

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global corporate debt at \$17 trillion at end-June 2016

S&P Global Ratings indicated that the size of the global rated corporate debt totaled \$17.4 trillion at the end of June 2016. Corporate debt issued by non-financial institutions amounted to \$11 trillion or 63.2% of total issuance at end-June 2016, while financial firms accounted for the remaining \$6.4 trillion (36.8%). Also, investment-grade corporate issuers had \$13.4 trillion in debt, or 77% of the total, while speculative-grade companies had \$4 trillion (23%) in debt. In addition, 33.1% of rated debt instruments were in the 'BBB' rating category, 28.2% in the 'A' rating category and 12.1% in the 'BB' rating category. Corporate debt in the U.S. reached \$8.3 trillion at end-June 2016 and represented 47.6% of global corporate debt, followed by Europe with \$6.2 trillion (35.7%), other developed economies with \$1.7 trillion (9.5%) and emerging markets with \$1.3 trillion (7.2%). Further, non-financial issuers in the U.S. had \$6.3 trillion in corporate debt, equivalent to 36.4% of the total, followed by non-financial firms in Europe with \$3.1 trillion (17.7%), those in other developed economies with \$853bn (4.9%) and issuers in emerging markets with \$736bn (4.2%). In parallel, financial institutions in Europe had \$3.1 trillion in debt, which represented 18% of the total at end-June 2016, followed by those in the U.S. with \$1.9 trillion (11.2%), those in other developed economies with \$808.7bn (4.6%) and firms in emerging markets with \$521.7bn (3%).

Source: S&P Global Ratings

MENA

Country risk level in Arab world unchanged in third quarter of 2016

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was nearly unchanged in the third quarter of 2016, as the average score of 19 Arab economies stood at 39.4 points in the covered quarter. The region's risk level was higher than the global risk level that averaged 42.8 points in the third quarter of the year. The GCC countries' average score improved to 62.9 points from 62.4 points in the preceding quarter, which reflects a decrease in the region's risk level, while the average score of non-GCC Arab countries dropped to 28.6 points in covered quarter from 28.8 in the second quarter of 2016. The Arab world's Political Risks level stood at 11.75 points, which was riskier than the global average of 13.75 points; while the Economic Performance score of 12.84 points was below the global average of 13.37 points. Further, the region's Credit Ratings averaged 2.8 points relative to the global average of 3.07 points; while the Access to Bank Finance & Capital Markets score was 3.6 points, lower than the global average of 3.8 points. Qatar had the best country risk level in the Arab world and the 18th best globally, followed by the UAE (27th), Kuwait (29th), Oman (39th) and Saudi Arabia (41st); while the riskiest Arab countries were Yemen, that came in 151st place, followed by Mauritania (162nd), Sudan (168th), Syria (174th) and Djibouti (183rd).

Source: Euromoney Group, Byblos Research

Public governance in Arab world regresses

The World Bank's annual World Governance Indicators for 2015 show that the scores of 20 Arab countries regressed on five out of six governance indicators included in the survey and improved on just one. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.43 points on the Government Effectiveness indicator, down from -0.4 points in 2014. The indicator evaluates the quality of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's score was lower than that of North America (+1.4 points), Europe & Central Asia (+0.69 points), East Asia & Pacific (+0.12 points) and Latin America & the Caribbean (-0.05 points), but was better than that of South Asia (-0.45 points) and Sub-Saharan Africa (SSA) (-0.84 points). The UAE had the most effective government among Arab countries with a score of 1.54 points, followed by Qatar (+1 point) and Bahrain (+0.57 points), while Syria (-1.63 points), Yemen (-1.64 points) and Libya (-1.7 points) came last. In parallel, Arab countries received a score of -0.48 points on the Control of Corruption indicator, down from -0.46 points in 2014. The region's average score was only better than that of SSA (-0.69 points). The UAE, Qatar, and Jordan are the least corrupt Arab countries, while Sudan, Syria, and Libya came last.

