

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity real estate funds raise \$16bn in first quarter of 2017

Research provider Preqin indicated that 38 closed-end private equity (PE) real estate investment funds secured \$15.5bn in capital commitments in the first quarter of 2017, constituting a decrease of 52% from \$32.2bn in the fourth quarter of 2016 and a decline of 41.1% from \$26.3bn in the first quarter of 2016. It added that the amount of capital raised in the first three months of 2017 was the lowest quarterly amount since 2013. It said that 27 PE real estate funds with a primary focus on North America secured \$12.2bn in the first quarter of 2017, or 79% of total capital commitments, followed by six European-focused funds (\$2.1bn), and three Asian-focused funds (\$0.6bn). It pointed out that 17 funds with a primary focus on value-added investments raised a total of \$6.9bn during the first quarter of 2017, or 44.3% of total capital commitments, followed by 10 opportunistic funds with \$4bn in raised capital (25.8%), two distressed property funds with \$1.9bn (12.1%), two core-plus funds with \$0.8bn (4.9%), and one fund of funds with \$0.7bn (4.5%). The survey indicated that 554 closed-end PE real estate funds are currently seeking to raise an aggregate of \$189bn, the highest amount targeted since 2009. It added that 319 out of the 554 funds, or 57.6% of the total, are seeking to raise \$107bn in capital that will be invested in North America.

Source: Preqin

MENA

Arab technology startups attract \$1.7bn in equity-based funding between 2013 and 2016

Figures released by ArabNet, a hub for Arab digital professionals and entrepreneurs, show that investment funds based in the Middle East & North Africa (MENA) region invested \$918m in 218 technology startups in 14 Arab countries in 2016. The UAE attracted 78 investments for a total amount of \$799m in 2016, followed by Lebanon with 37 investments (\$56m), Saudi Arabia with 30 deals (\$5m), Egypt with 26 investments (\$12m), Jordan with 21 deals (\$15m), Tunisia with seven deals (\$8m), Palestine with seven investments (\$7m) and Bahrain with six deals (\$1m). Further, 768 technology startups in the 14 Arab countries have attracted \$1,734m in equity-based funding between 2013 and 2016. The UAE attracted 234 deals for a total amount of \$1,112m in the covered period, followed by Jordan with 118 deals (\$81m), Egypt with 101 investments (\$251m), Lebanon with 100 deals (\$119m), Saudi Arabia with 94 deals (\$107m), Palestine with 39 investments (\$19m), Tunisia with 29 deals (\$11.1m) and Morocco with 20 investments (\$23m). The survey noted that the number of investments in the MENA region has ranged between 200 and 220 deals per year during the 2014-16 period. However, it pointed out that the number of investors increased by 75% during the covered period, while the value of deals rose by 70% between 2014 and 2016. It indicated that 31% of investors in the MENA region consisted of venture capital funds, followed by accelerators (23%), seed funds (14%), angel networks (12%), corporate investors (10%) and growth capital (9%).

Source: ArabNet

Stock markets down 2% in first five months of 2017

Arab stock markets regressed by 1.8% and Gulf Cooperation Council (GCC) equity markets decelerated by 2.6% in the first five months of 2017, compared to increases of 4.4% and 4.9%, respectively, in the same period of 2016. In comparison, global equities rose by 10%, while emerging market equities improved by 15% in the first five months of 2017. Activity on the Damascus Securities Exchange jumped by 83.6% in the first five months of 2017, while the Boursa Kuwait grew by 18%, the Khartoum Stock Exchange expanded by 12%, the Bahrain Bourse and the Egyptian Exchange increased by 8.1% each, the Tunis Bourse expanded by 3.8% and the Amman Stock Exchange improved by 0.2%. In contrast, activity on the Iraq Stock Exchange dropped by 8.1% in the covered period, while the Beirut Stock Exchange declined by 6.3%, the Muscat Securities Market regressed by 6.2%, the Dubai Financial Market retreated by 5.4%, the Qatar Stock Exchange contracted by 5.1%, the Saudi Stock Exchange decreased by 4.7%, the Abu Dhabi Securities Exchange regressed by 2.6%, the Casablanca Stock Exchange declined by 0.6% and the Palestine Exchange retreated by 0.4%. In parallel, activity on the Tehran Stock Exchange improved by 1.3% in the first five months of 2017.

