

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Stock markets up 1% in first half of 2017

Arab stock markets increased by 1.1% and Gulf Cooperation Council (GCC) equity markets grew by 0.9% in the first half of 2017, relative to a decrease of 4% for each in the same period of 2016. In comparison, global equities rose by 10.3%, while emerging market equities improved by 15.5% in the first half of 2017. Activity on the Damascus Securities Exchange jumped by 76.1% in the first half of 2017, the Boursa Kuwait grew by 17.7%, the Khartoum Stock Exchange expanded by 10.8%, the Tunis Bourse rose by 9.7%, the Egyptian Exchange increased by 8.5%, the Bahrain Bourse grew by 7.3%, the Casablanca Stock Exchange expanded by 3.2%, the Saudi Stock Exchange increased by 3%, and the Palestine Exchange rose by 2.7%. In contrast, activity on the Beirut Stock Exchange dropped by 15.1% in the covered period, the Qatar Stock Exchange contracted by 13.5%, the Muscat Securities Market regressed by 11.5%, the Iraq Stock Exchange dropped by 11.3%, the Dubai Financial Market retreated by 4%, the Abu Dhabi Securities Exchange regressed by 2.7%, and the Amman Stock Exchange declined by 0.1%. In parallel, activity on the Tehran Stock Exchange retreated by 1% in the first half of 2017.

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

Value of M&A deals down 27% to \$18.3bn in first half of 2017

The value of merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region totaled \$18.26bn in the first half of 2017, down by 46.1% from \$33.85bn in the second half of 2016 and by 26.9% from \$24.97bn in the same period last year. The value of M&A transactions in the UAE reached \$6.3bn in the first half of the year, or 34.4% of the region's aggregate deal value. It was followed by deals targeting firms in Saudi Arabia with \$3bn (16.5%), then Iran with \$2bn (11.1%), Egypt with \$1.9bn (10.4%), and Oman with \$1.7bn (9.1%). Further, M&A deals in the chemicals, rubber & plastics sector totaled \$3.5bn, or 19.1% of the region's aggregate deal value. Transactions targeting companies operating in the primary sector followed with \$2.76bn (15.1%), then the banking industry with \$2.5bn (13.7%), and the construction sector with \$1.9bn (10.2%). In parallel, there were 284 M&A deals targeting MENA-based companies in the first half of 2017, down by 15.5% from 336 transactions in the second half of 2016 and by 23% from 369 deals in the first half of 2016. The UAE had 65 M&A deals during the covered period, followed by Egypt with 64 transactions, Jordan with 37 deals, Iran with 30 transactions, and Kuwait with 26 deals. In addition, there were 33 deals targeting companies operating in the construction sector, followed by the chemicals, rubber & plastics sector with 21 deals, the banking sector with 19 transactions, and the wholesale & retail trade with 18 deals, while 91 deals targeted companies operating in other services.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Private equity fundraising down 41% to \$582m in 2016, investments down 24% to \$1.1bn

Figures released by the MENA Private Equity Association show that private equity (PE) funds in the MENA region raised \$582m in 2016, constituting a decrease of 41.3% from \$992m in capital commitments in 2015. The drop in fundraising activity was partly attributed to the economic slowdown in the MENA region and to regional geopolitical factors that have impacted the perceptions of foreign investors. A total of nine PE funds held a final close in 2016 compared to 12 closes in 2015. In parallel, PE funds invested a total of \$1.13bn in 244 disclosed investments last year, compared to \$1.49bn in investments in 175 deals in 2015. The transportation sector attracted 32% of the total invested amount in 2016, followed by the food & beverage sector (18%), retail (16%), Information Technology & FinTech (14%), healthcare and consumer goods (8% each) and the e-commerce sector (3%). On a country basis, the UAE attracted 62% of the region's PE investment activity in 2016, followed by Saudi Arabia with 9%, Tunisia with 6%, Lebanon with 5%, Morocco and Algeria with 3% each, and Jordan and Egypt with 1% each. In addition, there were 14 exits from private equity investments for a total of \$462m in 2016, compared to 21 exits worth \$1.38bn in 2015.

