

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Middle East & Africa trails other regions in consumer connectivity**

The GfK Connected Consumer Index for 2016 indicated that the Middle East & Africa's (ME&A) connectivity level improved in 2016 from a year earlier. The index measures the level of connectivity among consumers in 78 countries worldwide, with a higher score indicating a better connectivity level. It also incorporates 11 types of devices, which include smartphones, tablets, wearable devices, mobile personal computers (PCs) and desktop PCs. The ME&A region received an average score of 127 points in 2016 relative to 106 points in 2015, and came below the global average score of 313 points. Also, the ME&A region had a higher score than Emerging Asia-Pacific (102 points), but a lower score than North America (1,062 points), Western Europe (805 points), Developed Asia-Pacific (720 points), China (353 points), Central & Eastern Europe (328 points) and Latin America (305 points). On a country level, the UAE was the most connected country in the ME&A region with a score of 995 points, followed by Saudi Arabia (935 points), and were the only two countries in the region to rank among the top 10 most connected countries globally. Further, the index shows that smartphones were the primary devices used by consumers in the ME&A region to connect to data services with a score of 74 points, followed by tablets (11 points) and mobile PCs and TV set-top boxes (10 points each).

Source: GfK

#### EMERGING MARKETS

##### **Remittance inflows to rise by 1% to \$442bn in 2016**

The World Bank projected remittance inflows to developing economies at \$442bn in 2016, which would constitute an increase of 0.8% from an estimated \$438.6bn in 2015. It expected remittance inflows to developing economies to increase by 3.5% to \$457.3bn in 2017 and by 3.5% to \$473.4bn in 2018. It said that major downside risks to the outlook include the de-risking process that is being implemented by commercial banks, the labor market 'nationalization' policies in some GCC countries that discourage demand for migrant workers, as well as exchange controls in many countries that are facing weakened balance of payments and reduced foreign currency reserves. The Bank forecast inflows to the East Asia & Pacific region to reach \$129.4bn in 2016 and to account for 29.3% of remittance flows to developing economies, followed by South Asia with \$115bn (26%), Latin America & the Caribbean with \$72.6bn (16.4%), the Middle East & North Africa region with \$52bn (11.8%), Europe & Central Asia with \$38.5bn (8.7%) and Sub-Saharan Africa with \$34.4bn (7.8%). Also, it forecast remittance inflows to Latin America & the Caribbean to grow by 6.3% in 2016, those to East Asia & the Pacific to increase by 2.1% and inflows to the Middle East & North Africa region to rise by 1.5%. In contrast, it forecast remittance inflows to Europe & Central Asia to contract by 4% in 2016, those to South Asia to regress by 2.3% and inflows to Sub-Saharan Africa to drop by 0.5% this year.

Source: World Bank, Byblos Research

#### MENA

##### **Region's creditworthiness unchanged in past six months**

*Institutional Investor* magazine's semi-annual Country Credit survey shows that creditworthiness in the Arab region was nearly unchanged in September 2016 from March 2016, while it regressed from September 2015. The average rating score of 19 Arab countries reached 41.14 points in the September 2016 survey, relative to 41.06 points in the March 2016 survey and down from 41.5 points in September 2015. Also, the score came below the global average score of 44.2 points. The Arab region's creditworthiness was better than that of South & East Asia-Pacific (34.5 points) and Sub-Saharan Africa (24.5 points), while it was lower than that of North America (93.3 points), Asia-Pacific Far-East (84.5 points), Western Europe (79.3 points), Eastern Europe & Central Asia (47.8 points) and Latin America & the Caribbean (43.8 points). In parallel, the Gulf Cooperation Council (GCC) countries' average credit rating regressed to 68.3 points in September 2016 from 69.4 points in the March 2016 survey, while the average rating of non-GCC Arab countries increased to 28.6 points in September 2016 from 28 points six months earlier. In parallel, Qatar is the country with the best creditworthiness in the region and ranked in 25th place worldwide, followed by the UAE (26th), Kuwait (29th), and Saudi Arabia (35th); while Mauritania (157th), Yemen (160th), Syria (174th) and Sudan (175th) had the highest probability of default regionally.