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

Greenfield FDI inflows up 60% to \$143bn in 2016

Figures released by fDi Markets show that the Middle East & Africa (ME&A) region attracted \$142.8bn in greenfield foreign direct investment (FDI) in 2016, up by 60% from about \$89bn in 2015, and equivalent to 18.4% of global greenfield FDI. Greenfield FDI to African countries accounted for 64% of total greenfield FDI to the ME&A region in 2016, while Middle Eastern countries represented the remaining 36%. Egypt attracted \$40bn of greenfield FDI in 2016, equivalent to 28% of greenfield FDI in the ME&A region. Iran followed with \$12.2bn (8.5%), then Saudi Arabia with \$11.6bn (8.1%), the UAE with \$9.1bn (6.4%), Algeria with \$7.4bn (5.2%), South Africa with \$7bn (4.9%), Ethiopia with \$6.8bn (4.8%) Morocco with \$6.6bn (4.6%), Mozambique with \$6.3bn (4.4%) and Nigeria with \$6.2bn (4.3%). Also, other ME&A countries received \$29.6bn in greenfield FDI last year, or 20.7% of total FDI inflows to the region. In parallel, ME&A countries attracted 1,131 greenfield FDI projects in 2016, down by 11% from the preceding year, and equivalent to 8.9% of the aggregate number of greenfield FDI projects worldwide. The UAE attracted 245 greenfield FDI projects last year and accounted for 21.7% of greenfield FDI in the ME&A region. South Africa followed with 105 projects (9.3%), then Morocco with 80 projects (7.1%), Egypt and Saudi Arabia with 69 projects each (6.1% each), Iran with 59 projects (5.2%), Nigeria with 49 projects (4.3%), Kenya with 38 projects (3.4%) and Côte d'Ivoire with 33 projects (2.9%); while other ME&A countries attracted 384 greenfield FDI projects in 2016, or 33.8% of the total.

Source: fDi Markets, Byblos Research

OUTLOOK

UAE

Non-hydrocarbon growth at 3.3% in 2017-18, fiscal and external balances to improve

Regional investment bank EFG Hermes projected the UAE's real GDP growth to decelerate from 3% in 2016 to 1.1% in 2017, mainly due to a drop in oil production under the OPEC agreement. But it expected economic activity to pick up to 3.1% in 2018, supported by Dubai's expansionary fiscal policy ahead of the World Expo 2020, as well as easing fiscal consolidation in Abu Dhabi. It anticipated non-hydrocarbon real GDP growth to accelerate from 2.7% in 2016 to 3% in 2017 and 3.5% in 2018. In addition, it forecast the average inflation rate to rise from 1.8% in 2016 to 2.5% in 2017 and 3.5% in 2018 as a result of additional cuts in subsidies and the introduction of the value-added tax in 2018.

In parallel, EFG Hermes indicated that the UAE continues to benefit from one of the strongest fiscal and external positions among the Gulf Cooperation Council countries, given its large buffers and diversified economy. It anticipated the country's fiscal deficit to narrow from \$32.9bn or 2.6% of GDP in 2016, to \$24bn or 1.7% of GDP in 2017, and to shift to a surplus of \$46.4bn or 3.1% of GDP in 2018 in case oil export receipts increase and additional revenue-raising measures are implemented. It forecast Abu Dhabi's fiscal balance to post a surplus of about 1.5% of GDP in 2017, as it would benefit from higher oil prices and the easing of fiscal consolidation. However, it expected Dubai's fiscal balance to post its first deficit in five years, due to the restructuring of the budget and to increased investment spending. Further, it anticipated the UAE's current account surplus to increase from \$11.2bn or 3.2% of GDP in 2016, to \$14bn or 3.7% of GDP in 2017 and \$32.5bn or 8.1% of GDP in 2018, due to a recovery in oil prices and global trade activity.

In parallel, EFG Hermes pointed out that risks to the UAE's growth outlook include mainly tighter-than-anticipated fiscal consolidation in Abu Dhabi, a stronger US dollar that could weaken the country's competitiveness and delays in the implementation of projects. It noted that the adverse impact of the challenging operating environment on small- and medium-sized enterprises could reduce lending and employment.

