

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Gold holdings at \$1.39 trillion at end-June 2016

Figures released by the World Gold Council show that the global gold holdings reached 32,803 tons as at the end of June 2016, constituting a marginal increase of 0.2% from 32,733.2 tons at end-2015 and a rise of 0.7% from 32,564.8 tons at end-June 2015. Global gold holdings include those held by 96 countries, the International Monetary Fund, the West African Economic Monetary Union, the European Central Bank and the Bank for International Settlements. On a country basis, the United States held the largest volume of gold reserves worldwide at 8,133.5 tons at the end of June 2016 and accounted for 24.8% of global gold holdings. Germany followed with 3,378.2 tons (10.3% of the total), then the IMF with 2,814 tons (8.6% of the total), Italy with 2,451.8 tons (7.5% of the total), France with 2,435.8 tons (7.4% of the total) and China with 1,823.3 tons (5.6% of the total). Further, the value of gold reserves worldwide was equivalent to \$1.39 trillion at the end of June 2016, based on a gold price of \$1,320.75 per troy ounce published by the London Bullion Market Association. In parallel, Tajikistan's gold holdings were equivalent to 91% of the country's total foreign currency reserves at the end of June 2016, followed by the United States with gold accounting for 76% of total reserves, Portugal (71.3% of total reserves), Germany (69.9% of total reserves) and Italy (69.4% of total reserves) as the top five countries in terms of gold as percentage of total foreign currency reserves.

Source: World Gold Council

#### MENA

##### Inter-Arab greenfield FDI inflows at \$311bn between January 2003 and April 2016

Figures released by fDi Markets show that the value of inter-Arab greenfield foreign direct investment (FDI) reached \$310.53bn between January 2003 and April 2016. Egypt attracted \$69bn in inter-Arab greenfield FDI during the covered period, equivalent to about 22.2% of the total. It was followed by Saudi Arabia with \$31.4bn (10.1%), Algeria with \$24.3bn (7.8%), Libya and Jordan with \$23bn each (7.4% each), Iraq with \$21bn (6.7%), the UAE with \$20.1bn (6.5%), Bahrain with \$15.8bn (5.1%), Morocco with \$15.5bn (5%) and Qatar with \$12.3bn (4%). Also, other Arab countries received a total of \$55.63bn in inter-Arab greenfield FDI between January 2003 and April 2016, or 18% of the total. In parallel, the number of inter-Arab greenfield FDI projects reached 2,416 during the covered period. Saudi Arabia attracted 369 inter-Arab greenfield FDI projects last year and accounted for 15.3% of the total. It was followed by the UAE with 269 projects (11.1%), Egypt with 235 projects (9.7%), Oman with 222 projects (9.2%), Bahrain with 219 projects (9.1%), Qatar with 207 projects (8.6%), Jordan with 140 projects (5.8%), Kuwait with 128 projects (5.3%), Iraq with 98 projects (4.1%) and Algeria with 95 projects (3.9%). The inter-Arab greenfield FDI figures cover cross-border projects that lead to the direct creation of jobs and capital investment. fDi Markets is a database that tracks cross-border greenfield investments across the world and is owned by the Financial Times Group.

Source: fDi Markets, Byblos Research

##### Arab economies trail most regions in innovation

The 2016 Global Innovation Index shows that the average score for the 13 Arab countries included in the survey reached 31.28 points and came below the global average of 36.73 points. The index is a composite of 82 variables that are grouped in two sub-indices, the Innovation Input Sub-Index and the Innovation Output Sub-Index. The Innovation Input Sub-Index consists of an economy's institutions, human capital & research, infrastructure, and market and business sophistication; and the Innovation Output Sub-Index includes scientific and creative outputs. It rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The Arab region's average score was higher than that of Latin America & the Caribbean (30.3 points), Central & South Asia (27.7 points) and Sub-Saharan Africa (25.6 points); but came lower than the score of North America (58.1 points), Europe (46.9 points), South East Asia & Oceania (44.6 points) and North Africa & West Asia (33.8 points). Also, the average score of Gulf Cooperation Council (GCC) countries was 36 points, while that of non-GCC Arab countries stood at 27.2 points. The UAE was the top-ranked Arab country and came in 41st place globally, followed by Saudi Arabia in 49th place and Qatar in 50th place. In contrast, Egypt (107th), Algeria (113th) and Yemen (128th) were the least innovative Arab economies. In parallel, the Arab region's average score on the Innovation Input Sub-Index reached 38.2 points compared to the global average of 43.9 points, while its score on the Innovation Output Sub-Index was 23.1 points relative to the global average of 29.6 points.