Source: *Institutional Investor*, Byblos Research

##### **Advertising spending at \$5.5bn in 2015, growth at 2% between 2010 and 2015**

Advertising spending in the Middle East & North Africa (MENA) region reached \$5.56bn in 2015 and expanded at a compound annual growth rate (CAGR) of 1.7% between 2010 and 2015. In comparison, advertising expenditures in the region were estimated at \$5.7bn in 2014, \$5.13bn in 2012 and \$5.1bn in 2010. The UAE represented 11.4% of the region's advertising spending in 2015, followed by Saudi Arabia (10.8%), Egypt (7%), Qatar (4.2%) and Lebanon (2.5%). Further, television attracted \$2.4bn or 43% of total advertising spending in the region, followed by newspapers with \$1.77bn (32%), digital media with \$550m (10%), billboard ads with \$364m (7%), magazines with \$277m (5%), radio with \$168m (3%) and cinema with \$38m (0.7%). Spending on digital media advertising grew by a CAGR of 39% between 2010 and 2015, compared to a CAGR of 5% for television ads and of 5% to 6% for ads in newspapers and magazines. In parallel, government advertisements accounted for 20% of MENA advertising spending in 2015. They were followed by advertisements in the food, beverages & tobacco industry with 11% of total advertising expenditures, then operators in the toiletries hygiene & house care products and communications & public utilities sectors (9% of the total each), shopping malls & retail stores (7%), while other MENA industries represented the balance of 46% of total advertising spending.

Source: Northwestern University in Qatar

# OUTLOOK

## WORLD

### Gross debt at 225% of global GDP in 2016

The International Monetary Fund indicated that the aggregate gross debt of the non-financial sector, which consists of the debt of the general government, households and non-financial firms, is currently equivalent to 225% of global GDP. It noted that, in nominal terms, the global gross debt of the non-financial sector has more than doubled since 2000 to reach a record-high of \$152 trillion, of which two-thirds, or \$100 trillion, consist of private sector liabilities. It noted that the private debt level is high among advanced economies and has increased in systemically important emerging market economies, such as in Brazil and China.

The Fund estimated the gross government debt of advanced economies at 108.6% of their aggregate GDP in 2016, followed by emerging market and middle-income economies (47.3% of GDP) and low-income developing countries (39.1% of GDP). It forecast the gross debt level of advanced economies to grow to 109.2% of GDP in 2017, that of emerging market and middle-income economies to rise to 49.1% of GDP, and the debt of low-income developing countries to increase to 39.9% of GDP. Also, the Fund expected the aggregate gross government debt in Latin America to grow from 58.3% of the region's aggregate GDP in 2016 to 60.2% of GDP in 2017; that of emerging Asia to rise from 48.4% of GDP this year to 50.8% of GDP, and the debt in the Middle East, North Africa & Pakistan to increase from 36.5% of GDP in 2016 to 37.3% of GDP. Further, it forecast the gross general government debt of Europe's emerging and middle-income economies to regress from 33.6% of GDP to 33.3% of GDP next year, while it anticipated the debt of G20 emerging economies to grow from 48% of GDP to 50.4% of GDP in 2017.

*Source: International Monetary Fund*

## SAUDI ARABIA

### Economy to grow by 1.5% in 2016, slowest pace in seven years

Credit Suisse projected Saudi Arabia's real GDP growth to decelerate from 3.5% in 2015 to 1.5% in 2016, its slowest pace since the 2009 recession, due to reduced public spending and investment amid a sustained low oil price environment. It noted that reduced public expenditures and investments in early 2016 have adversely affected sectors such as government services, construction, trade and tourism, as well as transportation and communication. It expected the country's growth to accelerate to 2.4% in 2017, as non-hydrocarbon activity recovers gradually. It projected non-hydrocarbon sector activity to grow by 1.1% in 2016 and to accelerate to 3.4% next year, given the government's efforts to attract greater investment flows through public-private partnerships to finance development projects. It expected non-hydrocarbon activity to pick up by the fourth quarter of 2016, as domestic and external economic conditions gradually improve. Further, it forecast hydrocarbon real GDP growth to decelerate from 3.2% in 2015 to 2.2% in 2016 and 0.8% in 2017, given the low oil price environment and stable hydrocarbon output.

