

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Negative outlook on global life insurance sector

Moody's Investors Service revised from 'stable' to 'negative' the outlook on the global life insurance sector for 2017 due to the low interest rate environment, elevated financial market volatility and changes in legislations. It said that historically low interest rates would continue to weigh on investment returns and profitability of life insurers. Also, it anticipated geopolitical risks to remain high in 2017, which would increase volatility in global financial markets. It added that higher volatility would discourage risk-averse policyholders from purchasing products without guarantees. Further, Moody's said that regulatory changes in the United States and the United Kingdom are disrupting the sales of existing products and are offsetting the benefits from the stabilizing economic environment and the decrease in unemployment. It added that the search for high yields poses another risk for the life insurance sector, as insurers take increasing risks on investments to generate higher returns. It added that European and U.S. insurers are increasing their holdings of illiquid assets, while Asian insurers are holding more equities, alternative investment and non-domestic securities. In parallel, the agency said that life insurers are resorting to mergers & acquisitions in order to release capital and reduce their expenses.

Source: *Moody's Investors Service*

GCC

Number of passenger cars in use at 13.2 million by 2020

Alpen Capital projected the number of passenger cars in use in the Gulf Cooperation Council (GCC) countries to increase from an estimated 10.3 million in 2015 to 13.2 million in 2020, and to post a compound annual growth rate (CAGR) of 5% between 2015 and 2020 relative to a CAGR of 6.1% during the 2010-15 period. It noted that passenger cars include motor vehicles, excluding motor cycles, intended for the carriage of passengers. It anticipated passenger cars in use in Saudi Arabia, the UAE and Kuwait to represent 77.2% of the region's cars in 2020, up from 76.7% in 2015. Further, it anticipated new passenger car sales in the region at one million cars in 2016, 1.3 million vehicles in 2017 and 1.4 million cars in 2020, as the economic environment stabilizes and supports demand. It projected new passenger cars in Saudi Arabia and the UAE to represent 71.6% of the region's new cars in 2020, slightly up from 71% in 2015. It expected the number of new passenger cars in the UAE to grow by a CAGR of 4.5% during the 2015-20 period, followed by Bahrain and Oman (+2.1% each), Saudi Arabia (+2%), and Kuwait and Qatar (+1.8% each). Alpen Capital attributed the increase in the demand for vehicles mainly to a growing population in the GCC, a relatively lower cost of vehicle ownership and attractive insurance and financing options in the region. Further, it noted that the challenging macroeconomic environment in GCC countries, strong competition, government regulation and currency fluctuation are the main risks to the automobile sector in the GCC.

Source: *Alpen Capital*

MENA

GCC countries have best entrepreneurial ecosystem in the region

The 2017 Global Entrepreneurship Index (GEI), issued by the Global Entrepreneurship Development Institute, indicated that the UAE has the most favorable entrepreneurial ecosystem among 14 Arab countries and ranks in 19th place among 137 countries around the world. Qatar followed in 21st spot, then Saudi Arabia (30th), Bahrain (34th) and Oman (37th). In contrast, Algeria (73rd), Egypt (81st), Libya (104th), and Mauritania (134th) have the least favorable entrepreneurial ecosystem in the region. The Arab region received an average score of 35.7 points in 2017 compared to the global average of 33.1 points. The entrepreneurial ecosystem in Gulf Cooperation Council (GCC) countries is better than that of non-GCC Arab countries, with average scores of 49.1 points and 25.6 points, respectively. The GEI measures the quality and dynamics of a country's entrepreneurship environment by taking into account the micro and macro aspects of the ecosystem. It assesses the efficiency of start-ups' ecosystems and attempts to highlight the bottlenecks that erode the competitive advantages of new firms. The Arab region's entrepreneurial ecosystem is better than that of Sub-Saharan Africa (17.6 points), South & Central America and the Caribbean (24.6 points) and Asia-Pacific (31.6 points), while it is less favorable than that of North America (61.5 points) and Europe (46.3 points).

