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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Value of infrastructure deals at $206bn in first quarter of 2017

Research provider Preqin indicated that investments by infrastructure funds in greenfield, brownfield and secondary stage projects totaled $206bn in the first quarter of 2017, nearly unchanged from each of the fourth quarter of 2016 and the first quarter of 2017. Also, there were 339 investments by infrastructure funds in the first quarter of 2017, down from 508 deals in the fourth quarter of 2016 and from 655 transactions in the first quarter of last year. As such, it noted that the average deal size reached a record-high of $606.9m in the first quarter of 2017, up from $407m in the fourth quarter of last year and from $314.1m in the first quarter of 2016. It pointed out that the number of completed infrastructure deals in Europe accounted for 42.2% of infrastructure transactions worldwide in the first quarter of 2017, followed by North America (28.6%), Asia (14.2%), Latin America (6.5%), Africa (5%) and Australasia (3.5%). Also, the aggregate deal value of infrastructure deals in North America represented 45% of global deal value and accounted for the largest share among all regions. Further, it indicated that the renewable energy sector represented 57.4% of infrastructure deals completed in the covered period, followed by transportation (13.3%), utilities (13%), energy excluding renewables (8.3%) and the social sector such as education, healthcare and water supply (5.3%). In parallel, Preqin noted that dry powder held by unlisted infrastructure funds worldwide, or the amount of capital available for investment, reached a record-high of $147bn at the end of March 2017.
Source: Preqin

Global population to grow by 29% through 2050

Figures released by the United Nations projected the world population to rise from 7.6 billion in 2017 to 8.6 billion in 2030 and to 9.8 billion by 2050. It expected India, Nigeria, the Democratic Republic of Congo, Pakistan, Ethiopia, Tanzania, the United States, Uganda and Indonesia to contribute to more than half of the world's population growth during the 2017-50 period. Also, it forecast Asia's population at 5.3 billion in 2050, or 53.8% of the world population, followed by Africa with 2.5 billion (25.9%), Latin America & the Caribbean with 780 million (8%), Europe with 716 million (7.3%), North America with 435 million (4.5%) and Oceania with 57 million (0.6%). Also, the United Nations expected India to be the most populous country in the world in 2050 with a population of 1.66 billion, or 17% of the global population. China would follow with 1.36 billion individuals (14%), then Nigeria with 410.6 million (4.2%), the United States with 389.6 million (4%), Indonesia with 321.6 million (3.3%) and Pakistan with 306.9 million (3.1%). Further, it forecast the number of individuals that are 60 years or older at 2.1 billion by 2050, double the number in 2017, while it projected the number of persons who are 80 years or older to triple to 425 million by 2050. In addition, it anticipated the global life expectancy to improve from 71 years during the 2010-15 period to 76.9 years during the 2045-50 period.
Source: United Nations Department of Economic and Social Affairs

MENA

Capital inflows to increase by 29% to $124bn in 2017

The Institute of International Finance projected total non-resident capital inflows to the Middle East & Africa (ME&A) region at $124.3bn in 2017, which would constitute an increase of 29.1% from $96.3bn in 2016. It attributed the anticipated rise in capital inflows this year mainly to the issuance of international bonds by GCC countries and Egypt, as well as to higher foreign direct investment (FDI) inflows in Egypt following its agreement with the International Monetary Fund in November 2016. In this context, it forecast non-resident capital inflows to GCC countries to increase to $117bn in 2017, while it expected capital inflows to Egypt to peak at $32bn this year. It forecast non-resident private capital inflows to the ME&A region to account for 12.8% of total net private inflows to emerging markets in 2017, down from a 13.4% share in 2016. Further, it expected FDI to grow from $32bn in 2016 to $35bn this year. It also projected portfolio investments to rise from $32bn in 2016 to $35bn this year, with equity investments growing to $3bn in 2017 and debt investments increasing to $33bn this year. In parallel, the IIF forecast resident capital outflows from the ME&A region to increase from $90bn in 2016 to $98bn in 2017. Overall, it expected net capital inflows to the ME&A region to increase from $6bn last year to $26bn in 2017, while it forecast net capital outflows, when including errors and omissions, to decrease from $36bn in 2016 to $23bn this year.
Source: Institute of International Finance

