subdued capital inflows.

The Bank maintained its projected economic growth in developing East Asia & the Pacific at 6.3% in 2016, while it slightly reduced its growth forecast for South Asia to 7.1% in 2016 from 7.3% in January. Further, it lowered its 2016 real GDP growth forecast for the MENA region to 2.9% from 4% previously, mainly due to lower oil prices. Also, it reduced its growth projection for Sub-Saharan Africa to 2.5% in 2016 from 4.2% due to low commodity prices, tightening global financial conditions, and drought in parts of the region. In addition, it revised downward its growth forecast for developing Europe & Central Asia to 1.2% in 2016 from 1.6% previously, as the Russian economy contracts further, political uncertainties in Turkey and Ukraine weigh on confidence, and energy prices trend lower. Further, it projected economic output in Latin America & the Caribbean to contract by 1.3% relative to a previous forecast of a 0.1% growth.

The Bank considered that downside risks to the outlook are more pronounced than in January 2016. It said that these include deteriorating conditions among key commodity exporters, eroding confidence in policy effectiveness, rising private sector debt in some large emerging markets, as well as heightened security and geopolitical risks.

Source: World Bank

AFRICA

Global recovery to support SSA growth prospects

Goldman Sachs anticipated that the expected recovery in global economic activity would more than offset the adverse impact of lower commodity prices on Sub-Saharan Africa's (SSA) real GDP growth. It estimated that lower commodity prices would reduce SSA's average real GDP growth rates by 1.2 to 1.5 percentage points per year, but it noted that underlying growth dynamics would remain resilient. It indicated that SSA's real GDP growth rate declined by 1.7 percentage points from 5.1% in 2014 to 3.4% in 2015, of which 1.2 percentage points was caused by lower commodity prices. Also, it noted that the region's economic growth decreased by 3.4 percentage points from an average of 6.8% during the 2007-09 period to 3.4% in 2015, of which 1.5 percentage points was due to lower commodity prices. As such, it noted that commodity prices explain about 44% of the growth slowdown in Africa since the global financial crisis. Therefore, it considered that lower global growth, rather than weaker com-

modity prices, constitutes the main cause of SSA's economic slowdown. Also, it said that the acceleration in SSA's economic growth from the mid-1990s preceded the rise in commodity prices by almost a decade. It noted that this means that the rise in commodity prices did not cause the acceleration of economic activity in SSA.

In parallel, Goldman Sachs expected a rebound for most African economies in case of a prolonged period of lower commodity prices, which would be supported by a recovery in global economic activity. It said that countries that are less dependent on commodities, such as Kenya, or countries that are at an early stage of economic development with low productivity levels, such as Ethiopia, Tanzania and Mozambique, are most likely to outperform in a low commodity price environment. It added that countries that are highly dependent on commodities, such as Zambia and Nigeria, would continue to face significant macroeconomic headwinds. But it said that Zambia, under the forthcoming IMF program, and Nigeria with a possible easing of unconventional policies, could rebound strongly.

Source: Goldman Sachs

ANGOLA

Adjusting economic policies essential for stability

The International Monetary Fund indicated that Angola's economic outlook for 2016 remains challenging despite the rebound in global oil prices in recent weeks. It noted that the drop in global oil prices has adversely affected economic activity in Angola, and estimated real GDP growth to have decelerated to 3% in 2015 due to spillovers from lower oil prices to the non-oil economy. It expected real GDP growth to decelerate further this year, but it anticipated a modest recovery in 2017, in case Angola's terms-of-trade continue to improve and if authorities address the shortages in foreign currency. It said that the inflation rate stood at 29.2% in May 2016, which reflects a weaker Angolan kwanza that has depreciated by more than 40% against the US dollar since September 2014, loose monetary conditions, as well as higher domestic fuel prices following the removal of fuel subsidies. It added that the current account balance has shifted to a deficit, but it noted that authorities maintained the country's foreign currency reserves at relatively comfortable levels.