Source: EFG Hermes

ALGERIA

Growth at 1.2% in 2017-19, fiscal and external deficits to narrow on sustained fiscal consolidation

The World Bank projected Algeria's real GDP growth to decelerate from 3.8% annually between 2014 and 2016 to an average rate of 1.2% annually during the 2017-19 period, mainly due to the ongoing fiscal consolidation and a modest growth in hydrocarbon production. It expected hydrocarbon production to increase by 2.5% during the 2017-19 period due to the start of production in new oil wells. As such, it anticipated that higher oil output, along with a recovery in global oil prices, would mitigate the negative impact of fiscal consolidation on the country's non-hydrocarbon sectors. Further, it indicated that monetary authorities have allowed the Algerian dinar to depreciate by 8.6% against the US dollar in 2016, which fuelled inflationary pres-

ures. However, it forecast Algeria's average inflation rate to regress from 6.4% in 2016 to 4.8% in 2017 and to average 4.4% annually during the 2017-19 period, mainly due to subdued household demand. It pointed out that lower-than-expected oil prices and increased social discontent constitute substantial downside risks to Algeria's growth prospects.

In parallel, the Bank expected Algeria's fiscal deficit to narrow significantly from an annual average of 11.9% of GDP during the 2014-16 period to 2.7% of GDP in the 2017-19 period, in case the government continues to implement fiscal consolidation measures. It anticipated authorities to finance the deficit by new debt issuance, given that the country's fiscal savings have been depleted. As such, it expected Algeria's public debt level to gradually rise from 12.3% of GDP in 2017 to 20.4% of GDP by 2019. In parallel, it forecast the current account deficit to narrow from an annual average of 12.2% of GDP during the 2014-16 period to 10.9% of GDP in the 2017-19 period, amid ongoing fiscal consolidation and an improved trade balance.

Source: World Bank

ETHIOPIA

Economic growth forecast at 7.5% in 2017-18

The International Monetary Fund projected Ethiopia's real GDP growth rate at 7.5% in each of 2017 and 2018 compared to a growth of 8% in 2016, as the country's economic activity would continue to benefit from strong domestic demand and high levels of public spending. In comparison, it forecast growth at 2.6% in 2017 and 3.5% in 2018 for Sub-Saharan Africa (SSA), and at 5.1% in 2017 and 5.3% in 2018 for members of the Common Market for Eastern & Southern Africa (COMESA), in which Ethiopia is a member. It expected the country's inflation rate to average 6.3% in 2017 compared to average rates of 10.7% in SSA and 7.4% in the COMESA, and anticipated it to reach 7.5% in 2018. Further, it forecast Ethiopia's real per capita GDP to grow by 5.8% in each of 2017 and 2018 relative to a growth of 6.3% in 2016. It also projected total investment to decline from 38.5% of GDP in 2016 to 35.7% of GDP this year and 35.3% of GDP in 2018. It added that claims on the non-financial private sector grew by 31% and by 23% in 2015 and 2016, respectively, relative to growth rates of 20.3% and 10.3%, respectively, for COMESA economies.

In parallel, the Fund projected Ethiopia's fiscal deficit, excluding grants, to widen from 3.2% of GDP in 2016 to about 4% of GDP in each of 2017 and 2018; while it expected the deficit, including grants, to widen from 2.4% of GDP last year to about 3% of GDP in each of 2017 and 2018. It anticipated public revenues, excluding grants, at 14.5% of GDP in 2017 and 14.4% of GDP in 2018, and total expenditures at 18.5% of GDP in 2017 and 18.3% of GDP in 2018. It forecast the total external debt to rise from 31.1% of GDP at the end of 2016 to 33.3% of GDP at end-2017 and 34.4% of GDP at end-2018. Further, it projected the current account deficit at 10% of GDP in 2017, nearly unchanged from the preceding year, and expected it to narrow to 9.1% of GDP in 2018. The Fund anticipated the country's gross official reserves to decrease from 2.1 months of imports of goods & services in 2016 to 1.9 months of import cover in each of 2017 and 2018.