Source: *Global Entrepreneurship Development Institute*

Economic freedom in Arab world varies in 2016

The Fraser Institute's 2016 Index of Economic Freedom in the Arab World indicated that the UAE is the most economically-free country among 21 Arab countries included in the survey with a score of 8.2 points. Jordan followed with 8.1 points, then Bahrain (8 points), Kuwait (7.8 points), and Oman and Lebanon (7.7 points each) as the six most economically-free countries, while Libya (5.6 points), Algeria (5.5 points) and Syria (5.4 points) ranked as the least free economies in the region. The index evaluates individual economies on the basis of 39 variables that are divided into five broad factors of economic freedom that measure the Size of Government; Legal Structure & Security of Property Rights; Access to Sound Money; Freedom to Trade Internationally; and the Regulation of Credit, Labor and Business. The rankings of five Arab countries regressed, four improved and 12 were unchanged from the 2015 survey. In parallel, the scores of eight countries regressed, six improved, and seven were unchanged from the previous survey. Sudan had the best score on the Size of Government category, while the UAE ranked first in the Legal Structure & Security of Property Rights category. Also, Bahrain came in first place on the Regulation of Credit, Labor and Business category.

Source: *Fraser Institute, Byblos Research*

OUTLOOK

EMERGING MARKETS

EMs exposed to deteriorating external conditions

Deutsche Bank assessed the vulnerability of 26 emerging markets (EM) to economic crises or to a period of policy adjustments in case external conditions deteriorate in light of recent foreign-currency sell-offs, steepening bond yield curves, sharp capital outflows and trade-related uncertainty. It pointed out that weak economic activity, high public debt levels and wide deficits constitute the main sources of vulnerability among EM countries. It said that Venezuela, South Africa, Brazil, Argentina and Colombia are the most exposed EM economies to a worsening in external conditions, given their subdued economic activity, high inflation rates, poor fiscal position and elevated debt levels. Further, it pointed out that Hungary, Peru, Poland, Romania and Thailand are the least exposed EM countries, reflecting their limited structural and macroeconomic vulnerabilities.

On a regional level, Deutsche Bank expected Latin America to be the most vulnerable region to worsening external conditions, given the high number of commodity-exporting countries and sustained political tensions in the region. Further, it indicated that vulnerability has increased in several Asian economies, including India, Indonesia, Malaysia, the Philippines, Singapore and South Korea. It anticipated these countries to be adversely affected in the event of a deterioration in global trade activity due to their reliance on trade and commerce. It noted that China remains in the high risk category due to its slowing economic activity, over-valued currency, heavily leveraged corporate sector and rapid credit growth, among other factors. In parallel, it pointed out that the Emerging Europe, the Middle East & Africa (EMEA) region is relatively insulated from these trends, as growth in Central & Eastern Europe and Russia is improving. However, it indicated that Turkey remains a key concern in the EMEA region, given its challenging domestic political environment and high external vulnerability.

Source: Deutsche Bank

GCC

External factors to affect public finances

Citi anticipated the developments in the global oil market, the outcome of the U.S. presidential elections and the stronger US dollar to have several implications on Gulf Cooperation Council (GCC) economies in 2017.

First, Citi anticipated that oil prices in the \$60 p/b range in 2017 would ease budgetary and economic pressures on GCC economies. As such, it forecast the GCC's aggregate fiscal deficit to narrow by more than \$92bn, or by 8% of GDP, in 2017; while it projected their aggregate current account deficit to shift to a small surplus next year. It considered that higher oil prices would reduce the urgency for economic reforms in the GCC over the near term. It noted that a delay in the implementation of reforms to diversify the economy away from hydrocarbons would put at risk the long-term prospects of GCC economies.