Source: INSEAD, Cornell University, WIPO, Byblos Research

#### KUWAIT

##### Profits of listed companies down 9% to \$2.6bn in first half of 2016

The net income of 151 companies listed on the Kuwait Stock Exchange totaled KD782m, or about \$2.59bn, in the first half of 2016, constituting a decrease of 9.1% from KD860m, or \$2.85bn in the first half of 2015. Listed banks generated net profits of KD346m and accounted for 44.2% of total net earnings in the covered period. They were followed by telecommunication companies with KD122m (15.6%), industrial firms KD105m (13.4%), real estate development corporates with KD64m (8.2%), consumer goods firms with KD38m (4.9%), financial services institutions with KD36m (4.6%), consumer services firms with KD27m (3.5%), insurers with KD16m (2%), basic materials companies with KD11m (1.4%), oil & gas firms with KD7m (0.9%), technology firms with KD5m (0.6%) and healthcare companies with KD3m (0.4%). Further, the net earnings of listed technology firms rose by 4.4 times year-on-year in the first half of 2016, followed by oil & gas companies with an increase of 53.6%, basic materials corporates (+26.4%), consumer services firms (+13.4%) and telecommunication companies (+3.8%). In contrast, the profits of financial services institutions regressed by 47.1%, followed by real estate development firms (-35.8%), healthcare companies (-29.4%), insurers (-24.4%), consumer goods firms (-10%) and banks (-4.3%), while the earnings of industrial companies were unchanged year-on-year.

Source: National Bank of Kuwait

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# OUTLOOK

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## EGYPT

### Currency liberalization to be first step of reform process

Regional investment bank EFG Hermes considered that the Egyptian authorities need to fulfill several conditions to receive the final approval of the International Monetary Fund on the 36-month \$12bn Extended Fund Facility. It noted that these conditions include raising about \$5bn to \$6bn from bilateral partners, mostly from GCC countries, as well as introducing the value-added tax and cutting energy subsidies. It indicated that most of the economic reforms, including the transitioning toward a flexible exchange rate regime, would have to occur during the first four to six months of the IMF program. It did not expect the Central Bank of Egypt (CBE) to start floating the pound before the second half of September in order to have enough time to build a liquidity buffer. It anticipated that the CBE would need to accumulate about \$5bn to \$6bn in foreign currency reserves in order to eliminate the parallel exchange market and stabilize the foreign currency market afterwards. It estimated that the pound could stabilize at EGP11.5 against the US dollar following the initiation of the floating process. It expected the CBE to maintain the prevailing imports and capital controls in the short term in order to prevent large currency fluctuations.

In parallel, EFG considered that Egypt's ability to attract capital inflows is a key factor to stabilize its external balances, as it did not expect the exchange rate adjustment to significantly narrow the current account deficit. It projected the current account deficit to remain at about 4% to 5% of GDP following the currency adjustment. It indicated that Egypt's attractive yields would not be enough to attract large capital inflows, and should be coupled with clear measures and signals about investors' ability to repatriate their funds. Over the medium term, it considered that a recovery in tourism activity and export receipts would be crucial for a sustained currency adjustment.

