Issue 495
June 15, 2017

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Trade sale accounted for 56% of private equity-backed exits in first quarter of 2017

Research provider Preqin indicated that 970 private equity-backed buyout deals were announced or completed globally in the first quarter of 2017, down by 8.3% from 1,058 deals in the preceding quarter and constituting the smallest number of quarterly deals since the first quarter of 2015. The total value of private equity-backed buyout deals reached $53.4bn in the covered quarter, down by 40.1% from $89.2bn in the fourth quarter of 2016. North America accounted for 47.1% of the aggregate value of buyout deals in the first quarter of the year, followed by Europe (37.7%) and Asia (13.2%), while deals in the rest of the world represented the remaining 2%. In parallel, Preqin noted that there were 394 private equity-backed exits in the first quarter of 2017, the lowest level since the first quarter of 2013, for an aggregate exit value of $47.9bn. It said that 222 exits or 56.3% of total divestures were completed through a trade sale, followed by 54 initial public offerings & follow-on exits (13.7%), and 110 sales to other General Partners (GPs) (28%). Preqin pointed out that the number of initial public offerings & follow-on exits rose by 17.4% quarter-on-quarter, while the number of trade sales fell by 5.1% and that of sales to other GPs declined by 16% from the fourth quarter of 2016.

Source: Preqin

GCC

Sovereign wealth funds and other public foreign assets at $1.7 trillion in 2017

The Institute of International Finance projected the aggregate assets of sovereign wealth funds (SWFs) and other public foreign assets of Gulf Cooperation Council (GCC) countries at $1.65 trillion in 2017, which would constitute an increase of 6.7% from $1.55 trillion in 2016. It forecast the UAE's SWFs and public foreign assets at $598bn, or 36.3% of the total, followed by Kuwait at $571bn (34.6%), Saudi Arabia at $231bn (14%), Qatar at $213.7bn (13%), Oman at $33.5bn (2%) and Bahrain at $2.1bn (0.1%). It anticipated the SWFs and other public foreign assets of Saudi Arabia to increase by 35.1% in 2017, followed by the assets of Oman (+8.8%), Qatar (+4.5%), the UAE (+3.4%) and Kuwait (+2%), while it expected those of Bahrain to remain unchanged year-on-year. Further, it forecast the aggregate assets of SWFs and other public foreign assets in GCC countries at $1.89 trillion in 2020, which would constitute a rise of 14.3% from 2017, with the UAE accounting for $644.8bn or 34.2% of the total, followed by Kuwait with $605.8bn (32.1%), Saudi Arabia with $381bn (20.2%), Qatar with $216.7bn (11.5%), Oman with $35.1bn (1.9%) and Bahrain with $2.1bn. In parallel, the IIF projected the GCC's aggregate official foreign currency reserves at $630.1bn at the end of 2017, down by 9.3% from end-2016, with Saudi Arabia accounting for 74.5% of the total. It attributed the decline in official reserves to a decrease of 12.3% in the reserves of Saudi Arabia and a drop of 9.1% in Bahrain's reserves. Also, it projected the GCC's aggregate official reserves at $564.7bn in 2020, which would constitute a drop of 10.4% from 2017, with Saudi Arabia accounting for 69.8% of total reserves.