Source: MENA Private Equity Association, Deloitte, Thomson Reuters Private Equity Monitor

UAE

Up to 50% of ADIA's portfolio invested in North America, 20-year returns at 6.1%

The Abu Dhabi Investment Authority (ADIA), the emirate's sovereign wealth fund, indicated that its global investment portfolio is diversified across more than 24 asset classes and sub-categories that include indexed funds, listed equities, fixed income, real estate, private equity, alternatives, cash, and infrastructure. It said that approximately 60% of its assets are managed by external fund managers whose activities are closely monitored, and that nearly 50% of its assets are invested in index-replicating strategies. ADIA noted that the 20-year and 30-year annualized rates of return in US dollar terms for its portfolio were 6.1% and 6.9%, respectively, in 2016, compared to 6.5% and 7.5%, respectively, in 2015. ADIA said that North America represents between 35% and 50% of its portfolio, followed by Europe with a 20% to 35% range, emerging markets with a range of 15% to 25%, and Developed Asia with a 10% to 20% range. Further, equities in developed markets account for 32% to 42% of its portfolio; followed by emerging market equities and government bonds (10% to 20% each); credit, alternatives and real estate (5% to 10% each); private equity (2% to 8%); infrastructure and small cap equities (1% to 5% each); and cash (up to 10%). In parallel, ADIA stated that it takes its investment decisions independently and without reference to the government of the Emirate of Abu Dhabi. It added that it is not involved with, nor has any visibility about the spending requirements of the Abu Dhabi government and its related entities. It noted that its assets are not classified as foreign currency reserves.

Source: Abu Dhabi Investment Authority

OUTLOOK

EMERGING MARKETS

Growth outlook to improve amid higher commodity prices and better trade activity

The World Bank projected real GDP growth in emerging markets and developing economies (EMDEs) to accelerate from 3.5% in 2016 to 4.1% in 2017, mainly due to a moderate increase in commodity prices and a rebound in global trade activity. It forecast growth in commodity-exporting EMDEs to rise from 0.4% last year to 1.8% in 2017, supported by improved confidence, higher commodity prices, the authorities' adjustment to the terms-of-trade shock, a rebound in exports and better domestic demand. But it noted that its growth projection for commodity exporters is lower than its forecast of 2.3% in January 2017, mainly due to the longer-than-expected adjustment to low commodity prices in some countries and to downward revisions in oil price prospects.

Further, the Bank anticipated real GDP growth in commodity-importing EMDEs at 5.7% in 2017, unchanged from the preceding year. Overall, it noted that the long-term outlook of EMDEs is subject to significant downside risks, such as weaker-than-expected global trade activity, low commodity prices, persistent policy uncertainty and geopolitical risks, as well as governance and institutional challenges.

The Bank revised downward its growth forecast for South Asia to 6.8% in 2017 from 7.1% in January 2017 due to a slower-than-anticipated recovery in private investment in India. In addition, it lowered its 2017 real GDP growth forecast for Sub-Saharan Africa to 2.6% in 2017 from 2.9% previously, while it reduced its growth projection for the MENA region to 2.1% in 2017 from 3.3% in January. Also, it projected economic output in Latin America & the Caribbean to grow by 0.8% this year relative to a previous growth forecast of 1.2%. In contrast, it maintained its growth forecast for developing East Asia & the Pacific at 6.2% in 2017, while it slightly increased its forecast for developing Europe & Central Asia to 2.5% in 2017 from 2.4% in January.

Source: World Bank

QATAR

Banks can withstand potential financial sanctions

S&P Global Ratings indicated that Saudi Arabia, the UAE, Bahrain, Egypt, Libya and Yemen's decision to cut diplomatic ties, trade and transport links with Qatar could result in an outflow of external funding from Qatari banks in the next few months, contingent on how the situation develops. It noted that the banks' current liquidity profiles could help them manage a moderate drop in external funding and that the Qatari authorities would provide support to banks in case of need. But it cautioned that pressure on the banks' credit quality could increase in case the rift persists for a longer period of time.

The agency indicated that the breakdown of liabilities shows that Gulf Cooperation Council (GCC) countries held \$20.6bn of rated Qatari banks' liabilities, or around 8% of their total liabilities at the end of 2016. It noted that the least exposed rated bank to outflows from the GCC is Qatar National Bank, while the most exposed is Qatar Islamic Bank. In parallel, S&P estimated that rated Qatari banks have the capacity to withstand a withdrawal of all GCC funds, in addition to 25% of funds from other countries.

COUNTRY RISK WEEKLY BULLETIN

given their sufficient liquidity position. It added that banks should be able to continue to operate without requiring the authorities' intervention.

