

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

PE funds raise \$121bn in second quarter of 2017

Research provider Preqin indicated that 206 private equity (PE) funds raised a total of \$121bn in capital commitments worldwide, compared to 279 PE funds that raised \$119bn in the second quarter of 2016. It pointed out that 61 buyout funds secured \$88.5bn during the second quarter of the year, or 73.1% of total capital commitments, followed by 92 venture capital (VC) funds with \$16.1bn in raised capital (13.3%), 23 growth funds with \$5.8bn in capital commitments (4.8%), 16 fund of funds with \$4.1bn in raised capital (3.4%), and five secondaries funds with \$3.8bn in capital commitments (3.1%). It indicated that 1,998 PE funds are currently seeking to raise an aggregate of \$676.2bn in capital worldwide. It added that buyout funds is the preferred vehicle for 61% of PE investors over the next 12 months, followed by VC funds (47%), growth funds (41%), fund of funds (18%) and secondaries funds (12%), while 17% of PE investors will target turnaround, co-investment and balanced funds in the next 12 months. Further, Preqin indicated that dry powder held by PE funds globally, or the amount of capital available for investment, reached a record-high of \$906.2bn at the end of May 2017, up by 10.6% from \$819.6bn at end-2016. It added that buyout funds accounted for 62.1% of dry powder, followed by VC funds (19.2%), growth funds (12.4%) and other PE funds such as balanced and co-investment funds (6.2%). It noted that over \$1.5 trillion have been returned to investors since 2013 through capital distribution.

Source: Preqin

MENA

Arab world outperforms developing economies in mobile cellular penetration

Figures released by the International Telecommunication Union (ITU) indicate that the penetration rate of mobile cellular lines in Arab states reached 109.9 lines per 100 inhabitants at the end of 2016, down from 110.5% at end-2015, and relative to 94.1% in developing economies. The mobile cellular penetration rate in Arab states was higher than in Asia & Pacific (94.1%) and Africa (80.8%), while it was lower than in the Commonwealth of Independent States (143.3%), Europe (119.5%) and the Americas (111.5%). The total number of mobile cellular subscriptions in Arab states reached 426.3 million at end-2016 and accounted for 7.4% of subscriptions in developing economies. Further, the penetration rate of fixed telephone lines in the Arab world stood at 7.8 lines per 100 inhabitants at the end of 2016, unchanged from end-2015, and compared to 8.8% in developing economies. The fixed telephone lines penetration rate in Arab states was higher than in Africa (1.2%), while it was lower than in Europe (36.6%), the Americas (24.2%), the Commonwealth of Independent States (21.1%) and Asia & Pacific (10.3%). The total number of fixed telephone lines in Arab states reached 30.3 million at the end of 2016 and accounted for 5.6% of subscriptions in developing economies.

Source: International Telecommunication Union, Byblos Research

Equity issuance down 72% to \$1bn in first half of 2017

Equity Capital Markets' (ECM) issuance in the Middle East, which includes equity and equity-related issuances, totaled \$1bn in the first half of 2017, down by 72% from \$1.5bn in the same period last year, constituting the lowest issuance in the first six months of each year since 2004. ECM Issuance in the consumer goods & services sector reached \$414m and accounted for 41.1% of ECM activity in the covered period, followed by the energy & power industry with \$244m (24.2%), the industrial sector with \$178m (17.6%) and the financial sector with \$105m (10.4%). Also, there were five initial public offerings in the first half of 2017 that raised \$603.3m and accounted for 60% of ECM activity. In parallel, debt issuance in the region reached \$57.4bn in the first half of 2017, up 53% from \$37.5bn in the same period of 2016, the highest debt issuance in the first half of each year on record. Also, Sukuk issuance grew by 50% year-on-year to \$31.4bn in the first half of 2017. Further, the value of announced mergers and acquisitions (M&A) in the Middle East, which includes inbound, outbound and inter-regional deals, totaled \$20.1bn in the first half of 2017, up 8% from \$18.7bn in the same period last year. In parallel, investment banking fees in the region stood at \$462.1m in the covered period, down by 15% from the first half of 2016. Syndicated lending fees totaled \$187.6m in the first half of 2017 and accounted for 40.6% of the overall fee pool, followed by debt capital market fees at \$136.9m (29.6%), fees from M&A deals at \$98m (21.2%), and fees from equity capital markets at \$39.7m (8.6%).

