

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Debt issuance at \$393bn in first 10 months of 2016

Emerging markets issued \$392.6bn in sovereign and corporate bonds in the first 10 months of 2016. Debt issuance in Asia reached \$151.2bn or 38.5% of the total, followed by Latin America with \$101.8bn (25.9%), Emerging Europe, the Middle East & Africa (EEMEA) with \$85.3bn (21.7%) and Gulf Cooperation Council (GCC) countries with \$54.3bn (13.8%). Further, EM corporates issued \$257.8bn in bonds in the first 10 months of the year, equivalent to 65.7% of total sovereign and corporate bond issuance. Asia issued \$138.8bn or 53.8% of total corporate issuance, followed by Latin America with \$56.2bn (21.8%), the EEMEA region with \$47bn (18.2%) and GCC countries with \$15.9bn (6.2%). In parallel, EM sovereigns issued \$134.8bn in Eurobonds, or 34.3% of new sovereign and corporate bond in the covered period. Latin America issued \$45.6bn or 33.8% of total sovereign issuance, followed by the EEMEA region and GCC economies with \$38.4bn each (28.5% each) and Asia with \$12.4bn (9.2%). Merrill Lynch projected sovereign bond issuance in emerging markets at \$170.4bn in 2016, which would constitute a decline of 44.7% from \$308bn in 2015. It expected sovereigns in Latin America to issue a total of \$47.4bn in 2016, followed by the EEMEA region with \$42.1bn, the GCC countries with \$39.5bn and Asia with \$14.5bn.

Source: Merrill Lynch

MENA

Equity issuance down 73% to \$1.5bn in first nine months of 2016

Equity Capital Markets' (ECM) issuance in the Middle East region, which includes equity and equity-related issuances, totaled \$1.5bn in the first nine months of 2016, constituting a drop of 72.7% from \$5.5bn in the same period of 2015. Issuance in the healthcare sector totaled \$512m in the covered period and accounted for 33.9% of ECM activity, followed by the media & entertainment sector with \$457m (30.3%), the financial sector with \$240m (15.9%) and the consumer goods' sector with \$127m (8.4%). Also, there were six initial public offerings in the first nine months of the year that raised \$812m and accounted for 54% of ECM activity. In parallel, debt issuance in the region reached \$43.8bn in the first nine months of 2016, up by 74.5% from \$25.1bn in the same period of 2015, the highest nine-month value on record. Further, Islamic debt issuance increased by 25.6% year-on-year to \$28bn in the first nine months of the year. Moreover, the value of announced mergers and acquisitions (M&A) in the Middle East, which includes inbound, outbound and inter-regional deals, reached \$37.4bn in the first nine months of 2016, up by 19.1% year-on-year. In parallel, investment banking fees in the region stood at \$580.7m in the covered period, up by 11% from the first nine months of 2015. Also, syndicated lending fees totaled \$310m in the first nine months of 2016 and accounted for 53.4% of the overall fee pool, followed by fees from M&A deals at \$158.3m (27.3%), debt capital market fees at \$83.2m (14.3%) and fees from equity capital markets at \$29.1m (5%).

Source: Thomson Reuters

Stock markets down 5% in first 10 months of 2016

Arab stock markets regressed by 4.6% and Gulf Cooperation Council (GCC) markets decreased by 6.6% in the first 10 months of 2016, compared to decreases of 13.1% and 13.5%, respectively, in the same period of 2015. Arab and GCC stock markets regressed by 2.7% and 2.4%, respectively, in October 2016 from the preceding month. In comparison, global equities rose by 3%, while emerging market equities grew by 13.9% in the first 10 months of 2016. Activity on the Damascus Securities Exchange increased by 20.5% in the first 10 months of 2016, while the Egyptian Exchange grew by 19.7%, the Casablanca Stock Exchange jumped 18.4%, the Beirut Stock Exchange expanded by 18.1%, the Tunis Bourse improved by 8.9%, the Muscat Securities Market rose by 8.1%, the Dubai Financial Market increased by 5.8% and the Khartoum Stock Exchange grew by 3.7%. In contrast, activity on the Iraq Stock Exchange dropped by 23.4%, while the Saudi Stock Exchange declined by 13%, the Bahrain Bourse regressed by 5.5%, the Boursa Kuwait fell by 3.8%, the Palestine Exchange contracted by 2.6%, the Qatar Stock Exchange decreased by 2.5%, the Amman Stock Exchange dropped by 1.3% and the Abu Dhabi Securities Exchange shrank by 0.2%. In comparison, the Tehran Stock Exchange rose by 28.5% in the first 10 months of 2016.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Ease of doing business varies among Arab countries