Source: International Monetary Fund



ECONOMY & TRADE

GCC

Agency takes actions on sovereign ratings

Moody's Investors Service downgraded Qatar's long-term issuer and senior unsecured debt ratings from 'Aa2' to 'Aa3', and revised the outlook from 'negative' to 'stable'. It attributed the downgrade to the weakening of the country's external position and to uncertainties over Qatar's economic growth model in the long-term. It noted that the country's external debt rose from 111% of GDP in 2015 to 150% of GDP in 2016, driven by a rise of commercial banks' foreign liabilities and a weakening of their net foreign liability position. It projected the external debt level to remain around 150% of GDP in coming years despite improvements in the balance of payments, due to debt-generated inflows to the country's financial account. In addition, it said that public consumption and investment growth could slow down significantly over the long-term, as a result of a potential decline in the country's population and in case public investment declines. In parallel, Moody's affirmed at 'Aa2' the long-term issuer ratings of Kuwait, the UAE and the Emirate of Abu Dhabi, and revised their outlooks from 'negative' to 'stable'. It attributed the outlook revisions on the ratings of the UAE and Abu Dhabi to their effective policy response to the low oil price environment through a reform program, their favorable economic growth prospects, as well as to the expected improvement in the UAE's fiscal and current account positions and to an easing of contingent liability risks in Abu Dhabi. It also indicated that the outlook revision on Kuwait's ratings reflects improved institutional strength that has helped implement reforms, as well as its stronger-than-anticipated fiscal performance in the fiscal year that ended in March 2017.

Source: Moody's Investors Service

JORDAN

Outlook on ratings revised to 'negative'

Capital Intelligence Ratings (CI) affirmed Jordan's long-term foreign and local currency ratings at 'BB-' and 'BB', respectively, and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the sustained decline in foreign currency reserves that is weakening the country's ability to absorb external shocks. It noted that the revision also takes into account high implementation risks related to the government's fiscal consolidation and debt reduction agenda in the context of subdued domestic growth, increasing unemployment and regional instability. It said that foreign currency reserves declined from \$14.2bn at the end of 2015 to about \$11.5bn at end-March 2017, and that the current account deficit widened from 9.1% of GDP in 2015 to 9.3% of GDP in 2016 mainly due to lower remittance inflows and tourism receipts. However, it indicated that Jordan's adequate access to international markets, along with the financial support from the IMF, could help ease near-term external refinancing risks and reduce any immediate pressure on the exchange rate. In parallel, it indicated that Jordan's public debt reached about 95% of GDP in 2016, its highest level in more than a decade. However, it noted that most of the scheduled debt repayments are in local currency and that domestic banks are able and willing to subscribe to local currency debt. Further, it expected the budget deficit to narrow from 3.3% of GDP in 2016 to an average of 3% of GDP annually during the 2017-18 period, in case of fiscal consolidation.

Source: Capital Intelligence Ratings

TUNISIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B+' Tunisia's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It said that the ratings reflect the country's high and growing public and external imbalances, large contingent liabilities stemming from weak state-owned institutions and banks, and limited reform momentum. But it noted that the ratings are supported by international funding that provides external financing and foreign currency liquidity, and by a sound debt servicing record. In parallel, Fitch projected the current account deficit to remain wide at 10.5% of GDP in 2017 and 9.7% of GDP in 2018 despite a slowdown in import growth, higher growth in European export markets and a recovery in tourism receipts. Further, it forecast the fiscal deficit at about 6.5% of GDP in 2017 and 6.2% of GDP in 2018, while it expected the public debt level to grow from 68.5% of GDP in 2017 to more than 70% of GDP in 2018. It estimated the external funding that is needed to finance the budget at 7% of GDP in 2017, but it noted that concessional financing from multilateral and bilateral lenders would account for about 53% of funding sources this year. It added that the public debt level is vulnerable to exchange rate fluctuations, given that 67.5% of the debt stock is denominated in foreign currency. Fitch said that Tunisia's net external debt rose from 20.8% of GDP in 2010 to 46% of GDP in 2016, and expected it to exceed 55% of GDP by 2018, which would increase vulnerability to external shocks.

