

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Smartphone owners check their phone 40 times per day

Deloitte's Global Mobile Consumer Survey indicated that 78% of consumers worldwide own smartphones, 50% have tablets and 10% of consumers own wearable devices, such as smartwatches and fitness bands. It added that 7% of consumers worldwide own all three types of devices. It noted that 81% of consumers in emerging markets own smartphones, while 76% of consumers in developed markets have such devices. Further, the survey showed that smartphone owners around the world check their phones 40 times per day on average. It added that 14% of survey participants in emerging markets check their phones at least 100 times per day, compared to 6% of respondents in developed markets. In addition, it noted that 70% of respondents in emerging markets check their phone within 15 minutes after waking up, compared to 47% of participants in developed markets who do the same. In parallel, the survey indicated that 35% of participants in emerging markets access instant messages first thing during the day, compared to 37% of respondents in developed markets. Also, 22% of respondents in emerging markets check their social media accounts first in the morning, compared to 10% of participants in developed markets. Further, 11% of participants in emerging markets check their e-mails first, compared to 19% of respondents in developed markets. The survey covered 49,500 respondents in 31 countries.

Source: Deloitte

MENA

Cost of living increases in 14 Arab cities

Mercer's 2016 survey on the cost of living in 209 cities around the world showed that the cost of living in 14 out of 17 Arab cities increased in relative terms from the 2015 survey. The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment costs. Mercer indicated that it compares the cost of high-end items that are important to expatriates and their employers, such as upscale residential areas and entertainment venues. Dubai came as the most expensive Arab city and ranked in 21st place globally, followed by Abu Dhabi in 25th place, Djibouti (40th) and Beirut and Amman (50th each). The least costly Arab cities are Tunis (203rd), Algiers (185th), Nouakchott (178th), Rabat (168th) and Casablanca (130th). The rankings of Jeddah, Cairo, Qatar, Oman, Doha, Muscat, Manama, Djibouti, Riyadh, Casablanca, Abu Dhabi, Rabat, Dubai and Tunis increased, reflecting a relative rise in the cost of living in these cities. The increase in the rankings of Arab cities is due to a decline in the cost of living in non-Arab cities, as well as to the strong rise in the rent of expatriates' accommodation, particularly in Abu Dhabi and Jeddah. Jeddah's ranking increased by 30 spots, posting the highest rise in the cost of living in the region; while Lebanon's rank dropped by six spots, registering the steepest decline regionally. The survey is conducted annually to help multinational companies determine compensation allowances for their expatriate workers.

Source: Mercer, Byblos Research

Private wealth to reach \$11.8 trillion by 2020

The Boston Consulting Group (BCG) indicated that private financial wealth in the Middle East & Africa (ME&A) region reached \$8 trillion in 2015, constituting an increase of 2.7% from \$7.8 trillion in the preceding year and relative to a growth rate of 3.8% in 2014. It attributed the deceleration in wealth growth to the weaker performance of the region's equity and bond markets as a result of lower global commodity prices and regional political instability. It said that the ME&A region's private wealth accounted for 4.8% of global private financial wealth in 2015, higher than Latin America (2.9%) and Eastern Europe (2.1%), but lower than North America (36%), Western Europe (24.3%), Asia-Pacific excluding Japan (21.8%) and Japan (8.1%). Further, it noted that 50% of the ME&A region's private wealth in 2015 was held in cash and deposits, while 25% was invested in bonds and 25% was held in equities. In parallel, BCG projected private financial wealth in the ME&A region at \$11.8 trillion in 2020, which would reflect a compound annual growth rate (CAGR) of 8.1% between 2015 and 2020 compared to a global CAGR of 5.9% over the same period. It forecast the ME&A region's private wealth to account for 5.3% of global private financial wealth in 2020, higher than Latin America (3.2%) and Eastern Europe (2.4%), but lower than North America (33.9%), Asia-Pacific excluding Japan (26.7%), Western Europe (21.7%) and Japan (6.8%). Also, it forecast the ME&A region's private wealth to grow at a similar rate to that in Latin America during the 2015-20 period, and at a faster rate than Eastern Europe (+8%), North America (+4.7%), Western Europe (+3.6%) and Japan (+2.4%). But it expected the ME&A region's wealth to expand at a slower rate than that in Asia-Pacific excluding Japan (+10.3%).