In parallel, IHS Markit anticipated that the potential imposition of financial sanctions on Qatari banks would weigh on lending activity in Qatar over the near term and on the banks' asset quality over the long-term. It said that Qatar's banking sector has the most vulnerable structural liquidity position in the GCC with a loans-to-deposits ratio of 113.6%. As such, it noted that deposit withdrawals would affect lending activity, especially that banks have to comply with a loans-to-deposits ratio of less than 100% by the end of 2017. Also, it considered that potential new sanctions could prevent GCC financial and non-financial institutions from paying coupons or dividends to Qatari banks on their holdings of debt and equity instruments. This would further weigh on the profitability of the Qatari banking sector. However, IHS Markit did not expect financial sanctions to trigger a banking crisis in Qatar, given the high likelihood of liquidity support from the authorities.

Source: S&P Global Ratings, IHS Markit

JORDAN

Real GDP to grow by 2.4%, current account deficit at 8% of GDP in 2017-18

The International Monetary Fund projected Jordan's real GDP growth to slightly accelerate from 2.1% in 2016 to 2.3% in 2017 and 2.5% in 2018. In comparison, it forecast growth at 2.3% in 2017 and at 3.2% in 2018 for the Middle East & North Africa (MENA) economies and at 3.5% this year and at 4% in 2018 for the region's oil importers. It noted that economic activity in Jordan would remain subdued amid the adverse impact of ongoing regional conflicts on tourism, confidence and investment. It expected the country's nominal GDP to reach \$40.5bn in 2017 and \$42.6bn in 2018. It forecast Jordan's average inflation rate at 2.3% in 2017 and 2.5% in 2018 relative to -0.8% in 2016. Also, it anticipated broad money to grow by 6.1% in 2017 and by 5.6% in 2018 compared to a growth rate of 4% in 2016.

In parallel, the Fund projected Jordan's fiscal deficit to narrow from 3.6% of GDP in 2016 to 2.9% of GDP in 2017 and 0.2% of GDP in 2018. It forecast government revenues, excluding grants, at 25% of GDP in each of 2017 and 2018, and total expenditures at 30.5% of GDP in 2017 and 30.8% of GDP in 2018. It expected the gross public debt level at 95.8% of GDP at end-2017 and 93.2% of GDP at end-2018. It also anticipated the gross external debt to increase from 67.9% at the end of 2016 to 68.4% of GDP at end-2017 and 70.1% of GDP at end-2018.

Further, the IMF forecast Jordan's exports of goods & services at \$14bn this year and at \$14.7bn in 2018; and for its imports of goods & services to reach \$22.2bn in 2017 and \$22.8bn next year. It projected the country's current account deficit to narrow from 9.4% of GDP last year to 8.6% of GDP in 2017 and 7.4% of GDP in 2018. Further, it expected the country's gross official reserves to reach \$15.4bn, equivalent to 8.1 months of import cover, at end-2017 and \$16.9bn or 8.6 months of import cover at end-2018 relative to \$15.5bn, or 8.4 months of import cover at end-2016.

Source: International Monetary Fund

ECONOMY & TRADE

QATAR

Outlook on ratings revised to 'negative' amid rising economic and financial risks

Moody's Investors Service affirmed Qatar's long-term issuer rating at 'Aa3', but revised the outlook on the rating from 'stable' to 'negative'. It also affirmed at 'Aa3' Qatar's long-term foreign- and domestic-currency bond and deposit ceilings. It attributed the outlook revision to the ongoing rift between Qatar and a group of Arab countries led by Saudi Arabia and the UAE. The agency said that a prolonged rift would increase Qatar's funding costs, lead to a materialization of contingent liabilities on the government's balance sheet and reduce foreign exchange reserves. It noted that the cut in diplomatic ties, as well as land, sea and air links with Qatar would weigh on the consulting and tourism sectors, as well as on the profitability of private and government-related entities. It anticipated that a prolonged period of political tensions would adversely affect businesses and investors' sentiment. It added that Qatar's short-term external liabilities stood at \$115bn and projected them at 68% of GDP in 2017, with one third due to GCC creditors. It pointed out that about 50% of such liabilities consist of non-resident deposits and that further sanctions could lead to rollover risks and could weigh on the financial sector. In parallel, Moody's expected the government's asset buffers, which include \$35bn in net international reserves and more than \$300bn managed by the Qatar Investment Authority, to likely continue to grow and that the government's net asset position would remain above 100% of GDP over the coming years.