Source: Fitch Ratings

OMAN

Fiscal measures and external borrowing are key for public finance stability

The International Monetary Fund projected flat economic growth for Oman in 2017 following an expansion of about 3% in 2016, as it expected the production cuts under the OPEC agreement to offset the anticipated 2.5% growth in non-hydrocarbon sector activity. It indicated that Omani authorities have set ambitious fiscal targets to narrow the fiscal deficit from 22% of GDP in 2016 to 12% of GDP in 2017. It noted that the implementation of the 2017 budget would protect policy credibility and sustain investor confidence, which has supported Oman's access to international financing at favorable terms in 2016. It considered that a timely increase of the corporate income tax and the planned introduction of the value-added tax and excise duties would further support the continued improvement in the country's fiscal position in the medium term. It called for additional fiscal adjustment in order to maintain fiscal sustainability and support the currency peg to the US dollar over the medium-term, such as phasing out the remaining subsidies, restraining government expenditures and increasing non-oil revenues. In parallel, Merrill Lynch indicated that Oman has to secure significant external financing needs due to its wide fiscal and current account deficits, in order to prevent the depletion of its foreign assets and preserve the currency peg to the US dollar. It noted that Oman's foreign assets declined from a peak of \$51.5bn in 2013 to \$38.8bn in 2016, and that large external borrowing and potential support from non-resident entities have prevented a more rapid erosion of foreign assets. It estimated that Oman's liquid assets cover 2.5 years of external financing needs, which provide a near-term cushion.

Source: International Monetary Fund, Merrill Lynch



BANKING

MENA

Bank lending conditions remain tight in first quarter of 2017

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region increased to 44.9 in the first quarter of 2017 from 44 in the preceding quarter. The Index remained below the threshold of 50 for the eighth consecutive quarter, which reflects sustained tightening in lending conditions. The MENA region had the second least favorable lending conditions among emerging markets in the covered quarter, better than only Sub-Saharan Africa (43.5). However, it posted the second best improvement in lending conditions among emerging markets in the first quarter of 2017 behind Emerging Asia. The region's Funding Conditions Index significantly improved to 50.5 in the first quarter of 2017 from 47.8 in the preceding quarter due to an easing of domestic and international funding conditions, while the Trade Finance Index increased to 49.5 in the covered quarter from 47.8 in the fourth quarter of 2016. In addition, the Non-Performing Loans Index rose to 43.75 in the first quarter of 2017 from 40.9 in the previous quarter, reflecting a deterioration in the banks' asset quality. Further, the Demand for Loans Index improved to 43.1 in the covered quarter from 41.7 in the fourth quarter of 2016, as demand for residential real estate loans and for corporate loans increased. In contrast, the Credit Standards Index regressed to 41.7 in the first quarter of 2017 from 44.2 in the preceding quarter, as credit standards in most lending categories tightened.

Source: *Institute of International Finance*

GCC

New accounting standards to have manageable impact on banks' financial profiles

S&P Global Ratings anticipated that the implementation of the International Financial Reporting Standard 9 (IFRS9), starting in January 2018, would have a manageable impact on the financial profile of rated banks in the Gulf Cooperation Council (GCC) countries. The agency attributed the resilience of GCC banks to their good earning capacity and conservative approach to provisioning. It noted that banks are currently required to set aside provisions only when they incur losses or when the counterparty or financial asset defaults on its obligations, while IFRS9 will ask banks to build provisions in advance based on their expected losses. It estimated that rated GCC banks will be required to accumulate additional provisions equivalent to 17% of their net operating income, on average, under IFRS9. But it noted that provisioning needs vary across GCC banks, as some banks are already compliant with IFRS9 requirements. It added that additional provisioning requirements would rise to the equivalent of 27% of net operating income when excluding banks without provision shortfalls. Further, it expected rated Kuwaiti banks to be the least affected by the introduction of IFRS9, as local authorities require banks to set a general provision on their performing facilities that is equivalent to 1% of cash facilities and to 0.5% of non-cash facilities. S&P anticipated Qatari rated banks to be the most affected by the adoption of IFRS9 because some banks suffer from a deterioration in their asset quality.

Source: *S&P Global Ratings*

EGYPT

Increase in policy rates to support banks' profitability and capital metrics

Moody's Investors Service indicated that the Central Bank of Egypt's (CBE) decision to raise its key policy rates by 200 basis points (bps) would increase the banking sector's interest income and capital generation capacity. First, it expected the rate hike to increase the yields on the banks' liquid assets, which accounted for 36% of the banking sector's total assets as at December 2016. It considered that banks would reinvest their large stock of liquid assets, which consist of intra-bank placements, deposits at the CBE and Treasury bills, at higher rates and would generate higher earnings. Second, it said that banks would raise the rate they charge on floating-rate loans, which account for about 40% of their aggregate lending. Third, it anticipated that the banks' funding costs would rise by less than 200bps, since 30% of the banks' deposits are low-cost current and savings accounts. Fourth, it pointed out that the cumulative 500bps increase in interest rates since November 2016 could reduce debt affordability and negatively impact the banks' loan performance. But it expected the low leverage in the private sector, the CBE's macro-prudential regulations to ensure repayment capacity and the introduction of a 35% payment-to-income cap to partly mitigate the risk of a deterioration in asset quality. In addition, the agency pointed out that Egyptian banks have increased their lending to small- and medium-sized enterprises (SMEs), which exposes the sector to higher credit risk given that these businesses are more vulnerable to macroeconomic fluctuations. However, it noted that most of these loans were extended under the CBE's special scheme for SMEs at preferential rates.