Source: Thomson Reuters

Inter-Arab greenfield FDI inflows at \$324bn between 2003 and 2016

Figures released by fDi Markets show that the value of inter-Arab greenfield foreign direct investment (FDI) reached \$324.1bn between 2003 and 2016. Egypt attracted \$81.8bn in inter-Arab greenfield FDI during the covered period, equivalent to about 25.2% of the total. Saudi Arabia followed with \$29.1bn (9%), then Algeria with \$24.3bn (7.5%), Jordan with \$23.7bn (7.3%), Libya with \$22.9bn (7.1%), Iraq with \$20.6bn (6.4%), the UAE with \$20.5bn (6.3%), Morocco with \$15.7bn (4.8%), Bahrain with \$13.6bn (4.2%) and Oman with \$12.9bn (4%). Also, other Arab countries received a total of \$59.2bn in inter-Arab greenfield FDI between 2003 and 2016, or 18.3% of the total. In parallel, the number of inter-Arab greenfield FDI projects reached 2,552 during the covered period. Saudi Arabia attracted 402 inter-Arab greenfield FDI projects during the covered period and accounted for 15.8% of the total. The UAE followed with 283 projects (11.1%), then Egypt with 247 projects (9.7%), Oman with 238 projects (9.3%), Bahrain with 227 projects (8.9%), Qatar with 220 projects (8.6%), Jordan with 147 projects (5.8%), Kuwait with 138 projects (5.4%), Iraq with 101 projects (4%) and Algeria with 98 projects (3.8%). Also, other Arab countries attracted 451 projects, or 17.7% of the total during the covered period. The inter-Arab greenfield FDI figures cover cross-border projects that lead to the direct creation of jobs and capital investment. fDi Markets is a database that tracks cross-border greenfield investments across the world and is owned by the Financial Times Group.

Source: fDi Markets, Byblos Research

OUTLOOK

JORDAN

Growth outlook to remain challenging

The International Monetary Fund indicated that economic conditions in Jordan have improved so far in 2017, with a significant rebound in exports, remittance inflows and tourism receipts. It projected the country's real GDP growth rate to slightly increase from 2% in 2016 to 2.3% in 2017, and to accelerate gradually to an average of 3% in the medium term. But it noted that the growth outlook remains challenging amid below-potential economic growth, a high unemployment rate and difficult social conditions. It anticipated the inflation rate to regress from 4.6% in February 2017 to 2.5% at the end of 2017, as the impact of the removal of tax exemptions and the increase in oil and food prices fades. It said that downside risks to the outlook include higher geopolitical risks, additional refugee inflows, a stronger US dollar and implementation risks related to the IMF program.

The IMF welcomed the authorities' efforts in preserving macro-economic stability and external sustainability, narrowing the fiscal deficit, maintaining a prudent monetary policy and ensuring a sound financial system. It expected the fiscal deficit to narrow from 3.2% of GDP in 2016 to 2.5% of GDP in 2017 and to 0.4% of GDP in 2018; while it projected the public debt level to slightly grow from 95.1% of GDP in 2016 to 95.6% of GDP in 2017, but to decrease to 93.5% of GDP in 2018. The Fund called on authorities to continue to remove exemptions on the general sales tax and customs duties, tackle tax evasion and increase compliance, rationalize expenditures, contain contingent liabilities, enhance oversight of public private partnerships, sustain reforms in the energy and water sectors, and improve debt management.

Further, the IMF projected Jordan's current account deficit, excluding grants, to narrow from 12.6% of GDP last year to 11.7% of GDP this year and to 11.3% of GDP in 2018, supported by a gradual recovery in exports, tourism receipts and remittance inflows, as well as a further decline in non-energy imports. It expected the country's gross official foreign currency reserves to reach \$14.8bn, equivalent to 7.7 months of import cover, at end-2017 and \$16bn or 8.1 months of import cover at end-2018.