In parallel, Credit Suisse projected Saudi Arabia's fiscal deficit to narrow from 15.1% of GDP in 2015 to 13.1% of GDP in 2016 in case oil prices average \$43 p/b this year, before reaching a

deficit of 10.1% of GDP in 2017. It estimated that the fiscal deficit would widen to 17.4% of GDP in 2016 if oil prices average \$33 p/b this year, and would narrow to 9.5% of GDP if oil prices average \$53 p/b in 2016. It noted that financing the large fiscal gap would reduce the Saudi Arabian Monetary Agency's net foreign assets from \$608.9bn at the end of 2015 to \$510.4bn at end-2016 and \$494.8bn at the end of 2017, as well as increase the kingdom's public debt stock. It forecast the government's debt level to rise from 5.9% of GDP in 2015 to 13.6% of GDP in 2016, as authorities seek to alleviate some pressure on their foreign currency reserves buffer by issuing debt.

In parallel, Credit Suisse projected the current account deficit to widen from 8.3% of GDP in 2015 to 9.4% of GDP in 2016. It estimated that the deficit would reach 14.9% of GDP if oil prices average \$33 p/b and would narrow to 4.7% of GDP if oil prices average \$53 p/b this year. Also, it expected the current account deficit to narrow to 5.8% of GDP in 2017 in case oil prices average \$50 p/b in 2017.

*Source: Credit Suisse*

## EGYPT

### Outlook dependent on disciplined reforms

The Institute of International Finance projected Egypt's real GDP growth rate to accelerate from 3.7% in the fiscal year that ended in June 2016 to 4.1% in FY2016/17 and to 5% in FY2017/18, in case the reforms under the IMF program yield the desired results. It expected the IMF Executive Board to approve the three-year \$12bn Extended Fund Facility once Egypt implements pre-set conditions, including the shift to a more flexible exchange rate system. It noted that a flexible exchange rate regime could improve the availability of foreign currency in the market, restore the economy's competitiveness, reduce external imbalances and rebuild foreign currency reserves. It added that Egyptian authorities have increased their efforts to fill the anticipated external financing gap of about \$26bn from bilateral and multilateral sources. The IIF forecast the average inflation rate to rise from 9.9% in FY2015/16 to 17.4% in FY2016/17 due to the devaluation of the Egyptian pound and the introduction of the value-added tax. It considered that tighter monetary policy would help ease inflationary pressure and would support the move to a flexible exchange rate system. But it cautioned that a significant increase in policy rates could weigh on the economic recovery.

In parallel, the IIF projected Egypt's fiscal deficit to narrow from 11.9% of GDP in FY2015/16 to 9.6% of GDP in FY2016/17 and 8.5% of GDP in FY2017/18, which would reduce the public debt level from 97.2% of GDP in FY2015/16 to about 89% of GDP in FY2017/18. It noted that authorities could find it difficult to cut spending significantly because of rigid expenditure components, as public-sector wages, social benefits and debt servicing account for 75% of current spending. In this context, it expected the strengthening of economic activity, the introduction of the VAT, and an improvement in tax compliance, among other measures, to support tax revenues. Further, it projected the current account deficit to narrow from 5.5% of GDP in FY2015/16 to 4.4% of GDP in FY2016/17, and for foreign currency reserves to rise from \$17.6bn, or 3.1 months of imports at the end of June 2016, to \$21.6bn, or 3.8 months of imports at end-June 2017.

