

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt issuance at \$6.2 trillion in first 11 months of 2016

S&P Global Ratings indicated that the global issuance of sovereign and corporate bonds, other public finance bonds and structured finance products totaled \$6.2 trillion in the first 11 months of 2016, up 13.8% from \$5.4 trillion in the same period of 2015. In comparison, global debt issuance reached \$5.7 trillion in full year 2015 and \$6.19 trillion in full year 2014. Further, S&P anticipated global debt issuance to increase by 18.8% in full year 2016, while it forecast issuance to stabilize at a slower growth rate of 4.1% in 2017, partly driven by the European Central Bank's decision to extend its quantitative easing policies. S&P pointed out that issuance by non-financial institutions amounted to \$1.96 trillion, or 31.7% of total debt issues, in the first 11 months of 2016. It was followed by issuance from financial institutions with \$1.77 trillion (28.6%), investor-placed structured finance issues with \$773.4bn (12.5%), international public finance issuance with \$728bn (11.8%), rated-sovereign issues with \$542.7bn (8.8%), and U.S. public finance with \$416.2bn (6.7%). S&P indicated that the figures cover long-term debt with maturities that exceed one year and exclude debt issued by supranational institutions. It noted that the unexpected election victory of Donald Trump in the United States, the recent Italian referendum vote and the uncertainties surrounding the Brexit process could constrain bond issuance in 2017.

Source: S&P Global Ratings

Losses from natural catastrophes at \$175bn in 2016

Global reinsurer Munich Re estimated worldwide economic losses from natural catastrophes at \$175bn in 2016, up by 70% from \$103bn in 2015, and constituting the highest level since 2012. Insured losses totaled \$50bn in 2016, up by 56.3% from \$32bn in 2015, and accounted for 28.6% of total losses in 2016; while uninsured losses rose from \$71bn in 2015 to \$125bn in 2016 and accounted for 71.4% of the total. Also, economic losses from natural catastrophes averaged \$154bn per year during the 2006-15 period, of which \$45bn were insured, while the remaining \$109bn represented uninsured losses. Further, losses from flood-related events accounted for 34% of total losses in 2016 relative to 21% of aggregate losses during the 2006-15 period. Munich Re expressed concerns about the high number of uninsured losses, which have mainly materialized in emerging markets and developing economies. On a country basis, overall losses in Japan reached \$31bn in 2016, or 17.7% of total losses, followed by China with \$20bn (11.4%), North America with \$10.2bn (5.8%) and Europe with \$6bn (3.4%). There were 780 relevant loss events in 2016, which included earthquakes, storms, floods, droughts and heat waves, constituting a rise of 2.7% from the previous year, and higher than the annual average of 590 events during the 2006-15 period. In parallel, there were 8,700 fatalities from natural catastrophes in 2016, down by 65.7% from 25,400 deaths in 2015, and relative to the annual average of 60,600 fatalities during the 2006-15 period.

Source: Munich Re

GCC

IPOs down 86% to \$745m in 2016

There were three initial public offerings (IPOs) in the Gulf Cooperation Council (GCC) countries in 2016, constituting a drop of 50% from six deals in 2015. The three IPOs of 2016 took place in Saudi Arabia. Further, the amount of capital raised through IPOs last year totaled \$745m, down by 86.4% from \$1.48bn in 2015, its lowest level since 2013. The healthcare sector raised about \$471m in 2016, followed by the mining & metals industry (\$147bn) and the consumer durables sector (\$127bn). In parallel, there were 194 IPOs in the GCC region between 2001 and 2016. Saudi Arabia had 107 IPOs during the covered period, followed by the UAE (30 IPOs), Oman (22 IPOs), Qatar and Kuwait (14 IPOs each) and Bahrain (seven IPOs). In addition, the financial services sector had 66 IPOs during the 2001-15 period, followed by the manufacturing industry (26 IPOs), the oil & gas sector (16 IPOs), the real estate industry (13 IPOs), and the telecom and power & utilities sector (11 IPOs each). Overall, the aggregate number of IPOs in GCC countries totaled 152 deals during the 2006-16 period, while the aggregate amount of capital raised through IPOs in the region reached \$44bn in the covered period.