Arab economies trail most regions in innovation

The 2017 Global Innovation Index shows that the average score for the 13 Arab countries included in the survey reached 31.7 points and came below the global average of 37.1 points. The Arab region's average score was higher than Central & South Asia (28.5 points) and Sub-Saharan Africa (24.9 points); but came lower than the score of North America (57.5 points), Europe (47.1 points), South East Asia, East Asia & Oceania (44 points) and Latin America & the Caribbean (31.7 points).The index is a composite of 81 variables that are grouped in the Innovation Input Sub-Index and the Innovation Output Sub-Index. The Innovation Input Sub-Index consists of an economy's institutions, human capital & research, infrastructure, and market and business sophistication; and the Innovation Output Sub-Index covers scientific and creative outputs. It rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The average score of Gulf Cooperation Council (GCC) countries was 36.7 points, while that of non-GCC Arab countries stood at 27.4 points. The UAE was the most innovative Arab country and came in 35th place globally, followed by Qatar in 49th place and Saudi Arabia in 55th place. In contrast, Egypt (105th), Algeria (108th) and Yemen (127th) were the least innovative Arab economies. In parallel, the Arab region's average score on the Innovation Input Sub-Index reached 40.34 points compared to the global average of 45.1 points, while its score on the Innovation Output Sub-Index was 23.1 points relative to the global average of 29.1 points.
Source: INSEAD, Cornell University, WIPO, Byblos Research

OUTLOOK

GCC

Fiscal deficit projected at 9.5% of GDP in 2017

The Institute of International Finance projected the aggregate fiscal deficit of Gulf Cooperation Council (GCC) countries, when excluding investment income, to remain wide at $140bn, or 9.5% of GDP in 2017, despite the sizeable fiscal adjustment. It noted that Saudi Arabia's fiscal deficit would account for about two thirds of the GCC's total deficit. It added that Kuwait, Qatar, and the UAE face fiscal shortfalls, but it noted that they are being offset by significant investment income. It indicated that GCC countries are financing their fiscal deficits through a combination of external and domestic borrowing, as well as by tapping their foreign assets. It said that GCC countries borrowed $28bn externally so far this year, and expected external borrowing to reach $40bn in 2017, down from $54bn in 2016.

In parallel, the IIF anticipated the fiscal breakeven oil prices in GCC countries to decline in coming years, given the increase in non-hydrocarbon revenues, the rise in hydrocarbon export receipts and the cuts in public spending. It pointed out that fiscal breakeven oil prices are the oil prices needed to meet spending commitments while balancing the fiscal budget in oil-exporting countries. It added that prior to the collapse in global oil prices in mid-2014, government spending in GCC economies increased by an annual average of 11% in real terms over the 2003-14 period, leading to a rapid rise in fiscal breakeven oil prices. It noted that GCC currencies are pegged to the US dollar, which means that fiscal consolidation has been the main channel to reduce breakeven oil prices. The IIF projected the fiscal breakeven oil price in Bahrain to decrease from $119 p/b in 2014 to $105 p/b in 2017, to fall from $105 p/b in 2014 to $90 p/b in 2017 in Saudi Arabia, to regress from $98 p/b in 2014 to $80 p/b in 2017 in Oman, to decrease from 76 p/b in 2014 to $60 p/b in 2017 in the UAE and to decline from 56 p/b in 2014 to 51 p/b in 2017 in Kuwait. In contrast, it expected the fiscal breakeven oil price in Qatar at $59 p/b in 2017 relative to 54 p/b in 2014.

Source: Institute of International Finance

AFRICA

Growth outlook subject to significant external and domestic risks

The World Bank projected economic growth in Sub-Saharan Africa (SSA) to accelerate from 1.3% in 2016 to 2.6% in 2017, supported by a modest increase in commodity prices, stronger external demand, better weather conditions and the implementation of reforms to address macroeconomic imbalances. Still, it attributed the slow recovery mainly to a longer-than-expected adjustment period of some large commodity exporters to the low commodity price environment, to tight foreign currency liquidity conditions in oil exporters, as well as to heightened political uncertainty and low business confidence in South Africa.