Second, Citi pointed out that a retrenchment in global trade and in capital flows to emerging markets from the implementation of protectionist policies by the upcoming U.S. Administration would impact GCC economies. It said that GCC governments

and their related entities could find it challenging to meet their financing needs in the context of tight liquidity conditions. It pointed out that GCC economies with large fiscal buffers could accommodate these challenges, but would face a sustained erosion of their creditworthiness, a rise in borrowing costs and, in turn, an adjustment in risk premiums.

Third, Citi expected the US dollar to appreciate by about 10% against the euro in 2017, which would reduce the GCC economies' cost of imports and improve their terms of trade by about 90% by the end of 2017, given that almost all GCC currencies are pegged to the US dollar. However, it indicated that a stronger currency would weigh on non-hydrocarbon exports and reduce FDI inflows.

Source: Citi

ARMENIA

Banking sector outlook to improve in 2017

Fitch Ratings revised its outlook on Armenia's banking sector from 'negative' to 'stable', as it expected sound domestic economic growth and a relatively stable Armenian dram to support a gradual improvement in the banks' asset quality and profitability in 2017. Further, it projected credit demand to recover moderately in 2017, supported by favorable macroeconomic conditions, reduced pressure on the dram and a decline in interest rates. But it anticipated lending growth to remain in single-digits amid the banks' weak asset quality, households' subdued consumption, and the Central Bank of Armenia's (CBA) elevated mandatory reserve requirements.

Fitch expected the asset quality of the banking sector to stabilize in 2017, as spillovers from external shocks have receded. However, it expected the performance of corporate clients to remain sensitive to a recovery in domestic demand, which is forecast to moderately improve in the near term. It noted that the non-performing loans' ratio reached about 10% at the end of October 2016 relative to 9% at the end of 2015. In addition, the agency pointed out that Armenian banks have started to generate net profits from March 2016 onwards following moderate losses in 2015, mainly due to a recovery in lending volumes and as impairment charges fell from 114% of pre-impairment profits in 2015 to about 88% in the first nine months of 2016. It expected the banks' profitability to be modest next year, given that their earnings would remain dependent on economic growth and improvements in asset quality.

In parallel, Fitch indicated that the CBA's decision to increase the minimum capital requirements for banks from AMD5bn to AMD30bn has triggered some consolidation in the sector. It expected further consolidation in 2017 as competitive and regulatory pressures increase. In addition, it noted that the CBA's higher minimum capital requirements have increased the sector's regulatory capital ratio from 14.5% at the end of 2014 to 18.4% at end-September 2016. In parallel, the agency indicated that the Armenian banking sector's external debt was equivalent to 32% of the banks' liabilities at the end of June 2016. But it considered that the banks' external liquidity is sufficient to service their maturing obligations, and that refinancing risks are limited due to the long-term maturity profile of external borrowing.

Source: Fitch Ratings



ECONOMY & TRADE

BAHRAIN

Sovereign ratings downgraded on deteriorating external position

S&P Global Ratings downgraded Bahrain's long-term foreign and local currency issuer credit ratings from 'BB' to 'BB-', with a 'stable' outlook. It attributed the downgrade to the increased risks of a significant deterioration in the country's external financing conditions amid an ongoing decline in foreign currency reserves and the recent revision of external accounts figures. It projected Bahrain's foreign currency reserves to drop from \$6.2bn at end-2014 to \$2.2bn, or 1.6 months of current account payments (CAPs), at end-2016; and to \$1.8bn, or less than one month of CAPs by the end of 2018. It cautioned from the gradual depletion of foreign reserves, which reduces Bahrain's flexibility to respond to external pressures. Further, it forecast the current account deficit to gradually narrow from 5.9% of GDP in 2016 to 1.3% of GDP in 2019, but it noted that the persistent deficit would continue to weigh on foreign currency reserves and increase the country's external financing needs. It expected Bahrain to receive financial support from GCC countries, if needed, in case the confidence in the currency peg decreases. It forecast Bahrain's gross external financing needs to average 314% of current account receipts and usable reserves during the 2016-19 period, up from 235.5% in 2015. In parallel, S&P expected the fiscal deficit to narrow from 14% of GDP in 2016 to 8% of GDP by 2019 due to the implementation of fiscal consolidation measures. Still, it projected the public debt to rise from 59% of GDP at the end of 2015 to 73% of GDP by end-2016 and to reach 94% of GDP by 2019.