Source: Moody's Investors Service

ARMENIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Armenia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+', with a 'stable' outlook on the ratings. It said that the IDRs are mainly supported by a reliable monetary policy framework, reduced external imbalances, and the extended maturity profile of the public debt. However, it noted that the ratings are constrained by the high level of net external debt, a rising public debt burden, wide fiscal deficits, a highly dollarized banking sector and geopolitical tensions. It pointed out that the country is still adjusting from the 2014-15 drop in commodity prices and the decline in remittance inflows from Russia. It added that real GDP growth has recovered strongly to 6.5% in the first quarter of 2017, after the sharp deceleration to 0.2% in 2016. It projected economic growth at 3.4% in 2017, supported by stronger-than-expected public sector capital spending, higher remittance inflows and faster export growth. Also, Fitch forecast Armenia's current account deficit to average 2.1% of GDP annually during the 2017-18 period, given a recovery in commodity prices, improved export diversification and the stabilization of the Russian economy. Further, Fitch expected the fiscal deficit to narrow from 5.5% of GDP in 2016 to 3.3% of GDP in 2017, but to exceed the 2.8% of GDP target set in the 2017 budget. It noted that the public debt level reached 56.6% of GDP in 2016 and exceeded the median level of 55.7% of GDP among similarly-rated countries. It pointed out that the country's debt structure is favorable, as most of it is on concessional terms with medium- to long-term maturities.

Source: Fitch Ratings

EGYPT

Subsidy cuts to save 1.1% of GDP in spending

Regional investment bank EFG Hermes considered that Egypt's recent decision to increase fuel prices by an average of 53% would allow the government to save about EGP40bn (\$2.2bn), or 0.9% of GDP, in the fiscal year that ends in June 2018. It noted that fuel products in Egypt would still be subsidized by 40% on average following the price hikes. It added that the increase in fuel prices, along with other fiscal measures that are expected to come into effect this year, such as the 25% to 35% surge in electricity prices, the increase in taxes on tobacco products and higher fees for a number of government services, would increase inflationary pressure. As such, it forecast the average inflation rate to remain elevated at 20.2% in FY2017/18 relative to 24.3% in FY2016/17. Also, it estimated that the planned increase in electricity tariffs this year would raise total savings from subsidy cuts to EGP50bn (\$2.8bn), or 1.1% of GDP. It noted that the fuel subsidy cut is likely to clear the way for the second disbursement of \$1.25bn from the International Monetary Fund (IMF). EFG Hermes expected the government to phase out the subsidy cuts beyond the three-year period of the IMF program. It pointed out that any upside change to the exchange rate and to global oil prices would require additional increases in fuel prices in the future. In parallel, it expected Egypt's fiscal deficit to narrow from 10.5% of GDP in FY2016/17 to 8.7% of GDP in FY2017/18. Further, it projected the Central Bank of Egypt to keep its overnight deposit and lending rates unchanged, but it considered that the risk of a rate hike persists in the near term.

Source: EFG Hermes

GHANA

High debt and weak fiscal position to weigh on economic growth

Moody's Investors Service indicated that Ghana's 'B3' credit rating and 'stable' outlook balances the country's strong economic growth outlook and the reduction in its external imbalances, with a wide fiscal deficit, a high level of government debt and very low debt affordability. It pointed out that Ghana's debt level has increased by 25 percentage points of GDP since 2012, due to wide fiscal deficits and exchange rate fluctuations. The agency projected the country's public debt to peak at 73.2% of GDP in 2017, based in part on a modest depreciation of the local currency. It added that high domestic borrowing costs have resulted in very low debt affordability. It noted that the large share of non-concessional foreign-currency debt exposes the country to foreign exchange shocks and tight external liquidity. Also, Moody's expected Ghana's real GDP growth to accelerate from 3.5% in 2016 to 6.1% in 2017 and 7.5% in 2018, mainly due to increased oil and natural gas production. In parallel, it noted that the Ghanaian banking sector is liquid and well-capitalized, with a capital adequacy ratio of 17.4% at end-April 2017. It considered that the main risks to the banks' metrics include a high non-performing loans ratio and significant concentration risks in the energy sector. It indicated that funding constraints in the local debt market, as well as an adverse ruling in the dispute with Côte d'Ivoire over the ownership of the Tweneboa, Enyenra, Ntomme oil fields, would lead to downward pressure on the ratings.