Source: EFG Hermes

## SAUDI ARABIA

### Economic outlook to improve in 2017 and beyond

Samba Financial Group projected Saudi Arabia's real GDP growth to decelerate from 3.4% in 2015 to 0.8% in 2016 due to low oil prices, reduced government spending and tighter domestic liquidity conditions. It forecast hydrocarbon output to slow down from 3.1% in 2015 to 1.3% in 2016 and non-hydrocarbon sector activity to regress from 5.3% in 2015 to 0.5% in 2016. But it forecast better growth prospects from 2017 onwards, as it expected authorities to loosen their fiscal stance in case of a recovery in oil prices. It said that the contracting sector would benefit the most from the moderate rise in public investment from 2017 onwards. But it estimated that the introduction of a value-added tax, the increase in domestic oil prices and the likely rise in domestic interest rates would constrain consumption growth. Overall, it projected real GDP growth to accelerate to 2.6% in 2017 and to reach 4.1% by 2020, with hydrocarbon output rising by 1.5% in 2017 and 2.5% in 2020, and non-hydrocarbon sector activity growing by 3.3% in 2017 and 5.1% in 2020.

In parallel, Samba forecast Saudi Arabia's fiscal deficit to narrow from 15.9% of GDP in 2015 to 14.7% of GDP in 2016. It noted that the deficit would remain wide, despite the significant fiscal consolidation measures, due to the low oil price environment. It estimated the government's fiscal financing requirement at SAR344bn, or about \$92bn, in 2016, the highest during the 2016-2020 period. It noted that authorities would clear the funding gap in 2016 through domestic debt issuance (41%) and external debt issuance (27%), as well as from drawing down government savings (32%). It projected the fiscal deficit to gradually narrow to 7.9% of GDP in 2017 and 2.6% of GDP in 2020, reflecting the implementation of non-oil revenue raising measures and the gradual recovery in oil prices. It expected the government debt level to reach 19% of GDP by 2020, and for the external debt level to be at about 8% of GDP.

In parallel, Samba projected the current account deficit to widen from 8.2% of GDP in 2015 to 10% of GDP in 2016 due to low hydrocarbon export receipts. But it forecast the deficit to narrow to 2.5% of GDP in 2017 and to shift to a surplus of 4.8% of GDP by 2020, in case of a gradual recovery in oil prices and higher exports. It projected SAMA's net foreign assets to fall from 78.7% of GDP in 2016 to 46.4% of GDP by 2020.

Source: Samba Financial Group

## SUDAN

### Foreign currency shortages to continue to weigh on economic activity

BMI Research projected Sudan's real GDP growth to decelerate from 3.4% in 2015 to 3.1% in 2016 and 3.3% in 2017, due to lower transit oil fees from South Sudan and weakened consumer spending power, in addition to the prevailing international sanctions. It said that the conflict in South Sudan would weigh on its oil production, and in turn, would adversely affect Sudan's revenues from oil transit fees. It added that the governments of Sudan and South Sudan are renegotiating the current fee of \$24.5 per barrel due to the low oil price environment. It noted that this would affect Sudan's government consumption and investment. As such, it forecast government spending to expand by 2% in real terms in 2016 and 2017 compared to an estimated growth rate of 3% in 2015.

Further, BMI expected private consumption and investment to be subdued due to a weak Sudanese pound. It said that the significant trade deficit would keep the demand for US dollars elevated in the coming months. It noted that the pound is trading at about SDG14 against the US dollar on the parallel exchange market compared to an official rate of SDG6.4 per dollar. It added that many consumers and businesses need to use the expensive parallel market to access foreign currency, which would keep the inflation rate at 12% at the end of 2016. Also, it indicated that the scarcity of the US dollar is weighing on businesses and contributing the slowdown in economic activity. In parallel, BMI expected that the international sanctions and the poor legal environment would keep investments at low levels, and would continue to weigh on economic activity over the long term. But it noted that gold production and investment from Gulf countries would support the economy.