Source: S&P Global Ratings

CÔTE d'IVOIRE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Côte d'Ivoire's long-term foreign and local currency Issuer Default Ratings at 'B+', with a 'stable' outlook. It also affirmed the senior unsecured foreign currency bonds at 'B+', the Country Ceiling at 'BBB-' and the short-term foreign and local currency IDRs at 'B'. It said that the ratings reflect the country's strong macroeconomic performance, improved governance indicators and receding political risks. It indicated that real GDP growth has averaged 9.2% over the 2012-16 period, and expected it to remain above 7% in coming years, supported by continued public investment, as well as by mining and agricultural production. Fitch anticipated the fiscal deficit to widen from 2.9% of GDP in 2015 to 4% of GDP in 2016, but to gradually narrow to 3% of GDP by 2019 under the IMF program. Further, it projected the public debt level to rise to 42.5% of GDP in 2016 and to reach 43.5% of GDP in 2018, which would increase debt servicing costs. In parallel, the agency indicated that risks to external finances are broadly balanced. It noted that the country has a large export base that is equivalent to 36% of GDP in 2015, while it projected the current account deficit at 2% of GDP in 2016 and to be mostly covered by FDI inflows. However, it said that Côte d'Ivoire is highly dependent on commodity exports to generate foreign currency, with cocoa accounting for more than 33% of export receipts. It cautioned that the current account deficit could widen and become more volatile in coming years, in line with the declining trend in cocoa prices.

Source: Fitch Ratings

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed Nigeria's long-term issuer ratings at 'B1', with a 'stable' outlook. It said that the ratings reflect Nigeria's solid medium-term growth prospects despite the current challenging environment, as well as the government's relatively strong balance sheet. First, Moody's indicated that the recovery in oil output is the main driver of Nigeria's strong medium-term outlook. It projected real GDP to grow by 2.5% in 2017 and 4% in 2018, following a contraction of 1.5% in 2016, in case the anticipated increase in oil production to two million barrels per day is sustained, which would support economic activity and increase foreign currency receipts. Also, it indicated that the operating environment for the oil sector has significantly improved, the long-awaited Petroleum Investment Bill has been reactivated, while militant activity in the Niger Delta region has receded. However, it anticipated that shortages of US dollars would continue to adversely affect important economic sectors, especially services and manufacturing. It did not expect the current policy mix to change significantly over the short term. Second, Moody's forecast the federal budget deficit to remain at about 2% of GDP in 2017 and 2018, which would keep the government debt below 20% of GDP over the coming years. It said that the increase in debt servicing costs is temporary and expected it to reverse with the expansion of the non-oil revenue base and the restructuring of government debt. In parallel, the Federal Government of Nigeria declared that it owes about \$7bn to private sector organizations. It claimed that it discovered the debt following an ongoing change in its accounting practices, and is blaming the previous administration for the unrecorded debt on its books.