Source: Boston Consulting Group

IRAN

FATF suspends its call for counter measures against Iran

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), welcomed Iran's new action plan to address its strategic AML/CFT deficiencies, as well as the authorities' decision to seek technical assistance in the plan's implementation process. As a result, the FATF suspended for one year its call on all jurisdictions to take counter measures against Iran in order to monitor the authorities' progress in implementing their action plan. It warned that it will renew its request for counter measures in case Iran fails to make sufficient progress in addressing its strategic AML/CFT deficiencies. Further, the FATF declared that it will remain concerned about the risks of terrorist financing from Iran and the threat this poses to the integrity of the international financial system, until authorities implement the measures required to address Iran's AML/CFT deficiencies. As such, the FATF reiterated its call on its members and all jurisdictions to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.

Source: Financial Action Task Force

OUTLOOK

EMERGING MARKETS

Brexit to pose short-term risks for Emerging Europe

The Institute of International Finance anticipated that the United Kingdom's decision to leave the European Union (Brexit) would weigh on economic activity in Emerging Europe (EE) in the coming year. First, it anticipated the Brexit decision to result in slower economic activity in the European Union (EU) and a possible recession in the United Kingdom, which would spillover to EE economies through the trade channel. It said that the Eurozone is the main trading partner for EE countries, which means that a slower growth in the Eurozone would have a steeper impact on EE's exports than a recession in the United Kingdom. It noted that Poland would be the most affected EE country by the trade channel, given its close trade links with the Eurozone. Second, it pointed out that uncertainty associated with the Brexit could affect debt financing and banking flows in EE, especially for Turkey. It said that British banks have limited activity in EE markets, except in Turkey. As such, it noted that a possible disruption in the flow of funds to Turkey triggered by the Brexit vote constitutes the main near-term risk for the Turkish economy. It anticipated that the Turkish lira would remain vulnerable to shifts in global sentiment, especially if the Central Bank of Turkey further cuts its policy rates. It added that interest rates cuts would intensify investors' concerns in the context of Turkey's widening current account deficit from the rise in oil prices and a sharp drop in tourism receipts. Overall, it said that EE countries are the most affected by the Brexit among emerging markets.

In parallel, the IIF considered that the medium-term impact of the Brexit on EE economies is more complex. It noted that migration flows to the United Kingdom could reverse after the exit, which could lead to higher unemployment rate in some EE economies. Further, it said that the EU budget would decrease following the United Kingdom's actual exit, which would lead to lower budgetary transfers to EE countries and, in turn, would weigh on their economic activity. It did not expect the Brexit to affect FDI inflows to EE economies.

Source: Institute of International Finance

QATAR

Non-hydrocarbon growth at 6% in 2016-17

The Institute of International Finance projected Qatar's real GDP growth at 3.7% in 2016 and 3.8% in 2017, relative to a growth rate of 3.7% in 2015, which would make Qatar the fastest growing economy in the MENA region. It forecast non-hydrocarbon sector activity to decelerate from 7.7% in 2015 to 6% in 2016 and 2017, and to be significantly below the annual average growth rate of 10% during the 2010-15 period. It attributed the slowdown to fiscal consolidation measures, but it expected non-hydrocarbon sector activity to be supported by infrastructure projects related to hosting the 2022 World Cup. Further, it projected hydrocarbon sector growth at 1.4% in 2016 and 2017 following a contraction of 0.2% in 2015. It noted that the subdued growth in the hydrocarbon sector is due to the suspension of further exploration of the North Field, delays in the Barzan projects and maturing fields.