The World Bank Group's Ease of Doing Business survey for 2017 indicated that 16 out of 21 Arab economies implemented a total of 49 business reforms that affected the business environment in the region. The UAE implemented six reforms, followed by Morocco with five reforms; Saudi Arabia, Algeria and Mauritania with four reforms each; Bahrain, Qatar, Egypt, Comoros and Syria with three reforms each; Oman, Kuwait, Jordan, Iraq and Sudan with two reforms each; and Tunisia with one reform. The World Bank covered the reforms that were implemented between June 2015 and June 2016. The survey noted that the region's most popular area for reform was 'starting a business' with 11 reforms; followed by 'trading across borders' and 'protecting minority investors' with seven reforms each; 'registering property' with five reforms; 'enforcing contracts', 'getting credit' and 'paying taxes' with four reforms each; 'dealing with construction permits' and 'getting electricity' with three reforms each; and 'resolving insolvency' with one reform. In parallel, the UAE was the top ranked Arab economy, coming in 26th place worldwide in terms of ease of doing business. It was followed by Bahrain in 63rd place, Oman (66th), Morocco (68th) and Tunisia (77th) as the highest ranked Arab countries. In contrast, Sudan (168th), Djibouti (171st), Syria (173rd), Yemen (179th) and Libya (188th) were the lowest ranked Arab economies. The rankings of nine Arab countries improved, nine declined and three were unchanged year-on-year. The UAE's rank rose by eight spots, constituting the highest improvement regionally, while Qatar's rank regressed by nine spots, the steepest decline in the region.

Sources: World Bank Group, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to reach \$640bn in 2016

The Institute of International Finance projected non-resident private capital inflows to emerging markets (EMs) at \$640bn in 2016, which would constitute an increase of 2.4 times from \$263bn in 2015 and a rise of \$89bn from the July forecast of \$551bn. It attributed the improvement in capital inflows to low interest rates in the U.S., Europe and Japan; very low yields in mature economies; a stabilization in China's economic activity; signs of improving EM growth; as well as to more stable oil and commodity prices. It expected capital inflows to further rise in coming quarters and to reach \$769bn in 2017. It said that risks to the outlook include an aggressive increase in U.S. interest rates, a loss of confidence in China's capacity to keep its economy on a stable path, as well as persistent political risks in mature and emerging markets.

In parallel, the IIF revised upward its July forecast for inflows to Emerging Asia by \$68bn to \$278bn, those to Latin America by \$15bn to \$236bn, inflows to the Middle East & Africa by \$3bn to \$100bn and those to Emerging Europe by \$3bn to \$26bn. Also, the IIF forecast net direct investment in EMs at \$429bn in 2016, down from \$529bn in 2015. It expected net portfolio inflows to increase from \$19bn in 2015 to \$78bn in 2016. Also, it estimated net non-bank private lending to shift from net outflows of \$79bn in 2015 to net inflows of \$70bn in 2016, while it projected net commercial bank lending to shift from net outflows of \$206bn last year to net inflows of \$63bn this year. It revised upward by \$51bn its projections for non-bank private lending and by \$16bn its forecast for net portfolio investment in 2016, while it revised downward by \$38bn its forecast for net direct investment.

In parallel, the IIF projected resident capital outflows from EMs to rise from \$377bn in 2015 to \$634bn in 2016. As such, it forecast net capital flows from EMs at \$162bn in 2016 relative to \$522bn in 2015.