Source: *Moody's Investors Service*

UAE

Agency takes rating actions on Abu Dhabi banks

Moody's Investors Service affirmed the long-term debt and local-currency deposit ratings of First Abu Dhabi Bank (FAB) at 'Aa3', those of Abu Dhabi Commercial Bank (ADCB), Al Hilal Bank (AHB) and Union National Bank (UNB) at 'A1', and the ratings of Abu Dhabi Islamic Bank (ADIB) at 'A2'. Further, it revised the outlook on the ratings of FAB, ADCB, UNB and ADIB from 'negative' to 'stable', while it maintained the 'negative' outlook on AHB's ratings. The agency attributed the affirmation and outlook revision on the four banks to its similar action on the UAE's sovereign ratings. It added that the banks' ratings are supported by the government's capacity and willingness to provide extraordinary support in case of need. Moody's indicated that it kept the 'negative' outlook on AHB's ratings because it expected the bank's financial metrics to continue to deteriorate. It said that the bank's adjusted non-performing financings ratio, which is a similar metric to the non-performing loans ratio, increased from 8.9% as at end-2015 to 10.9% as at the end of 2016, and was significantly higher than the average ratio of around 5% in the UAE. Also, it pointed out that AHB's profitability has been decreasing as provisioning costs have accounted for more than 90% of pre-provision income on average over the 2014-16 period, and that its net profit margin dropped from 3.1% in 2015 to 2.5% in 2016.

Source: *Moody's Investors Service*



ENERGY / COMMODITIES

Oil prices to average \$55.4 p/b in 2017

ICE Brent crude oil front-month prices averaged \$57.1 per barrel (p/b) in the first five months of 2017, constituting an increase of 14.8% from \$49.8 p/b in the same period of 2016. The annual increase in oil prices was mainly due to the agreement reached in November 2016 between OPEC and non-OPEC members to cut their oil production by 1.8 million barrel per day (b/d). Since then, crude oil prices have been trading at a narrow range near the \$55 p/b level. However, oil prices closed at \$50.3 p/b on May 31, 2017, down by 7% from the preceding week despite the OPEC and non-OPEC members' decision on May 25, 2017 to extend their oil production cuts until March 2018. Oil prices dropped because the market was hoping that OPEC members would introduce larger production cuts over a longer period of time instead of simply extending the current ceiling. Also, the decline in oil prices came amid an increase in U.S. and Libyan crude oil output, a slowdown in China's economic activity, as well as rising concerns that the extended production cuts and the summer driving season in the U.S. would not be able to reduce the oversupply in the global oil market. As a result of the market's negative reaction, Goldman Sachs reduced its 2017 forecasts for Brent oil prices to \$55.4 p/b from \$56.8 p/b previously, and its projections for WTI oil prices to \$52.4 p/b from \$54.8 p/b.

Source: Thomson Reuters, Goldman Sachs, Byblos Research

Refined production of copper to rise by 2% in 2017

Global refined production of copper is projected at 23.7 million tons in 2017, up by 1.9% from 23.3 million tons in 2016. Production of refined copper in Asia & Oceania is forecast at 13.6 million tons in 2017, or 57.4% of global output, followed by Latin America with 3.1 million tons (13.1%), the European Union with 2.7 million tons (11.5%), North America with two million tons (8.2%), Africa with 1.3 million tons (5.4%) and other European countries with 1.1 million tons (4.6%). Also, refined production in Africa is expected to rise by 4.9% in 2017, the highest growth among all regions, while output in Latin America is projected to decline by 3.1% this year, the steepest drop among regions.