Source: Institute of International Finance

MENA

FDI in Arab world up 24% to $31bn in 2016

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in 19 Arab economies totaled $30.7bn in 2016, constituting an increase of 24% from $24.8bn in 2015. FDI inflows to Arab countries accounted for 4.8% of FDI in developing economies and for 1.8% of global foreign direct investment in 2016. The UAE was the largest recipient of FDI in the region with $9bn, or 29.2% of total FDI in Arab countries, followed by Egypt with $8.1bn (26.4%) and Saudi Arabia with $7.5bn (24.3%); while Yemen and Iraq posted negative flows of -$561m and -$5.9bn, respectively, in 2016. In parallel, FDI in Palestine rose by 2.6 times in 2016, followed by flows to Djibouti (+29%), Egypt (+17%) and Lebanon (+9%); while inflows to Mauritania fell by 46% in 2016, the steepest decline among Arab countries, followed by Sudan (-38.5%) and Libya (-32.1%). Also, FDI flows in Oman shifted from outflows of $2.7bn in 2015 to inflows of $142m in 2016, while those in Bahrain shifted from outflows of $797m in 2015 to inflows of $282m last year, and FDI in Algeria shifted from outflows of $584m in 2015 to inflows of $1.6bn in 2016. Further, FDI inflows to Arab countries were equivalent to 1.3% of their aggregate GDP in 2016, nearly unchanged from 1.2% of GDP in 2015. FDI inflows to Djibouti were equivalent to 8.4% of its GDP last year, followed by Mauritania (5.8% of GDP) and Lebanon (4.9% of GDP).

Source: UNCTAD, International Monetary Fund, Byblos Research

Facebook attracts two-thirds of e-commerce firms' digital advertisement expenditures

Figures released by ArabNet, a hub for Arab digital professionals and entrepreneurs, show that e-commerce companies in the Middle East & North Africa (MENA) region consider Twitter, Instagram and Facebook to be the main social media channels to market their products and services. The results are based on a survey conducted with executives from 13 e-commerce companies in the region. It indicated that all surveyed respondents use Twitter and Instagram to organically advertise their products or services, while 92.3% of e-commerce companies use Facebook to market their products, 76.9% use blogs, 61.5% of firms use YouTube and 46.2% use Snapchat. It also noted that surveyed companies in the region spend 64% of their digital advertising expenditures on Facebook ads, followed by 8% of their ad spending on Instagram ads, 6% on each of Twitter and YouTube ads and 1% of spending on Snapchat ads. Further, it noted that 61% of e-commerce firms have mobile applications, while 31% are currently developing a mobile platform. In parallel, the survey pointed out that the customer retention rate is high, as all surveyed participants believe that at least 40% of their consumers are repeat buyers. It indicated that the majority of respondents said that at least 67% of payments are made in cash upon the delivery of the product. It noted that some surveyed firms do not accept cash on delivery but plan to do so, given the importance of this payment channel and the opportunity cost of not using it.

Source: Arabnet, Optimum Media Direction

MENA

Economic growth to decelerate to 2.1% in 2017, downside risks persist

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to decelerate from 3.2% in 2016 to 2.1% in 2017, mainly due to a slowdown of activity in the region's oil-exporting economies. It anticipated oil production cuts under the OPEC agreement, the ongoing fiscal consolidation and persistent regional conflicts to weigh on economic activity this year. It forecast real GDP growth of MENA oil-exporters to regress from 3.2% in 2016 to 1.8% this year, mainly due to lower oil production. It projected economic growth in Gulf Cooperation Council (GCC) countries to decelerate from 1.9% in 2016 to 1.3% in 2017, while it expected economic activity in the region's non-GCC oil exporters to slow down from 5.9% in 2016 to 2.8% this year. It noted that growth in oil-exporting economies could modestly improve over the medium term in case oil prices recover, fiscal consolidation eases and local authorities proceed with their planned public investment and diversification programs. Further, it forecast real GDP growth of MENA oil-importing economies to accelerate from 2.8% last year to 3.7% in 2017, supported by improved competitiveness, the implementation of reforms and a recovery in agricultural production.

In parallel, the Bank anticipated GCC governments to continue implementing fiscal consolidation measures amid existing current account and fiscal deficits, including expenditure cuts, the introduction of a value-added tax, increases in excise taxes, as well as energy subsidy reforms. It projected the fiscal breakeven oil price of GCC countries at $72.2 p/b in 2017 and that of non-GCC countries at $56.8 p/b, above the expected average oil price of $53 p/b for this year. It forecast the aggregate current account deficit of GCC economies to narrow from 3.5% of GDP last year to 0.3% of GDP this year, and that of non-GCC oil exporters to narrow from 5.8% of GDP in 2016 to 3.8% of GDP in 2017. Also, it expected the deficit of oil importers to narrow from 12.1% of GDP last year to 10.4% of GDP this year. In parallel, the Bank indicated that downside risks to the MENA's short-term outlook include sustained geopolitical tensions and conflicts, lower-than-anticipated oil prices, as well as delays in the implementation of key structural reforms.