In parallel, the IIF projected Qatar's fiscal deficit to widen from 0.1% of GDP in 2015 to 4.7% of GDP in 2016 and 2.6% of GDP in 2017. It said that the deficit would reach 12.3% of GDP in 2016 when excluding investment income. It estimated Qatar's fiscal breakeven oil price at \$55 p/b in 2016, unchanged from 2015. It considered that fiscal consolidation measures adopted so far, along with the gradual recovery in energy prices, should put the fiscal position on a sustainable path over the medium term. It indicated that authorities did not tap the foreign assets managed under the Qatar Investment Authorities, instead they used the government's account balance at the Central Bank of Qatar that declined from \$43bn at the end of 2014 to \$36bn at end-April 2016. Also, it said that authorities have issued domestic and external bond to finance the fiscal gap. As such, it projected the government's debt level to rise from 42.7% of GDP in 2015 to 55.6% of GDP in 2016, and for the external debt level to increase from 106% of GDP in 2015 to 114% of GDP in 2016. It did not expect the financing of the deficit to be challenging, given Qatar's substantial foreign assets that it projects at 236% of GDP in 2016. In parallel, the IIF forecast the current account balance to shift from a surplus of 8.3% of GDP in 2015 to a deficit of 2% of GDP in 2016, due to lower global hydrocarbon prices during the year.

Source: Institute of International Finance

CÔTE d'IVOIRE

Favorable prospects for 2016-17, economic growth at 8.5%

The Institute of International Finance projected Côte d'Ivoire's real GDP growth at 8.3% in 2016 and 8.6% in 2017 compared to a growth rate of 10.2% in 2015 and an average growth of 9.1% during the previous three years. It attributed the modest slowdown in economic activity in 2016 to a smaller cocoa crop due to the dry weather earlier this year. It expected strong public sector investment in infrastructure to support overall economic activity in 2016. Further, it noted that the inflation rate increased from 1.3% in 2015 to 2% in March 2016 due to a rise in food prices. It forecast the inflation rate at 2.2% at the end of 2016 relative to 1.3% at end-2015. It did not expect any change to the accommodative monetary stance in 2016, given the relatively benign inflation environment among member countries of the West African Economic and Monetary Union, to which Côte d'Ivoire belongs.

In parallel, the IIF projected the fiscal deficit to slightly widen from 3% of GDP in 2015 to 3.2% of GDP in 2016 and to reach 3.1% of GDP in 2017. Still, it expected the government's debt level to regress from 34.5% of GDP in 2015 to 33% of GDP in 2016 and 31.7% of GDP in 2017. Further, it forecast the current account deficit to widen from 1.7% of GDP in 2015 to 2% of GDP in 2016 and 2.5% of GDP in 2017. It attributed the widening of the deficit this year to a smaller cocoa crop and a strong growth in capital imports. But it projected FDI inflows to rise from 0.7% of GDP in 2015 to 0.9% of GDP in 2016 and 1% of GDP in 2017, which would help finance the current account deficit. It forecast foreign currency reserves at \$3.6bn, or 3.2 months of imports cover, at the end of 2016 and at \$4bn, or 3.3 months of imports cover, at end-2017.

Source: Institute of International Finance



ECONOMY & TRADE

SAUDI ARABIA

Ratings affirmed, outlook 'negative'

Capital Intelligence affirmed at 'AA-' Saudi Arabia's long-term foreign and local currency ratings and at 'A1+' its short-term foreign and local currency ratings, and kept the 'negative' outlook on the long-term ratings. It attributed the 'negative' outlook to the ongoing deterioration of the country's public finances, as well as to its expectation that the Kingdom's external assets under the management of the Saudi Arabian Monetary Authority would continue to decline. It noted that foreign assets fell from \$617bn at the end of 2014 to \$580bn at end-March 2016. It projected the fiscal deficit to narrow from 15.4% of GDP in 2015 to 12.4% of GDP annually during the 2016-17 period, in case oil prices average \$60 b/d during the covered period and if authorities implement additional fiscal consolidation measures. It expected the government's debt level to rise from 5.8% of GDP in 2015 to about 25% of GDP by 2017, driven by its fiscal financing needs. But the agency considered that the government's balance sheet remains relatively sound due to its substantial foreign assets and low public debt level. It added that refinancing risks are low due to the appetite of local banks and pension funds for government securities, as well as to the government's large fiscal buffer that is currently equivalent to more than 50% of GDP. Further, it pointed out that the country's balance-of-payments has weakened, and expected the current account balance to remain in deficit during the 2016-17 period. Still, it noted that Saudi Arabia continues to be a large net external creditor, as its official foreign assets are equivalent to five times its public and private external debt stock.