Source: KAMCO, Byblos Research

MENA

Mobile phones to become main online shopping channel in coming years

A PwC survey of 1,000 online shoppers in the Middle East shows that 12% of surveyed participants in the Middle East made daily online purchases in 2015, up from 6% of respondents in the region in 2014, and compared to 7% of surveyed online shoppers worldwide. It added that 44% of respondents in the region made their first online purchase in 2015, compared to 19% of participants globally. The survey indicated that social media has influenced shopping behavior and contributed towards building brand value. Also, 49% of respondents in the Middle East chose online retailers based on prices, compared to 60% of participants globally. In addition, 29% of online shoppers considered their trust in the brand when choosing an online retailer, followed by product exclusivity and personalized offers (24% each) and an easy-to-use website (23%). Further, 89% of surveyed respondents used their personal computers to make an online purchase in 2015, followed by 70% of participants who used their mobile phones or smartphones to shop online and 64% of respondents who used their tablets to make an online purchase. In parallel, 46% of surveyed participants expected mobile phones to be the main purchasing channel in coming years. Also, 68% of surveyed participants purchased clothing & footwear online in 2015, while 66% bought consumer electronics and computers. In addition, 65% of shoppers were concerned about the safety of their personal information during an online purchase.

Source: PwC

OUTLOOK

MENA

Real GDP to grow by 3.1% in 2017, risks tilted to the downside

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to accelerate from 2.7% in 2016 to 3.1% in 2017, mainly driven by stronger growth from the region's oil-importing countries. In comparison, it forecast real GDP growth at 4.2% for emerging and developing economies and at 2.7% for the global economy this year. It projected real GDP growth of MENA oil-importers to increase from 3% in 2016 to 3.9% this year due to better growth prospects in several economies including Egypt, Jordan, Lebanon and Morocco. Further, it expected the real GDP growth of MENA oil-exporters to increase from 2.7% in 2016 to 2.9% in 2017, as oil prices would gradually recover from \$43 per barrel (p/b) last year to \$55 p/b this year. But it anticipated the pace of economic recovery among oil-exporters to be slow, mainly due to the ongoing fiscal consolidation in Gulf Cooperation Council (GCC) countries and Iraq, as well as to oil production capacity constraints in Iraq. Further, it projected economic growth in GCC countries to improve from 1.6% in 2016 to 2.2% in 2017, due in part to new gas production in Qatar, but to remain well below the GCC economies' average growth rate of about 4.3% during the 1991-2008 period, given the low oil price environment and tight fiscal and monetary policies in these economies. It anticipated real GDP in MENA's non-GCC oil exporters to grow by about 4.2% this year compared to a growth rate of about 4.7% in 2016.

The Bank indicated that risks to the outlook are tilted to the downside and include slower-than-expected recovery in oil prices and spillovers from existing conflicts in several countries. It considered that key challenges facing countries in the MENA region consist of ensuring macroeconomic stability, reducing economic dependence on oil, facilitating a more dynamic private sector and seizing the benefits of the region's demographics through labor market reforms.

Source: World Bank

SAUDI ARABIA

Fiscal imbalances to narrow in case global oil prices recover

Merrill Lynch indicated that Saudi Arabia's announced budget for 2017 reflects a slowdown in the pace of fiscal consolidation, supported by expectations of higher global oil prices in the medium term. It anticipated the Kingdom's energy policy to remain focused on rebalancing the oil market, which would support economic activity in the near term. It said that higher oil prices could allow the Saudi government to better pace fiscal reforms over the medium term. Further, Merrill Lynch expected the recovery in oil prices to help narrow the Kingdom's fiscal imbalances in coming years. It projected Saudi Arabia's fiscal deficit to narrow from 16.9% of GDP in 2016 to 12% of GDP in 2017. It also forecast the non-oil primary deficit to narrow from 30.4% of non-oil GDP to 28% of non-oil GDP this year. In addition, it anticipated the gradual narrowing of fiscal imbalances in the medium term to higher non-oil revenues from the implementation of the National Transformation Plan. Further, it expected spending in real terms to remain flat in the medium term, which

implies that spending would not vary with oil prices. It anticipated that the 45% increase in oil revenues included in the 2017 budget would partly be linked to a planned resumption of subsidy reforms. However, Merrill Lynch cautioned that partial reform implementation, loose spending discipline and lower oil prices would keep fiscal imbalances elevated.