Source: Institute of International Finance

AFRICA

Economic growth at 2.2% in 2016-17

The International Monetary Fund indicated that low global commodity prices and subdued global economic environment are weighing on economic activity of countries in the Sub-Saharan Africa (SSA) region. As such, it projected the region's real GDP growth to decelerate from 3.4% in 2015 to 1.4% in 2016, the lowest annual growth rate in more than 20 years, and to pick up slightly to 2.9% in 2017. In comparison, it forecast real GDP to grow at 4.2% in emerging markets and developing economies, and at 3.1% worldwide this year. It noted that economic performance varies significantly across SSA, with the slowdown in activity concentrated among the region's largest commodity exporters. It forecast real GDP to contract by 1.3% in 2016 and to grow only modestly by 0.9% in SSA's oil exporters next year, well below the 6% annual average growth rate over the 2010-14 period, as these countries will continue to face significant economic challenges amid the low oil price environment. Also, it projected growth at 2.1% this year and at 3% in 2017 in the region's other resource-intensive countries. In contrast, it forecast

growth to remain strong at 5.6% this year and at 6.2% next year in SSA's non-resource-intensive economies, as these countries benefit from low oil import prices, improved business environment and sustained strong infrastructure investment.

In parallel, the Fund expected the region's fiscal deficit to widen from 4.3% of GDP in 2015 to 4.6% of GDP in 2016 due to the deterioration in the fiscal position of oil-exporters, before narrowing to 4% of GDP in 2017. Also, it expected SSA's current account deficit to narrow from 5.9% of GDP in 2015 to 4.5% of GDP in 2016 and to 3.9% of GDP in 2017, as oil-exporting countries would adjust through a substantial drop in imports.

In parallel, the IMF considered that risks to the outlook include a slowdown in China's economic activity that would further reduce commodity prices, as well as increased volatility in global financial markets that could increase risk aversion and complicate external financing. Also, it noted that lower-than-expected growth in Europe, which is a major partner and supplier of capital and aid to the SSA region, would adversely affect the region through the trade and financial channels.

Source: International Monetary Fund

SAUDI ARABIA

External issuance to support domestic liquidity

Merrill Lynch anticipated that Saudi Arabia's \$17.5bn Eurobond issuance would ease the pressure on the Kingdom's financing and domestic liquidity, as well as slow down the pace of decline in foreign currency reserves. It expected Saudi Arabia to become a large and frequent issuer of external debt on international markets.

Merrill Lynch forecast Saudi Arabia's fiscal deficit at \$87bn, or 13.7% of GDP, in 2016. It estimated that authorities would finance 40% of the deficit through a drawdown of deposits at the Saudi Arabian Monetary Agency (SAMA), 30% through the issuance of domestic debt, 20% through external debt issuance and 10% through an international syndicated loan. It noted that its estimates for 2016 assume an unchanged pace of drawdown of government deposits at SAMA and no additional domestic or international issuance. It forecast the fiscal deficit to narrow to \$70bn, or 10.2% of GDP, in 2017 due to further fiscal measures and higher oil prices. But it estimated that authorities would need to borrow externally about \$23bn in 2017, in order to reduce to 15% the share of domestic debt in total financing.

In parallel, Merrill Lynch said that the external bond sale would result in lower domestic borrowing in coming months. It noted that domestic banks subscribed to 93% of total domestic issuance of about \$25bn in the first eight months of 2016. It added that banks subscribed to about \$3bn per month in domestic debt, which is equivalent to half the monthly issuance in 2015. It expected the sustained external sovereign bond issuance to ease the pressure on domestic liquidity and to reduce the banks' competition for deposits. But it anticipated private-sector deposit formation to come under pressure because of lower disposable income of civil servants amid fiscal measures to contain the public-sector wage bill. Merrill Lynch considered that Saudi authorities are facing difficulties in reducing capital outflows

Source: Merrill Lynch



ECONOMY & TRADE

GCC

Corporate debt issuance to increase in 2017

Fitch Ratings anticipated corporate issuance in the Gulf Cooperation Council (GCC) countries to gradually increase in 2017. It considered that the recent sovereign Eurobond issuances in GCC countries would create a pricing benchmark that will support the broader growth of capital markets in the region. It noted that this would address the lack of a sovereign yield curve, which constituted one of the constraints that held back corporate bond issuance in the GCC. In addition, it pointed out that the robust liquidity and strong lending appetite of GCC banks have delayed the development of a local corporate bond market. However, it noted that the low oil price environment has reduced the banks' liquidity and, in turn, their ability and willingness to lend. It considered that this situation would create a large funding gap for corporates in the GCC. Further, it indicated that local capital market authorities in the GCC have enacted regulatory changes to their domestic markets, which would help standardize bond issuance, speed up the issuance process and reduce its cost. However, Fitch considered that the main obstacles to corporate issuance in the GCC are the development of debt management expertise and a change in the corporate culture that would increase financial and management transparency. Overall, it projected the region's biggest corporates to drive a gradual increase in issuance next year, as it considered that large corporates are able to adjust relatively quickly to the level of transparency requested by capital market investors. Also, it said that GCC corporates are more likely to issue Sukuk than conventional bonds, or a mixture of the two, in order to attract a wider local and regional investor base.