Source: Moody's Investors Service

ANGOLA

Lack of reforms weigh on economic activity

Citi considered that the lack of a reform plan to effectively address the impact of the drop in oil prices on the Angolan economy has affected the country more severely than other oil-exporting economies with a flexible exchange rate regime. It noted that Angola's authorities suspended in the second half of 2016 negotiations with the International Monetary Fund, as they hoped that oil prices would recover. It added that the authorities' decision took into account political factors in the run up to the general elections scheduled for August 2017, as well as a reluctance to provide additional macroeconomic data. It pointed out that oil prices grew in the second half of 2016, which allowed the Banco Nacional de Angola (BNA) to increase foreign currency supply in the domestic market. It expected this trend to continue in 2017 in case oil prices rise further, but it estimated that the potentially higher supply of foreign currency would be insufficient to clear the large unmet local demand for foreign currency in the absence of a significant exchange rate adjustment. On the fiscal front, Citi indicated that the Angolan authorities have significantly reduced public expenditures, mainly capital spending, which helped narrow the fiscal deficit so far this year. But it estimated that additional cuts in spending are limited, which would modestly narrow the deficit from 6.8% of GDP in 2016 to 5.9% of GDP in 2017. Overall, it expected limited changes in policy prior to the elections, unless oil prices fall significantly.

Source: Citi



BANKING

WORLD

Improved solvency helps offset profitability constraints

Moody's Investors Service considered that regulatory initiatives have provided an incentive to global banks to improve their solvency and liquidity positions. But it expected risks to profitability and asset quality to remain elevated for many financial institutions in 2017. It indicated that banks across all regions are compliant or are approaching compliance with Basel III capital requirements. It anticipated banks to continue to increase or preserve their capital metrics, as global requirements are finalized, despite the subdued global economic growth. In parallel, the agency pointed out that the outlook on the ratings of banks in advanced economies have become increasingly 'stable'. But it noted that higher demand for private sector credit has yet to improve the banks' profitability, as the returns on lending remain under pressure. Further, it considered that risks have started to materialize in some emerging markets, especially in Asia and Latin America, as a weak operating environment and subdued domestic economic conditions could increase asset risks and undermine the banks' profitability. In this context, Moody's expected the evolution of banks' creditworthiness to depend on their ability to manage several factors, such as low returns, high compliance costs and elevated investments in technology. It added that increased policy uncertainty, growing protectionist policies in advanced economies and risks of political fragmentation in Europe could weigh on the global economy and could force some jurisdictions to downsize their financial regulation agendas.

Source: *Moody's Investors Service*

TUNISIA

Agency takes rating actions on five banks

Capital Intelligence Ratings (CI) affirmed at 'BB' the long-term foreign currency rating (FCR) of Attijari Bank (AB), Arab Tunisian Bank (ATB), Banque Internationale Arabe de Tunisie (BIAT) and Banque de Tunisie (BT), and at 'B+' that of the Amen Bank. In addition, it downgraded the long-term FCR of Banque Nationale Agricole (BNA) from 'B' to 'B-' due to an increase in its non-performing loans, which lowered the loan-loss coverage and reduced profitability. In parallel, the agency affirmed the financial strength rating (FSR) of ATB and BT at 'BB+', that of AB and BIAT at 'BB', and that of Amen Bank at 'B+', while it downgraded the FSR of BNA from 'B' to 'B-'. It noted that all the banks' ratings have a 'stable' outlook. The agency said that the six banks' ratings are constrained by the challenging domestic operating environment. It said that BIAT's FSR is supported by its significantly high customer deposit base, strong liquidity, wide interest margin and sound profitability, while it remains constrained by a high NPL ratio and a weak capital base. Further, it noted that the ratings of Amen Bank are supported by its access to funding and slightly improved capital position, but is constrained by tight liquidity, weak loan asset quality and modest provisioning coverage. In addition, the agency pointed out that AB's FSR is supported by its solid liquidity, sound profitability, good loan asset quality, and a solid capital base. It added that AB's ratings are constrained by a modest level of risk-weighted capital.