Merrill Lynch projected that increased spending and international debt issuance would help ease the pressure on domestic liquidity and would narrow the spread between the Saudi riyal and the US dollar in the near term. Further, it indicated that upside risks to the outlook include a possible sustained increase in oil prices, a faster-than-anticipated fiscal consolidation path and a decrease in capital outflows that would help stabilize foreign currency reserves over the medium term. It added that downside risks to the outlook consist of a possible sustained drop in oil prices, insufficient economic reform measures, a potential devaluation of the riyal, as well as domestic and regional geopolitical risks.

Source: Merrill Lynch

QATAR

Economic activity to remain resilient in 2017

The International Monetary Fund projected Qatar's macroeconomic performance to remain resilient despite the drop in global oil prices, driven by an expansion in the hydrocarbon and non-hydrocarbon sectors. It forecast the country's real GDP growth to accelerate from 2.7% in 2016 to 3.4% in 2017. It expected real hydrocarbon GDP to grow by 1.1% in 2017, compared to a contraction of 0.9% in 2016, due to increased output from the Barzan gas project; while it projected non-hydrocarbon real GDP growth at 5.6% in 2017 relative to an expansion of 6.5% in 2016, supported by increased spending related to the 2022 World Cup. It forecast the average inflation rate at 2.6% in 2017 and 5.7% in 2018 relative to 3% in 2016. It noted that further subsidy cuts, increase in public fees, a moderate recovery in global commodity prices and the implementation of a value-added tax during the 2017-18 period would increase inflationary pressures. The Fund indicated that the main risks to the outlook are related to lower-than-expected hydrocarbon prices and to prospects of further increases in U.S. interest rates that would dampen the authorities' efforts to support economic growth. It added that the ongoing public investment program could lead to overheating over the short-term, as well as potential resource misallocation and reduced expenditure efficiency over the medium term.

The Fund noted that the drop in oil and gas prices has weakened Qatar's fiscal and external balances. But it considered that the authorities' policy response has been adequate, as they have announced several measures to reduce current spending and expand non-hydrocarbon revenues. As such, it projected Qatar's fiscal deficit to narrow from 9.1% of GDP in 2016 to 8.3% of GDP in 2017 as hydrocarbon prices recover slightly and as authorities proceed with fiscal adjustment measures. It indicated that the government has funded its fiscal deficits through domestic and foreign debt issuances, without drawing down the Qatar Investment Authority's assets. It forecast the government's gross debt level to rise from 47.8% of GDP in 2016 to 51.3% of GDP in 2017, and it expected foreign currency reserves to increase from \$33.3bn in 2016 to \$37.3bn in 2017.

Source: International Monetary Fund



ECONOMY & TRADE

EMERGING MARKETS

Rising U.S. interest rates and domestic instability weigh on portfolio inflows

The Institute of International Finance indicated that non-resident portfolio inflows to emerging markets (EMs) reached \$27.6bn in 2016, down 42.5% from \$48bn in 2015, constituting the lowest level since 2008. It noted that net EM portfolio inflows in 2016 consisted of \$61.4bn in net equity inflows and \$33.8bn in net debt outflows. It attributed the low level of net portfolio inflows in 2016 to rising U.S. interest rates, which were offset by investors' strong risk appetite. In addition, the IIF said that domestic instability in emerging economies, such as in Turkey and India, resulted in higher portfolio outflows from emerging markets. The IIF pointed out that non-resident portfolio outflows reached \$3.4bn in December 2016, relative to outflows of \$27bn a month earlier. It added that Latin America was the only region with capital inflows in December, which totaled \$7.8bn, mainly due to debt inflows to Mexico. In parallel, non-resident capital outflows from Emerging Asia reached \$7.7bn, partly due to capital outflows from India, followed by those from Emerging Europe (\$2.4bn) and outflows from the Middle East & Africa (\$1.1bn). Also, the IIF noted that capital outflows reached \$38.4bn in the fourth quarter of 2016, relative to a previous forecast of \$54bn in inflows for the same period, constituting the highest level of capital outflows since the fourth quarter of 2008.