Sources: World Bank, Byblos Research

Political and economic factors are main challenges facing the Middle East

The ASDA'A Burson-Marsteller 2016 Arab Youth Survey shows that 50% of Arab youth cited the rise of the Islamic State militant group as the biggest obstacle facing the Middle East, followed by the threat of terrorism (38%), unemployment (36%), civil unrest (34%) and the rising cost of living (30%). It indicated that 44% of surveyed participants believe that there are good job opportunities in their countries, with this share declining to 7% in Libya and 2% in Yemen. Further, 80% of youth living in Arab oil-exporting countries are concerned about the low oil price environment, relative to just 54% of respondents in Arab oil-importing countries who shared similar concerns. Also, 78% of surveyed participants in Arab oil-exporting countries believe that their government should continue to subsidize electricity and transportation fuel, while just 27% of respondents in Arab oil-importers share similar views about energy subsidies. Moreover, 67% of Arab youth believe that their leaders should do more to improve the level of personal freedoms and human rights in their countries. Further, only 36% of surveyed participants believe that the Arab world is better off following the Arab Spring, down from 38% of respondents in 2015 and 54% of participants in the 2014 survey. As a result, 53% of surveyed youth believe that it is more important to promote stability in the region than to support democracy. The survey was conducted through face-to-face interviews between January 11 and February 22, 2016 on a sample size of 3,500 respondents who are between 18 and 24 years-old from 16 Arab countries.

Source: ASDA'A Burson-Marsteller

OUTLOOK

MENA

Oil-importers to grow by 3.5% in 2016-17

The International Monetary Fund projected real GDP growth in the oil-importing economies of the Middle East & North Africa region to average 3.5% during the 2016-17 period relative to a growth rate of 3.8% in 2015. It noted that economic activity would be supported by the implementation of reforms, stronger external demand, as well as by lower global oil prices that have improved macroeconomic stability. The Fund considered that economic growth remains weak and fragile amid the ongoing regional conflicts, persistent structural weaknesses and subdued external demand. It anticipated that the region's real GDP growth rate would remain insufficient to address the persistently high unemployment level. It noted that the low correlation between job creation and growth in the region means that unemployment is mostly structural and is mainly the result of skill mismatches. It forecast the average annual real GDP growth rate at slightly above 5% over the medium term, which would reduce the unemployment rate from 11% currently to 8% by 2021.

The IMF forecast the fiscal deficit of MENA oil-importers to narrow from 8.6% of GDP in 2016 to 7.1% of GDP in 2017 due to subsidy and revenue reforms. It also projected the aggregate current account deficit to narrow from 6.7% of GDP in 2016 to 6.3% of GDP in 2017. It considered that the expected rise in oil prices, along with higher investment-related imports, would increase balance-of-payments risks. It expected foreign currency reserves to cover about 6 months of imports in each of 2016 and 2017. But it noted that the reserve coverage is below three months of imports in some oil-importers, such as Egypt and Sudan.

The IMF pointed out that risks to the outlook have increased in recent months. It said that the worsening security conditions, social tensions, delays in reforms, increased spillovers from regional conflicts, or slower growth in the Eurozone, could weaken economic activity. It added that tighter global financial conditions could reduce the availability of financing.

Source: International Monetary Fund

GCC

Non-hydrocarbon growth at 1.6% in 2016 and 2.3% in 2017

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) to decelerate from 2.9% in 2015 to 1.9% in 2016 and 1.8% in 2017, as falling hydrocarbon receipts and the resulting fiscal adjustment are taking their toll on economic activity. It forecast non-hydrocarbon growth to slow down from 3.1% in 2015 to 1.6% in 2016 and 2.3% in 2017, and hydrocarbon growth to weaken from 2.7% in 2015 to 2.2% in 2016 and 1.2% in 2017. It anticipated that the GCC economies would move to a significantly slower growth path in coming years due to the sustained low oil price environment, the need to reduce public spending and the overvalued exchange rate.

The IIF projected the GCC's aggregate fiscal deficit at 8.7% of GDP in 2016, unchanged year-on-year, but it expected it to narrow to 5.3% of GDP in 2017. It indicated that governments in

the GCC are responding to the sharp deterioration in their public finances and the sustained low oil prices through implementing fiscal reforms, especially by reducing capital spending, controlling the public-sector wage bill and cutting subsidies. Also, it noted that authorities are raising public service fees, are planning to introduce a 5% value-added tax and intend to privatize a range of public-sector assets. It pointed out that fiscal reforms would reduce the fiscal breakeven oil price from \$78 p/b in 2015 to \$69 p/b in 2016 and \$66 p/b in 2017. Further, it noted that several GCC countries are increasingly turning to international debt markets to limit the drawdown of their foreign assets, ease the pressure on domestic liquidity and benefit from the low global interest rate environment. Overall, it considered that the GCC's relatively low public debt levels, large financial buffers, sizeable fiscal consolidation and a modest recovery in oil prices should put the fiscal position on a more sustainable path in most countries over the medium term.