Source: Fitch Ratings

MENA

Average hotel occupancy rate at 66% in the Middle East and at 48% in North Africa

STR Global indicated that the average occupancy rate at hotels in the Middle East reached 66% in the first nine months of 2016, down by 2.5% from the same period in 2015, while that at hotels in North Africa dropped by 11.4% to 48.3% in the covered period. In comparison, the average occupancy rate at hotels in Europe reached 71% in the first nine months of 2016, followed by hotels in the Asia-Pacific region (68.5%), the Americas (66.7%) and Southern Africa (59.3%). Further, the average revenues per available room (RevPAR) at hotels in the Middle East were \$114.2 in the covered period, down by 9.3% from the first nine months of 2015, the highest across all regions; while the RevPAR at hotels in North Africa dropped by 0.9% to \$48 in the covered period, the lowest regional average globally. In comparison, the RevPAR at hotels in Europe stood at \$86.7 in the first nine months of 2016, followed by the Americas (\$82.7), Asia Pacific (\$68.1), and Southern Africa (\$62.4). In parallel, hotels in the Middle East region charged an average daily rate of \$173.1 in the first nine months of 2016, down by 7% year-on-year, while the average daily rate at hotels in North Africa rose by 11.9% to \$99.3 in the covered period. The average daily rate at hotels in the Americas was \$124 in the covered period, followed by that of Europe (\$122.2), Southern Africa (\$105.3) and Asia Pacific (\$99.4).

Source: STR Global

SYRIA

Economic activity to contract by 4% in 2016

The World Bank projected Syria's real GDP to shrink by 4% in 2016 following a 12% contraction in 2015 due to the worsening conflict in key areas of economic activity, and as the war continues to weigh on hydrocarbon production and non-oil economic activity. It noted that the inflation rate averaged about 30% during the 2014-15 period, and expected it to remain high at about 25% in 2016 due to the continued depreciation of the exchange rate and to trade disruptions. Also, it estimated that the fiscal deficit widened to 20% of GDP in 2015, as public revenues declined to a record-low of less than 7% of GDP during the 2014-15 period amid the collapse in oil and tax revenues. The Bank indicated that the severe decline in oil receipts since the second half of 2012 and the disruption to trade activity have put pressure on the balance of payments and the exchange rate. It estimated that oil export receipts fell from \$4.7bn in 2011 to \$0.1bn in 2015. It noted that the current account deficit reached 19% of GDP in 2014 but narrowed to 8% of GDP in 2015. It expected the current account and fiscal deficits to remain wide in 2016 near their 2015 levels. It pointed out that Syria's foreign currency reserves dropped from \$20bn at end-2010 to \$1.1bn at end-2015, while the Syrian pound depreciated from SYP47 against the US dollar to SYP517 per dollar at end-August 2016. The Bank considered that the country's medium-term prospects are contingent on containing the war and finding a political resolution to the conflict, as well as on rebuilding the damaged infrastructure.

Source: World Bank

IRAQ

Low oil prices weighing on fiscal balance

Fitch Ratings forecast Iraq's fiscal deficit at 13.2% of GDP in 2016 and 10.7% of GDP in 2017. It expected authorities to meet the fiscal gap through a mixture of domestic issuance, government deposits at banks, and bilateral and multilateral sources. It projected the public debt level to average 73% of GDP during the 2015-17 period as a result of the wide fiscal deficit. But it noted that Iraq's debt level includes \$41bn in debt owed to GCC countries from the 1980-88 Iran-Iraq war, and that authorities do not face any pressure to repay or service it. It estimated that Iraq's debt level would average 52% of GDP between 2015 and 2017 in case the GCC debt is restructured. In parallel, Fitch expected Iraq's oil receipts to contract by 14% in 2016 following a drop of 42% in 2015 despite the increase in oil production. It said that Iraq's oil output rose by about 50% between 2010 and 2015, but it noted that the outlook for production has become less certain due to low oil prices, lower budgeted spending on oil investments and the accumulation of external arrears to international oil companies. It forecast the current account deficit to average about 9% of GDP annually in the 2016-17 period. In addition, the agency noted that Iraq's foreign currency reserves have been higher-than-expected so far this year because of reduced government spending on imports and lower amounts of US dollars sold at the Central Bank of Iraq's currency auctions. It said that the limited supply of US dollars has widened the spread between market and official exchange rates to 8.4%. It projected foreign currency reserves at \$45bn at end-2016 and \$41bn at end-2017, or about eight months of current account payments.