The Fund called on authorities to adjust their economic policies in order to cope with the low oil price environment. It said that the government's significant fiscal effort in 2015 was essential to address fiscal and public debt sustainability concerns. However, it considered that further steps are still required to reduce vulnerabilities and maintain fiscal prudence in the run-up to the 2017 elections. Further, the IMF called on authorities to address the imbalances in the foreign currency market by allowing greater exchange rate flexibility, which would be supported by tighter monetary conditions to contain inflationary pressures. Also, it encouraged authorities to gradually phase out the existing administrative restrictions for access to foreign currency at the official rate, as they are weighing on economic activity. In parallel, the IMF stressed the importance of developing a strong financial sector and a business-friendly environment that would encourage savings and private investment, and that would form the basis for private sector-led economic diversification.

Source: International Monetary Fund



ECONOMY & TRADE

EMERGING MARKETS

Remittance inflows have net positive impact on sovereign ratings

S&P Global Ratings considered that remittance inflows to developing economies are a relatively steady source of current account receipts and support the sovereign ratings. It estimated expatriate remittances to developing countries at about \$431bn in 2015, up by 0.4% from 2014, the slowest growth rate since 2009. It attributed the slowdown in remittance inflows to the drop in global oil prices, which reduced the outflow of remittances from Russia and GCC countries. It noted that annual remittance inflows exceed 10% of GDP in several developing countries, which, in turn, helps them stabilize their balance of payments and reduces the risk of a sovereign credit stress. However, S&P pointed out that, when workers leave their country of origin to look for work, they will not be able to directly add value to the national economy and, in turn, this could reduce growth prospects of the local economy and negatively affect sovereign creditworthiness. Also, it estimated the "return on emigration" for the source countries to have declined following the global financial crisis, as remittance inflows to developing countries grew at a slower pace than the emigrant population from these economies. Overall, S&P believes that the net impact on the sovereign ratings of emigration and remittances can be positive for emerging markets with large Diasporas. It said that the stabilizing effect that remittances have on an economy's external finances is more significant than the cost of lost output in the home economy. But it anticipated that remittances would not improve sovereign creditworthiness without structural measures that strengthen the domestic economy. As such, it concluded that the reliance on remittances is unlikely to be a sustainable economic model for sovereigns.

Source: S&P Global Ratings

RWANDA

Economic environment facing new challenges

The International Monetary Fund estimated Rwanda's real GDP growth at 6.9% in 2015 despite the drop in commodity prices. But it noted that the value of mining exports declined by almost half last year, leading to a significant loss in foreign currency receipts. As such, it noted that the current account deficit, excluding grants, widened from 16.4% of GDP in 2014 to 18.1% of GDP in 2015. It indicated that Rwanda's economic environment has become more challenging in recent months as lower commodity prices, tighter conditions for private capital inflows and a stronger US dollar have further reduced export receipts and put downward pressure on the exchange rate and foreign currency reserves. In this context, the Fund pointed out that authorities are taking decisive steps to address external imbalances, such as continued exchange rate flexibility, and tighter fiscal and monetary policies, to help restrain imports. It considered that Rwanda's recent 18-month Standby Credit Facility with the Fund for about \$204m would avoid additional depletion in foreign currency reserves. As such, it forecast Rwanda's foreign currency reserves at 3.5 and 2.5 months of imports in 2016 and 2017, respectively. It said that downside risks to the outlook include lower commodity prices, adverse weather conditions, regional instability, as well as delays in the implementation of policy actions.