*Source: Institute of International Finance*



# ECONOMY & TRADE

## AFRICA

### High debt level weighs on fiscal consolidation efforts

Fitch Ratings expected the sovereign debt levels and debt servicing costs in Sub-Saharan Africa (SSA) to continue to rise in 2016 and 2017, due to the sharp drop in fiscal revenues as a result of low commodity prices, as well as to the sustained reliance of some sovereigns on debt-funded spending on infrastructure investment to drive economic activity. It estimated the median public debt level among SSA economies to have increased from 30.2% of GDP in 2011 to 49.7% of GDP in 2015, and projected it to rise to 51.4% of GDP in 2016 and 53.3% of GDP in 2017. It forecast the public debt level to increase among all rated SSA sovereigns, except for the Seychelles, during the 2012-17 period, with Mozambique posting the highest increase of 60 percentage points of GDP and Nigeria registering the smallest rise of 3.7 percentage points of GDP during the covered period. As a result of higher debt levels, the agency expected the median debt servicing cost among SSA countries to increase from 4.8% of public revenues in 2011 to 9.1% of receipts in 2016 and to about 10% of revenues in 2017. It added that debt servicing costs exceed 15% of public revenues in Ghana, Nigeria and Zambia, mainly due to the high interest rates on domestic debt in these economies. It considered that the increase in debt servicing costs would make fiscal consolidation in SSA economies more challenging. It anticipated the monetary tightening in the U.S, the strengthening of the US dollar and volatile capital flows to lead to tighter financing conditions for SSA economies.

Source: Fitch Ratings

## MENA

### Reinsurers seek to expand to new markets amid low premium rates

Rating agency A.M. Best indicated that reinsurers in the Middle East & North Africa (MENA) region have a Financial Strength Rating (FSR) of 'B+' (Good) or higher. It noted that the region's reinsurers are generally profitable and well capitalized. It added that capital requirements are mainly driven by underwriting risk, with most reinsurers adopting conservative and diversified investment profiles and high net retentions that minimize exposure to counterparty credit risk. It said that the majority of regional reinsurers are small compared to their international counterparts. Also, it pointed out that the profitability of most reinsurers in the region reflects higher investment income, which has offset the rising adverse pressures on underwriting earnings. It expected the deteriorating economic conditions, low premium rates and elevated losses on property and commercial risks to put reinsurers' earnings under increased pressure over the medium term. It said that reinsurers domiciled in the MENA region have been seeking to expand their business abroad, mainly to Asia-Pacific territories and North America, in order to develop higher margin business that complements their existing portfolios. However, the agency considered that the reinsurers' expansion to unfamiliar markets bears some execution risk, given the higher anticipated catastrophe risks that may be assumed by writing new business, which could lead to unexpected volatility in company earnings. It expected premium rates to remain stagnant in the medium term.

Source: A.M. Best

## SAUDI ARABIA

### Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's long- and short-term foreign and local currency sovereign credit ratings. It noted that the ratings have a 'stable' outlook due to the authorities' efforts to prevent further deterioration in the fiscal position in the coming two years. It indicated that the ratings are supported by the country's strong external and fiscal buffers despite the wide current account and fiscal deficits. It added that the ratings are constrained by limited public-sector transparency, lower GDP per capita than similarly-rated peers and limited monetary flexibility. The agency projected the fiscal deficit to widen from 6.1% of GDP in 2015 to 13.9% of GDP in 2016, and to average 9.1% of GDP annually during the 2016-19 period due to the low oil price environment. It anticipated authorities to finance the deficit by drawing down liquid financial assets and by issuing sovereign debt. As such, it forecast Saudi Arabia's gross liquid financial assets to decline from 123% of GDP in 2016 to 105% of GDP in 2019, and for the public debt to increase from 11.5% of GDP in 2016 to 20.1% of GDP in 2019. Also, it considered that Saudi Arabia is entering a period of adverse terms of trade from a strong position, as the government's net general assets reached a peak of 123% of GDP in 2015. Further, the agency projected the current account deficit to widen from 8.3% of GDP in 2015 to 12.4% of GDP in 2016, as a result of the decline in hydrocarbon receipts. But it noted that Saudi Arabia maintains strong external buffers, and expected its net liquid external assets to average 240% of current account receipts annually over the 2016-19 period.