Source: Fitch Ratings



BANKING

EMERGING MARKETS

Bank lending conditions tighten in third quarter of 2016

The Emerging Markets Lending Conditions Index reached 45.8 points in the third quarter of 2016 relative to 47.8 in the preceding quarter. The five components of the Index remained below the threshold of 50 for the fifth consecutive quarter, which reflects tight lending conditions. The Trade Finance Index decreased to 49.2 in the third quarter of 2016 from 49.8 in the preceding quarter, while the Funding Conditions Index declined to 46.2 in the third quarter of 2016 from 49.1 in the previous quarter, as international funding conditions to emerging markets tightened at a faster pace than the previous quarter. Also, the Demand for Loans Index fell to 45.7 in the third quarter from 49.2 in the second quarter of 2016. Further, the Credit Standards Index regressed to 45.2 in the third quarter from 47.2 in the second quarter of 2016, while the Non-Performing Loans (NPLs) Index increased to 43.4 in the covered quarter from 43.1 in the second quarter of 2016, which reflects an increase in NPLs in most regions. In parallel, the Lending Conditions Index in Emerging Europe was the highest globally at 51.9 in the covered quarter compared to 54.4 in the second quarter of 2016, while that for Latin America improved to 47.1 in the third quarter of 2016 from 43.9 in the previous quarter. In addition, the Lending Conditions Index for Sub-Saharan Africa increased to 44.5 in the third quarter of the year from 42.5 in the preceding quarter, that for Emerging Asia fell to 42.4 in the third quarter from 48.5 in the previous quarter, while the index for the Middle East & North Africa region deteriorated to 40.1 from 45.4 in the second quarter of 2016.

Source: *Institute of International Finance*

KUWAIT

Agency takes rating actions on six banks

Capital Intelligence Ratings affirmed the foreign currency rating (FCR) of National Bank of Kuwait (NBK) at 'AA-', of the Industrial Bank of Kuwait (IBK) at 'A+', of Kuwait Finance House (KFH) and Boubyan Bank at 'A', and of Burgan Bank at 'A-'. Also, it upgraded the long-term FCR of Commercial Bank of Kuwait (CBK) from 'A' to 'A+' due to the bank's strong asset quality and liquidity profile, and its very sound loan-loss reserve coverage and capital position. It indicated that the banks' FCRs 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, the agency affirmed the financial strength rating (FSR) of NBK at 'A+', of IBK at 'A', of CBK at 'A-', of Burgan Bank and Boubyan Bank at 'BBB+', and of KFH at 'BBB'. It indicated that the outlook on the FCRs and FSRs is 'stable' due to the stable domestic environment and because of sustained government capital spending, which partially offsets the pressure on banks from the low oil price environment. Further, CI noted that NBK's ratings are supported by its very good asset quality, solid capital base and high profitability, while they are constrained by the bank's exposure to low-rated sovereigns through its subsidiary banks, with liquidity remaining a potential area of uncertainty.

Source: *Capital Intelligence Ratings*

SAUDI ARABIA

Banks face challenging operating environment

Fitch Ratings considered that the Saudi Arabian banking system is facing an increasingly challenging operating environment due to the low oil price environment and the resulting policy response that includes sizeable fiscal tightening. In addition, it said that the sector's liquidity has significantly tightened since the second half of 2015 because of the drawdown of public-sector deposits. It expected the sustained fiscal tightening to put further pressure on the banks' liquidity, which could constrain revenue growth as the loans-to-deposits ratio at several banks is close to the statutory limit. Also, it noted that lending growth is decelerating due to the adverse impact of reduced government spending on economic activity. In parallel, the agency indicated that the asset quality metrics of Saudi banks are among the strongest globally, but it noted that restructured loans, mainly in the contracting sector, are increasing. It pointed out that Saudi authorities have delayed payments to contractors, one of the largest exposures for banks, which has led to the restructuring of certain project facilities. It estimated that restructured and impaired loans could account for about 10% of gross loans at some banks. Overall, it expected the banks' asset quality to deteriorate over the medium term, but it noted that the banks have good earnings and capital buffers to mitigate the deterioration in asset quality. It said that the capital ratios of Saudi banks are among the strongest globally, with large capital buffers to guard against sizeable loan concentration.