Source: BMI Research



# ECONOMY & TRADE

## EGYPT

### **Sovereign ratings affirmed, outlook 'stable' following agreement with IMF**

Moody's Investors Service affirmed at 'B3' Egypt's government bond rating with a 'stable' outlook. It noted that the 'stable' outlook reflects balanced upward and downward pressures on the rating, despite the slower-than-expected implementation of fiscal and economic reforms over the past 18 months. It added that the staff-level agreement between Egypt and the International Monetary Fund is credit positive, as it considered that the deal would help alleviate the pressure on the country's external liquidity and promote reforms. Further, the agency indicated that the ratings reflect Egypt's ongoing credit challenges, mainly its very weak government finances, its vulnerable external liquidity position and increased security risks, which contribute to a poor business climate and constrain growth potential. It said that Egypt's fiscal deficit exceeds 12% of GDP, its general government debt is close to 100% of GDP and its debt affordability ratios are weak, and that the three indicators will continue to be above the median levels of B3-rated peers. It considered that Egypt's low public and private external debt levels are low, which mitigate fiscal risks, while the banking sector's ability to finance the government alleviates the immediate risks of a fiscal crisis. In parallel, Moody's forecast the current account deficit to widen to above 5% of GDP this year due to a large trade deficit, as well as due to the negative impact of recent security incidents on the tourism sector and to weaker Suez Canal revenues. In addition, it noted that foreign currency reserves have stabilized at a low level that is equivalent to less than three months of import cover.

*Source: Moody's Investors Service*

## TURKEY

### **Outlook revised to 'negative' on increased political risks and worsening security conditions**

Fitch Ratings affirmed at 'BBB-' Turkey's long-term foreign and local currency Issuer Default Ratings (IDRs), while it revised the outlook on the ratings to 'negative' from 'stable'. It attributed the outlook revision to heightened political risks following the coup attempt in July, as well as to the worsening security conditions as a result of terrorist attacks. It noted that the overwhelming public opposition to the coup attempt and the subsequent unity of most political parties could reduce political divisions in the country. It expected political uncertainty to adversely affect economic activity and to pose risks to economic policy. In parallel, the agency indicated that Turkey's ratings take into account its large external vulnerabilities, but it noted that financing has been resilient following the coup attempt. It projected the current account deficit to narrow to 4.3% of GDP in 2016 despite the drop in tourism receipts, but it expected the deficit to rise to about 6% of GDP by 2018. As a result, it forecast Turkey's net external debt to rise from 35% of GDP at end-2015 to 39.3% of GDP at end-2018, which would be twice the debt level at the end of 2010. Fitch indicated that Turkey's fiscal performance has remained solid, while the inflation rate regressed so far in 2016 due to lower food prices. It expected the inflation rate at 8.2% at the end of 2016, well above the median level of 1.7% among similarly-rated peers.

*Source: Fitch Ratings*

## ANGOLA

### **Sovereign ratings affirmed, outlook revised to 'negative'**

S&P Global Ratings affirmed at 'B/B' Angola's long- and short-term foreign and local currency sovereign credit ratings, and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to the slowdown in Angola's economic activity, which it expects to persist in the absence of additional government policy responses. It forecast real GDP growth to decelerate from 3% in 2015 to 1.3% in 2016, and to gradually improve to an annual average of 3.7% during the 2017-19 period due to an anticipated increase in oil production from new oil fields. It forecast the current account deficit to widen from 8.6% of GDP in 2015 to 12% of GDP in 2016 due to lower hydrocarbon export receipts, but to gradually narrow to 6.8% of GDP by 2019. It noted that authorities would finance the deficit mainly by drawing down the government's reserves and through external borrowing. It projected Angola's gross external borrowing requirements at about \$32bn during the 2016-17 period and expected them to exceed 100% of current account receipts over the 2016-19 period. In parallel, it said that the currency lost more than 50% of its value against the US dollar over the last two years, which has exacerbated the public debt burden, given that 50% of the debt stock is denominated in foreign currency. But it noted that the government's assets continue to be relatively healthy at an estimated 17% of GDP in 2016, which would result in a net government debt level of 36.1% of GDP this year.