The Bank anticipated SSA's agricultural exporters and commodity importers, such as Ethiopia, Rwanda, Tanzania and Uganda, to post the highest growth rates in the region this year, driven by sustained infrastructure investment, resilient services sectors and a recovery in agricultural production. It expected economic activity in SSA's oil exporters to grow by 1.7% this year following a contraction of 0.4% in 2016, mainly due to improved activity in Angola and Nigeria. It forecast Nigeria's real GDP to grow by 1.2% this year following a contraction of 1.6% in 2016, while it projected Angola's real GDP growth at 1.2% in 2017 compared to flat growth last year. Further, it projected growth in SSA's metal exporters, which consist of Botswana, Mozambique, Namibia, South Africa and Zambia, to accelerate modestly from 0.9% in 2016 to 1.5% in 2017, as high inflation and tight fiscal policy would continue to weigh on activity in these economies.

In parallel, the Bank indicated that the regional outlook is subject to significant external risks that include tighter global financing conditions, slower-than-anticipated increase in commodity prices, as well as heightened policy uncertainty in the U.S. Also, it said that weaker-than-expected growth in advanced economies or in large emerging markets could decrease demand for exports, depress commodity prices and reduce foreign direct investment in SSA. It added that domestic risks include heightened political uncertainty, worsening weather conditions, as well as the governments' failure to implement the appropriate policies to maintain macroeconomic stability and support growth.

Source: World Bank

SAUDI ARABIA

Oil prices above $50 per barrel to support reforms

Merrill Lynch considered that Saudi Arabia's government is unlikely to meet the ambitious targets set in the Fiscal Balance Program 2020 due to lower revenues from reforms. It estimated the cumulative fiscal proceeds of energy reforms at 11.4% of GDP during the 2017-20 period in case oil prices remain stable at $53 p/b during the covered period. But it noted that authorities have suggested a stimulus package of 7.6% of GDP to households and corporates in order to help offset the adverse impact of the planned reforms on the private sector. It estimated that the fiscal reforms could reduce Saudi Arabia's non-hydrocarbon real GDP growth by an average of two percentage points annually during the 2017-20 period, which could drag overall real GDP growth by 1.2 percentage points and lead the economy into recession. As such, it noted that the net cumulative fiscal adjustment, including the support to the private sector, would reach 3.8% of GDP during the 2017-20 period. Under such conditions, it considered that higher global oil prices are needed in order to support revenues and narrow the fiscal deficit. But it noted that the planned reforms would help narrow the Kingdom's fiscal deficit to mid-single digits by 2020. It indicated that risks to the country's fiscal outlook include partial reform implementation, loosening of spending discipline and lower-than-expected oil prices. It considered that oil prices above $50 p/b would be conducive to the successful implementation of reforms.

In parallel, Merrill Lynch anticipated Saudi Arabia's foreign currency reserves to continue to decline, but at a slower pace, in case oil prices remain at about $50 p/b. It considered that stabilizing foreign reserves would require an increase in oil prices to more than $50 p/b and a moderation in the current pace of capital outflows. Further, it cautioned that the net fiscal proceeds would be insufficient to support the fiscal balance in case oil prices average $40 p/b.

Source: Merrill Lynch

GCC

Energy subsidies of oil exporters down to 3.5% of GDP in 2016

The International Monetary Fund indicated that several Arab countries have initiated plans to reform their energy prices, as they benefited from the low oil price environment that reduced the gap between administered domestic prices and global prices. The Fund estimated the cost of energy subsidies in oil-exporting Arab countries to have regressed from 7% of their aggregate GDP in 2013 to 3.5% of GDP in 2016, and the cost in oil-importing economies to have declined from 6.3% of GDP in 2013 to 2.9% of GDP in 2016. It noted that energy subsidies in Kuwait were equivalent to 6.8% of GDP in 2016, the highest among Arab oil exporters, while subsidies reached a low of 0.7% of GDP in the UAE. It added that energy subsidies fell by 5.5% of GDP in Iraq between 2013 and 2016, the steepest drop among oil exporters, while they declined by just 0.5% of GDP in Kuwait. In addition, the IMF indicated that energy subsidies were equivalent to 6.7% of GDP in Lebanon in 2016, the highest among Arab oil importers. It said that energy subsidies fell the most in Egypt (-5.9% of GDP) among oil importers between 2013 and 2016, while they increased in Lebanon (+0.8% of GDP) and in Mauritania (+0.3% of GDP), and were unchanged in Djibouti during the covered period. The IMF called for the removal of the remaining subsidies by formulating an integrated reform strategy, building broad public support, refraining from ad hoc adjustments and gradually liberalizing energy prices.