Source: *Fitch Ratings*

UAE

Banks' earnings down 4% year-on-year in third quarter of 2016

The net profits of nine listed banks in the UAE totaled AED8bn, or \$2.2bn, in the third quarter of 2016, constituting a drop of 1.2% from AED8.1bn in the preceding quarter and a decrease of 3.5% from AED8.3bn in the same quarter of 2015. The year-on-year decline in profits is due to a 40.5% rise in provisions, a 1.8% drop in net interest income and a contraction in the net interest spread ratio to 2.51% from 2.84% a year earlier. Also, operating expenses grew by 0.4% year-on-year to AED5.4bn, or \$1.5bn, in the third quarter of 2016. In parallel, total assets reached AED1,844.5bn, or \$502.6bn, at the end of September 2016, and increased by 8.9% from end-September 2015. Net loans grew by 6.5% year-on-year to AED1,144.8bn, or \$312bn, at the end of September 2016 compared to a 10.1% increase in the same period of 2015. The deceleration in lending growth reflects lower demand and higher risk aversion from the banks. Further, slow lending growth and subdued economic activity weighed on fee income, which contracted by 1% in the third quarter of 2016 compared to a 5% increase in the same quarter last year. Further, customer deposits reached AED1,214.3bn, or \$331bn, at the end of September 2016 and increased by 9.2% from end-September 2015, with an increase in term deposits that put upward pressure on the cost of funding. The loan-to-deposit ratio was 94.3% at end-September 2016 relative to 96.7% a year earlier. Further, total financial investments by the banks reached AED214.3bn, or \$58.4bn, at the end of September 2016 and grew by 11.5% from a year earlier.

Source: *EFG Hermes*



ENERGY / COMMODITIES

Crude oil prices to average \$45 p/b in 2016

ICE Brent crude oil front-month prices averaged \$43.9 per barrel (p/b) in the first 10 months of 2016, constituting a decrease of 21.3% from the same period of 2015. The drop in prices over the covered period is mainly due to a sustained oversupply in the market and a stronger US dollar. The market oversupply is expected to persist in coming months, especially that OPEC's oil output is likely to set another record high in October as Nigerian and Libyan output partially recovered and Iraq raised its exports. The increase in output in October has raised skepticism about OPEC's ability to finalize a preliminary plan of a production cut. Further, the lack of progress on implementing production quotas and the growing discord between OPEC producers suggests a declining probability of reaching a deal on November 30. As such, oil prices are forecast to trade between \$40 p/b and \$50 p/b in the near term. However, oil prices are expected to increase to up to \$55 p/b, in case a production cut materializes. Overall, oil prices are projected to average \$45 p/b in 2016 and to increase to about \$55 p/b in the first quarter of 2017. In parallel, the Bloomberg WTI Crude Oil Total Return Sub-Index decreased by 3.6% in each of last month and the first 10 months of 2016, while the Brent Crude Oil Sub-Index regressed by 4.2% last month and grew by 11.7% from end-2015.

Source: Goldman Sachs, BofA Merrill Lynch, Bloomberg Indexes

MENA's crude oil exports up 7% in 2016

The Middle East & North Africa region's crude oil exports are forecast to average 19.92 million barrels per day (b/d) in 2016, which would constitute an increase of 7.3% from 18.56 b/d in 2015. The Gulf Cooperation Council (GCC) countries' crude oil exports would account for 67.1% of the region's oil exports in 2016, while non-GCC oil exporters would represent the remaining balance of 32.9%. Saudi Arabia's crude oil exports are projected at 7.31 million b/d in 2016, equivalent to 36.7% of the region's oil exports, followed by Iraq at 3.6 million b/d (18.1%) and the UAE at 2.56 million b/d (12.9%).