Source: World Bank

EGYPT

Positive near-term economic outlook

Deutsche Bank indicated that Egypt's near-term economic outlook is positive in the context of rising foreign currency reserves, sustained donor support and improving fiscal and external positions. It noted that foreign currency reserves at the Central Bank of Egypt (CBE) reached a six-year high of $28.6bn at the end of April 2017, equivalent to more than five months of import cover, supported mainly by the issuance of $7bn in Eurobonds so far this year. It added that foreign inflows to Egypt's debt and equity markets have surged remarkably since the CBE raised its key policy rates in May 2017, while foreign direct investment has recovered but remains below the pre-2011 levels. However, it said that Egypt would require sustained net inflows in order to cover its large financing needs in the fiscal years that end in June 2018 and 2019. Further, it pointed out that the current account deficit narrowed from $5.5bn in the third quarter of 2016 to $4.4bn in the fourth quarter of 2016, mainly due to a recovery in remittance inflows, higher exports and nearly flat import growth. But it expected further improvements in the current account balance to be less pronounced in 2017 as a result of a deceleration in exports growth.

Further, Deutsche Bank indicated that authorities are targeting an overall fiscal deficit of 9% of GDP in the FY2017/18 budget relative to a deficit of 12% of GDP in FY2015/16. But it did not expect authorities to meet their targeted deficit due to persistent high debt servicing costs, as well as lower-than-anticipated tax revenues and delays in fuel subsidy cuts. In parallel, it forecast the average inflation rate to remain elevated at 30% in 2017, reflecting price liberalization, the introduction of the value-added tax and higher commodity prices. Further, it indicated that risks to the outlook are related to the authorities' continued ability to comply with the IMF program, persistently high inflation rates and social stability concerns.

Source: Deutsche Bank

NIGERIA

Real GDP growth to accelerate modestly in 2017

The Institute of International Finance projected Nigeria's real GDP to grow by 1% in 2017 and by 2.5% in 2018, following a contraction of 1.5% in 2016, due to an expected increase in oil production and a recovery in non-hydrocarbon sector activity. It forecast hydrocarbon output to rise by 3.2% in 2017 and by 7.8% in 2018 following a contraction of 14.4% in 2016. It expected non-hydrocarbon sector activity to grow by 0.8% this year and by 2% next year, as a result of improved foreign currency availability and the positive impact of import substitution policies on agricultural activity. However, it noted that repeated sabotage of oil facilities and pipelines, and sustained foreign currency shortages, would prevent a stronger recovery in economic activity. Further, it projected the inflation rate to regress from 18.5% at the end of 2016 to 13.7% at end-2017 and 11.8% at end-2018, but to remain significantly above the Central Bank of Nigeria's target of between 6% and 9%.

In parallel, the IIF expected Nigeria's fiscal deficit to narrow slightly from 4.7% of GDP in 2016 to 4.5% of GDP in 2017, as the planned 25% increase in public spending would almost offset the anticipated increase in public revenues from higher oil prices. It said that authorities plan to finance the deficit mainly through domestic debt issuance. As such, it forecast the public debt level to rise from 17% of GDP in 2016 to 19% of GDP in 2017 and 20.7% of GDP in 2018. It noted that interest payments on the public debt are absorbing more than 60% of federal revenues.

Further, the IIF expected Nigeria's current account surplus to increase from 0.7% of GDP in 2016 to 1.4% of GDP in each of 2017 and 2018, in case oil exports rise. It forecast foreign currency reserves to increase from $30bn, or 6.2 months of import cover at the end of 2016, to $34.2bn or 6.6 months at end-2017, and $39.2bn or 7.1 months at end-2018. In addition, it said that the spread between the parallel and official exchange rates has narrowed, but it is unlikely to be eliminated as long as foreign currency restrictions persist.