Source: Capital Intelligence

BAHRAIN

Sovereign ratings downgraded on deteriorating public finances, outlook 'stable'

Fitch Ratings downgraded Bahrain's long-term foreign currency Issuer Default Rating (IDR) from 'BBB-' to 'BB+' and its long-term local currency IDR from 'BBB' to 'BB+', with a 'stable' outlook. Also, it downgraded the country's 'BBB-' senior unsecured foreign and 'BBB' local currency bonds from 'BB+', and affirmed the country ceiling at 'BBB+'. It attributed the downgrades to the deterioration of Bahrain's public finances due to lower global oil prices. It said that authorities made progress in fiscal consolidation, but it noted that the country still lacks a clear path that would help it achieve a more sustainable fiscal position. It forecast the fiscal deficit to widen from 14.8% of GDP in 2015 to 15.4% of GDP in 2016, in case oil prices average \$35 p/b this year. It noted that the deficit is more than three times the median deficit among similarly-rated sovereigns. It expected the government's debt level to rise from 62% of GDP in 2015 to about 80% of GDP in 2016, compared to the median ratio of 40% of GDP among similarly-rated countries. Also, it expected the government's debt servicing cost to increase from 30% of budget revenues in 2015 to about 41% of revenues in 2016 and 55% of revenues in 2017. Overall, it indicated that the fiscal policy response has been insufficient to significantly improve the unfavorable fiscal and oil price dynamics. In parallel, the agency said that Bahrain's IDRs are mainly supported by sustained growth in the non-oil economy, which it projects at 4% during the 2016-18 period, as well as by a strong banking sector.

Source: Fitch Ratings

TUNISIA

Structural reforms are key to lift growth potential

Moody's Investors Service anticipated that the implementation of the delayed structural reforms in the banking, fiscal and business environment areas would help lift Tunisia's growth potential path. But it said that this would be contingent on receding security risks, as social and security-related challenges would weigh on tourism and investment activity in the country. The agency indicated that Tunisia benefits from strong institutions relative to similarly-rated peers, and from international support, which, along with structural reforms, would help the country's transition to a more sustainable growth model. It added that Tunisia's robust institutional framework has allowed it to manage recent security disruptions and increased political tensions. Further, Moody's pointed out that the new \$2.8bn Extended Fund Facility from the IMF would pave the way for substantial international support, which would continue to sustain the government's liquidity. But it noted that Tunisia's reliance on external support has led to a rise in its external debt level, which is projected to reach 70% of GDP by 2017. Also, it said that external imbalances would constrain the country's creditworthiness due to the decline in tourism receipts. In parallel, it said that the country's fiscal position has improved under the previous two-year IMF program, but it noted that the fiscal position continues to be exposed to social and security-related spending pressures.

Source: Moody's Investors Service

NIGERIA

Sovereign ratings downgraded, outlook 'stable'

Fitch Ratings downgraded Nigeria's long-term foreign currency Issuer Default Ratings (IDR) from 'BB-' to 'B+' and its long-term local currency IDR from 'BB' to 'BB-', with a 'stable' outlook. It also lowered Nigeria's senior unsecured foreign-currency bonds from 'BB-' to 'B+' and its country ceiling from 'BB-' to 'B+'. It attributed the downgrades to Nigeria's worsening fiscal and external vulnerabilities from the substantial fall in hydrocarbon revenues, and to the authorities' insufficient and slow fiscal and policy adjustments. It forecast the fiscal deficit to widen from an annual average of 1.5% of GDP during the 2011-15 period to 4.2% of GDP in 2016. It expected public revenues to drop from 12% of GDP annually between 2011 and 2015 to 5.5% of GDP in 2016, despite a projected increase in non-hydrocarbon receipts. Further, it anticipated the government's debt level at 14% of GDP this year, well below the median level of 53% of GDP among similarly-rated countries. In parallel, the agency indicated that a weak policy response to declining external revenues has increased external vulnerabilities, slowed down economic activity and widened the current account deficit. It considered that the new foreign exchange regime will not be fully flexible, as the parallel exchange market would continue to exist because of import restrictions. It noted that this would continue to deter growth, capital inflows and investments. It anticipated foreign currency reserves to drop to 3.4 months of current external payments at the end of 2016 due to the Central Bank of Nigeria's intervention in the foreign currency market. Overall, it considered that the positive effects of the naira devaluation will take some time to fully materialize, which would leave the country vulnerable to shocks.