In parallel, the IIF projected the GCC's aggregate current account deficit at 5% of GDP in 2016 and 1.2% of GDP in 2017, and forecast their net foreign assets at 145% of GDP in 2016 and 134% of GDP in 2017. It expected the authorities to maintain their currency peg to the US dollar.

Source: Institute of International Finance

TURKEY

Economic activity to weaken further in 2017

The Institute of International Finance projected Turkey's real GDP growth to decelerate from 4% in 2015 to 2.8% in 2016, mainly due to lower investment and consumption, and to subdued exports, despite the authorities' accommodative fiscal and monetary policies. It noted that economic activity has weakened as a result of heightened political uncertainty that has delayed new investment decisions and reduced consumer confidence, as well as due to declining tourism revenues. It added that Turkey's recent sovereign downgrade to speculative grade would increase the cost of foreign borrowing, which would constrain domestic spending and weigh on economic activity during the remainder of 2016 and in 2017. It forecast real GDP growth to slow down further to 2.4% in 2017 and for the Central Bank of Turkey to tighten its monetary policy along with the anticipated increase in U.S. interest rates. Further, it projected the inflation rate to decelerate from 8.8% at the end of 2015 to 7.8% at end-2016 and 6.5% at end-2017 due to weaker domestic demand.

In parallel, the IIF forecast the fiscal deficit to widen from 2.2% of GDP in 2015 to 3.4% of GDP in 2016, driven by slower economic activity and increased current spending as a result of the implementation of the 2015 election promises. It noted that rising current spending would shift the primary balance from a surplus of 0.5% of GDP in 2015 to a deficit of 0.3% of GDP in 2016. Further, it expected Turkey's current account deficit to narrow from 4.5% of GDP in 2015 to 4% of GDP this year due to a large terms-of-trade gain in 2016. But it noted that the current account deficit would widen to 4.4% of GDP in 2017 as the increase in exports would not offset the level of imports. It projected net foreign private capital inflows to rise in 2016, mainly due to increased net foreign borrowing by the government.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

Cumulative sovereign financing needs at \$560bn between 2015 and 2019

S&P Global Ratings expected the sovereign financing needs of the Gulf Cooperation Council (GCC) countries to total about \$560bn between 2015 and 2019. It estimated the GCC's sovereign financing needs at \$150bn, or 12.8% of their aggregate GDP in 2016, but it noted that the annual financing needs would gradually decrease through 2019. It projected Saudi Arabia's financing needs to account for 60% of the GCC sovereigns' financing requirements during the 2015-19 period. The agency anticipated most of the GCC sovereigns to fund their deficits through a mixture of domestic and international debt issuance, and the drawing down of assets. It expected Qatar and Bahrain to finance the majority of their deficits through debt issuance, and for Kuwait to use its foreign assets to finance most of the deficit. It noted that Abu Dhabi, Oman and Saudi Arabia would cover their deficits through an equally divided mix of asset and debt financing. It forecast Saudi Arabia's total debt issuance at about \$180bn by the end of 2019. It considered that changes in domestic and international liquidity conditions could present challenges for sovereign issuance and would lead to a shift in financing toward using foreign assets. Further, S&P indicated that the GCC governments' balance sheets remain strong but that vulnerabilities are on the rise. It forecast Bahrain's net debt to increase by almost six-times between 2015 and 2019, while it projected Oman's net asset position to decline to zero and that of Saudi Arabia to fall by 30% during the same period. In parallel, it expected the impact of the deficit to be more muted in Abu Dhabi, Kuwait, and Qatar, given their narrower deficits and larger foreign assets.