Source: Institute of International Finance

QATAR

Agencies take rating actions on government-related entities

Moody's Investors Service anticipated political tensions between Qatar and some of its GCC peers to weigh on the country's credit quality if they persist over a prolonged period of time. It said that imports would become costlier, funding costs may increase, contingent liabilities on the government's balance sheet could materialize and foreign exchange reserves may fall. Further, Moody's downgraded the long-term issuer rating of Qatar Petroleum, the country's national oil & gas company, and that of Qatari Diar Finance from 'Aa2 ' to 'Aa3'. It also lowered the long-term issuer rating of Industries Qatar, a subsidiary of Qatar Petroleum, from 'Aa3 ' to 'A1'. Further, it downgraded the guaranteed senior secured debt ratings of Ras Laffan Liquefied Natural Gas II (RasGas II) and Ras Laffan Liquefied Natural Gas 3 (RasGas 3) from 'Aa3' to 'A1', and the senior secured debt ratings of Nakilat, a state-owned company that operates and manages Liquefied Natural Gas vessels, from 'Aa3' to 'A1'. It also revised the outlook on the ratings of the six government-related issuers from 'negative' to 'stable'. The agency attributed the downgrades and outlook revisions to its similar action on Qatar's sovereign ratings. In parallel, Fitch Ratings placed Qatar's 'AA' long-term foreign and local currency Issuer Default Ratings (IDRs) on Rating Watch Negative (RWN) due to increased uncertainty related to the decision of Saudi Arabia, the UAE, Bahrain, Egypt and few other Arab countries to cut diplomatic and trade ties with Qatar. It added that, despite efforts to resolve the existing rift, the crisis is likely to persist, which would negatively affect Qatar's economy and credit metrics. Further, Fitch placed on Rating Watch Negative the 'A+' ratings of Dolphin Energy, RasGas II, RasGas 3 and Nakilat.

Source: Moody's Investors Service, Fitch Ratings

UAE

Profits of Dubai listed companies down 9% to $1.9bn in first quarter of 2017

The cumulative net income of 46 companies listed on the Dubai Financial Market totaled AED7.1bn, or $1.9bn, in the first quarter of 2017, constituting a decrease of 9.1% from AED7.78bn or $2.1bn in the same quarter of 2016. Listed banks generated net profits of $1.05bn, or 54.7% of total net earnings in the covered quarter. Real estate & construction companies followed with $592.1m or 30.7% of the total, then investment & financial services institutions with $104.2m (5.4%), telecom firms with $99.4m (5.2%), insurers with $65.6m (3.4%), transportation companies with $53.9m (2.8%), services firms with $24.1m (1.3%) and industrials with $9m (0.5%). Further, the net earnings of industrial companies rose by 2.2 times year-on-year in the first quarter of 2017, followed by insurers (+73%), services firms (+33.6%), banks (+5.7%) and investment & financial services firms (+4.8%). In contrast, the profits of listed telecom firms contracted by 24%, followed by real estate & construction companies (-23.5%) and transportation firms (-7.7%); while consumer staples companies shifted from net profits of $43,597 in the first quarter of 2016 to net losses of $76.1m in the first quarter of 2017.

Source: KAMCO

BAHRAIN

Outlook on sovereign ratings revised to 'negative'

Fitch Ratings affirmed at 'BB+' Bahrain's long-term foreign and local currency Issuer Default Ratings (IDRs), and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to Bahrain's lack of a clear medium-term framework that would help it improve its public finances. It added that delays in the endorsement of a budget for the 2017-18 period increases uncertainties about the fiscal outlook. It expected the government's deficit to narrow from 16.2% of GDP in 2016 to 10.2% of GDP by 2018 in case global oil prices moderately rise and fiscal measures are implemented. However, it noted that the anticipated narrowing of the deficit would be insufficient to stabilize the debt path. It forecast the government debt level to grow from 74% of GDP in 2016 to 100% of GDP by 2026. Further, the agency considered that the availability of financial support from other GCC countries has helped maintain Bahrain's market access and preserve its currency peg to the US dollar despite its low foreign currency reserves that covered about 1.2 months of current external payments at end-2016. In parallel, Fitch said that Bahrain's ratings are supported by its high GDP per capita, a developed financial sector and the strong support from GCC countries in case of political, financial or fiscal stress. It added that the ratings are constrained by double-digit fiscal deficits, a high and rising government debt level, high dependence on hydrocarbon revenues and delays in fiscal consolidation.