Source: International Monetary Fund

ARMENIA

Economic growth to decelerate to 2.4% in 2016-17

The International Monetary Fund estimated Armenia's real GDP growth to have decelerated from 3.5% in 2014 to 3% in 2015 as lower global commodity prices and remittance inflows reduced domestic demand. But it noted that economic activity last year was supported by the mining and agriculture sectors. It projected real GDP growth at 2.2% in 2016 and 2.5% in 2017. The Fund indicated that Armenian authorities remain committed to fiscal consolidation and debt sustainability. It considered that the new tax code would help broaden the tax base by reducing exemptions and addressing gaps, which would support fiscal consolidation and help generate funding for growth-enhancing spending. It projected the fiscal deficit to narrow from 4.8% of GDP in 2015 to 4.1% of GDP in 2016, and for the public debt level to rise from 48.7% of GDP in 2015 to 52.4% of GDP in 2016. Further, it indicated that the Central Bank of Armenia (CBA) has helped preserve orderly market conditions and monetary stability. It noted that monetary conditions have stabilized, while pressure eased on the foreign currency market. It expected the exchange rate policy to continue to limit the CBA's intervention on the currency market and to help preserve foreign currency reserves. It considered that further normalization of monetary conditions would help bring the inflation rate closer to the CBA's target, and would support lending growth. It added that macro- and micro-prudential regulations would help maintain orderly financial market conditions. It projected foreign currency reserves to cover 5.3 months of imports in 2016, unchanged from the preceding year.

Source: International Monetary Fund

CÔTE d'IVOIRE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B+' Côte d'Ivoire's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It also affirmed at 'B+' the senior unsecured foreign currency bonds, at 'BBB-' the Country Ceiling and at 'B' the short-term foreign currency IDR. It said that the ratings reflect strong macro-economic performance, improved public finance management and receding political risks. It indicated that real GDP growth has exceeded 8.5% in the past four years, and expected the country's medium-term growth potential to remain high due to rising private and public investments. Further, it noted that public finance management, a longstanding weakness, has improved in recent years. It added that the clearing of suppliers' arrears has reduced the level of the government's potential contingent liabilities, but it noted that some state-owned companies, such as those in the banking and energy sectors, could require budget support in coming years. The agency projected the country's budget deficit to remain around 3% to 3.5% of GDP in the coming years, which reflects a moderate rise in public revenues, spending rigidities, and a gradual increase in public investment. It anticipated that the stable fiscal deficit, along with the increase in nominal GDP, would reduce the public debt level from 41.3% of GDP in 2015 to below 40% of GDP by 2018. It expected the current account to post small deficits in coming years, which would gradually erode the country's net creditor position. The agency indicated that the ratings take into account Côte d'Ivoire's weak structural indicators and low debt tolerance.

Source: Fitch Ratings



BANKING

WORLD

Revision to Pillar 3 reporting to improve banks' disclosures

S&P Global Ratings indicated that the Basel Committee on Banking Supervision's (BCBS) latest proposal to revise the Pillar 3 reporting requirements of banks would address a number of shortfalls in banks' disclosures. It said that the recommendations would allow users to more easily obtain timely information on key risks and exposures in standardized and highly comparable formats. In parallel, S&P indicated that the BCBS' recent consultation includes proposals that would require banks to provide disclosures of hypothetical risk-weighted assets (RWAs) under a standardized approach, a dashboard of key regulatory metrics, and greater scale of prudent valuation adjustments. It said that the proposed disclosures of RWAs will contribute to a greater understanding of diverging RWAs across banks and a reduction in unjustified variations. But it considered that the proposals lack clarity about the calculation of standardized RWAs, as they did not specify whether the calculations should be based on standardized approach requirements as issued by the BCBS itself, or the implementation of such requirements by local regulators. S&P believes that the calculations should be based on BCBS requirements, as it would best serve the goal of comparability for investors. It noted that banks should also disclose their hypothetical Common Equity Tier One Capital ratio to complement the disclosure of hypothetical RWAs when using the standardized approach, given that the calculation of the numerator of the ratio may differ when using standardized RWAs. It added that the proposals also include new standardized disclosures for operational and market risks, which constitute another step toward raising transparency and comparability across banks.