Source: Moody's Investors Service



BANKING

WORLD

CBR withdrawals persist in 2016

The Financial Stability Board (FSB) indicated that the withdrawal of correspondent banking relationships (CBRs) continued in 2016. It noted that the number of active correspondents, or banks that have sent or received transfers through the SWIFT system, declined by 6% between 2011 and 2016. It added that the number of active correspondents decreased by about 15% for both the US dollar and the euro during the covered period. In addition, it said that the number of banks that have sent or received transfers through the SWIFT system fell by 16% in Eastern Europe, followed by Europe excluding Eastern Europe (-15%), Oceania (-12%), and the Americas excluding North America (-8%). It attributed the reduction of CBRs in Europe mainly to the use of European-wide payment systems and the consolidation of the banking sector following the global financial crisis. In parallel, it pointed out that the decline in CBRs generally does not result in a reduced number of wire transfers, but it may lead to longer payment chain to complete a wire transfer and to greater concentration, as countries and banks rely on fewer CBRs. The FSB's survey of more than 300 banks in nearly 50 jurisdictions shows that 16 banks on average were serving a country at the end of June 2016, constituting a decline of 9.6% from January 2011. It added that 45% of surveyed banks said that they rely on two or fewer correspondents for more than 75% of the value of the wire transfers they sent or received in the covered period. The FSB attributed the CBRs' withdrawals to industry consolidation, the lack of profitability of the CBRs, the overall lower risk appetite of banks, and to the prevailing anti-money laundering and financing of terrorism regimes or sanctions.

Source: Financial Stability Board

KUWAIT

Agency takes rating actions on four banks

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency rating (FCR) of National Bank of Kuwait (NBK) at 'AA-', the FCRs of the Commercial Bank of Kuwait (CBK) and Al Ahli Bank of Kuwait (ABK) at 'A+' and the FCR of Boubyan Bank at 'A'. It maintained the 'stable' outlook on the FCRs of NBK, CBK and ABK, while it revised the outlook on Boubyan Bank's FCR from 'stable' to 'positive'. CI indicated that the banks' FCRs reflect the extremely high probability of support from the Kuwaiti authorities in case of need. The agency also affirmed the financial strength rating (FSR) of NBK at 'A+', those of CBK and ABK at 'A-' and the FSR of Boubyan Bank at 'BBB+'. It maintained the 'stable' outlook on the FSRs of NBK and CBK, while it revised the outlook on the FSR of Boubyan Bank from 'stable' to 'positive' and that of ABK from 'negative' to 'stable'. It noted that the outlook revision on Boubyan Bank's ratings is due to the significant improvement in the bank's capital adequacy and liquidity profile at the end of 2016, along with improving asset quality and profitability metrics. Also, CI pointed out that the 'stable' outlook on ABK's FSR reflects robust capital adequacy, good asset quality, and very strong loan-loss reserve coverage. Further, it said that NBK's ratings are supported by its good asset quality and solid capital base, while they are constrained by concerns about the bank's ability to expand in a subdued local market.

Source: Capital Intelligence Ratings

EGYPT

Lifting of foreign currency transfer limits to support banks' stability

Fitch Ratings considered that the removal by authorities of the foreign-currency transfer limits that were put in place in 2011 would help reinstate confidence in the economy and attract foreign investments. It noted that the Central Bank of Egypt (CBE) has ended in late June 2017 the cap of \$100,000 that account holders in Egypt can transfer abroad annually without an underlying commercial transaction. It anticipated that the decision would lead to higher capital inflows from foreign investors and to the increased availability of foreign-currency liquidity. Further, the agency projected the lifting of the transfer cap to help banks extend more loans in foreign currency, especially to importers. It anticipated the rise in lending to be limited, given the subdued economy and recent interest rate hikes. Fitch noted that the removal of the transfer restriction is a requirement under Egypt's Extended Fund Facility program with the International Monetary Fund. It pointed out that the flexible exchange rate regime has allowed banks to have better access to foreign-currency liquidity through the interbank market. It added that the foreign-currency positions of banks have improved following the currency liberalization in November 2016 and Egypt's \$4bn Eurobond issuance in January 2017. It said that the sector's foreign-currency loans-to-deposits ratio regressed by 3.7 percentage points in the first quarter of 2017 after the ratio exceeded 66% in 2016.