Source: Fitch Ratings

ETHIOPIA

Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B' Ethiopia's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It noted that the ratings are supported by ongoing robust economic growth and a low level of general government debt, but are constrained by the rising debt of state-owned enterprises (SOEs), significant external imbalances and low development indicators. It projected real GDP growth to average 8% annually over the coming three years, driven by a high level of public investments and a gradual pick-up in manufacturing activity. Further, the agency forecast the general government debt at 27% of GDP in the fiscal year ending in July 2017, but it estimated the public debt level, including the liabilities of SOEs, at 58% of GDP in FY2016/17. It noted that liabilities of SOEs increased by 12 percentage points of GDP over the past five years to 31% of GDP in FY2016/17 as SOEs implemented most of the massive public investment program. It projected the public debt level, including SOEs liabilities, to stabilize over the next three years due to sustained economic growth, moderate fiscal deficits, low debt servicing costs and modest capital expenditures. In addition, Fitch forecast the current account deficit to narrow from 10% of GDP in FY2016/17 to 7% of GDP in FY2018/19, but to remain wide as a result of elevated capital imports and a narrow export base. It said that the external debt, including the external liabilities of SOEs, tripled during the 2010-16 period, as authorities have financed the current account deficit through external debt. It also indicated that the country's low foreign currency reserves of two months of current account payments constitute a limited buffer in case of external liquidity shortages.

Source: Fitch Ratings

SAUDI ARABIA

Banks' excess cash to ease liquidity pressure

Moody's Investors Service indicated that the recent accumulation of cash reserves by Saudi banks at the Saudi Arabian Monetary Authority (SAMA) reflects a significant easing of liquidity challenges and is credit positive for banks. It noted that the banks' cash balances at SAMA, excluding statutory reserves, reached SAR138bn, or about $37bn, at the end of April 2017, up from SAR43bn, or about $11.5bn, at end-February 2016. It added that the ratio of reserves-to-total deposits has remained above 14% since November 2016 relative to 8.7% in February 2016. It attributed the increase in the ratio to a slowdown in lending activity and to a modest rise in deposits. The agency indicated that the large excess cash balances, along with subdued lending growth of 3% this year, would allow Saudi banks to maintain a high level of liquid assets. It added that the banking sector's liquid assets accounted for 20.3% of total assets at end-2016 relative to a ratio of 17.5% a year earlier. Also, it anticipated the excess cash reserves to help banks maintain their loan-to-deposit ratios well below the regulatory ceiling of 90%. Further, it expected the excess cash balances to allow banks to absorb domestic sovereign debt issuances without crowding-out their lending growth. Overall, Moody's anticipated that a combination of slower lending growth, the banks' large excess cash reserves and a better balance between external and domestic sovereign bond issuances, would ease liquidity pressure on Saudi banks.

Source: Moody's Investors Service

QATAR

Rating agencies take actions on banks

S&P Global Ratings downgraded the long-term counterparty credit rating of Qatar National Bank (QNB) from 'A+' to 'A' and placed the ratings of QNB, Commercial Bank of Qatar (CBQ), Doha Bank and Qatar Islamic Bank on CreditWatch Negative. It attributed the downgrade of QNB's rating to its similar action on the sovereign rating because of QNB's status as a government-related entity. It added that the placement of the banks' ratings on CreditWatch Negative takes into account a potential weakening of the banks' funding and liquidity profiles amid recent political developments. It pointed out that the banks' increased dependence on external funding constitutes a potential source of risk in case of restricted access to external funds. In parallel, Moody's Investors Service considered that persisting political tensions between Qatar and other GCC economies over a prolonged period of time would be credit negative for Qatari banks, given the latters' reliance on confidence-sensitive foreign funding. It anticipated that the banks' issuance of new debt could become more expensive, and that there is a risk of withdrawal of non-resident deposits and interbank facilities by other GCC entities. It added that the liquidity squeeze could intensify in case tensions escalate. In parallel, Merrill Lynch's breakdown of the Qatari banking sector's foreign liabilities shows that deposits from the GCC at Qatari banks totaled $12.8bn, or 6% of total deposits, at end-April; dues to GCC banks stood at $17.6bn, or 30% of dues to banks abroad; while debt securities held by GCC countries reached $12.8bn, or 29.8% of total Qatari banks' debt securities.