Source: S&P Global Ratings

MOROCCO

Weak lending growth to persist in 2016

Figures issued by Bank Al-Maghrib show that the total assets of commercial banks in Morocco reached MAD1,152.3bn, or \$119.8bn, at the end of April 2016, constituting a decrease of 2.4% from the end of 2015 and a rise of 1.3% from end-April 2015. Total loans reached MAD769.2bn, or \$80bn, at end-April 2016, down by 2% from end-2015 and up by 2% from a year earlier. Lending growth is expected to remain weak in 2016, mainly due to subdued investment and sustained deleveraging, especially in the real estate and building materials sectors. Lending to real estate developers contracted by 9.2% year-on-year and registered the weakest performance among all lending segments. Further, deposits totaled MAD862.4bn, or \$89.6bn at end-April 2016, down by 1.5% from end-2015 and up by 4.3% annually. Deposits have been growing at a faster pace than lending since end-2014, which led to improved liquidity in the banking sector. Further, the loans-to-deposits ratio stood at 93.7% at end-April 2016 relative to 95.8% at end-April 2015. Overall, the Moroccan banking sector continues to benefit from comfortable liquidity levels due to a sustained build-up in foreign currency reserves as a result of lower commodity prices. In parallel, the sector's non-performing loans (NPL) ratio rose from 7.2% at end-April 2015 to 7.9% at the end of April 2016.

Source: Bank Al-Maghrib, EFG Hermes

BAHRAIN

Banking sector's outlook maintained at negative

Moody's Investors Service maintained its negative outlook on Bahrain's banking system, as it expected the banks' operating conditions to continue to deteriorate over the coming 12 to 18 months. First, it expected the banking sector's non-performing loan ratio to rise from 5.8% at the end of 2015 to about 6% to 6.5% by mid-2017. But it indicated that the banks' deteriorating asset quality would be partly mitigated by their ongoing initiatives to recover and write-off legacy problem loans. It added that the banks would generate sufficient profits to absorb the expected credit losses. Also, it anticipated the rebound in the tourism and construction sectors to contain the pressure on the banks' asset quality. Second, the agency indicated that Bahraini banks would face more challenging funding conditions due to a slowdown in deposit inflows from reduced government and public-sector deposits, lower corporate profits and falling household savings. But it expected the banks' funding and liquidity positions to remain resilient in coming months, supported by high liquidity buffers, as well as by lending growth of about 4% in 2016. It noted that the modest growth in lending requires low levels of new funding. Third, it pointed out that increased pressure on the banks' asset quality would result in higher loan-loss provisioning and would consequently weigh on the banks' profitability levels. But it expected the banks' pre-provision income to be broadly stable at around 1.7% of tangible assets in 2016, supported by moderate credit growth and the banks' cost-cutting initiatives.

Source: Moody's Investors Service

CÔTE D'IVOIRE

Banks have thin capital buffers

The International Monetary Fund indicated that the capital adequacy ratio of banks operating in Côte d'Ivoire regressed from 10.1% at end-2014 to 8.2% at the end of 2015, as lending grew without a compensating increase in capital buffers. It pointed out that the aggregate capital adequacy figures mask the significant deterioration in the solvency of one public bank, which has dragged down the solvency of the sector. It added that three out of the 26 banks operating in the country failed to meet the 8% minimum regulatory capital requirement at end-2015, while the remaining 23 banks have thin capital buffers. Further, it pointed out that the sector's NPL ratio regressed from 11.3% at end-2014 to 10.6% at the end of 2015, but it continues to be elevated despite the rapid lending growth. It added that the banks' provisions-to-NPLs ratio regressed from 77% at end-2014 to 68% at end-2015, resulting in a 75% increase in NPLs net of provisions. In parallel, the Fund indicated that banks in Côte d'Ivoire are exposed to vulnerabilities that stem from their exposure to the corporate sector and to sovereigns in the region. It said that a tightening in credit conditions, in case of a weaker economic outlook, would reduce corporate profits and increase NPLs. It estimated that the banks' thin capital buffers would be insufficient to sustain credit growth at its current pace. As such, the Fund called on the buildup of capital buffers to mitigate any adverse impact of a reversal in the credit cycle. It added that the restructuring of public banks would be important to strengthen the banking sector's solvency and minimize budgetary costs.