Source: International Monetary Fund

SAUDI ARABIA

Growth to accelerate over medium term on sustained structural reforms

The International Monetary Fund indicated that Saudi Arabia's economy is adjusting to the impact of the low oil price environment and the ongoing fiscal consolidation. It projected real GDP growth to decelerate from 1.7% in 2016 to 0.1% in 2017 due to a contraction in hydrocarbon sector activity. It expected hydrocarbon real GDP to shrink by 1.9% in 2017 relative to a growth rate of 3.8% in 2016, due to lower crude oil production under the OPEC agreement. But it forecast non-hydrocarbon real GDP growth to pick up from 0.2% in 2016 to 1.7% this year, and for the Kingdom's overall economic activity to strengthen over the medium term with the implementation of structural reforms. Further, it projected the average inflation rate at 1.7% in 2017 and to accelerate in 2018 amid the recently-introduced excise taxes, further energy price reforms and the anticipated introduction of

a value-added tax in 2018. It said that downside risks to the outlook include lower-than-expected oil prices and the uncertain impact of ongoing reforms on economic activity.

In parallel, the IMF projected the Kingdom's fiscal deficit to narrow from 17.2% of GDP in 2016 to 9.3% of GDP this year, supported by fiscal consolidation under the Fiscal Balance Program. It anticipated the deficit to be financed by a combination of draw-downs of deposits at the Saudi Arabian Monetary Agency (SAMA) and external and domestic borrowing. It welcomed the authorities' fiscal consolidation efforts, progress with reforms to improve the business environment, and the implementation of a fiscal framework to increase the transparency of public finances. It noted that the country has the fiscal space to allow a more gradual consolidation than what the Fiscal Balance Program entails.

In parallel, the Fund projected Saudi Arabia's current account balance to shift from a deficit of 3.9% of GDP in 2016 to a surplus of 0.2% of GDP in 2017, as oil export receipts increase and import growth and remittance outflows remain subdued. It anticipated SAMA's net foreign assets to decline from \$528.6bn, or 31.7 months of import cover at the end of 2016, to \$472.6bn, or 28.2 months of import cover at end-2017.

Source: International Monetary Fund

QATAR

Limited impact of diplomatic crisis on economic activity so far

Standard Chartered Bank expected that the ongoing political rift between Qatar and other Arab countries to have a limited impact on Qatar's economic activity. As such, it slightly reduced its forecast for Qatar's real GDP growth in 2017 to 2.5% from 2.7% previously. It anticipated economic growth this year to be supported by a recovery in the hydrocarbon sector due to increased output from the Barzan gas project, but to be constrained by a slowdown in non-hydrocarbon sector activity, mainly in the trade, manufacturing and logistics sectors. It noted that the disruption of transport links as a result of the crisis could raise concerns over the country's hosting of the FIFA 2022 World Cup in case the rift persists over a prolonged period of time. It added that construction activity could slow down due to difficulties in sourcing building material supplies. It said that delays in the Barzan gas project would constitute downside risks to the growth outlook.

Further, the Bank anticipated the rise in import costs to fuel inflationary pressures and to widen the country's current account deficit to 4.4% of GDP this year relative to a previous forecast of 2.5% of GDP. In addition, it did not expect gas exports to be affected by the GCC rift. It added that Qatar has lifted a moratorium on further gas production that it had self-imposed in 2005, and has already announced plans to increase gas output in the coming five to seven years.

In parallel, it pointed out that the peg of the Qatari riyal to the US dollar is sustainable despite the current pressure on the exchange rate, given Qatar's foreign assets of \$335bn. It anticipated the divergence in the exchange rate between the onshore and offshore markets to narrow as foreign-currency liquidity improves.

Source: Standard Chartered Bank



ECONOMY & TRADE

UAE

Ratings on three emirates affirmed

S&P Global Ratings affirmed at 'AA/A-1+' the Emirate of Abu Dhabi's long- and short-term sovereign credit ratings, at 'A/A-1' the ratings of the Emirate of Ras Al Khaimah (RAK) and at 'BBB+/A-2' those of the Emirate of Sharjah, with a 'stable' outlook on the long-term ratings of the three emirates. It indicated that Abu Dhabi's ratings are supported by its strong fiscal and external positions, while the ratings of Sharjah and RAK are driven by their socio-political stability, robust economic growth, as well as by the advantages that they derive from being part of the federation. It added that the three emirates' ratings are mainly constrained by limited monetary policy flexibility and an underdeveloped local-currency domestic bond market. S&P expected Abu Dhabi to maintain an extremely strong net fiscal asset position of above 200% of GDP in the 2017-20 period, the highest among rated sovereigns, which provides a buffer to counteract the negative impact of lower oil prices on economic growth, government revenues and on the external account, as well as from increased geopolitical uncertainties in the region. Further, the agency indicated that RAK would continue to post a surplus in its fiscal balance, which it projects to average 2% of GDP annually during the 2017-20, as well as a positive net asset position of about 7% of GDP annually during the covered period. In addition, it projected Sharjah's real GDP growth to accelerate from 1.3% in 2017 to 2.5% in 2020, supported by higher consumption, investment, construction and tourism activity. However, the agency expected tightening monetary conditions and increased geopolitical uncertainties in the GCC region to weigh on Sharjah's and RAK's economic prospects.