Source: S&P Global Ratings

## IRAQ

### Profits of listed companies down 27% to \$203m in first half of 2016

The cumulative net income of 79 out of 94 companies listed on the Iraq Stock Exchange totaled IQD259.2bn, or about \$203.2m, in the first half of 2016, constituting a decrease of 27.4% from IQD357.2bn, or \$281.5m in the first half of 2015. Listed banks generated net profits of \$119m and accounted for 58.5% of total net earnings in the covered period, telecommunication companies followed with \$71.2m (35%), then industrial firms \$9.7m (4.8%), money transfer operators with \$1.44m and companies in the hotel & tourism sector with \$1.39m (0.7% each), insurers with \$654,358 (0.3%) and firms in the services sector with \$320,067 (0.2%). Further, the net earnings of money transfer operators rose by 2.1 times year-on-year in the first half of 2016 and profits of industrial companies increased by 92.1% year-on-year, while the profits of firms in the services sector regressed by 73.7%, followed by those in the hotel & tourism sector (-50%), insurance firms (-47.5%), telecommunication corporates (-34.1%) and banks (-27%). In parallel, agricultural companies posted net losses of \$276,735 in the first half of 2016 compared to losses of \$159,091 in the same period last year, and investment firms incurred net losses of \$181,860 in the first half of 2016 relative to losses of \$110,508 in the same period last year.

Source: Iraq Stock Exchange, Byblos Research



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# BANKING

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## UAE

### Agency takes rating actions on six banks

Capital Intelligence Ratings upgraded the long-term foreign currency rating (FCR) of Emirates NBD Bank from 'A' to 'A+', reflecting the bank's large size and systemic importance, as well as the extremely high likelihood of government support in case of need. It also upgraded the long- and short-term FCRs of Commercial Bank International (CBI) from 'BB/B' to 'A-/A3', due to the substantial support the bank would receive in case of need from its major shareholder Qatar National Bank. Also, the agency upgraded the long-term FCR of Al Masraf from 'BBB+' to 'A-' to reflect the significant level of government support the bank would receive in case of need. In parallel, it affirmed at 'A+/A1' the long- and short-term FCRs of Abu Dhabi Commercial Bank (ADCB), at 'A-/A2' those of National Bank of Fujairah (NBF) and at 'BBB+/A2' the ratings of National Bank of Umm Al Qaiwain (NBQ). Further, the agency upgraded the Financial Strength Rating (FSR) of ADCB from 'A-' to 'A' and that of ENBD from 'BBB+' to 'A-', due to the sustained improvement in the banks' asset quality. Also, it upgraded CBI's FSR from 'BB' to 'BBB-' because of the continued improvement in the bank's asset quality and the increase in its capital. It affirmed at 'BBB+' the FSR of NBF, and at 'BBB' that of Al Masraf and NBQ. Further, it indicated that all banks' FCRs and FSRs have a 'stable' outlook. However, it said that all the banks' FSRs are constrained by high concentrations in loans and deposits, as well as by elevated credit risks in the economy.

Source: Capital Intelligence Ratings

## IRAN

### Banking sector's asset quality deteriorates amid economic slowdown

The International Monetary Fund indicated that the capital ratios of Iranian banks are low and that their non-performing loans (NPLs) are elevated, despite the securitization of some of the government arrears and the steps taken by authorities to require higher provisions. It noted that directed lending and interest rate controls constrain the banks' profitability levels and ability to build capital. In this context, the Fund called on banks to undertake forward looking tests about their commercial viability as part of an asset quality review, where banks would have to present and implement time-bound plans to address the shortfalls identified in their capital or risk management practices. It considered that any bank that is not viable after this process should be liquidated. Further, it called on authorities to move the burden of the government-mandated credit policies from the balance sheet of state-owned banks to the government's budget, and that they should recapitalize the banks. In parallel, the IMF indicated that the Central Bank of Iran took significant steps in 2015 to restructure and bring unlicensed financial institutions under its supervision. Further, the Fund anticipated that the implementation by the Iranian authorities of the Financial Action Task Force (FATF) action plan would support Iran's anti-money laundering and combating the financing of terrorism framework, and would facilitate the re-integration of domestic banks into the global financial system.