Source: S&P Global Ratings

MOROCCO

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'BBB-/A-3' Morocco's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It indicated that the ratings are supported by the country's political and social stability, economic growth prospects, and a moderate government debt burden. However, it said that low income levels, high social needs, a relatively high external liability position and the increase in external and fiscal debt stocks continue to weigh on the ratings. It forecast Morocco's real GDP growth to decelerate from 4.5% in 2015 to 1.5% in 2016 due to a weaker agricultural harvest. It projected growth to average 3.3% during the 2017-19 period and to remain vulnerable to volatility in the agricultural sector and to heightened geopolitical and security risks. Further, it projected the fiscal deficit to narrow from 4.3% of GDP in 2015 to 3.5% of GDP in 2016 due to lower oil prices, subsidy cuts and wage reforms. It expected the authorities to proceed with fiscal consolidation measures in order to meet their fiscal target of 3% of GDP by 2017. Further, it forecast the current account deficit to gradually narrow from an average of 6.6% of GDP in the 2011-15 period to about 2% of GDP in the 2016-19 period due to rising exports from newly-developed industries, low oil prices and higher remittance inflows. It projected the country's gross external financing requirements to average 85.3% of current account receipts plus usable reserves in the 2016-19 period.

Source: S&P Global Ratings

SAUDI ARABIA

Agencies assign provisional ratings to Eurobond issuance

Moody's Investors Service assigned a provisional program rating of '(P)A1' to Saudi Arabia's global Medium-Term Note (MTN) Program. It indicated that the rating mirrors Saudi Arabia's 'A1' long-term issuer rating, which is supported by the sovereign's relatively strong fiscal and economic strengths, even though they weakened following the sharp drop in global oil prices. It added that the country's fiscal flexibility is more limited than GCC peers, while its fiscal position is weaker. Overall, the agency noted that a slowdown in domestic economic activity, higher public debt levels, as well as reduced domestic and external buffers have weighed on the Kingdom's capacity to absorb future economic shocks. It pointed out that authorities have ambitious plans to diversify the economy and the fiscal base, but it considered that these plans are at an early stage of development and their impact remains uncertain. Moody's said that Saudi Arabia's ratings are constrained by the low oil price environment and by its level of institutional strength that is lower than most of similarly-rated peers. In parallel, Fitch Ratings assigned a rating of 'AA-(EXP)' to Saudi Arabia's US dollar-denominated senior unsecured medium term notes. It pointed out that the ratings reflect the Kingdom's 'AA-' long-term foreign currency Issuer Default Rating. Saudi Arabia initially planned to issue \$15bn in Eurobonds, but it issued \$17.5bn as investors' demand reached about \$67bn. Source: Moody's Investors Service, Fitch Ratings

NIGERIA

Fiscal consolidation at risk due to economic slowdown

Fitch Ratings projected Nigeria's real GDP to contract by 1% in 2016, down from an earlier forecast of a growth rate of 1.5%, due to weaker-than-anticipated economic activity in the first half of 2016 as a result of a drop in oil production, energy shortages and a lack of foreign currency. It added that continued policy challenges have weighed on activity, especially the implementation of a new foreign exchange regime and delays in budget execution. It forecast real GDP growth at 2.6% in 2017, with downside risks in case foreign currency liquidity remains tight. The agency indicated that the Nigerian naira depreciated following the introduction of a more flexible exchange rate regime in June 2016, but it noted that the availability of US dollars in the official market and in the banking system remains limited. It did not expect foreign currency liquidity to significantly improve before market participants become more comfortable with the sustainability of the exchange rate level, which would require a narrowing of the spread between the official and parallel market rates. In parallel, Fitch anticipated that the slowdown in economic activity would reduce non-hydrocarbon public revenues that are earmarked to fund infrastructure spending in the 2016 budget. It expected the government to secure funding from multilateral and bilateral sources to finance its planned expenditures. But it noted that some capital expenditures could be delayed until 2017. The agency noted that Nigeria's public debt is rising in the context of falling revenues. It said that the country's public debt is equivalent to 270% of government revenues, while interest payments absorb about 23% of revenues.