Source: S&P Global Ratings

QATAR

Outlook revised to 'negative' on deteriorating fiscal and external positions

Capital Intelligence Ratings (CI) affirmed at 'AA-' Qatar's long-term foreign and local currency sovereign ratings, and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to its expectations that the low hydrocarbon price environment and elevated geopolitical risks would continue to weigh on Qatar's fiscal and external positions over the medium term. It added that investors' risk perceptions could increase in case the current crisis between Qatar and other Arab countries intensifies, which would lead to higher funding costs and lower availability of funding for the Qatari sovereign and banking sector. Further, it anticipated that the disruption of trade routes, higher shipping costs and sustained low hydrocarbon prices would weigh on the country's external balance. In parallel, CI projected Qatar's real GDP growth to average 2.9% annually over the 2017-19 period, with increased downside risks related to the prevailing crisis. It forecast the central government's deficit to narrow from 3.2% of GDP in the fiscal year that ended in March 2017 to 0.6% of GDP in FY2017/18, in case hydrocarbon receipts increase. Further, it projected the current account balance to shift from a deficit of 5.3% of GDP in 2016 to negligible surpluses over the medium term. It considered that Qatar's sizeable foreign assets would help it absorb mild external shocks and mitigate concentration risks from its reliance on the hydrocarbon sector.

Source: Capital Intelligence Ratings

NIGERIA

Recovery in hydrocarbon output to support economic activity in 2017

The Institute of International Finance maintained its forecast for Nigeria's real GDP growth at 1% in 2017 and 2.5% in 2018, despite delays in the fiscal stimulus and adverse weather conditions, driven mainly by a recovery in hydrocarbon output. It expected hydrocarbon sector activity to grow by 3% in 2017 and by 8% in 2018, following the implementation of the Niger Delta amnesty plan. It said that non-hydrocarbon sector activity is recovering, supported by the easing of foreign currency shortages and a robust performance in the agricultural sector. But it noted that political gridlock is fueling policy uncertainty and delaying much-needed reforms. In parallel, the IIF forecast the current account deficit at about 1.5% of GDP in each of 2017 and 2018, supported by the recovery in global oil prices and domestic production. It pointed out that foreign currency reserves increased to \$30bn, or six months of imports cover, despite subdued foreign investment amid uncertainties over the foreign exchange regime. Further, the IIF noted that Nigeria's fiscal position remains under pressure, and forecast the fiscal deficit to exceed 4.5% of GDP in 2017 relative to a target deficit of 2.8% of GDP in the 2017 budget. It indicated that the public debt level is low at 18.7% of GDP, but it noted that interest payments are absorbing around 60% of federal revenues. It added that the government plans to increase foreign borrowing in order to reduce the debt servicing cost, and intends to issue a \$1bn Eurobond by the end of 2017. In addition, it projected the inflation rate to decrease from a peak of 18.7% in January and to average 16.4% in 2017.

Source: Institute of International Finance

IRAQ

Reconstruction plan requires foreign funding

Standard Chartered Bank indicated that Iraqi authorities announced a 10-year \$100bn reconstruction plan for the country, with funding sourced from domestic revenues, international borrowing and grants. It said that the plan includes the rebuilding of basic infrastructure in Mosul, Iraq's second largest city, which has suffered from the protracted conflict and underinvestment. It noted that Iraq's fiscal outlook is improving, but not enough to finance the full cost of reconstruction, which means that the government needs to attract foreign funding and provide attractive financial returns to foreign investors. It projected Iraq's fiscal deficit to narrow from 12% of GDP in 2016 to 8.2% of GDP in 2017, driven by a recovery in hydrocarbon revenues and fiscal consolidation. It also anticipated the public debt level to stabilize in 2017 following a significant increase since 2014, and that the composition of the debt in 2017 would be skewed towards external debt, as a greater amount of external financing has materialized so far in 2017. It expected more than 50% of the fiscal gap to be financed from foreign sources in 2017 relative to a 25% share in 2016. In parallel, it projected Iraq's real GDP to be flat this year relative to a growth rate of 11% in 2015, due to a decline in hydrocarbon output following the OPEC deal. Further, it projected non-hydrocarbon sector growth to accelerate in 2017 after three years of contraction, driven by higher private consumption and investment, as well as a recovery in the areas that were liberated from the Islamic State terrorist group.