Source: International Monetary Fund

## NIGERIA

### Banks to face credit challenges from slowdown in economic activity

Moody's Investors Service expected Nigeria's largest banks to face credit challenges from the slowdown in the local economy. It noted that the banks' domestic operating environment has weakened, due to the prolonged period of low hydrocarbon prices. However, it said that the banks' ability to withstand weak economic growth and volatile monetary conditions varies, as it considered that Zenith Bank and Guaranty Trust Bank are most resilient to the challenging environment, followed by Access Bank, United Bank for Africa, and First Bank of Nigeria Limited. The agency expected the banking sector's non-performing loans ratio to increase from 5% at the end of 2015 to about 12% in the next 12 months due to low oil prices, a weakening Nigerian naira, slower GDP growth and rising inflation. Also, it forecast foreign currency deposits at Nigerian banks, which have decreased by about 30% since the beginning of 2015, to stabilize over the next 12 to 18 months, as the impact of lower oil prices recedes. In addition, Moody's anticipated the sector's loss-absorbing capital buffers to remain stable, supported by subdued lending growth of about 5% to 10% over the next 12 to 18 months. But it expected the banks' net interest income and fee & commission revenues to remain muted as a result of weaker loan growth. Further, it considered that depositor confidence and local currency buffers at banks are strong.

Source: Moody's Investors Service

## GHANA

### Banking sector's asset quality deteriorates amid economic slowdown

The International Monetary Fund indicated that the asset quality of banks operating in Ghana has continued to deteriorate due to the economic slowdown in the country, disruptions to energy supply, the impact of exchange rate volatility over the past year and the reclassification of some of the banks' portfolios following the December 2015 Asset Quality Review. It noted that the sector's non-performing loan ratio rose from 11.2% at end-June 2015 to 18.8% at end-June 2016, which led banks to increase their provisions from 5.1% to 7.9% of gross loans. It pointed out that the banking sector remained profitable despite a decline in the banks' return on equity from 29% in June 2015 to 23% in February 2016. It added that the banking sector's risk-weighted capital adequacy ratio reached 16.2% at the end of June 2016, nearly unchanged from a year earlier. Further, the IMF indicated that the banks' credit conditions have tightened, with the average lending rate rising from 27.5% at the end of 2015 to 32.7% at end-June 2016, while deposit rates were nearly unchanged in the first half of the year. Also, it pointed out that credit to the private sector grew by only 9% in the first half of 2016 relative to a growth rate of 32.7% in the same period of 2015. It said that the Bank of Ghana is taking corrective measures to address weaknesses in the capital and liquidity of banks, and has provided liquidity support to banks that suffered from temporary liquidity shortages last year.

Source: International Monetary Fund



## Oil prices set to increase in 2017

ICE Brent crude oil one-month future prices reached their highest level in more than a year to close at \$53.1 per barrel (p/b) on October 10, 2016, after Russia announced its readiness to join OPEC members in cutting oil production. However, the increase in oil prices was short-lived as prices dropped by 1.4% day-to-day to close at \$51.8 p/b on October 11, on speculation that the preliminary OPEC agreement will not succeed in reducing the current global market oversupply. In addition, oil prices regressed due to recent data released by the American Petroleum Institute showing an increase of 2.7 million barrels in U.S. crude oil stocks, the first such increase in five weeks. Further, OPEC's output reached a new record of 33.6 million barrels per day (b/d) in September 2016, which has weighed on oil prices. Overall, the oil market is expected to remain highly volatile until a final agreement is ratified and implemented in the November 30 meeting in Vienna. In parallel, the International Energy Agency anticipated that oil supply would continue to exceed demand until the second half of 2017, with the additional output coming mainly from Iran, Libya, and Nigeria. Crude oil prices are forecast to average \$45 p/b in 2016 and to rise to \$55 p/b in 2017, as the rebalancing in the oil market would continue to materialize only gradually.