Source: Fitch Ratings



BANKING

SAUDI ARABIA

Challenges facing construction sector to weigh on banks' asset quality

Moody's Investors Service anticipated non-performing loans (NPLs) at Saudi banks to increase as a result of the mounting challenges facing the domestic construction sector, which would mostly lead to higher provisioning costs for banks. It noted that the low oil price environment has led to a slowdown in economic activity and fiscal consolidation, which have negatively affected the building & construction sector in the Kingdom over the past two years. It expected this trend to continue as authorities aim to narrow the wide fiscal deficit. It indicated that the NPL ratio in the building & construction sector was 3.1% at the end of 2015, significantly higher than the ratio in other sectors, and compared to the banking sector's NPL ratio of 1.2% at end-2015. It added that NPLs in the construction & building sector accounted for 27% of total NPLs in the banking sector at end-2015, up from 8% at end-2010, and were the main contributor to NPL formation at Saudi banks over the past five years. Overall, it forecast the banking sector's NPL ratio to rise from 1.5% at end-June 2016 to 2.5% at the end of 2017. Moody's considered that banks can absorb the expected deterioration in their asset quality over the next 12 months, and that their high capital buffers would allow them to absorb significant stress in the construction sector in case it materializes. It indicated that the banks' loan-loss provisions are strong and represent about 178% of NPLs, while the capital adequacy and the Tier-One ratios stood at 18.3% and 16.4%, respectively, at end-June 2016. In addition, it estimated that the banking sector's NPL coverage ratio would remain sound at around 150%, in case the NPL ratio in the building & construction sector increases to 4.5%.

Source: *Moody's Investors Service*

UAE

Outlook on banking sector remains stable

Moody's Investors Service maintained its outlook on the UAE's banking system at 'stable' for the next 12 to 18 months, as it expected the banks' resilient capital and liquidity buffers to support their credit profiles amid the slowdown in economic activity. It anticipated the banks' solid profitability and capital to protect them against rising problem loans, while it projected the banks' sufficient liquidity to provide a cushion against reduced government deposits amid a low oil environment. It forecast the banking sector's non-performing loans (NPLs) ratio to increase to 5.5% by mid-2017 from about 5% currently, with new NPLs arising from the over-leveraged small- and medium-sized enterprises and from the retail segment. Further, the agency expected the banks' profitability to remain strong in the next 12 to 18 months, with their return on assets standing at about 1.7%. It noted that the rise in corporate yields, along with subdued loan growth of about 3% to 5%, would mainly offset the increase in the banks' funding and provisioning costs. In parallel, Moody's expected the banks' capital buffer to improve in the coming 12 to 18 months, and forecast their tangible common equity at 15% of risk-weighted assets by 2017, up from 14.3% at the end of 2015. It projected the UAE banks' reliance on market funding to increase as deposit growth continues to decelerate.

Source: *Moody's Investors Service*

KUWAIT

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Rating (IDR) of National Bank of Kuwait (NBK) and at 'A+' the IDR of Kuwait Finance House (KFH), Gulf Bank, Burgan Bank, Commercial Bank of Kuwait (CBK), Al Ahli Bank of Kuwait (ABK), Ahli United Bank Kuwait (AUBK), Kuwait International Bank (KIB), Industrial Bank of Kuwait (IBK), Boubyan Bank and Warba Bank. It said that all the banks' long-term IDRs have a 'stable' outlook. It indicated that the ratings reflect the extremely high probability of support from the Kuwaiti authorities to all domestic banks in case of need, irrespective of their size, franchise, funding structure and level of government ownership. In parallel, Fitch upgraded the Viability Rating of CBK from 'bb-' to 'bb' and that of KIB from 'b+' to 'bb-', due to the banks' improving financial profiles following their successful business reorganization. It also affirmed at 'a' the viability rating of NBK, at 'bbb' that of UABK, at 'bb+' those of NBK, IBK, ABK and Boubyan Bank, at 'bb' those of Gulf Bank, KFH and Burgan Bank and at 'b+' that of Warba Bank. It indicated that Kuwaiti banks continue to benefit from a stable operating environment, and expected the government's capital spending plans to partially offset the pressure on banks from lower global oil prices. Further, it noted that the banks' asset quality is improving and that their loan-loss reserves remain extremely high.