Source: International Monetary Fund

TUNISIA

Reform program to support economic growth and public finances

The International Monetary Fund indicated that Tunisian authorities are committed to strengthening their policy efforts in order to address subdued economic activity and delays in policy action. It called on authorities to implement the 2018 tax package to increase public revenues and support fiscal consolidation. It added that the government intends to re-apply the fuel price adjustment mechanism to avoid regressive subsidies, to accelerate the civil service reform in order to reduce the wage bill and improve the quality of service, and to enact comprehensive reforms that would ensure the sustainability of the pension system. It projected real GDP growth to accelerate from 1% in 2016 to 2.3% in 2017 and to reach 3% in 2018, while it expected the inflation rate to average 4.5% in 2017 relative to 3.7% in 2016. It also forecast the fiscal deficit at 5.9% of GDP in 2017, unchanged from the preceding year, and to narrow to 5.4% of GDP in 2018. However, it expected the public debt level to grow from 62.9% of GDP in 2016 to 69.1% of GDP in 2017 and 72.1% of GDP in 2018. Further, it projected the current account deficit to slightly narrow from 9% of GDP in 2016 to 8.5% of GDP in 2017, while it forecast foreign currency reserves to rise from $5.9bn at end-2016, or 3.4 months of import cover, to $7.3bn at end-2017, or 4.3 months of import cover. It considered that monetary policy tightening and exchange rate flexibility would help contain inflationary pressure, improve competitiveness and preserve foreign currency reserves.

Source: International Monetary Fund

OMAN

Non-hydrocarbon growth to decelerate in 2017

The Institute of International Finance projected Oman's real GDP growth to decelerate from 2.8% in 2016 to 0.4% in 2017. It forecast hydrocarbon real GDP to shrink by 2.6% in 2017 under the OPEC agreement following a rise of 2.8% in 2016. It anticipated growth in the non-oil economy to decelerate from 3% in 2016 to 2.6% this year amid tighter banking sector liquidity, rising borrowing costs and weaker domestic demand. In parallel, the IIF projected Oman's fiscal deficit to narrow from 21.6% of GDP in 2016 to 10.9% of GDP in 2017, supported by the anticipated increase in global oil prices, the introduction of a corporate income tax and additional cuts in public spending. Also, it anticipated the current account deficit to narrow from 17.6% of GDP last year to 9.6% of GDP in 2017 due to higher hydrocarbon export receipts. Further, the IIF said that Oman is one of the most vulnerable countries in the MENA region to a prolonged period of low oil prices. It expected the fiscal deficit to narrow from 10.9% of GDP in 2017 to 5.6% of GDP by 2020 in case oil prices gradually increase and the government continues with fiscal consolidation. However, it cautioned that a $10 p/b decline in global oil prices from 2017 onwards would reduce hydrocarbon revenues and keep the fiscal deficit in double digits by 2020, in the absence of additional policy response. Under these conditions, it projected the public debt level to significantly rise from 34% of GDP in 2016 to 65.1% of GDP by 2020, which could increase financing costs and put pressure on the currency peg to the dollar.

Source: Institute of International Finance

CÔTE d'IVOIRE

Strong economic prospects despite challenges

The International Monetary Fund indicated that Côte d'Ivoire's growth prospects continue to be strong despite the deterioration in its terms of trade and heightened social tensions. It projected the country's real GDP growth to average 7.1% annually during the 2017-19 period. It pointed out that authorities have appropriately responded to the challenges from lower cocoa prices by reducing the regulated cocoa producer price and by adopting fiscal adjustment measures that aim to limit the widening of the fiscal deficit. As such, it anticipated the fiscal deficit to reach 4.5% of GDP in 2017 and to narrow to 3% of GDP in 2019, in line with the convergence criteria of the West African Economic and Monetary Union. It anticipated the government to implement new revenue measures starting in 2018 and to contain current spending. Further, the Fund pointed out that the government is improving public financial management and strengthening debt management operations. It called on authorities to accelerate structural reforms and to address vulnerabilities in the energy and financial sectors in order to support the fiscal consolidation process. In parallel, the IMF indicated that Côte d'Ivoire's performance under the Extended Credit Facility and the Extended Fund Facility arrangements has been satisfactory. Further, it approved the disbursement of $133.8m to Côte d'Ivoire under the two arrangements, bringing total disbursements to about $230.1m. Also, the Fund approved Côte d'Ivoire's request to increase the total funding available under the two programs by about $225m to $899m.