*Source: S&P Global Ratings*

## AFRICA

### **Moody's assigns sovereign ratings to Rwanda and Cameroon**

Moody's Investors Service assigned to each of Rwanda and Cameroon a local and foreign currency issuer ratings of 'B2', with a 'stable' outlook, which is five notches below investment grade. It noted that Rwanda's ratings reflect its low economic strength, moderate institutional and fiscal strength, and high vulnerability to event risk. It said that the country's strong growth prospects, with a projected real GDP growth of more than 6.5% annually over the next five years, are balanced by its low wealth levels, a relatively undiversified export base and by infrastructure bottlenecks that constrain competitiveness. Also, it expected Rwanda's public debt to rise from 35.5% of GDP in 2015 to 44% of GDP in 2017. It indicated that Rwanda's vulnerability to event risk reflects the adverse impact of persistent domestic political tensions on donor support, and captures the increasing balance-of-payments risks from declining foreign currency reserves and a wide current account deficit. In parallel, Moody's pointed out that Cameroon's ratings reflect its low economic strength, very low institutional strength, moderate fiscal strength and moderate vulnerability to event risk. It said that the country's economic strength reflects its improved infrastructure and higher growth potential. It noted that the country's declining oil reserves, low income levels and lack of competitiveness are balanced by its ample but largely underdeveloped natural resources. It considered that Cameroon's membership in the Central African Economic and Monetary Community is a credit strength.

*Source: Moody's Investors Service*



# BANKING

## WORLD

### Outlook 'stable' on 73% of bank ratings

Fitch Ratings indicated that it downgraded 36 banks worldwide in the first half of 2016 that consist of 24 banks in emerging economies and 12 banks in developed countries. It indicated that banks in the Middle East & Africa accounted for 28% of total downgrades, followed by those in developed Europe (25%), Emerging Americas (22%), Emerging Europe (14%), Developed Americas (8%) and Emerging Asia (3%). It attributed the downgrades of banks in emerging markets to low commodity prices, weaker operating environments and sovereign downgrades. In contrast, it upgraded 29 banks globally in the first half of 2016, including 16 banks in developed economies. It said that banks in Developed Europe accounted for 55% of upgrades globally, followed by banks in Emerging Europe (24%), Emerging Americas (14%), as well as banks in the Middle East & Africa and Emerging Asia (3% each). In parallel, Fitch said that 22% of bank ratings had 'negative' outlooks globally in the first half of 2016, while 5% of them had a 'positive' outlook in the covered period. Also, it indicated that the share of 'stable' outlooks reached 73% in the first half of the year. It added that 30% of banks in emerging markets have a 'negative' outlook on their ratings, while only 1% of them have a 'positive' outlook.

Source: Fitch Ratings

## TUNISIA

### Banking sector assessment maintained at high risk

S&P Global Ratings classified Tunisia's banking sector in 'Group 9' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '8' and an industry risk score of '9'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 9' include Argentina, Cambodia, Kenya, Nigeria and Vietnam. S&P indicated that Tunisia's economic risk score reflects its "extremely high" credit risks in the economy, as well as "very high risks" in its economic resilience and "intermediate risks" in its economic imbalances. It noted that the slowdown in Europe's economic activity, as well as Tunisia's domestic political and security risks, have weighed on the banks' financial performance and asset quality, and expected these challenges to persist in the next 12 to 24 months. It added that the key risks to the banking sector include the elevated unemployment level, subdued economic activity, declining real estate prices, the sharp drop in tourism receipts and the strained financial flexibility of the corporate sector. It projected the non-performing loans ratio to stabilize at about 16% to 17% over the coming 12 to 24 months, even though a significant portion of these loans are legacy loans from the troubled tourism industry. Further, S&P said that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its system-wide funding and "high risks" in its competitive dynamics. It forecast lending to grow by about 5% in the next 12 to 24 months, reflecting the prolonged economic recovery as well as the pressure on the banks' liquidity. S&P indicated that the trend for economic and industry risks is 'stable'.