Source: International Copper Study Group, Byblos Research

OPEC's oil output nearly unchanged in April 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 31.73 million barrels per day (b/d) in April 2017, nearly unchanged from 31.75 million b/d in the preceding month. Saudi Arabia produced 9.95 million b/d in April 2017, equivalent to 31.4% of OPEC's total oil production, followed by Iraq with 4.37 million b/d (13.8%), Iran with 3.76 million b/d (11.8%) and the UAE with 2.84 million b/d (9%).

Source: OPEC, Byblos Research

Libya's oil production at its highest level in more than three years

Oil production in Libya reached 827,000 barrels per day (b/d) on May 31, 2017, its highest level in more than three years, due to a resumption of oil production at the Sharara oilfield. Still, Libya's oil output remains 48.3% below the 1.6 million b/d level produced prior to the 2011 uprising. In parallel, Libya's crude oil exports totaled 500,000 b/d so far in 2017 compared to 300,000 b/d in full year 2016.

Source: Libya's National Oil Corporation, Thomson Reuters

Base Metals: Steel prices to continue to rise in 2017

LME steel billet cash prices averaged \$312.5 per ton in the first five months of 2017, up 2.3 times from \$137.8 per ton during the same period last year. The rise in the metal's prices reflects a recovery in the construction industry in developed markets, especially in Germany, the U.S. and the United Kingdom, as well as a surge in infrastructure development projects in China and India. Also, anti-dumping levies by the EU and the U.S. on steel imports from China, the world's largest producer of steel, would support the metal's prices throughout 2017. In parallel, global crude steel output reached 550.8 million tons in the first four months of 2017, up by 5.2% year-on-year. China's crude steel production totaled 273.9 million tons, or 49.7% of global output, in the first four months of 2017. Japan followed with 35 million tons (6.4%), then India with 33.2 million tons (6%) and the U.S. with 27 million tons (4.9%). On a regional level, steel output in Asia totaled 378.6 million tons and accounted for 68.7% of global production in the covered period, followed by the European Union with 56.8 million tons (10.3%) and North America with 38.5 million tons (7%). The figures are based on data of 66 producing countries that account for 99% of global steel supply.

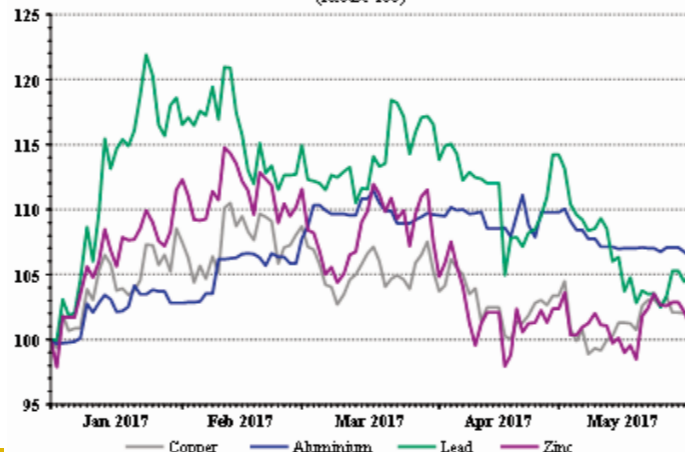
Source: World Steel Association, Byblos Research

Precious Metals: Gold prices to rise in 2017 on higher physical demand

The gold bullion spot price closed at a five-week high of \$1,268 a troy ounce on May 31, 2017, constituting an increase of 9.5% from end-2016. The rise in the metal's prices is driven by uncertainties about the upcoming general elections in the United Kingdom in June, prospects of early general elections in Italy this year and concerns over Greece's capacity to repay EUR7bn of debt that mature in July, which fuelled demand for the safe haven asset. However, gold prices regressed by 1.9% month-on-month to an average of \$1,246 an ounce in May 2017, constituting the steepest month-on-month decline since December 2016. The decline in gold prices in May reflects receding geopolitical tensions in Europe following the victory of Emmanuel Macron in the French presidential elections, and higher expectations of an interest rate hike in the U.S. in June amid improved domestic demand. Overall, gold prices are projected to increase from \$1,249 an ounce in 2016 to \$1,323 an ounce in 2017, partly driven by an expected recovery in the metal's physical demand this year.