Source: S&P Global Ratings, Moody's Investors Service, Merrill Lynch

NIGERIA

New exchange rate mechanism eases foreign currency shortages

Fitch Ratings considered that the Nigerian banks' ability to access foreign currency improved significantly following the Central Bank of Nigeria's (CBN) introduction at end-April 2017 of the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) mechanism. It noted that the NAFEX mechanism, which allows investors and exporters to sell foreign currency to willing buyers, has improved the supply of foreign currency and increased foreign-currency inflows to the banking sector. As a result, it said that liquidity pressure on rated banks has eased. The agency indicated that the ability of market participants to set their own rates under the NAFEX mechanism has attracted higher volumes than other exchange mechanisms available in Nigeria. It noted that the CBN has an official exchange rate of NGN305 against the US dollar, but allows alternative official rates at its foreign currency auctions, and different exchange rates for retail, wholesale, personal and small business purchasers of foreign currency. It estimated that the exchange rate averaged about NGN360 against the US dollar under the NAFEX mechanism, while transaction volumes through the mechanism reached about $1bn per week. It added that the ability of market participants to set their own rates helped narrow the spread between the official and the parallel exchange rates, which, in turn, strengthened inflows to the banking sector. The agency considered that shortages in foreign currency in 2016 and early 2017 restricted imports and forced Nigerian banks to extend maturities on their trade finance obligations.

Source: Fitch Ratings

OMAN

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'A-' the long-term Issuer Default Ratings of HSBC Bank Oman (HBON), at 'BBB' those of Bank Muscat and at 'BBB-' those of National Bank of Oman (NBO), Ahli Bank (ABO), Bank Dhofar and Bank Sohar. It maintained the 'stable' outlook on the banks' ratings. It indicated that all the banks' ratings, expect those of HBON, reflect a high likelihood of support from the Omani government, in case of need, given the country's financial flexibility and the importance of the banking system in supporting the local economy. It added that HBON's ratings are supported by the extremely high probability of support from its parent company, HSBC Holdings, due to the bank's importance to the group, while the ratings of NBO and Bank Muscat take into account the banks' intrinsic financial strength in addition to sovereign support. In parallel, Fitch affirmed the Viability Rating (VR) of Bank Muscat at 'bbb', that of HBON and NBO at 'bbb-', and Bank Dhofar's VR at 'bb+', while it downgraded the VR of ABO from 'bb+' to 'bb' due to its high reliance on wholesale funding and its high deposit concentration. It said that Bank Muscat's VR is supported by the banks' ability to generate healthy profits, its resilient asset quality, its substantial depositor base, as well as by its sound liquidity and capitalization levels. It added that NBO's VR reflects its stable liquidity and diversified funding compared to peers.