Source: *Capital Intelligence Ratings*

TURKEY

Negative outlook on banking sector

Fitch Ratings indicated that it has a 'negative' outlook on Turkey's banking sector due to elevated risks to the banks' asset quality, profitability and capitalization as a result of the slowdown in economic activity and potential currency and interest-rate volatility. It added that the 'negative' outlook takes into account the significant refinancing risks from the banks' elevated short-term wholesale funding needs in foreign currency, which leaves them highly exposed to changes in investor sentiment. It considered that increased political risks could weaken the banks' asset quality and increase refinancing risks. Fitch projected lending growth at between 10% and 15% in 2017, depending on the volatility of the Turkish market. It anticipated lending in local currency to drive overall lending activity in the country, as banks aim to limit their foreign-currency loan exposure. Further, it forecast the banks' asset quality to further deteriorate in 2017 due to a potential additional depreciation of the Turkish lira and to the banks' exposure to vulnerable sectors, such as tourism and energy. It anticipated the non-performing loans ratio to rise from 3.3% at end-September 2016 to about 4% at the end of 2017, but would increase further in case the operating environment further deteriorates. Fitch indicated that the banking sector's capitalization can absorb moderate shocks, but is sensitive to further depreciation of the lira, a downgrade of the sovereign rating, an increase in NPLs, as well as to the banks' weaker capital generation.

Source: *Fitch Ratings*

NIGERIA

Asset quality to deteriorate in the near term

Moody's Investors Service indicated that it has a 'stable' outlook on Nigeria's banking sector, which reflects the banks' stable deposit funding base, high local currency liquidity, resilient capital buffers and likely support from authorities if needed. However, it expected the banks' operating environment to remain challenging with high inflation rates, reduced capital inflows, and foreign exchange market deficiencies. Moody's anticipated that risks to the banks' loan quality and foreign currency liquidity would rise in coming months, but it expected these challenges to ease in the second half of 2017 in case economic activity gradually recovers. It forecast the banking sector's non-performing loans (NPL) ratio to increase from 11.7% at end-June 2016 to between 12% and 14% over the next 12 months. It expected the banks' NPL ratio to continue to rise in the near-term, but it noted that write-offs, loan restructurings and higher growth prospects would ease the pressure on the NPL ratio. It pointed out that the banks' high exposure to the oil & gas sector, and elevated share of foreign currency loans would remain the main sources of asset risk for Nigerian banks. It expected the banks' high provisioning requirements to weaken their profitability. Further, the agency projected lending to grow by 5% to 10% in real terms during the 2017-18 period, compared to an estimated contraction of 5% in 2016. In parallel, it forecast the sector's tangible common equity to regress from 14.6% at end-June 2016 to 13.2% at end-2017 due to increased loan-loss provisions, as well as to the impact of the depreciation of the Nigerian naira on the risk-weighted assets that are denominated in foreign currency.

Source: *Moody's Investors Service*



ENERGY / COMMODITIES

Crude oil prices to average \$57 p/b in 2017

Crude oil prices reached their highest level since late July 2015, after non-OPEC members, including Russia and Kazakhstan, agreed on December 10, 2016 to join OPEC members with coordinated supply cuts of about 558,000 barrels per day (b/d). ICE Brent crude oil front-month prices closed at \$55.7 per barrel (p/b) on December 13, 2016, constituting an increase of 10.4% from the end of November 2016 and a rise of 49.5% from end-2015. However, oil prices dropped by 3.3% day-to-day to close at \$53.9 p/b on December 14, after the U.S. Federal Reserve raised interest rates for the first time in 2016 and the second time since 2008. The rise in U.S. interest rates has strengthened the US dollar and placed downward pressure on dollar-priced commodities such as oil. In parallel, the International Energy Agency expected the global oil market to shift to a production deficit in the first half of 2017 if OPEC and non-OPEC members fully adhere to their production target. Brent oil prices are forecast to increase from an average of \$47 p/b in 2016 to \$57 p/b in 2017. Downside risks to the price outlook include OPEC's poor compliance with the new production target, a rebound in U.S. shale oil production, a faster recovery in Libyan or Nigerian oil production, as well as elevated geopolitical risks that could weigh on global oil demand. *Source: Samba Financial Group, Wall Street Journal, IEA*

OPEC's oil basket price down 10% in November

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$43.2 per barrel (p/b) in November 2016, down by 9.7% from \$47.9 p/b in October. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$47.3 p/b in November, followed by Nigeria's Bonny Light at \$45.2 p/b, Algeria's Saharan Blend at \$45.1 p/b and Angola's Girassol at \$45 p/b. All 14 prices included in the OPEC reference basket posted decreases of \$3 p/b to \$5.6 p/b in November 2016.