Source: S&P Global Ratings

## JORDAN

### Construction and trade account for 24% of overall lending at end-June 2016

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD22.2bn, or \$31.3bn, at the end of June 2016, constituting an increase of 5% from JD21.1bn at end-2015 and a rise of 9.4% from JD20.3bn at end-June 2015. Credit in foreign currency accounted for 13% of the total at the end of June 2016, relative to 14.2% a year earlier. The resident private sector accounted for 86.5% of total credit at end-June 2016, relative to 86.3% at end-June 2015; followed by the central government with 9.8%, up from 9.6% a year earlier; the non-resident private sector with 2.1% relative to 2.3% at end-June 2015; and public entities with 1.6%, down from 1.7% a year earlier. The distribution of credit by sector shows that construction represented JD5.2bn or 23.5% of the total at end-June 2016, up from 22.8% a year earlier; while general trade accounted for JD4bn or 18% of the total relative to 18.5% a year earlier. They were followed by public services & utilities with JD3.3bn or 14.9% of the total; industry with JD2.2bn (9.8%); tourism, hotels & restaurants with JD624.1m (2.8%); financial services with JD539.4m (2.4%); transportation with JD330.3m (1.5%); agriculture with JD255.2m (1.2%) and mining with JD226.5m (1%). Further, other sectors accounted for JD5.5bn, or 24.9% of total credit, of which JD168.3m were extended to buy shares. In parallel, loans & advances reached JD14.3bn at end-June 2016, followed by Islamic banks' receivables with JD5bn, overdrafts with JD2.5bn and discounted bills with JD241.4m.

Source: Central Bank of Jordan, Byblos Research

## SAUDI ARABIA

### Agency takes ratings action on six banks

Capital Intelligence Ratings downgraded the long-term foreign currency rating of Saudi Investment Bank (SIB) from 'A' to 'A-', while it affirmed at 'A+' that of the Saudi British Bank (SABB), Banque Saudi Fransi (BSF) and the Arab National Bank (ANB); at 'A' that of the Saudi Hollandi Bank (SHB) and at 'BBB+' the rating of Bank Al Jazira (BAJ). Further, it downgraded the financial strength rating (FSR) of SIB from 'A-' to 'BBB+', while it affirmed at 'A+' that of SABB, BSF and ANB, at 'A' the FSR of SHB and at 'BBB' that of BAJ. It revised the outlook to 'negative' from 'stable' on the ratings of ANB, SABB and SHB due to the banks' deteriorating operating environment, while it maintained the 'stable' outlook on the ratings of SIB, BSF and BAJ. It attributed the downgrade on SIB's ratings to the deterioration in the bank's asset quality and liquidity. It noted that the bank's current ratings are supported by its solid capital performance, sound and liquid investment portfolio. But it noted that SIB's ratings are constrained by its declining profitability and high dividend payout ratio, which limits capital growth. Also, the agency noted that BSF's ratings are supported by the bank's strong asset quality and liquidity profile, continued improvement in its operating profitability and return on average assets, and its very sound capital profile. Further, it indicated that SABB's ratings reflect its sound liquidity, strong capital ratios and excellent cost control.

Source: Capital Intelligence Ratings



## Global oil market to rebalance in 2017

ICE Brent crude oil prices closed at \$49.1 per barrel (p/b) on August 24, 2016, constituting a decrease of 1.8% from the previous day and a rise of 31.6% from the end of 2015; while WTI oil prices regressed by 2.6% day-to-day and grew by 24.7% from end-2015 to close at \$46.3 p/b. The recent drop in oil prices followed data released by the American Petroleum Institute showing a rise of 4.5 million barrels in U.S. crude oil stocks, in contrast to analysts' expectations for a decrease of 500,000 barrels. This has offset investors' optimism that Iran could agree to cut its production during OPEC's September 2016 meeting, and raised concerns about a sustained oversupply in the oil market. In parallel, Qatar National Bank indicated that the oil market is adjusting gradually, as low oil prices are driving consumption higher and pushing high-cost oil producers out of the market. It expected the oil market to rebalance in 2017 due to stronger demand growth, mainly in China and the rest of Emerging Asia, as well as due to further contraction in non-OPEC output. It expected global oil demand to rise by 1.4 million barrels per day (b/d) in 2016, while it projected U.S. shale oil supply to drop by 0.5 million b/d and for other non-OPEC supply to decline by 0.4 million b/d. It added that these factors would partly reduce the oversupply in the market from 1.7 million b/d last year to 0.4 million b/d in 2016 and to reach balance in 2017. As such, it anticipated oil prices to average \$44.7 p/b this year and \$55 p/b in 2017, up from previous forecasts of \$40.8 p/b and \$51.3 p/b, respectively.