Source: Standard Chartered Bank

BANKING

UAE

Agency takes rating actions on 11 banks

Fitch Ratings indicated that liquidity and funding pressures eased in the UAE's banking sector in the first quarter of 2017 due to slower lending growth and increased government deposits at banks. It projected lending growth to be in the mid-single digits in 2017 due to pressure on the operating environment from sustained low oil prices. Further, it did not expect the banks' asset quality to further deteriorate despite the difficulties facing small- and medium-sized enterprises. In parallel, Fitch Ratings affirmed at 'A+' the long-term Issuer Default Rating (IDR) of Abu Dhabi Islamic Bank (ADIB), Emirates Islamic Bank (EI) and Al Hilal Bank (AHB), at 'A' the IDR of Dubai Islamic Bank (DIB) and Mashreq Bank, at 'A-' that of Commercial Bank of Dubai (CBD), Noor Bank and Commercial Bank International (CBI), and at 'BBB+' the IDR of Sharjah Islamic Bank (SIB), Bank of Sharjah (BOS) and the National Bank of Ras Al Khaimah (RAKBANK). It maintained the 'stable' outlook on the IDRs of all banks except on that of CBI. It kept the CBI's ratings on Rating Watch Negative (RWN) because the ratings of Qatar National Bank, which has a 40% stake in CBI, are on RWN. In parallel, Fitch affirmed at 'bb+' the Viability Rating (VR) of SIB and RAKBANK, at 'bb' that of ADIB, CBD and BOS, at 'bb-' the VR of EI, and at 'b+' that of Noor Bank and CBI. Further, it upgraded the VR of Mashreq Bank from 'bb+' to 'bbb-' and that of DIB from 'bb' to 'bb+', while it downgraded the VR of AHB from 'bb' to 'bb-' and placed it on RWN. It noted that the placement of AHB's VR on RWN reflects the potential for downgrade in case the bank fails to implement its restructuring plan to reduce problem financing and boost its core capital.

Source: Fitch Ratings

KUWAIT

Profits of four banks up 11% in second quarter of 2017

Regional investment bank EFG Hermes indicated that the aggregate earnings of four of the five largest banks in Kuwait reached KD144m, equivalent to \$473.6m, in the second quarter of 2017, up by 0.7% from KD143m in the previous quarter and by 10.7% from KD130m the second quarter of 2016. It noted that the rise in the banks' earnings in the second quarter reflects a 10.2% growth in their net interest income due to higher net interest spreads from higher asset yields, as well as increased lending. It added that non-interest income reached KD145m, or \$476.9m in the second quarter of the year, nearly unchanged from the same period last year. Further, it pointed out that the banks' aggregate lending reached KD29.9bn, or \$98.8bn, at the end of June 2017, up by 3.1% from KD29bn at end-March 2017, and by 4.1% from KD28.8bn at end-June 2016. It attributed the increase in the banks' lending to stronger corporate loan growth in the first half of 2017, despite a sharp slowdown in retail lending growth. In parallel, it indicated that total deposits grew by 2.3% year-on-year to KD31bn, or \$102.2bn, at the end of June 2017, compared to a contraction of 2% at end-June 2016. The loans-to-deposits ratio stood at 97% at end-June 2017 compared to 95% a year earlier.