Source: QNB Economics, International Energy Agency

## Kurdish oil exports up 33% in September 2016

Crude oil exports from the Kurdistan Regional Government (KRG) totaled 16.94 million barrels in September 2016, up by 32.8% from 12.76 million barrels in the preceding month. Kurdish oil exports through the Turkish Port of Ceyhan increased by 37.2% month-on-month to an average of 564,808 barrels per day in September. The KRG's net income from crude oil exports in September totaled \$327.6m after paying producers and receiving advance payments against the future lifting of crude oil, compared to \$349.87m a month earlier. The KRG used this amount, in addition to other income generated by the Ministry of Natural Resources, to fund the salaries of public sector employees for September.

Source: KRG Ministry of Natural Resources

## Global steel demand to remain unchanged in 2016

Global steel demand is projected to reach 1.5 billion tons in 2016, nearly unchanged from 2015. Steel demand in Asia & Oceania is expected to reach 987.9 million tons and to account for 65.8% of global steel demand in 2016. It would be followed by the European Union with 154.8 million tons (10.3% of the total), North America with 133.6 million tons (8.9%), the Middle East region with 53 million tons (3.5%), the Commonwealth of Independent States with 49.6 million tons (3.3%), other European economies with 42.1 million tons (2.8%), Central & South America with 40.8 million tons (2.7%) and Africa with 39.5 million tons (2.6%).

Source: World Steel Association, Byblos Research

## OPEC's oil basket price down 1% in September

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$42.9 per barrel (p/b) in September 2016, down 0.5% from \$43.1 p/b in August. Nigeria's Bonny Light crude oil posted the highest price among the basket's components at \$47.8 p/b in September, followed by Algeria's Saharan Blend at \$47.1 p/b, Angola's Girassol at \$46.7 p/b and Abu Dhabi's Murban at \$46.4 p/b.

Source: OPEC, Byblos Research

## Base Metals: Aluminium demand to rebound in medium term

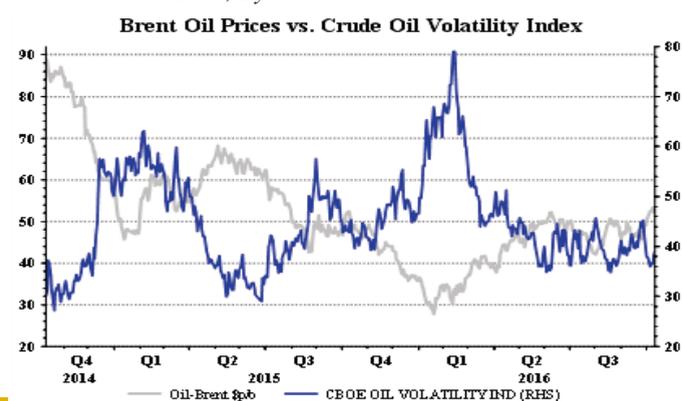
The LME cash price of aluminium closed at \$1,681 per metric ton on October 12, up by 1% from the end of September and by 12% from end-2015. The increase in prices is supported by higher demand in the automotive sectors in Western Europe, China and North America, which account for 33%, 20% and 40% of the sector's consumption, respectively. Aluminium prices are forecast to rise from \$1,560 per ton in the fourth quarter of 2016 to \$1,590 per ton in the first quarter of 2017, due in part to a gradual rebound of Chinese demand as a result of an anticipated growth in the residential property sector in the country. In parallel, global aluminium production is expected to rise by 4% to 58.9 million tons in 2016, while global consumption is projected to increase by 4.7% to 58.5 million tons this year. As such, the aluminium market is forecast to post an oversupply of 0.4 million tons in 2016, compared to a surplus of 0.8 million tons in 2015. China is expected to remain the world's largest producer and consumer of aluminium with a share of 54.8% of global production and 51.1% of total consumption in 2016.