Source: International Monetary Fund



ENERGY / COMMODITIES

Global oil market to balance in second half of 2016

Crude oil prices reached their lowest levels in three weeks amid rising concerns about global oil market oversupply and ahead of the United Kingdom's June 23 referendum on its membership in the European Union (EU). The UK's exit from the EU would strengthen the US dollar against the British pound, which would place downside pressure on oil prices. ICE Brent crude oil front-month prices closed at \$49.8 per barrel (p/b) on June 15, 2016, constituting a decrease of 3.1% from the preceding week; while WTI oil prices regressed by 3.7% week-on-week to close at \$48.5 p/b. Further, the International Energy Agency (IEA) expected the oil market to move closer to balance in the second half of 2016, as supply and demand for oil realign after a series of unplanned production outages. It noted that global crude oil output fell by 590,000 barrels per day (b/d) year-on-year to 95.4 million b/d in May 2016, as spending cuts and production outages led to an annual decrease of 1.3 million b/d in non-OPEC production. Overall, uncertainty in the global oil market is expected to persist amid mounting concerns about the timing of the increase in U.S. interest rates, higher prospects for a British exit from the EU, record-low German bund yields and a global equities selloff.

Source: *BCA Research, IEA, Byblos Research*

Global investments in renewable energy at \$7.8 trillion over 25 years

Bloomberg New Energy Finance, the energy analytics arm of Bloomberg, projected new investments in global power generation capacity at \$11.4 trillion between 2016 and 2040, with electric vehicles raising electricity demand by 8% in 2040. It expected a transformation of the world electricity system toward renewable energy sources over the coming 25 years, despite low coal and gas prices. It forecast new investments in the renewable energy sector worldwide at \$7.8 trillion during the 2016-40 period, of which \$3.4 trillion in solar energy, \$3.1 trillion in onshore and offshore wind energy and \$911bn in hydro-electric energy.

Source: *Bloomberg New Energy Finance, Byblos Research*

Nigeria's hydrocarbon export receipts down 47% in first four months of 2016

Nigeria's crude oil & condensate export receipts totaled \$1.1bn in the first four months of 2016, constituting a drop of 47% from \$2.1bn in the same period of 2015. Export receipts consisted of \$608.3m from crude oil exports, \$341.9m from gas exports and \$136.8m in other receipts. In parallel, the authorities used all of the hydrocarbon revenues to pay international oil companies and have not transferred any funds to the Federation Account during the covered period. Hydrocarbon receipts reached \$300.6m in April 2016, up by 2.1 times from \$141.9m in March 2016.

Source: *Nigerian National Petroleum Corporation*

OPEC's oil basket price up 14% in May 2016

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$43.2 per barrel (p/b) in May 2016, constituting a rise of 14.1% from \$37.9 p/b in April. Indonesia's Minas posted the highest price among the basket's components at \$48.6 p/b in May, followed by Algeria's Saharan Blend at \$47.7 p/b and Abu Dhabi's Murban crude oil at \$47.1 p/b. All 13 prices included in the OPEC reference basket posted monthly increases between \$4.65 p/b and \$10.12 p/b in May 2016.

Source: *OPEC, Byblos Research*

Base Metals: Aluminum prices to rise gradually in 2016

LME Aluminum 3-month future prices reached \$1,614 per ton on June 15, constituting a rise of 7.6% from end-2015, amid growing uncertainties over the outcome of the United Kingdom's referendum to exit the European Union on June 23. Prices are expected to gradually increase from an average of \$1,513 a ton in the first quarter of 2016 to \$1,530 a ton in the second quarter, \$1,550 a ton in the third quarter and \$1,600 a ton in the fourth quarter of 2016, due to increasing global demand for the metal. In parallel, global aluminum production is projected to reach 58.8 million metric tons in 2016, which would constitute an increase of 1.7% from 57.9 million metric tons in 2015. The rise in the metal's production is attributed to increases of 2.2% and 2.5% in production in China and Western Europe, respectively, which would be offset by a 9.7% decline in North American production. On the demand side, global aluminum consumption is projected to reach 59.7 million metric tons in 2016, up by 3.9% from 57.5 million metric tons in 2015 due to increases in the metal's consumption in China, Western Europe and North America. Further, the aluminum market is forecast to post a production deficit of 883,000 metric tons in 2016, compared to a surplus of 380,000 metric tons in 2015, which would reflect a lower-than-expected Chinese output.