Source: Fitch Ratings



BANKING

MENA

Brexit to have limited impact on banks in the short term

Regional investment bank EFG Hermes anticipated that the United Kingdom's decision to exit the European Union (Brexit) would have a limited negative impact over the short term on banks in the Middle East & North Africa (MENA) region. It noted that this is due to the banks' strong business focus on their respective domestic markets. It considered that the direct impact on regional banks would come from their net currency exposure to the British pound and the euro, which it expects to be relatively limited. However, it anticipated the sharp volatility in global markets that followed the Brexit vote to spillover to MENA markets, which would affect the banks' profitability over the short term. Also, it said that lower global oil prices as a result of a strong US dollar would be a problem for the already tight liquidity conditions in the Gulf Cooperation Council. It pointed out that the UAE is the most exposed GCC country to the Brexit through the trade, investment and tourism channels. But it noted that GCC banks that have strong balance sheets and attractive dividend yields are well positioned to weather any adverse impact from the Brexit. In parallel, EFG Hermes anticipated that the Brexit would further delay an increase in U.S. interest rates, which would reduce the prospects of higher net interest margins for banks in the region.

Source: EFG Hermes

IRAN

Downside pressure on currency recedes

BMI Research indicated that downside pressure on the value of the Iranian rial has receded as a result of the progress on the nuclear agreement. It noted that the black market exchange rate has moved in line with the official rate, which means that the official exchange market is meeting most of the domestic demand for foreign currency. It added that the rial is currently trading at about IRR31,900 against the US dollar on the black market, relative to IRR30,439 per dollar on the official market, which constitutes one of the lowest spreads since early 2011. It anticipated the rial to modestly depreciate in the second half of the year, as the positive impact of the nuclear agreement, higher foreign investment inflows and an improving economy mitigate the adverse effects of lower hydrocarbon receipts. It projected the rial to trade at IRR31,000 against the dollar on the official market this year and to average IRR33,500 per dollar in 2017. It did not expect the nuclear agreement to lead to an appreciation of the currency, as the lifting of sanctions would be gradual and would result in a slow return of FDI inflows to the country. It anticipated that the Central Bank of Iran would intervene on the foreign currency market to help stabilize the value of the rial in case of need. In parallel, BMI estimated that the rial is overvalued and that macroeconomic imbalances require a devaluation of the currency. It noted that a weaker currency would support the fiscal position, promote non-hydrocarbon exports and make Iran more attractive for investment. It indicated that a breakdown in the nuclear deal or a sudden increase in the inflation rate due to subsidy cuts could result in a larger-than-expected currency depreciation.

Source: BMI Research

EGYPT

Lending growth to decelerate in 2016

Regional investment bank EFG Hermes anticipated that the Central Bank of Egypt's (CBE) decision to increase its policy rates would have a positive impact on the net interest margins of banks operating in Egypt. It noted that the CBE increased on June 16 its overnight deposit and lending rates by 100 basis points each to 11.75% and 12.75%, respectively, following an increase of 150 basis points each on March 17. First, it indicated that banks have large holdings of Treasury bills, which quickly adjust to the new rates. Second, it said that corporate loans, which account for most of the banks' lending portfolio, have short-term maturities and are benchmarked to corridor rates. As such, it noted that this would result in a fast re-pricing of the banks' corporate loan portfolio. Third, it pointed out that Egyptian banks usually increase interest rates on deposits at a lag relative to assets, as they are not benchmarked to a specific rate. In parallel, EFG Hermes considered that the shortage of foreign currency liquidity and the sustained weakening of the macroeconomic environment are the main factors that are weighing on lending activity. It said that borrowing rates rose by 250 basis points so far this year, which would lead to further slowdown in lending demand. It noted that the growth in lending has decelerated to 16.8% in April 2016, from 18.8% in December 2015. It added that the growth in lending would become 13% in April 2016, when excluding the impact of the March 2016 currency devaluation.