Source: *Institute of International Finance*

Compliance with IMF targets to improve credit profile of frontier market economies

Fitch Ratings considered that the International Monetary Fund's support to frontier markets that signed new IMF programs in 2016 has helped them mitigate external liquidity risks and reduce medium-term default risks. However, the agency indicated that the programs' implementation risks are elevated, and that potential improvements in the countries' credit profile are contingent on their level of compliance with IMF conditions. It noted that it downgraded the ratings of five out of eight sovereigns that entered into a Stand-by Arrangement or Extended Fund Facility with the IMF in 2016, that are Iraq, Kenya, Sri Lanka, Suriname and Tunisia. It attributed the rating downgrades of Iraq and Suriname to the countries' wide fiscal and current account deficits. It added that the severe recession and high inflation rate in Suriname have contributed to the partial reversal and stalling of key reforms, which delayed the Fund's disbursement. Also, the agency assigned a 'stable' outlook on Egypt's ratings before the country entered into an IMF program, which reflected the country's existing reforms prior to its agreement with the IMF. In addition, Fitch pointed out that a lack of currency flexibility in Egypt, Sri Lanka and Suriname led them to enter into a program with the IMF, which, in turn, helped them reduce pressure on their external balance sheets. Further, the agency pointed out that political instability and security risks in Iraq, Egypt and Tunisia have also led to their participation in an IMF program.

Source: *Fitch Ratings*

AFRICA

Subdued growth and geopolitical risks to pose challenges for fiscal consolidation

Moody's Investors Service indicated that the 'negative' outlook on the creditworthiness of sovereigns in Sub-Saharan Africa (SSA) for 2017 reflects tight liquidity in commodity-dependent countries, subdued economic growth and persistent political risks. It anticipated that oil and commodity price shocks would weigh on liquidity in Gabon, Mozambique, the Republic of Congo and Zambia, and would have an adverse impact on the Angolan and Nigerian economies. However, it expected liquidity risks in the remaining SSA countries to remain broadly stable in 2017. Further, it anticipated that SSA economies would continue to face fiscal deficits and challenging financial conditions. It said that the majority of the 19 rated sovereigns have adopted fiscal consolidation plans, with the exception of Botswana, but it also considered that subdued growth, social demands as well as geopolitical and weather-related risks, would pose challenges to the countries' fiscal consolidation policies. In addition, the agency forecast real GDP in SSA countries to grow by 3.5% in 2017 relative to 1.5% in 2016, but it expected economic growth to vary across the SSA region. It anticipated the subdued economic growth in Nigeria and South Africa to have a negative impact on the region's outlook. Further, Moody's expected economic growth to remain robust in east African economies, especially Kenya, Uganda and Rwanda, as they continue to benefit from capital spending and a low oil price environment.

Source: *Moody's Investors Service*

OMAN

Fitch assigns sovereign ratings

Fitch Ratings assigned to Oman a long-term foreign currency Issuer Default Rating (IDR) of 'BBB' with a 'stable' outlook, which is two notches above investment grade. It also assigned a short-term foreign currency IDR of 'F2' and a Country Ceiling of 'A-'. It said that the ratings are supported by Oman's low public and external debt, its strong balance sheet and high GDP per capita, but are constrained by the country's wide fiscal deficit and its oil-dependent budget and economy. It estimated Oman's fiscal deficit to widen from 13.5% of GDP in 2015 to 17.2% of GDP in 2016, partly due to a 22% decline in oil revenues in 2016 amid a low oil price environment. But it forecast the deficit to narrow to 14.4% of GDP in 2017 and 6.4% of GDP in 2018, in case oil prices recover gradually and fiscal measures are implemented. It added that higher corporate tax rates, as well as the removal of corporate tax exemptions, would improve the country's non-oil revenues by 1% of GDP in 2017. Further, it anticipated that the introduction of a value-added tax in 2018, along with higher gas production and oil prices in the same year, would also support fiscal revenues in 2018. In addition, the agency expected authorities to finance its fiscal deficits from external debt issuance and drawdowns from the sovereign wealth fund, which would result in the decline of foreign assets from 48.5% of GDP at end-2016 to 28% of GDP at the end of 2018. Fitch forecast hydrocarbon production to be restrained in 2017 and to recover in 2018, as the Khazzan gas field starts production.