Source: International Monetary Fund

QATAR

Risk of capital outflows weighs on banking sector

Merrill Lynch considered that Qatari banks are vulnerable to a sudden withdrawal of funding from other Gulf Cooperation Council countries due to large foreign exchange mismatches in the Qatari banking sector. It said that central banks in the GCC have not instructed domestic banks to liquidate their holdings of Qatari assets, but it claimed that new capital inflows to Qatari banks from other GCC countries have stopped. It added that interest rates on demand and savings deposits at Qatari banks are not high enough to compensate for the increase in risk premium. Also, it noted that the dollarization rate of private sector deposits in Qatar stands at 20.1%, and estimated that a one percentage point increase in the dollarization level increases foreign currency demand by about $1bn. Further, it estimated the short-term exposure of Qatari banks to GCC entities, in the form of GCC deposits, dues to GCC banks and debt securities held by GCC entities, at $35bn, or 20% of Qatar's GDP. It estimated the foreign liabilities of Qatari banks at $125bn, or 72% of GDP, in April 2017, with a net foreign asset position of -$50bn, or -29% of GDP. In parallel, Merrill Lynch said that the Qatar Investment Authority's (QIA) foreign assets, estimated at between $250bn to $330bn, or 140% to 200% of GDP, would allow the country to absorb capital outflows and to defend the currency peg. It estimated that 50% of QIA's assets are liquid and that potential claims from GCC peers on Qatari banks, estimated at $35bn, represent between 20% to 27% of QIA's liquid foreign assets.

Source: Merrill Lynch

ALGERIA

Capital adequacy at 19%, NPL ratio at 11%

Figures released by the International Monetary Fund indicate that the risk-weighted capital adequacy ratio of banks operating in Algeria reached 18.9% at the end of 2016 relative to 18.7% at end-2015. The banks' Tier-One capital ratio stood at 16.4% at end-2016, up from 15.9% a year earlier, mainly due to the recapitalization of state-owned banks. Also, the banking sector's liquid assets accounted for 27.5% of total assets at the end of 2016, nearly unchanged from 27.2% a year earlier; while they were equivalent to 67.3% of short-term debt at end-2016 relative to 61.6% at end-2015. Further, the banks' non-performing loans (NPLs) ratio rose from 9.8% at end-2015 to 11.4% at end-2016, due in part to delays in government payments to its suppliers. But the banks' NPLs net of provisions were equivalent to only 5.1% of total loans at end-2016. Further, the banks' return on assets was unchanged at 1.9% in 2016, while their return on equity reached 19.4% last year, down from 21.6% in 2015. The IMF indicated that the Algerian banking sector is adequately capitalized and profitable, but it noted that risks to financial stability increased. It said that the sharp drop in hydrocarbon prices has increased the sector's liquidity risks, interest rate risks and credit risks. It added that a faster-than-expected fiscal consolidation that leads to a significant slowdown in non-hydrocarbon sector activity could increase the banks' credit risks. Also, it noted that the banks' excess reserves at Banque d'Algérie (BA) have significantly decreased, which expanded interbank lending, pushed interest rates higher and increased the banks' financing from BA.

Source: International Monetary Fund

BAHRAIN

Banking sector assessment maintained

S&P Global Ratings maintained Bahrain's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' include Bulgaria, Costa Rica, Croatia, Hungary, Indonesia, Jordan, Morocco, the Philippines and Portugal. S&P indicated that Bahrain's economic risk score reflects its "very high" credit risk in the economy, as well as "high risks" in economic resilience and economic imbalances. It added that banks face elevated credit risks from their high industry and single-party lending concentration, especially to the construction and commercial real estate segments, as well as from the slowdown in overall economic activity. In parallel, the agency pointed out that the industry risk score reflects the sector's "very high risks" in its competitive dynamics and "intermediate risks" in its institutional framework and its system-wide funding. It noted that the solid government deposit base provides banks with a stable and less costly source of funding. But it considered that Bahrain's over-banked population increases competition among banks and squeezes interest margins. Overall, it said that the banks' operating environment has deteriorated, with weak public finances, high external imbalances, lower foreign currency reserves, as well as sustained domestic political tensions. S&P indicated that the trend for economic and industry risks is "stable".