Source: Fitch Ratings

QATAR

Agency takes rating actions on 10 banks

Moody's Investors Service affirmed the long-term deposit ratings of Qatar National Bank at 'Aa3', those of Qatar Islamic Bank at 'A1', the deposit ratings of The Commercial Bank, Doha Bank, Barwa Bank, Ahli Bank and International Bank of Qatar at 'A2' and those of Al Khalij Commercial Bank at 'A3'. Also, it maintained the long-term issuer ratings of Masraf Al Rayan at 'A1' and those of Qatar International Islamic Bank at 'A2'. It kept the 'negative' outlook on The Commercial Bank's ratings, while it revised the outlook on the remaining banks' ratings from 'stable' to 'negative'. The agency indicated that it affirmed the banks' ratings because of their strong asset quality and capital buffers, as well as their solid liquidity buffers despite the ongoing dispute between Qatar and a number of other Arab countries. However, it said that the outlook revision on the ratings of the nine banks reflects potential outflows of funds from Qatari banks in case the rift persists over a prolonged period of time, which would reduce the banks' liquidity buffers, increase the cost of funding and, in turn, weigh on profits. It added that a decline in liquidity would negatively affect lending activity and weaken economic growth, which could increase pressure on asset quality and provisioning charges over the coming quarters. Also, it noted that the 'negative' outlook follows a similar action on the sovereign ratings. Moody's pointed out that the existing 'negative' outlook on The Commercial Bank reflects the bank's deteriorating asset quality and weak profitability metrics due to high loan loss provisions and the low contribution of its subsidiaries.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Crude oil market oversupply to persist in near term

Oil prices rebounded in mid-May to around \$50 per barrel (p/b) as the market priced-in the extension of OPEC production cut through March 2018. However, oil prices have since regressed amid sustained U.S. production growth and higher OPEC exports. Crude Oil WTI Cushing prices closed at \$45.1 p/b on July 5, down 2% day-to-day, over concerns about continued oversupply in the global oil market as more evidence indicated that OPEC exports grew in June. In parallel, Goldman Sachs anticipated the increase in U.S. shale drilling and the unexpectedly large recovery in Libyan and Nigerian oil production to reduce expectations that inventories would normalize before March of next year. As such, it anticipated that prices could keep trading near the \$45 p/b level until there is indication of a drop in the U.S. oil rig count, a sustained decline in inventories or additional OPEC production cuts. It noted that the steady increase in the U.S. rig count and the six-month drilling-to-production lag imply that U.S. oil production will be growing by the end of the OPEC deal. It added that this raises concerns about OPEC increasing its production to preserve market share. Goldman Sachs forecast the market deficit to persist in 2017. As such, it reduced its three-month WTI forecast to \$47.5 p/b from \$55 p/b previously.

Source: Goldman Sachs, International Monetary Fund

Qatar plans to increase LNG production by 2024 amid diplomatic crisis with Arab countries

Qatar announced plans to raise liquefied natural gas (LNG) capacity by 30% from 77 million tons to 100 million tons over the next seven years. The move comes as Qatar prepares itself for economic independence in case the diplomatic dispute with several Arab countries extends or escalates. The immediate effect of Qatar's decision would raise the oversupply in the global LNG market. Qatar is currently the world's largest exporter of LNG. Most of the country's LNG comes from two major fields, one of which is shared with Iran. Qatar's LNG supplies are shipped in tankers, mainly to Japan, South Korea and India, as well as to numerous European countries.

Source: Thomson Reuters, Aljazeera

Iran signs contract to develop South Pars gas field

French oil company Total signed a contract with Iran's National Iranian Oil Company for the development and production of phase 11 of South Pars (SP11), the world's largest gas field. The deal represents the first major Western energy investment since international sanctions against Tehran were lifted in 2016. The project will have a production capacity of 2 billion cubic feet per day, or 400,000 barrels of oil equivalent per day, including condensate. Further, the two-phase project will cost up to \$5bn, with production expected to supply the Iranian domestic market starting in 2021.

Source: Total

Middle East accounts for 35% of world's oil production in 2016

BP estimated crude oil production in the Middle East at 31.8 million barrels per day (b/d) in 2016, up by 5.7% from 30.1 million b/d in 2015, and equivalent to 34.5% of the world's oil supply. Saudi Arabia's production averaged 12.35 million b/d in 2016, or 38.8% of the region's total output, followed by Iran with 4.6 million b/d (14.5%) and Iraq with 4.5 million b/d (14%).