Source: *Fitch Ratings*



BANKING

EMERGING MARKETS

Proposed changes to Basel III framework to weigh on capital inflows

The Institute of International Finance considered that the proposed changes to the Basel III capital framework, which represent substantial increases in the minimum capital requirement for banks, could further highlight de-risking trends by global banks. It noted that banks, in an attempt to meet the new capital requirements, could further reduce their cross-border exposure, which could adversely impact capital inflows to emerging markets (EMs). The IIF expected the proposed regulatory amendments to weigh on EM growth prospects, given their negative impact on trade and project finance. It anticipated that a cutback in cross-border banking flows would put pressure on funding and hedging costs for many corporates in emerging markets. It said that the proposed amendments to the Basel III capital framework could impact the various channels available for EM borrowers to obtain finance due to their substantial reliance on bank intermediation, the dominant role of trade finance, and the greater need for infrastructure investment. It noted that tighter global funding conditions continue to pose a risk for trade finance, as many EM banks appear to have a relatively low capacity to provide funding for cross-border trade. It pointed out that some EM banks have already tightened credit standards for corporates and strengthened their monitoring of credit exposures, in response to limits on concentration risk and the regulatory focus on asset quality. It added that the higher cost of capital has raised lending cost in some EMs and the cost could increase further with the anticipated regulatory amendments.

Source: *Institute of International Finance*

ARMENIA

Tier One capital of top 12 banks at \$724m

In its 2016 survey of the Top 100 commercial banks in the Commonwealth of Independent States (CIS) region, *The Banker* magazine included 12 banks operating in Armenia on the list, based on their Tier One capital at year-end 2015. The survey shows that the banks' aggregate Tier One capital totaled \$724m at the end of 2015, up by 12.6% from end-2014 and accounted for 4.1% of the Tier One capital of the top 100 CIS banks. Ameriabank had a Tier One capital of \$112m at the end of 2015, equivalent to 15.5% of the aggregate Tier One capital of the 12 banks. It was followed by ACBA Credit Agricole Bank with \$87m (12%), HSBC Bank Armenia with \$85m (11.7%), VTB Bank Armenia with \$78m (10.8%) and Ardshinbank with \$75m (10.4%). In parallel, the aggregate assets of the 12 banks reached \$5.9bn at the end of 2015 and accounted for 3.3% of the aggregate assets of the CIS banks included in the survey. As such, the combined Tier One capital-to-assets ratio of the 12 banks operating in Armenia was 12.3% at end-2015 and outperformed the top 100 CIS banks' aggregate ratio of 10% and the Top 1000 global banks' ratio of 6.4%. Prometey Bank had a Tier One capital-to-assets ratio of 22.1% at end-2015, followed by ArmSwissBank with 19.2%, Araratbank with 16.1%, ACBA Credit Agricole Bank with 15.4% and HSBC Bank Armenia with 15%. Further, the ratio of pre-tax profits-to-Tier One capital of Armenian banks reached 7.2% in 2015 compared to 0.1% for the Top 100 CIS banks.

Source: *The Banker*

IRAQ

Restructuring plan for state-owned banks expected in August 2017

The consolidated balance sheet of commercial banks operating in Iraq shows that total assets reached ID133.7 trillion, or about \$110bn, at the end of 2015, constituting a decrease of 8% from end-2014, due to decreases in foreign assets and in the banks' deposits with the Central Bank of Iraq. In comparison, total assets grew by 7.1% in 2014 and by 8.6% in 2013. The banking sector is highly concentrated, with the largest three state-owned banks Rafidain Bank, Rasheed Bank and Trade Bank of Iraq, accounting for about 90% of the sector's assets. The International Monetary Fund indicated that the country's two largest state-owned banks, Rafidain Bank and Rasheed Bank, have high non-performing loans, low capital adequacy and are largely illiquid. It added that Rafidain and Rasheed banks are significantly undercapitalized following years of financing the government's deficits, lending to loss-making utility companies, and the destruction and losses of physical assets in areas controlled by the Islamic State militant group. The Fund added that there has not been any material progress in restructuring Rafidain Bank and Rasheed Bank, although the Ministry of Finance has appointed international auditors to audit their latest financial statements. It expected the auditors to submit their report to the ministry by end-February 2017, and that the ministry will prepare a restructuring plan by the end of August 2017 in light of the audit results.