Source: *Fitch Ratings*

ETHIOPIA

Banks' capital adequacy at 15%, NPLs at 3.5%

The risk-weighted capital adequacy ratio of banks operating in Ethiopia reached 15% at the end of March 2016 relative to 16.4% at the end of June 2015 and 17.4% at end-June 2014. The banks' capital is entirely composed of Tier-One instruments. Also, the banks' aggregate capital-to-assets ratio was 6.3% at the end of March 2016, down from 6.6% at end-June 2015 and 7% at end-June 2014. The sector's liquid assets represented 9.8% of total assets at end-March 2016, down from 10.9% at end-June 2015, while they were equivalent to 16.1% of total short-term liabilities at end-March 2016 compared to 17.6% at end-June 2015. Also, the sector's liquidity ratio is currently close to the statutory minimum of 15%, as some banks suffered from irregular liquidity shortages. Further, the sector's non-performing loans ratio increased from 2.1% at end-June 2015 to 3.5% at the end of March 2016, but remained below the statutory benchmark of 5%. In parallel, the sector's gross interest income accounted for 75.5% of total income at end-March 2016 relative to 67.9% at end-June 2015 and 62.8% at end-June 2014. Also, the banks' non-interest expenses were equivalent to 38.7% of gross income at end-March, down from 41% at the end of June 2015. Personnel expenses reached 56.3% of total non-interest expenses at end-March 2016, relative to 47.4% at end-June 2015 and 43.7% at end-June 2014. In parallel, the banks' annualized return on assets was 2.8% in March 2016, compared to 3.1% in June 2015 and June 2014, while their return on equity reached 44.2% on an annualized basis in March, down from 47.4% in June 2015 and 44.9% in June 2014.

Source: *International Monetary Fund*



ENERGY / COMMODITIES

Oil market oversupply to narrow in 2016

ICE Brent crude oil front-month prices closed at \$52.7 per barrel (p/b) on October 19, 2016, constituting an increase of 2% from the preceding day and a rise of 41.3% from the end of 2015; while WTI oil prices grew by 2.6% day-to-day and by 39% from end-2015 to close at \$51.6 p/b. Prices rallied due to recent data released by the U.S. Energy Information Administration showing a decrease of 5.2 million barrels in U.S. crude oil inventories, in contrast to analysts' expectations of an increase of two million barrels. Also, the increase in prices was reflected by investors' expectations of an anticipated cut in OPEC's oil production. Overall, market sentiment remained on the upside, with most analysts expecting further increases in oil prices. In parallel, global demand for petroleum and other liquids, which include crude oil, natural gas liquids, biofuels, and liquids derived from other hydrocarbon sources, is projected to grow by 1.4% in 2016, while global production is forecast to increase by 0.2% this year. As such, the oil market oversupply is forecast to drop from an average of 1.77 million b/d in 2015 to about 0.71 million b/d in 2016. Brent oil prices are forecast to average \$43.43 p/b in 2016, while WTI prices are expected to average \$42.78 p/b this year.

Source: U.S. EIA, Thomson Reuters

Nigeria plans to raise oil production by end-2016

Nigeria expects its oil production to average 2.2 million barrels per day (b/d) by the end of 2016, which would constitute an increase of 44.7% from an output of about 1.52 million b/d in September 2016. It indicated that the increased militant attacks on the country's oil infrastructure have reduced crude oil production by about 750,000 b/d in July 2016, the highest supply disruption level since January 2009. In parallel, a preliminary agreement reached by OPEC members in October 2016 has allegedly allowed Nigeria to produce between 1.8 million b/d and 2.2 million b/d. But the official levels of output for individual OPEC members are expected to be set in November 2016.

Source: Nigerian National Petroleum Corporation, OPEC

Wind energy capacity to grow substantially by 2020

Figures released by the Global Wind Energy Council (GWEC) show that the cumulative global wind power capacity reached 432,656 megawatts (MW) in 2015, up by 17.1% from 369,596 MW in 2014. The GWEC said that the global wind power generation capacity accounted for 7% of total global power generation capacity at end-2015. It expected the global wind power capacity to increase to between 639,478 MW and 879,446 MW by 2020, which would constitute a compound annual growth rate of 8.1% to 15.2% between 2015 and 2020. It expected global investments in the wind energy sector to grow from €100bn per year in 2015 to €150bn per year in 2020, under its best case scenario.

Source: Global Wind Energy Council, Byblos Research

Iraqi oil export receipts down 3% in September

Preliminary figures released by Iraq's Ministry of Oil show that Iraqi crude oil exports reached 98.3 million barrels in September 2016, down by 1.8% from 100.1 million barrels in the preceding month. Also, the country's oil exports averaged 3.28 million barrels per day (b/d) in September, up by 1.4% from 3.23 million b/d in August 2016. Iraq generated about \$3.82bn in oil export receipts in the covered month, down by 2.7% from August 2016.