Source: *Standard Chartered, Byblos Research*

Precious Metals: Jewelry industry to account for 54% of gold demand in 2016

Gold prices closed at \$1,283 a troy ounce on June 15, up by 5.7% from end-May, ahead of the United Kingdom's referendum on its potential exit from the European Union. The referendum on June 23 could lead investors to increase their demand for safe-haven assets due to wide economic uncertainties and the ramifications of a potential exit, which would place upward pressure on gold prices. Prices are expected to increase from an average of \$1,182 an ounce in the first quarter of 2016 to \$1,225 an ounce in the second quarter, \$1,260 an ounce in the third quarter and \$1,290 an ounce in the fourth quarter of 2016. Overall, gold prices are forecast to rise by 7% to an average of \$1,240 an ounce in 2016. In parallel, global supply for gold is projected to reach 4,256 tons in 2016, which would constitute a marginal drop of 0.4% from 4,273 tons 2015. The decline in supply would reflect marginal declines of 0.4% and 0.6% in gold mine output and recycling, respectively, that would be offset by a 28.6% improvement in the metal's net hedging. In parallel, global demand for gold is projected to rise by 1.4% to 4,132 tons this year, mainly due to increases in retail demand (+4.6%) and jewelry demand (+3.5%).

Source: *Standard Chartered, 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+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B+	-	B+	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B+	B1	BB-	-	BB-	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	BB-	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B+	-	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
Bahrain	BB	Ba2	BBB-	BBB-	BBB-	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB-	BB-	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B-	(P)Caa1	B-	-	CC+	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB-	B1	-	BB-	BB+	-3.4	90.4	64.5	141.2**	4	177.3	-6.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B-	B2	B	B	B-	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB	Baa1	-	A-	BBB	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A-	A1	AA-	AA-	AA-	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC	-10.0	67.3	17.3	-	-	197.2	-7.0	-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-	-4.1	48.5	78.6	168.2	23.6	612.8	-4.3	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	-6.2	47.5	22.4	111.9	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-4.0	22.1	151.2	325.8	33.6	824.6	-4.0	3.5
	Negative	CWN***	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB-	-1.5	33.5	88.9	117.6	28.0	236.3	3.4	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.9	42.9	53.0	121.9	14.4	224.0	1.1	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.1	13.6	37.9	114.5	19.6	150.3	4.9	-1.7
	Negative	CWN***	Negative	-	Negative								
Turkey	BB+	Baa3	BBB-	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Stable	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-4.2	69.9	127.1	235.3	22.4	663.6	0.4	1.1
	Negative	Negative	-	-	Stable								

*to official creditors

** external debt/current account receipts

***Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; 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	15-Jun-16	No change	27-Jul-16
Eurozone	Refi Rate	0.00	02-Jun-16	No change	21-Jul-16
UK	Bank Rate	0.50	12-May-16	No change	16-Jun-16
Japan	O/N Call Rate	-0.10	16-Jun-16	No change	28-Jul-16
Australia	Cash Rate	1.75	07-Jun-16	No change	05-Jul-16
New Zealand	Cash Rate	2.25	08-Jun-16	No change	10-Aug-16
Switzerland	3 month Libor target	-1.25(-0.25)	16-Jun-16	No change	15-Sep-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	N/A
Taiwan	Discount Rate	1.50	24-Mar-16	Cut 13bps	30-Jun-16
South Korea	Base Rate	1.25	09-Jun-16	Cut 25bps	14-Jul-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	07-Jun-16	No change	09-Aug-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	20-Jul-16
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	23-Jun-16
Mexico	Target Rate	3.75	05-May-16	No change	30-Jun-16
Brazil	Selic Rate	14.25	08-Jun-16	No change	20-Jul-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	01-Jun-16	No change	01-Jul-16
Kazakhstan	Repo Rate	15.00	06-Jun-16	No change	11-Jul-16
Ukraine	Discount Rate	18.00	26-May-16	Cut 100bps	23-Jun-16
Russia	Refi Rate	10.50	10-Jun-16	Cut 50bps	29-Jul-16



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