Source: Thomson Reuters, Credit Suisse, Byblos Research

Price Performance of Base Metals in First Five Months of 2017
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

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								
Africa													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
	-	-	-	-	Negative								
Angola	B	B1	B	-	B+	-4.1	71.6	43.1	142.7	-	-	-4.3	-3.5
	Negative	Negative	Negative	-	Negative								
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	B	B1	B		B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
	Stable	Stable	Stable	-	Negative								
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
	-	-	Stable	-	Negative								
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
	Negative	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
	Stable	Positive	Stable	-	Stable								
Nigeria	B	B1	B+	-	B+	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
	Stable	Negative	Negative	-	Negative								
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
	-	-	-	-	Negative								
Tunisia	-	Ba3	B+	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
	-	Negative	Stable	-	Stable								
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
	Stable	-	-	-	Stable								
Rwanda	B	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
	Stable	Stable	Positive	-	Stable								
Middle East													
Bahrain	BB-	Ba2	BB+	BB+	BBB-	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
	Stable	Stable	Stable	Stable	Negative								
Iran	-	-	-	BB-	BB-	-2.6	17.5	2.2	8.8	-	-	-2.6	-
	-	-	-	Stable	Positive								
Iraq	B-	(P)Caa1	B-	-	CC+	-11.3	71.4	59.1	158.8	-	-	-2.8	-
	Stable	Stable	Stable	-	Stable								
Jordan	BB-	B1	-	BB-	BB+	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
	Negative	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B2	B-	B	B-	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
	Stable	Negative	Stable	Negative	Stable								
Oman	BB+	Baa1	BBB	BBB+	BBB	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
	Negative	Stable	Stable	Stable	Negative								
Qatar	AA	Aa3	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
	Negative	Stable	Stable	Negative	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	AA-	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CCC	-10.0	67.3	17.3	-	-	197.2	-7.0	-0.2
	-	-	-	-	Negative								

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-	A1	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Negative	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	BB+	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Negative	Negative	Stable	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	0.75-1.00	03-May-17	No change	14-Jun-17
Eurozone	Refi Rate	0.00	27-Apr-17	No change	08-Jun-17
UK	Bank Rate	0.25	11-May-17	No change	15-Jun-17
Japan	O/N Call Rate	-0.10	27-Apr-17	No change	16-Jun-17
Australia	Cash Rate	1.5	02-May-17	No change	06-Jun-17
New Zealand	Cash Rate	1.75	10-May-17	No change	21-Jun-17
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Mar-17	No change	15-Jun-17
Canada	Overnight rate	0.50	24-May-17	No change	12-Jul-17
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.25	15-Mar-17	Raised 25bps	14-Jun-17
Taiwan	Discount Rate	1.375	24-Mar-17	No change	29-Jun-17
South Korea	Base Rate	1.25	25-May-17	No change	13-Jul-17
Malaysia	O/N Policy Rate	3.00	12-May-17	No change	13-Jul-17
Thailand	1D Repo	1.50	24-May-17	No change	5-Jul-17
India	Reverse repo rate	6.25	06-Apr-17	No change	07-Jun-17
UAE	Overnight repo rate	1.75	15-Mar-17	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	1.00	15-Mar-17	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	21-May-17	Raised 200bps	06-Jul-17
Turkey	Base Rate	8.00	26-Apr-17	No change	15-Jun-17
South Africa	Repo rate	7.00	25-May-17	No change	20-Jul-17
Kenya	Central Bank Rate	10.00	29-May-17	No change	25-Jun-17
Nigeria	Monetary Policy Rate	14.00	23-May-17	No change	25-Jul-17
Ghana	Prime Rate	22.50	22-May-17	Cut 100bps	24-Jul-17
Angola	Base rate	16.00	31-Jan-17	No change	01-Jun-17
Mexico	Target Rate	6.75	18-May-17	Raised 25bps	22-Jun-17
Brazil	Selic Rate	11.25	31-May-17	Cut 100bps	26-Jun-17
Armenia	Refi Rate	6.00	16-May-17	No change	27-Jun-17
Romania	Policy Rate	1.75	05-May-17	No change	30-Jun-17
Bulgaria	Base Interest	0.00	01-Jun-17	No change	30-Jun-17
Kazakhstan	Repo Rate	11.00	10-Apr-17	No change	05-Jun-17
Ukraine	Discount Rate	14.00	25-May-17	Cut 100bps	06-Jul-17
Russia	Refi Rate	9.25	28-Apr-17	Cut 50bps	16-Jun-17



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