Source: Fitch Ratings

Global gas market on alert following diplomatic crisis with Qatar

Barclays Capital indicated that the diplomatic crisis between Qatar, the world's largest exporter of liquefied natural gas (LNG), and Saudi Arabia, the UAE, Bahrain and Egypt, has raised fears of a possible shock to the global gas market. It noted that the severed diplomatic and economic ties with Qatar threaten to halt some of its hydrocarbon exports. It added that the largest risks to Qatar's LNG exports would likely come from a closure of Egypt's Suez Canal to Qatari ships or a halt of Qatari gas exports to the UAE through the Dolphin pipeline. However, it considered that these events are unlikely to materialize as Qatar accounted for 30% of the UAE's total LNG deliveries and for over 60% of Egypt's gas imports in 2016. Barclays said that restrictions on the export of Qatari LNG to the UAE and Egypt will likely cause greater inefficiency in the LNG supply chain, which, in turn, could raise non-Asian gas hub prices and increase LNG charter rates. In parallel, Barclays noted that the recent developments are unlikely to affect the deal between OPEC members that aim to cut global oil output, as prices are below $50 per barrel and a collapse of the deal would further weigh on prices. It said that the impact of increased risk of supply disruption on oil prices does not compare to similar events in the past, given the high inventories, rising U.S. shale oil production and low volatility across the broader markets. Qatar exported 550,000 b/d of crude oil in 2016, along with around 500,000 b/d of oil products and 500,000 b/d of natural gas condensate.
Source: Barclays Capital

Egypt's debt to IOCs at $2.3bn as at June 2017

The state-owned Egyptian General Petroleum Company's (EGPC) total debt to international oil companies (IOCs) stood at $2.3bn as at June 2017, the lowest level since arrears reached $6.3bn in 2013. The Ministry of Petroleum indicated that it paid $2.2bn of arrears to IOCs operating in Egypt during May and June 2017. The payments reflect the ministry's efforts towards reducing the external arrears to IOCs in order to stimulate more investments in the oil & gas sector, strengthen upstream activities, speed-up the development of newly-discovered oil & gas fields, and secure the country's local energy consumption.
Source: Egypt's Ministry of Petroleum, Byblos Research

OPEC's oil basket price down 4% in May 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries averaged $49.2 per barrel (p/b) in May 2017, constituting a decrease of 4.2% from $51.37 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at $52 p/b, followed by Nigeria's Bonny Light at $50.8 p/b and Angola's Girassol at $50.4 p/b.
Source: OPEC, Byblos Research

Middle East accounts for 48% of global oil reserves

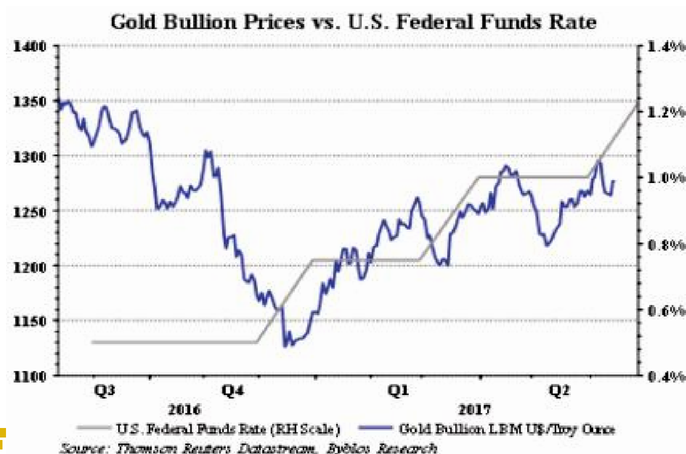
BP estimated that the Middle East region's proven crude oil reserves reached 813.5 billion barrels at end-2016, equivalent to 47.7% of the world's oil proven reserves. Saudi Arabia held 266.5 billion barrels, or 32.8% of total proven reserves in the Middle East at end-2016. Iran followed with 158.4 billion barrels (19.5%), then Iraq with 153 billion barrels (18.8%) and Kuwait with 101.5 billion barrels (12.5%).
Source: BP, Byblos Research