Source: EFG Hermes

NIGERIA

Banks are able to absorb currency devaluation

Fitch Ratings indicated that Nigerian banks are well-capitalized to absorb the 40% depreciation of the naira that followed the shift from the pegged to a flexible exchange rate. It noted that a currency devaluation affects the banks' capital ratios because the total risk-weighted assets would become inflated when assets denominated in foreign currency are converted to naira. It estimated that the capital adequacy ratios at most rated Nigerian banks would not fall below the minimum requirement following the 40% effective devaluation. However, it cautioned that the banks' capital buffers could decline in case the naira continues to weaken, which would put downward pressure on the banks' ratings. The agency pointed out that an erosion of capital ratios at Nigerian banks would be short-lived because the banks continue to generate profits despite the unfavorable operating environment. It expected the impaired loan ratios to rise following the currency devaluation, because corporates that are not adequately hedged by foreign currency income streams could face difficulties to service their foreign currency loans. Further, Fitch anticipated the pressure on the banks' foreign currency liquidity to ease in case the new exchange rate regime stimulates portfolio and foreign currency inflows. It noted that this would allow banks to meet foreign currency demand as well as their internal and external foreign currency obligations. In parallel, the agency indicated that disruptions to oil production and low oil prices could pose a threat to the banks' asset quality and, in turn, pressure the banks' capital adequacy ratios.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices to stabilize in second half of 2016

Brent crude oil prices averaged \$47 per barrel (p/b) in the second quarter of 2016, constituting an increase of 33% from \$35.3 p/b in the previous quarter and a drop of 24.8% from \$62.5 p/b in the same quarter of 2015. The quarter-on-quarter rally in oil prices was due to unplanned supply outages, such as the wildfires in Canada, strikes in Kuwait and France, economic distress in Venezuela and security disruptions in Nigeria and Libya. These disruptions, along with slowing U.S. shale oil production and strong demand from China and India, have raised investors' sentiment about a decline in market oversupply. In parallel, the United Kingdom's decision to exit the European Union on June 23 had a relatively modest immediate impact on the oil market, with Brent oil prices declining only slightly below \$50 p/b. Oil prices rebounded by 4.5% on June 29 from the preceding day to close at \$50 p/b, after the U.S. Energy Information Administration reported a larger-than-expected drop of 4.1 million barrels in U.S. crude oil inventories. Further, Morgan Stanley anticipated that the main factors that would affect the oil market in the near term include sustained oil market oversupply, slowing Chinese demand, deteriorating macroeconomic outlook and the possible return of output from several countries. Oil prices are forecast to stabilize at about \$50 p/b in the second half of 2016.

Source: Jadwa Investment, Morgan Stanley, Citi, Byblos Research

Installed power generating capacity to reach 13,464 GW in 2040

Bloomberg New Energy Finance, the energy analytics arm of Bloomberg, projected global installed power capacity to increase by 2.1 times from 6,418 gigawatts (GW) in 2015 to 13,464 GW in 2040. It forecast installed solar power capacity to reach about 3,905 GW, equivalent to 29% of global installed power generating capacity in 2040, followed by installed coal capacity with 2,154 GW (16%), gas capacity with 2,020 GW (15%), wind power capacity with 1,750 GW (13%), hydropower capacity with 1,616 GW (12%), flexible capacity with 1,077 GW (8%) and nuclear capacity with 539 GW (4%).

Source: Bloomberg New Energy Finance, Byblos Research

Ghana's gold output to drop by 4% to 2.7 million ounces in 2016

Ghana's total gold output is expected to reach 2.7 million ounces in 2016, which would constitute a decrease of 3.5% from 2.8 million ounces produced in 2015. The anticipated drop in gold output is due to lower global gold prices, high operational costs related to the power crisis, lower productivity at older mines and illegal mining activities. In parallel, the country's gold export receipts totaled \$3.2bn in 2015, and are forecast to drop this year due to lower gold prices.

Source: IHS Global Insight

ME&A's oil demand to rise by 2% in 2016

Crude oil consumption in the Middle East & Africa region is forecast to average 12.36 million barrels per day (b/d) in 2016, which would reflect a rise of 2.1% from 12.1 million b/d in 2015. The region's demand for oil would account for about 13.1% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.54 million b/d in 2016, which would reflect a drop of 2.7% from 3.64 million b/d in 2015.