Source: International Monetary Fund, Byblos Research

Libya's oil production at 39% of normal capacity

The National Oil Corporation (NOC) estimated oil production in Libya at 590,000 barrels per day (b/d) currently, up by two times from 290,000 b/d in mid-September 2016. Also, the NOC's current oil output is equivalent to about 40% of the country's normal supply level of 1.5 million b/d prior to the 2011 revolution. The NOC aims to raise oil production to 800,000 b/d in 2017, contingent that the currently operating ports and pipelines stay open, the blockade on the Riayna pipeline gets lifted and the NOC's budgetary requirements are met.

Source: National Oil Corporation

ME&A's oil demand to rise by 1.5% in 2016

Crude oil consumption in the Middle East & Africa region is forecast to average 12.28 million barrels per day (b/d) in 2016, which would reflect a growth of 1.5% from 12.1 million b/d in 2015. The region's demand for oil would account for about 13% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.4 million b/d in 2016, nearly unchanged from 3.41 million b/d in 2015.

Source: OPEC, Byblos Research

Base Metals: Copper prices to rise by 5% in 2017

LME copper three-month future prices closed at a three-month high of \$4,920 per metric ton on November 2, 2016, supported by expectations of improved demand for the metal in China. Overall, copper prices are forecast to average \$4,975 per ton in 2016 and to increase by 4.7% to \$4,975 per ton in 2017. Demand for refined copper is projected to total 23.4 million tons in 2016 and to rise by 1% to 23.6 million tons in 2017. On a regional level, copper demand in Asia is expected to reach 16.4 million tons in 2017, or 69.4% of global consumption during the year, followed by the European Union with 3.3 million tons (14%), North America with 2.4 million tons (10%), other European countries with 0.9 million tons (3.8%), Latin America with 0.5 million tons (1.9%) and Africa with 0.2 million tons (1%). In parallel, the metal's global refined production is forecast to reach 23.4 million tons in 2016 and to increase by 2.3% to 23.9 million tons in 2017. On a regional level, production of refined copper in Asia is projected at 13.7 million tons in 2017, or 57.2% of global production, followed by Latin America with 3.1 million tons (13%), the European Union with 2.7 million tons (11.4%), North America with two million tons (8.5%), Africa with 1.3 million tons (5.2%) and other European countries with 1.1 million tons (4.6%).

Source: International Copper Study Group, Bloomberg Indexes

Precious Metals: Gold prices to increase in 2017

Gold prices rose by 1.3% day-to-day to close at a one-month high of \$1,304.9 a troy ounce on November 2, 2016, due to a weaker dollar and as uncertainty over the outcome of the U.S. presidential elections fuelled demand for the safe-haven metal. Also, silver prices grew by 1.6% to close at a one-month high of \$18.7 a troy ounce on the same day. The increase in gold prices reflects renewed expectations that the U.S. Federal Reserve would raise interest rates in December. Gold prices are expected to increase from an average of \$1,335.2 an ounce in the third quarter of 2016 to \$1,425 an ounce in the fourth quarter of 2016 and \$1,450 an ounce in the first quarter of 2017, as a result of uncertainties around upcoming policy changes by either of the two U.S. presidential candidates. Overall, prices are forecast to increase from an average of \$1,159.8 an ounce in 2015 to \$1,301 an ounce in 2016 and \$1,475 an ounce in 2017, due to expectations of improving demand for the metal in China and India. In parallel, the Bloomberg Gold Total Return Sub-Index decreased by 3.3% last month and improved by 19.3% from end-2015.

Source: Merrill Lynch, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B	-	B+	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B	B1	B+	-	BB-	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	BB-	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
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								
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	02-Nov-16	No change	14-Dec-16
Eurozone	Refi Rate	0.00	20-Oct-16	No change	08-Dec-16
UK	Bank Rate	0.25	03-Nov-16	No change	15-Dec-16
Japan	O/N Call Rate	-0.10	01-Nov-16	No change	20-Dec-16
Australia	Cash Rate	1.5	01-Nov-16	No change	06-Dec-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	02-Nov-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	03-Nov-16	No change	28-Nov-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	01-Nov-16	No change	01-Dec-16
Kazakhstan	Repo Rate	12.50	03-Oct-16	Cut 50bps	14-Nov-16
Ukraine	Discount Rate	14.00	27-Oct-16	Cut 100bps	08-Dec-16
Russia	Refi Rate	10.00	28-Oct-16	No change	16-Dec-16



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