Source: BP, Byblos Research

COUNTRY RISK WEEKLY BULLETIN

Base Metals: Aluminium prices to grow by 17% in 2017 amid increasing raw material prices

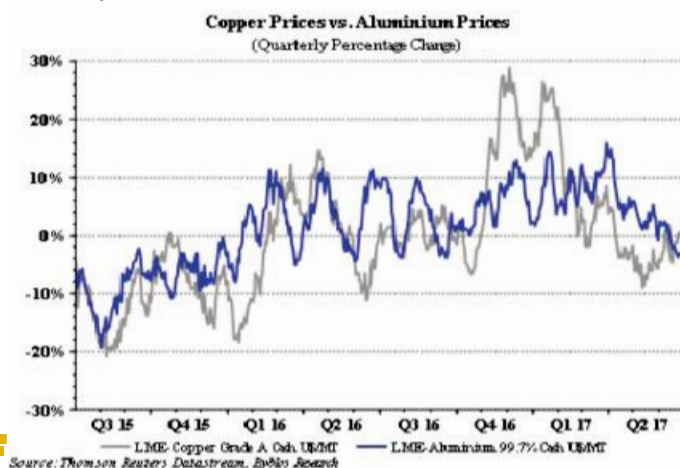
Aluminium was the top performing base metal since the beginning of 2017 after it underperformed most of its peers in the base metals complex in the past few years. The LME cash price of aluminium averaged \$1,878 per metric ton in the first half of 2017, up by 12.8% from the second half of 2016 and by 21.7% from the same period last year. Aluminium prices are forecast to remain relatively stable at an average of \$1,875 per ton in the second half of 2017, supported by China's supply-side decision to reduce overcapacity, environmental initiatives, and rising raw material prices. In parallel, global aluminium production is forecast to increase by 3.1% to 60.5 million tons in 2017, while global consumption is projected to expand by 4.3% to 60.6 million tons this year. The global aluminium market is expected to nearly balance in 2017, with China posting a small surplus of 200,000 tons and the rest of the world posting a deficit of 250,000 tons. China is anticipated to remain the world's largest producer and consumer of aluminium in 2017. Overall, aluminium prices are forecast to increase by 17.3% to an average of \$1,881 a ton in 2017 following a decrease of 3.5% in 2016.

Source: Deutsche Bank, Thomson Reuters GFMS

Precious Metals: Gold prices to average \$1,250 an ounce in 2017

Gold prices traded near their lowest level in two months at about \$1,225 a troy ounce on July 6, as the U.S. Federal Reserve's latest monetary policy meeting showed a lack of consensus on the prospective pace of interest rate hikes. Also, an increase in taxes on gold sales in India, the world's second-largest consumer of the metal, could pressure short-term demand and, in turn, weigh further on global gold prices. Goldman Sachs forecast gold prices to average \$1,260 an ounce during the next three months and to decline to an average of \$1,250 a troy ounce over the coming 12 months. It noted that higher U.S. real interest rates could put pressure on gold prices, but it will be offset by lower expected returns on U.S. equities, higher income in emerging markets, and the anticipated peaking of gold mine supply in 2017. Downside pressure on gold prices includes weakening global physical demand for the metal, among other factors. In parallel, the International Monetary Fund showed that the option-adjusted probability of the 12-month forward gold prices exceeding \$1,300 an ounce grew to 44.5% from 28.8% previously.

Source: Goldman Sachs, World Gold Council, International Monetary Fund



July 6, 2017

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
	Negative	Stable	Negative	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	Negative	Stable	Negative								
Qatar	AA-	Aa3	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
	CWN***	Negative	CWN***	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	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	04-Jul-17	No change	01-Aug-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	22-Jun-17	No change	29-Sep-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	05-Jul-17	No change	16-Aug-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	06-Jul-17	Raised 200bps	28-Sep-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-Jul-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	7.00	22-Jun-17	Raised 25bps	10-Aug-17
Brazil	Selic Rate	11.25	31-May-17	Cut 100bps	26-Jul-17
Armenia	Refi Rate	6.00	27-Jun-17	No change	15-Aug-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	12.50	06-Jul-17	No change	03-Aug-17
Russia	Refi Rate	9.00	16-Jun-17	Cut 25bps	28-Jul-17

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

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

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

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

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



BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

IRAQ

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

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

CYPRUS

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

SUDAN

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

ADIR INSURANCE

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