Source: *Central Bank of Iraq, International Monetary Fund*

JORDAN

Agency affirms ratings on seven banks

Capital Intelligence Ratings affirmed at 'BB-' the long-term foreign currency ratings (FCRs) of the Arab Bank (AB), the Housing Bank for Trade & Finance (HBTF), Jordan Islamic Bank (JIB), Cairo Amman Bank (CAB), Jordan Ahli Bank (JAB), Bank ABC and Jordan Commercial Bank (JCB), with a 'stable' outlook. Also, it affirmed the banks' short-term FCRs at 'B'. The agency indicated that the banks' FCRs are capped at the sovereign level, reflecting their substantial holdings of government debt. Further, the agency maintained the Financial Strength Rating (FSR) of AB and HBTF at 'BBB+', that of Bank ABC at 'BBB', the rating of JIB and CAB at 'BBB-' and that of JAB and JCB at 'BB'. It revised the outlook from 'positive' to 'stable' on JCB's FSR, mainly due to a deterioration in its asset quality, a higher than expected growth in its non-performing loans (NPLs) and a low loan-loss reserve coverage. Also, the agency revised the outlook from 'stable' to 'negative' on Arab Bank's FSR due to a sharp decrease in its capital adequacy ratio and to uncertainties regarding paid damages, while it kept the 'stable' outlook on the remaining banks' FSRs. It said that Arab Bank's FSR is supported by its ample liquidity, solid deposit base, diversified balance sheet, high operating profitability and a full loan-loss reserve coverage for NPLs. It added that the bank's FSR is constrained by its limited financial disclosure, high level of NPLs and related-party exposure. CI anticipated the difficult operating environment, as well as increased credit and geopolitical risks, to continue to weigh on the performance of banks operating in Jordan.

Source: *Capital Intelligence Ratings*



ENERGY / COMMODITIES

Oil prices trade in a volatile range

ICE Brent crude oil front-month prices have been volatile during the first two weeks of 2017, trading at a low of \$53.6 p/b and a high of \$57.1 p/b. Oil prices rose by 2.7% day-to-day to close at \$55.1 p/b on January 11, 2017, driven by a weaker US dollar, expectations of strong demand growth in China and by signs that OPEC members have already started to reduce output. Also, the rise in oil prices followed news that Saudi Arabia had cut its crude oil supplies to refiners in Asia in order to comply with the OPEC deal. However, gains were capped by a lack of details about the reductions and by signs of rising output from other oil producers. The fluctuation in oil prices this year would be driven by two major events that are pushing oil prices in opposite directions. First, investors are optimistic that the deal between OPEC and non-OPEC members would reduce the oversupply and balance the oil market. Second, U.S. shale oil producers are expected to increase their oil output in response to rising oil prices in late 2016, which would limit significant upward price movements this year. As such, oil prices are expected to be driven by the pace and magnitude of these two events. Overall, oil prices are forecast to average \$53.5 p/b in 2017, which would constitute a rise of 22.3% from \$43.7 p/b in 2016. According to the International Monetary Fund, the probability of Brent oil prices rising above \$60 p/b in the next 12 months increased to 29.6% in December 2016.

Source: Thomson Reuters, CNBC, U.S. EIA, Byblos Research

Nigeria's hydrocarbon export receipts down 51% in first 11 months of 2016

Nigeria's crude oil and condensate export receipts totaled \$2.2bn in the first 11 months of 2016, constituting a drop of 51% from \$4.5bn in the same period of 2015. Export revenues in the first 11 months consisted of \$1.3bn from crude oil exports (59.1%), \$760.6m from gas exports (34.2%) and \$150.2m in other receipts (6.8%). 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 November. Hydrocarbon receipts reached \$162.4m in November 2016, up by 67% from \$97.3m in October 2016.

Source: Nigerian National Petroleum Corporation

Oil E&P spending to increase by 7% in 2017

Global oil and gas companies are expected to raise their spending on oil exploration and production (E&P) by 7% in 2017, relative to a contraction in investment spending in the past two years. The increase in spending is due to a recovery in oil prices following OPEC and non-OPEC members' agreement to reduce their oil production. Oil companies in North America are projected to increase their E&P spending by 27% this year, relative to a decline of 38% in 2016, while spending in other regions would grow by 2% relative to a drop of 18% last year.