Source: OPEC, Byblos Research

Nigeria's hydrocarbon export receipts down 50% in first 10 months of 2016

Nigeria's crude oil and condensate export receipts totaled \$2.1bn in the first 10 months of 2016, constituting a drop of 50.2% from \$4.1bn in the same period of 2015. Export revenues in the first 10 months consisted of \$1.2bn from crude oil exports (59%), \$694.5m from gas exports (33.7%) and \$150.2m in other receipts (7.3%). In parallel, the authorities used all of the hydrocarbon revenues to pay international oil companies and have not transferred any funds to the Federation Account in October. Hydrocarbon receipts reached \$97.3m in October 2016, down by 15.8% from \$115.6m in September 2016.

Source: Nigerian National Petroleum Corporation

OPEC's oil output up 0.4% in November 2016

Crude oil production of the Organization of Petroleum Exporting Countries averaged 33.87 million barrels per day (b/d) in November 2016, up by a marginal 0.4% from 33.72 million b/d in the preceding month. Saudi Arabia produced 10.51 million b/d in November, equivalent to 31% of OPEC's total oil output. It was followed by Iraq with 4.56 million b/d (13.5%) and Iran with 3.7 million b/d (10.9%).

Source: OPEC, Byblos Research

Base Metals: Copper market to post production deficit in 2017

LME copper three-month future prices reached \$5,722 a metric ton on December 14, 2016, constituting an increase of 21.6% from \$4,705 per ton at the end of 2015. The increase in prices is due in part to stronger-than-expected demand for the metal in China. Also, the copper market is projected to post a production deficit of 180,000 tons in 2017 compared to a previously estimated surplus of 360,000, which would support prices. In addition, copper prices are forecast to rise further in coming months due to a reduction in global inventories and higher demand for the metal in the U.S., as President-elect Donald Trump plans to increase fiscal spending to rebuild the country's infrastructure. The metal's average price is expected at \$5,890 a ton in the next three months and at \$6,200 a ton in the coming six months. In parallel, the Bloomberg Industrial Metals Total Return Sub-Index increased by 10.3% in November and by 26.3% in the first 11 months of 2016, while the Copper Total Return Sub-Index improved by 19% last month and by 21.6% from end-2015.

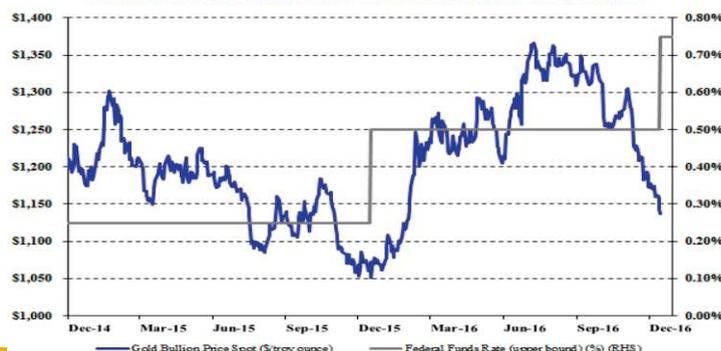
Source: Goldman Sachs, Bloomberg Indexes, Byblos Research