Source: S&P Global Ratings

TURKEY

Agencies take rating actions on banks

Fitch Ratings affirmed at 'BBB-' the long-term issuer default ratings (IDRs) of Garanti Bankasi (Garanti) and Yapi ve Kredi Bankasi (YKB) and at 'BB+' those of Akbank and Turkiye Is Bankasi (Isbank), with a 'stable' outlook. It indicated that the ratings of Garanti and YKB are driven by the potential support from their respective shareholders, in case of need. It added that the IDRs of Isbank and Akbank are supported by their standalone creditworthiness. It also said that the four banks' 'bb+' Viability Ratings reflect their solid franchises and broadly stable capitalization and profitability. But it noted that the banks' credit profiles would likely remain under pressure from the adverse impact of subdued economic growth on their asset quality, performance, capital adequacy and liquidity buffers. It added that the banks' exposure to small- and medium-sized enterprises, as well as their high foreign currency lending and credit concentration risks could weigh on their asset quality. In parallel, Capital Intelligence Ratings affirmed at 'BB+' the long-term foreign currency ratings of Akbank, Garanti, Kunveyt Türk Katilim Bankasi, Türkiye Cumhuriyeti Ziraat Bankasi, Türkiye Halk Bankasi, Türkiye Vakiflar Katilim Bankasi, Burgan Bank, DenizBank, QNB Finansbank, Türk Ekonomi Bankasi, Türkiye Ihracat Kredi Bankasi and Türkiye Sinai Kalkinma Bankasi, and at 'BB' those of Andalou Bankasi, Türkland Bank and Türkiye Finans Katilim Bankasi. It also revised the outlook on the 15 banks' ratings from 'stable' to 'negative' following similar action on Turkey's sovereign ratings.

Source: Fitch Ratings, Capital Intelligence Ratings

ENERGY / COMMODITIES

Oil prices to average $56 p/b in 2017

Crude oil prices reached their lowest levels in seven months amid expectations that the persistently high U.S. oil inventories will offset the production cuts implemented by OPEC and non-OPEC members. Also, oil prices came under pressure on signs of an increase in Libyan and Nigerian oil output. ICE Brent crude oil front-month prices closed at $46 per barrel (p/b) on June 20, 2017, down by 19% from the end of 2016 and by about 15% since OPEC and non-OPEC members extended on May 25, 2017 their oil production cuts until March 2018. In addition, the International Energy Agency expected non-OPEC output to increase by 700,000 b/d in 2017 and by an additional 1.5 million b/d in 2018, mainly due to higher oil production from the U.S., Brazil and Canada. It expected the increase in non-OPEC oil output to exceed global oil consumption growth in 2018, which would potentially require OPEC members to sustain production cuts to prevent further downward pressure on prices. Overall, Brent oil prices are forecast to rise from an average of $45.1 p/b in 2016 to $55.6 p/b in 2017; while WTI oil prices are projected to increase from an average of $43.3 p/b last year to $53.5 p/b this year.

Source: International Energy Agency, Thomson Reuters, Byblos Research

OPEC's oil output up 1% in May 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 32.14 million barrels per day (b/d) in May 2017, constituting an increase of 1.1% from 31.8 million b/d in the preceding month. Saudi Arabia produced 9.94 million b/d in May 2017, equivalent to 31% of OPEC's total oil production, followed by Iraq with 4.42 million b/d (13.8%), Iran with 3.8 million b/d (11.8%) and the UAE with 2.89 million b/d (9%).

Source: OPEC, Byblos Research

Middle East accounts for 42.5% of world's proven natural gas reserves

BP estimated the Middle East region's proven natural gas reserves at 2,803.2 trillion cubic feet (tcf) at the end of 2016, equivalent to 42.5% of the world's natural gas reserves. Iran held the region's largest proven natural gas reserves with 1,183 tcf, or 42.2% of the Middle East's total reserves, at end-2016. Qatar followed with 858.1 tcf, or 30.6% of the region's total, then Saudi Arabia with 297.6 tcf (10.6%), the UAE with 215.1 tcf (7.7%), Iraq with 130.5 tcf (4.7%), Kuwait with 63 tcf (2.2%) and Oman with 24.9 tcf (0.9%).