Source: Iraq Ministry of Oil, Byblos Research

Base Metals: Zinc prices to decrease marginally in fourth quarter of 2016

LME zinc 3-month future prices closed at \$2,308 a ton on October 19, 2016, constituting an increase of 43.4% from end-2015, driven by rising demand for infrastructure and consumer durable goods in China, which account for 50% of Chinese demand for the metal. Zinc prices averaged \$1,686 a ton in the first quarter, \$1,926 a ton in the second quarter and 2,258 in the third quarter of 2016, and are forecast to marginally decrease to \$2,200 a ton in the fourth quarter of 2016 amid rising concerns that the significant increase in the metal's price so far this year would be unsustainable in coming months. In parallel, global zinc production is expected to reach 12.68 million tons in 2016, which would constitute a decrease of 3.2% from 2015. China's zinc production would account for 41% of global supply in 2016, followed by North America (14.2%), Peru (10.3%) and Europe and Australia (7.1% each). On the demand side, global refined consumption for the metal is projected to reach 14.25 million tons in 2016, up by 2.4% from 2015. China's consumption for the metal would account for 47.7% of global demand in 2016, followed by Europe (12.6%) and the U.S. (10.5%). The zinc market is forecast to be undersupplied by 550,000 tons in 2016, relative to a production deficit of 230,000 tons in 2015.

Source: Deutsche Bank, Byblos Research

Precious Metals: Automotive sector to account for 45% of global platinum demand in 2016

Platinum prices averaged \$999.5 a troy ounce so far in 2016, closing at a low of \$814 an ounce and a high of \$1,182 an ounce. Prices are projected to trade at \$1,100 an ounce during the fourth quarter of 2016. Overall, platinum prices are forecast to average \$1,030 per ton in 2016 and increase to \$1,138 per ton in 2017, supported by Indian demand for platinum jewelry and strong Japanese consumption of the metal. In parallel, global platinum supply is projected to reach 7.23 million ounces in 2016, which would constitute a decrease of 1.2% from 2015. South Africa's mine production would account for 70.5% of global mine supply in 2016, followed by Russia (11.4%) and Zimbabwe (8.3%). In parallel, global demand for platinum is projected to drop by 1.1% to 7.6 million ounces this year, mainly due to a decline in investment demand. The global automotive sector is expected to account for 45.2% of total platinum demand in 2016, while the jewelry industry would represent 31.1% of the total. As such, the platinum market is forecast to post a production deficit of 410,000 ounces in 2016.

Source: Deutsche Bank, Byblos Research

Precious Metals vs. US Dollar
(Annual Percentage Change)



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+								
	-	-	-	-	Negative	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B	-	B+								
	Negative	Negative	Negative	-	Negative	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-								
	Negative	Stable	Stable	Stable	Stable	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+								
	Stable	Stable	Stable	-	Stable	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+								
	Stable	Stable	Negative	-	Negative	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-								
	-	-	Stable	-	Negative	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC								
	Negative	Stable	-	-	Stable	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B	B1	B+	-	BB-								
	Stable	Negative	Stable	-	Negative	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	BB-	-	BB+								
	-	Stable	Negative	-	Stable	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+								
	Stable	-	-	-	Stable	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B	B2	B	-	B+								
	Stable	Stable	Positive	-	Stable	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
Bahrain	BB	Ba2	BB+	BB+	BBB-								
	Stable	Stable	Stable	Stable	Negative	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB-	BB-								
	-	-	-	Stable	Positive	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B-	(P)Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB-	B1	-	BB-	BB+								
	Negative	Stable	-	Stable	Stable	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Negative	Stable	Stable	Stable	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B-	B2	B-	B	B-								
	Stable	Negative	Stable	Negative	Stable	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB	Baa1	-	A-	BBB								
	Stable	Stable	-	Negative	Negative	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA	Aa2	AA	AA-	AA-								
	Stable	Negative	Stable	Negative	Stable	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A-	A1	AA-	AA-	AA-								
	Stable	Stable	Negative	Negative	Stable	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C								
	-	-	-	-	Negative	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-								
	-	Negative	-	Stable	Stable	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC								
	-	-	-	-	Negative	-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	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	20-Oct-16	No change	08-Dec-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	19-Oct-16	No change	07-Dec-16
Emerging Markets					
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	20-Oct-16	No change	24-Nov-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	14.00	19-Oct-16	Cut 25bps	30-Nov-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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