Precious Metals: Gold prices to decline in 2017

The gold Bullion spot price reached a 10-month low of \$1,138 a troy ounce on December 15, down by 3% from end-November, following the U.S. Federal Reserve's decision to raise interest rates on December 14, 2016. The drop in prices coincided with a 0.7% rise in the trade-weighted US Dollar Index from end-November 2016. Demand for the metal has been on a downward trend in previous months as a result of investors' high expectations of a U.S. interest rate hike, as well as due to weak demand from India and China. Further, the metal's price is forecast to rise from \$1,160 an ounce in 2015 to \$1,260 an ounce in 2016, but to decline to \$1,213 an ounce in 2017. Upside risks to gold prices in 2017 include rising inflationary pressure, uncertainty over U.S. foreign policy, as well as to the outcome of elections in some European countries in early 2017. The metal's total supply is forecast to reach 4,407 tons in 2017, which would constitute a drop of 2.2% from 4,508 tons in 2016. The anticipated decrease in supply reflects a 7.4% decline in net hedging, a 5.9% decline in recycling and a 0.6% drop in mine output. In parallel, gold demand is projected to reach 3,345 tons in 2017, which would constitute a rise of 9.8% from 2016 due to increases in jewelry and retail demand, as well as Central bank purchases. The jewelry sector is expected to account for 53.8% of total demand in 2017, followed by the retail industry (29.1%), the industrial sector (9.6%) and the official sector (7.5%).

Source: Standard Chartered, Byblos Research

Gold Bullion Prices vs. U.S. Federal Funds Rate



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**	10.5	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	0.50-0.75	14-Dec-16	Raised 25bps	01-Feb-17
Eurozone	Refi Rate	0.00	08-Dec-16	No change	19-Jan-17
UK	Bank Rate	0.25	15-Dec-16	No change	N/A
Japan	O/N Call Rate	-0.10	01-Nov-16	No change	20-Dec-16
Australia	Cash Rate	1.5	06-Dec-16	No change	02-Feb-17
New Zealand	Cash Rate	1.75	09-Nov-16	Cut 25bps	08-Feb-17
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Dec-16	No change	17-Mar-17
Canada	Overnight rate	0.50	07-Dec-16	No change	20-Jan-17
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.00	14-Dec-16	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	29-Sep-16	No change	18-Dec-16
South Korea	Base Rate	1.25	15-Dec-16	No change	14-Jan-17
Malaysia	O/N Policy Rate	3.00	23-Nov-16	No change	19-Jan-17
Thailand	1D Repo	1.50	09-Nov-16	No change	21-Dec-16
India	Reverse repo rate	6.25	07-Dec-16	No change	02-Feb-17
UAE	Overnight repo rate	1.25	17-Dec-15	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	0.75	15-Dec-16	Raised 25bps	N/A
Egypt	Overnight Deposit	14.75	17-Nov-16	No change	29-Dec-16
Turkey	Base Rate	8.00	24-Nov-16	Raised 50bps	20-Dec-16
South Africa	Repo rate	7.00	24-Nov-16	No change	24-Jan-17
Kenya	Central Bank Rate	10.00	28-Sep-16	No change	24-Jan-17
Nigeria	Monetary Policy Rate	14.00	22-Nov-16	No change	24-Jan-17
Ghana	Prime Rate	25.50	21-Nov-16	Cut 50bps	20-Jan-17
Angola	Base rate	16.00	30-Nov-16	No change	26-Dec-16
Mexico	Target Rate	5.25	17-Nov-16	Raised 50bps	15-Dec-16
Brazil	Selic Rate	13.75	30-Nov-16	Cut 25bps	20-Jan-17
Armenia	Refi Rate	6.50	15-Nov-16	Cut 25bps	27-Dec-16
Romania	Policy Rate	1.75	04-Nov-16	No change	06-Jan-17
Bulgaria	Base Interest	0.00	01-Dec-16	No change	04-Jan-17
Kazakhstan	Repo Rate	12.00	14-Nov-16	Cut 50bps	09-Jan-17
Ukraine	Discount Rate	14.00	08-Dec-16	No change	27-Jan-17
Russia	Refi Rate	10.00	28-Oct-16	No change	16-Dec-16



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya - Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra - Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