Source: Qatar National Bank, Byblos Research

## TEN oilfield to start production in first quarter

The Africa Center for Energy Policy expected Ghana's second producing oilfield, the Tweneboa-Enyenra-Ntomme (TEN) field, to start operating by the first quarter of 2017. It estimated the starting oil production from the TEN field at 23,000 barrels per day and expected it to reach its full capacity at 80,000 barrels per day eventually. Further, it indicated that the \$5bn TEN project has the potential to double the government's petroleum revenues and improve electricity generation in the country.

Source: Africa Center for Energy Policy, Byblos Research

## Africa to drive diamond production in coming five years

BMI Research expected growth in diamond production to be mainly driven by African countries during the 2016-20 period. It noted that eight of the top 10 diamond producing countries accounted for 51.7% of global mined output in 2015. They include Botswana with a 24% share, followed by Angola (10%), South Africa (8%), the Democratic Republic of Congo (4%), Namibia (3%) and Zimbabwe (1%). It forecast Zimbabwe to post the highest average annual growth rate at 7.5% during the 2016-20 period, followed by Angola (+4.6%) and Tanzania (+3.5%).

Source: BMI Research

## OPEC's oil output nearly unchanged in July 2016

Crude oil production of the Organization of Petroleum Exporting Countries averaged 33.11 million b/d in July 2016, nearly unchanged from the preceding month. Saudi Arabia produced 10.48 million b/d in July, equivalent to 31.6% of OPEC's total oil output. It was followed by Iraq with 4.32 million b/d (13%), Iran with 3.63 million b/d (11%) and the UAE with 2.94 million b/d (8.9%).

Source: OPEC, Byblos Research

## Base Metals: Copper prices at 10-week low

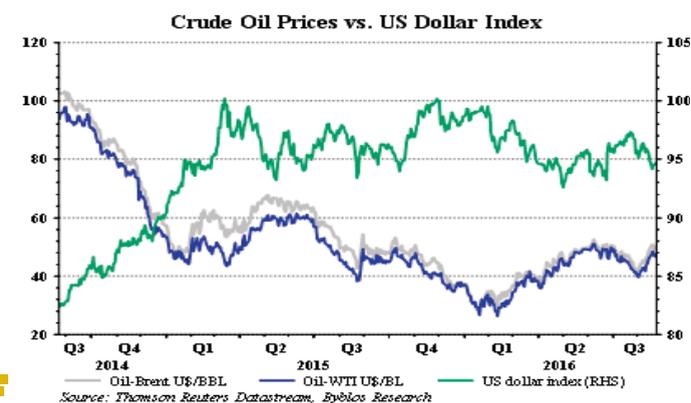
LME copper three-month future prices closed at a 10-week low of \$4,632 per metric ton on August 24, 2016, constituting a decrease of 5.9% from end-July 2016, due in part to a stronger US dollar. The drop in prices also reflects the rising inventories in Asian warehouses that exacerbated investors' concerns about weaker Chinese demand for the metal. Further, imports of refined copper by China, the world's largest consumer of copper, are expected to decrease during the remainder of 2016, which would place further downward pressures on the metal's price. In parallel, global demand for refined copper is estimated to have increased by 5.5% year-on-year in the first five months of 2016, mainly due to higher Chinese demand for the metal. Demand for refined copper grew by 8% in Asia and by 6% in Europe, while it declined by 20% in Africa and by 4% in the Americas, and was nearly unchanged in Oceania in the first five months of 2016. On the supply side, the metal's global refined production is estimated to have increased by 3.5% to 9.6 million tons in the first five months of 2016. China was the main contributor to growth in the metal's refined supply during the covered period. Goldman Sachs forecast copper prices to drop to \$4,000 a ton in the next 12 months.