Base Metals: Copper prices to increase amid higher demand for electric vehicles

LME copper three-month future prices dropped for a fourth consecutive day on June 15, 2017, following the increase in U.S. interest rates. Prices averaged $5,770 per metric ton so far in 2017, constituting an increase of 22.6% from an average of $4,705 a ton in the same period of 2016. The year-on-year rise in the metal's price reflects supply-side factors, which include ongoing production disruptions from labor strikes in Chile and Indonesia, as well as from unfavorable weather conditions in South America. Further, copper prices are projected to rise from an average of $4,874 a ton in 2016 to $5,940 a ton in 2017 and to $6,500 a ton in 2018, partly driven by higher global demand for electric vehicles. In fact, the increase in the demand for electric vehicles is expected to raise copper consumption from 185,000 tons in 2017 to 1.74 million tons in 2027. In parallel, the Bloomberg Copper Total Return Sub-Index declined by 1% in May 2017 and rose by 2.1% in the first five months of 2017. According to the International Monetary Fund, the probability of the 12-month forward copper price exceeding $5,511.5 per metric ton increased to 35.8% from 33.5% previously, reflecting stronger investor demand for the metal.
Source: Standard Chartered, International Monetary Fund, Bloomberg Indexes, Byblos Research

Precious Metals: Automotive sector to account for 44% of global platinum demand in 2017

Platinum prices closed at $942 a troy ounce on June 14, 2017, constituting a rise of 4.9% from the end of 2016, driven by weaker Chinese industrial production and retail sales data, as well as robust European automotive demand for diesel-powered vehicles so far this year. In parallel, global platinum supply is projected to decrease by 3.8% to 7.4 million ounces in 2017, with mine production accounting for 76.7% of the total compared to 78.9% a year earlier. Further, global demand for platinum is projected to regress by 1.5% to 7.7 million ounces this year, mainly due to a decline in investment demand and electronics consumption. The global automotive sector is expected to account for 43.6% of total platinum demand in 2017, followed by the jewelry industry (29.1%), the chemicals sector (7.4%) and investment demand (5.4%). As such, the production deficit in the platinum market is projected to widen from 136,700 ounces in 2016 to 517,200 ounces in 2017. In turn, the metal's price is forecast to increase from $987 an ounce in 2016 to $992.4 an ounce in 2017.
Source: Thomson Reuters GFMS, Byblos Research



COUNTRY RISK METRICS

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

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-								
	-	Stable	Stable	-	Stable	-4.1	48.5	78.6	168.2	23.6	612.8	-4.3	3.8
China	AA-	A1	A+	-	A								
	Stable	Negative	Stable	-	Stable	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-6.2	47.5	22.4	111.9	7.3	156.2	-0.6	1.0
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-								
	Negative	CWN***	Stable	-	Negative	-4.0	22.1	151.2	325.8	33.6	824.6	-4.0	3.5
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-1.5	33.5	88.9	117.6	28.0	236.3	3.4	2.5
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Negative	Stable	-	Positive	-3.9	42.9	53.0	121.9	14.4	224.0	1.1	1.7
Russia	BB+	Baa3	BBB-	-	BB+								
	Negative	CWN***	Negative	-	Negative	-3.1	13.6	37.9	114.5	19.6	150.3	4.9	-1.7
Turkey	BB	Ba1	BB+	BB+	BB-								
	Negative	Negative	Stable	Stable	Negative	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
Ukraine	CCC	Caa3	CCC	-	B-								
	Negative	Negative	-	-	Stable	-4.2	69.9	127.1	235.3	22.4	663.6	0.4	1.1

**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	1.00-1.25	14-Jun-17	Raised 25bps	26-Jul-17
Eurozone	Refi Rate	0.00	08-Jun-17	No change	20-Jul-17
UK	Bank Rate	0.25	15-Jun-17	No change	03-Aug-17
Japan	O/N Call Rate	-0.10	27-Apr-17	No change	16-Jun-17
Australia	Cash Rate	1.5	06-Jun-17	No change	04-Jul-17
New Zealand	Cash Rate	1.75	10-May-17	No change	21-Jun-17
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Jun-17	No change	14-Sep-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	1.50	14-Jun-17	Raised 25bps	N/A
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	05-Jul-17
India	Reverse repo rate	6.25	07-Jun-17	No change	02-Aug-17
UAE	Repo rate	1.50	14-Jun-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	15-Jun-17	No change	27-Jul-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	01-Jun-17	No change	30-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	10.50	05-Jun-17	Cut 50bps	17-Jul-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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