Source: BP, Byblos Research

Nigeria's hydrocarbon receipts down 18.5% in first four months of 2017

Nigeria's crude oil and condensate export receipts totaled $886m in the first four months of 2017, constituting a decrease of 18.5% from $1.1bn in the same period last year. Export revenues in the first four months of the year consisted of $576.4m from crude oil exports (65.1%), $302.1m from gas exports (34.1%) and $7.4m in other receipts (0.8%). The authorities transferred $137.4m to the Federation Account in March 2017, while they used all of the hydrocarbon revenues to pay global oil companies in April 2017.

Source: Nigerian National Petroleum Corporation

Base Metals: Copper prices to increase in 2017 on wider deficit in the copper market

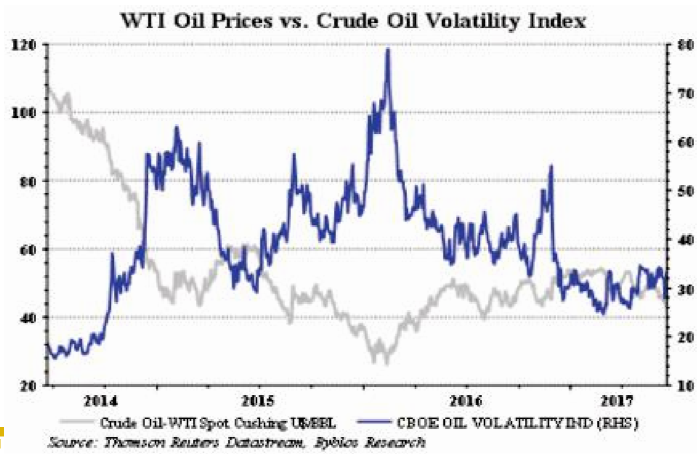
LME copper three-month future prices closed at $5,742 per metric ton on June 21, 2017, constituting a rise of 1.5% from a day earlier and of 1.1% from end-May 2017. Also, the metal's prices averaged $5,850 a ton in the first quarter of 2017 and $5,673 a ton so far in the second quarter, and are forecast to rise to an average of $5,800 a ton in the third quarter and of $6,200 a ton in the fourth quarter of the year. The anticipated increase in prices during the second half of the year reflects expectations of a wider deficit in the copper market in 2017. In parallel, global demand for refined copper decreased by 2.8% year-on-year to 5.6 million tons in the first four months of 2017, partly due to a 6.5% drop in Chinese demand. Also, demand for refined copper declined by 5% in Europe, 3% in Asia and by 1% in each of Africa and the Americas. On the supply side, global refined copper production was 5.8 million tons in the first four months of the year, nearly unchanged from the same period last year, given that the 7% increase in Chinese output and the 12% rise in Mexican supply were offset by an 18% decline in Chilean production. On a regional basis, refined output grew by 5% in Asia, by 2% in Africa and by 2% in Europe, while it declined by 12% in the Americas and by 5% in Oceania.

Source: International Copper Study Group, Standard Chartered, Byblos Research

Precious Metals: Gold prices to remain nearly unchanged in 2017

The gold bullion spot price closed at $1,246 a troy ounce on June 21, 2017, constituting a 1.7% drop from the end of May 2017. The decline in the metal's price this month reflects a stronger US dollar and expectations of additional increases in U.S. interest rates during the remainder of 2017. In fact, the month-to-date drop in the metal's price coincided with a 0.6% rise in the trade-weighted US Dollar Index from end-May 2017. Overall, gold prices are projected at $1,245 an ounce in 2017, nearly unchanged from the preceding year, supported by geopolitical tensions in Europe. But an anticipated growth in the metal's production this year would prevent an increase in prices. Upside risks to gold prices include political risks surrounding the U.S. administration, as well as a pick-up in the metal's retail demand in India and China. In parallel, downside pressure on the metal's price includes weakening global physical demand for the metal, as well as further U.S. interest rate hikes in coming months.

Source: Thomson Reuters, International Monetary Fund



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 (%)
	LT Foreign currency rating												
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	Negative	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	16-Jun-17	No change	20-Jul-17
Australia	Cash Rate	1.5	06-Jun-17	No change	04-Jul-17
New Zealand	Cash Rate	1.75	21-Jun-17	No change	09-Aug-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	9.00	16-Jun-17	Cut 25bps	28-Jul-17

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