Source: OPEC, Byblos Research

Base Metals: Steel production down 2% in first five months of 2016

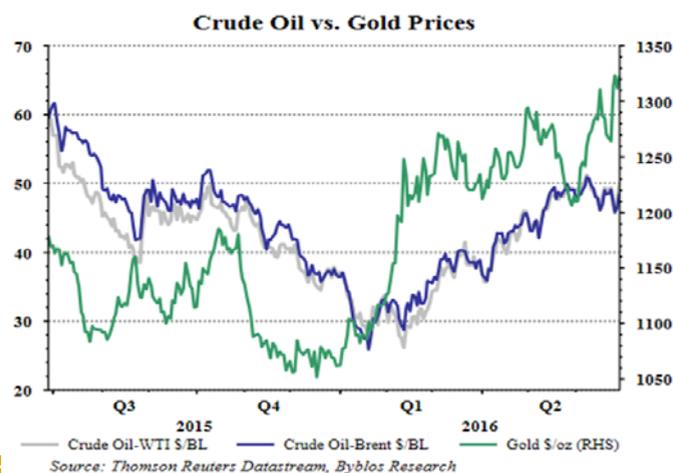
The London Metal Exchange steel billet cash price reached \$312.5 per ton on June 29, constituting an increase of 4.1 times from \$76.5 per ton at the end-May of 2016 and a rise of 58.6% from \$197 per ton at end-2015. The increase is mainly due to China's efforts to reduce its steel supply. In parallel, global crude steel output was 658.2 million tons in the first five months of 2016, according to the latest available figures, down by 2.2% from 673.2 million tons in the same period of 2015. China's crude steel production totaled 330 million tons in the first five months of 2016, or 50.1% of global steel output. It was followed by Japan with 43.2 million tons (6.6%), India with 38.6 million tons (5.9%) and the U.S. with 33.1 million tons (5%). On a regional level, steel output in Asia totaled 451.3 million tons and accounted for 68.6% of global production in the covered period, followed by the EU with 68.9 million tons (10.5%), North America with 46.2 million tons (7%), the Commonwealth of Independent States with 42.8 million tons (6.5%), South America with 15.8 million tons (2.4%), other European countries with 14.7 million tons (2.2%), the Middle East region with 11.5 million tons (1.7%), Africa with 4.9 million tons (0.8%) and Oceania with 2.2 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: Gold prices at two-year high following vote for Brexit

Gold prices reached their highest level in about two years to close at \$1,324 a troy ounce on June 27, up by 9% from \$1,214 an ounce at end-May and by 24.6% from \$1,062 an ounce at end-2015. The increase in gold prices came after the United Kingdom voted to leave the European Union, as investors shifted their investments toward the safe haven metal amid global market uncertainty. Overall, gold prices averaged \$1,258 in the second quarter of 2016, constituting an increase of 5.4% from \$1,193 an ounce in the same quarter of 2015. In parallel, demand for the metals is expected to increase as central banks implement measures to support the global economy. As such, the U.S. is expected to delay any interest rate hikes, while other central banks would lower their interest rates, which would support demand for gold. Goldman Sachs forecast gold prices to increase from an average \$1,160 a troy ounce in 2015 to \$1,260 an ounce in 2016.

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+	-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	B+	-	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	BB+	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	16-Jun-16	No change	14-Jul-16
Japan	O/N Call Rate	-0.06	16-Jun-16	No change	29-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	11-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	27-Jul-16
Taiwan	Discount Rate	1.375	30-Jun-16	Cut 12.5bps	24-Sep-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	22-Jun-16	No change	03-Aug-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	12.25	16-Jun-16	Raised 150bps	28-Jul-16
Turkey	Base Rate	7.50	21-Jun-16	No change	19-Jul-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 100bps	25-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-Jul-16
Angola	Base rate	14.00	30-Mar-16	Raised 200bps	30-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	7.50	28-Jun-16	Cut 25bps	16-Aug-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	16.50	23-Jun-16	Cut 150bps	28-Jul-16
Russia	Refi Rate	10.50	10-Jun-16	Cut 50bps	29-Jul-16



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