Source: Deutsche Bank, Thomson Reuters

## Precious Metals: Gold prices to ease in coming months

Gold prices closed at \$1,251 a troy ounce on October 12, 2016, constituting a decline of 5.3% from the end of September, as the US dollar strengthened on renewed expectations that the U.S. Federal Reserve would raise interest rates in December 2016. The drop in prices also reflects persistently weak Asian demand for the metal, as indicated by a decline of 15% and 50% in Chinese and Indian imports in the first eight months of 2016, as well as a decrease in Chinese demand for gold. Further, the metal's prices are forecast to average \$1,200 an ounce in 2016 and to decline to \$1,150 an ounce in 2017 as a result of expected liquidation of gold investments in the medium-term. Downside risks to the metal's prices consist of higher-than-expected economic growth in the U.S. that would encourage the U.S. Federal Reserve to tighten its monetary policy at a faster-than-expected pace. In contrast, upside pressure on gold prices include a global economic recession, increasing geopolitical risks and further delays in U.S. interest rate hikes. Further, risks to the price outlook would also depend on the outcome of the U.S. presidential elections in November 2016. In parallel, the Gold Total Return Sub-Index increased by 0.5% in September and by 23.4% in the first nine months of 2016.

Source: Julius Baer, 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								
<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+	BB+	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	Ba1	BBB-	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Negative	Stable	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	21-Sep-16	No change	02-Nov-16
Eurozone	Refi Rate	0.00	08-Sep-16	No change	20-Oct-16
UK	Bank Rate	0.25	15-Sep-16	No change	03-Nov-16
Japan	O/N Call Rate	-0.10	21-Sep-16	No change	01-Nov-16
Australia	Cash Rate	1.5	04-Oct-16	No change	01-Nov-16
New Zealand	Cash Rate	2.00	22-Sep-16	No change	09-Nov-16
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Sep-16	No change	15-Dec-16
Canada	Overnight rate	0.50	07-Sep-16	No change	19-Oct-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	N/A
Taiwan	Discount Rate	1.375	29-Sep-16	No change	18-Dec-16
South Korea	Base Rate	1.25	13-Oct-16	No change	11-Nov-16
Malaysia	O/N Policy Rate	3.00	07-Sep-16	No change	23-Nov-16
Thailand	1D Repo	1.50	14-Sep-16	No change	09-Nov-16
India	Reverse repo rate	6.25	04-Oct-16	Cut 25bps	07-Dec-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	22-Sep-16	No change	17-Nov-16
Turkey	Base Rate	7.50	22-Sep-16	No change	20-Oct-16
South Africa	Repo rate	7.00	22-Sep-16	No change	23-Nov-16
Kenya	Central Bank Rate	10.00	20-Sep-16	Cut 50bps	21-Nov-16
Nigeria	Monetary Policy Rate	14.00	20-Sep-16	No change	22-Nov-16
Ghana	Prime Rate	26.00	19-Sep-16	No change	21-Nov-16
Angola	Base rate	16.00	29-Sep-16	No change	25-Oct-16
Mexico	Target Rate	4.75	29-Sep-16	Raised 50bps	17-Nov-16
Brazil	Selic Rate	14.25	31-Aug-16	No change	19-Oct-16
Armenia	Refi Rate	6.75	27-Sep-16	Cut 50bps	15-Nov-16
Romania	Policy Rate	1.75	30-Sep-16	No change	04-Nov-16
Bulgaria	Base Interest	0.00	03-Oct-16	No change	01-Nov-16
Kazakhstan	Repo Rate	12.50	03-Oct-16	Cut 50bps	14-Nov-16
Ukraine	Discount Rate	15.00	15-Sep-16	Cut 50bps	27-Oct-16
Russia	Refi Rate	10.00	16-Sep-16	Cut 50bps	28-Oct-16



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