Source: Barclays, Thomson Reuters

Iraq cuts oil production under OPEC deal

Iraq has reduced its oil production by 160,000 barrels per day (b/d) so far in 2017, as part of OPEC's decision to reduce output by 1.2 million b/d in order to support oil prices. The country is expected to fully implement its pledged cut of 210,000 b/d by end-January 2017. Iraq is the second largest OPEC producer with an estimated output of 4.56 million b/d in November 2016.

Source: Iraqi Oil Ministry

Base Metals: Copper prices to rise in coming years due to ongoing Chinese fiscal spending

LME copper three-month future prices closed at \$5,714 per metric ton on January 11, 2016, constituting an increase of 3.2% from \$5,536 per ton at end-2015, due to concerns about a decline in global copper production in 2017, especially in Chile, as well as due to expectations of a pick-up in demand for the metal in China. In fact, Chinese copper consumption is projected to rise by 6% in 2017 compared to a previous forecast of 4% for the same year. Further, copper prices are forecast to increase from an average of \$4,874 per ton in 2016 to \$5,155 per ton in 2017 and \$5,220 per ton in 2018, driven by ongoing Chinese fiscal spending. In parallel, global demand for refined copper increased by 3.3% to 17.5 million tons year-on-year in the first nine months of 2016, mainly due to a 7% rise in Chinese demand for the metal. Demand for refined copper grew by 5% in Asia and by 1% in Europe, while it declined by 11.5% in Africa and by 4% in the Americas, and it was nearly unchanged in Oceania. On the supply side, the metal's global refined production rose by 3% to 17.4 million tons in the first nine months of 2016. China was the main contributor to the growth of the metal's refined supply during the covered period.

Source: International Copper Study Group, Byblos Research

Precious Metals: Automotive sector to account for 45% of global platinum demand in 2017

Platinum prices averaged \$987.4 a troy ounce in 2016, constituting a decline of 6.1% from \$1,052 an ounce in 2015, and traded at a low of \$814 an ounce and a high of \$1,182 an ounce in 2016. Platinum prices are projected to rise to \$1,006 an ounce in 2017 and to \$1,220 an ounce in 2018, supported by an expected recovery in European automotive sales and an anticipated decline in South African production. In parallel, global platinum supply is projected to reach 7.35 million ounces in 2017, nearly unchanged from 2016. South Africa's mine production would account for 58.1% of global mine supply in 2017, followed by Russia (9.9%) and Zimbabwe (6.2%). In parallel, global demand for platinum is projected to drop by 0.5% 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% of total platinum demand in 2017, while the jewelry industry would represent 27.1% of the total. As such, the platinum market is forecast to post a production deficit of 200,000 ounces in 2017.

Source: Deutsche Bank, 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**	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	BBB	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-	A+	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 estimates 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	02-Feb-17
Japan	O/N Call Rate	-0.10	20-Dec-16	No change	31-Jan-17
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	01-Feb-17
Taiwan	Discount Rate	1.375	22-Dec-16	No change	24-Mar-17
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	21-Dec-16	No change	08-Feb-17
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	29-Dec-16	No change	27-Jan-17
Turkey	Base Rate	8.00	20-Dec-16	No change	24-Jan-17
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	26-Dec-16	No change	30-Jan-17
Mexico	Target Rate	5.75	15-Dec-16	Raised 50bps	09-Feb-17
Brazil	Selic Rate	13.75	30-Nov-16	Cut 25bps	20-Jan-17
Armenia	Refi Rate	6.25	27-Dec-16	Cut 25bps	14-Feb-17
Romania	Policy Rate	1.75	06-Jan-17	No change	07-Feb-17
Bulgaria	Base Interest	0.00	30-Dec-16	No change	01-Feb-17
Kazakhstan	Repo Rate	12.00	09-Jan-16	No change	20-Feb-17
Ukraine	Discount Rate	14.00	08-Dec-16	No change	27-Jan-17
Russia	Refi Rate	10.00	16-Dec-16	No change	03-Feb-17



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