Source: International Copper Study Group, Goldman Sachs

## Precious Metals: Gold prices up 7% in second quarter of 2016

Gold prices averaged \$1,259.6 a troy ounce in the second quarter of 2016, constituting an increase of 6.5% from \$1,182.6 an ounce in the preceding quarter and a rise of 5.6% from the same quarter of 2015. Global gold supply grew by 9.9% year-on-year in the second quarter of 2016 to 1,144.6 tons, with mine production accounting for 71.4% of the total. Also, the supply of recycled gold rose by 22.6% year-on-year in the second quarter of the year to 327.7 tons, mainly due to the increase in the price of gold during the covered quarter. In parallel, global gold demand increased by 15.4% year-on-year in the second quarter of 2016 to 1,050.2 tons, equivalent to \$42.5bn. The increase was mainly due to a rise in investment that was driven by large inflows into physically-backed gold exchange-traded funds. Gold investment reached 448.4 tons, equivalent to \$18.16bn, during the second quarter of 2016, and has been the largest component of gold demand for two consecutive quarters. In addition, demand for gold jewelry totaled 444.1 tons, equivalent to \$18bn, in the second quarter of 2016, constituting a decrease of 13.6% from 513.7 tons in the same quarter of 2015. The decline in jewelry demand was due to higher gold prices in the covered quarter.

Source: World Gold Council



# 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								
<b>Africa</b>													
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+	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
<b>Middle East</b>													
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								
<b>Asia</b>													
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								
<b>Central &amp; Eastern Europe</b>													
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
	Negative	CWN***	Negative	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	27-Jul-16	No change	21-Sep-16
Eurozone	Refi Rate	0.00	21-Jul-16	No change	08-Sep-16
UK	Bank Rate	0.25	04-Aug-16	Cut 25bps	15-Sep-16
Japan	O/N Call Rate	-0.10	29-Jul-16	No change	21-Sep-16
Australia	Cash Rate	1.5	02-Aug-16	Cut 25bps	06-Sep-16
New Zealand	Cash Rate	2.00	10-Aug-16	Cut 25bps	21-Sep-16
Switzerland	3 month Libor target	-1.25-(-0.25)	16-Jun-16	No change	15-Sep-16
Canada	Overnight rate	0.50	13-Jul-16	No change	07-Sep-16
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	27-Jul-16	No Change	21-Sep-16
Taiwan	Discount Rate	1.375	30-Jun-16	Cut 12.5bps	30-Sep-16
South Korea	Base Rate	1.25	11-Aug-16	No Change	09-Sep-16
Malaysia	O/N Policy Rate	3.00	13-Jul-16	Cut 25bps	07-Sep-16
Thailand	1D Repo	1.50	03-Aug-16	No change	14-Sep-16
India	Reverse repo rate	6.50	09-Aug-16	No change	04-Oct-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	28-Jul-16	No change	22-Sep-16
Turkey	Base Rate	7.50	23-Aug-16	No change	22-Sep-16
South Africa	Repo rate	7.00	21-Jul-16	No change	01-Sep-16
Kenya	Central Bank Rate	10.50	25-Jul-16	No change	01-Sep-16
Nigeria	Monetary Policy Rate	14.00	26-Jul-16	Raised 200bps	20-Sep-16
Ghana	Prime Rate	26.00	18-Jul-16	No change	19-Sep-16
Angola	Base rate	16.00	08-Aug-16	No change	29-Aug-16
Mexico	Target Rate	4.25	11-Aug-16	No change	29-Sep-16
Brazil	Selic Rate	14.25	20-Jul-16	No change	31-Aug-16
Armenia	Refi Rate	7.25	16-Aug-16	Cut 25bps	27-Sep-16
Romania	Policy Rate	1.75	04-Aug-16	No change	30-Sep-16
Bulgaria	Base Interest	0.00	01-Aug-16	No change	01-Sep-16
Kazakhstan	Repo Rate	13.00	15-Aug-16	No change	03-Oct-16
Ukraine	Discount Rate	15.50	28-Jul-16	Cut 100bps	15-Sep-16
Russia	Refi Rate	10.50	29-Jul-16	No change	16-Sep-16



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