Source: EFG Hermes

MOROCCO

Agencies take rating actions on banks

Fitch Ratings indicated that Moroccan banks are vulnerable to economic volatility, given their low levels of capital buffers, weak asset quality and above-average risk appetite. It said that tangible common equity averaged 10% of tangible assets at major Moroccan banks, which reflects limited buffers, given the banks' risk profiles, single-obligor concentration risk and potential under-reporting of loan impairments. In parallel, Fitch affirmed at 'BB+' the long-term foreign- and local-currency Issuer Default Ratings (IDRs) of Attijariwafa Bank (AWB) and Banque Marocaine du Commerce Extérieur (BMCE). Also, it maintained the Viability Rating of AWB at 'bb-' and that of BMCE at 'b+'. Further, it affirmed at 'AAA(mar)' the national long-term ratings of Banque Marocaine pour le Commerce et l'Industrie (BMCI) and at 'AA-(mar)' those of AWB and BMCE. It maintained the 'stable' outlook on all the banks' ratings. In parallel, Moody's Investors Service assigned to Groupe Banque Centrale Populaire (BCP) and AWB global long- and short-term foreign-currency deposit ratings of 'Ba2/Not Prime' and local-currency deposit ratings of 'Ba1/Not Prime'. It also affirmed at 'Ba1' BCME's long-term global local currency deposit rating, which reflects a very high probability of government support in case of need. However, it downgraded BCME's standalone baseline credit assessment from 'ba3' to 'b1' due to ongoing pressure on the bank's asset quality and its modest capital cushion.

Source: Fitch Ratings, Moody's Investors Service

TURKEY

Banks' reliance on wholesale funding is credit negative

Moody's Investors Service indicated that the increase of the Turkish banking sector's local-currency loans-to-deposits ratio is credit negative for banks, as it reflects their high reliance on wholesale funding. It said that the banks' local-currency loans-to-deposits ratio rose from 100% in May 2011 to a six-year high of 154.7% in May 2017, mainly as a result of low savings estimated at 26% of GDP at end-2016, slower local-currency deposit growth and a rapid expansion of lending in local currency. It noted that lending in local currency increased by 12.6% in the first five months of 2017, compared to a growth of 4.5% in the same period of 2016, due to the expansion of the Credit Guarantee Fund (CGF) to a capacity of TRY250bn. It added that the CGF is a government initiative established to increase lending to small- and medium-sized enterprises that do not have enough collateral to obtain credit. Also, it pointed out that the banks' deposits in local currency have expanded by 2.5% and those in foreign currency increased by 14% in the first five months of 2017. In this context, it pointed out that banks had to attract wholesale funding by using foreign-currency swaps in order to fund the significant growth in local currency lending. It added that these swaps have short-term maturities, which increases their re-pricing risk and, in turn, weigh on the banks' profitability. It expected the banks' profitability to be negatively affected by rising deposit yields, as banks would compete for lira deposits.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil market sentiment improves on higher seasonal demand

ICE Brent crude oil front-month prices reached their highest level in about two months to close at \$51 per barrel (p/b) on July 26, 2017, after OPEC members decided to cap Nigerian oil output at 1.8 million barrels per day (b/d) and Saudi Arabia pledged to limit its crude oil exports to 6.6 million b/d in August in order to reduce the market oversupply and support oil prices. Also, the American Petroleum Institute reported a significant decrease of 10.2 million barrels in U.S. crude oil stocks last week compared to analysts' expectations of a drop of 2.6 million barrels, which supported expectations that the oil market was moving toward balance. In parallel, Jadwa Investment indicated that oil prices dropped by 8% quarter-on-quarter in the second quarter of 2017, mainly due to higher oil output from Nigeria, Libya, and the U.S. However, it noted that the oil market sentiment has improved in recent weeks, as it expected higher seasonal demand to support oil prices in the near term. Further, it said that downside risks to the price outlook include rising oil production in Libya and Nigeria, as well as lower compliance among other OPEC members to the oil output cuts. It added that U.S. shale oil supply is expected to reach a record high in the next few months, which could weigh on oil prices. Overall, it forecast Brent oil prices to grow by 22% to an average of \$55 p/b in 2017.

Source: Thomson Reuters, Jadwa Investment, Byblos research

ME&A's oil demand to rise by 2% in 2017

Crude oil consumption in the Middle East & Africa region (ME&A) is forecast to average 12.28 million b/d in 2017, which would reflect a growth of 1.7% from 12.07 million b/d in 2016. The region's demand for oil would account for 38.4% of demand in developing countries and for 12.7% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.1 million b/d in 2017, unchanged from the previous year.

Source: OPEC, Byblos Research

Nigeria's hydrocarbon receipts down 8% in first five months of 2017

Nigeria's crude oil and condensate export receipts totaled \$1.13bn in the first five months of 2017, constituting a decrease of 8.3% from \$1.24bn in the same period last year. Export revenues in the first five months of the year consisted of \$699.7m from crude oil exports (61.7%), \$405.9m from gas exports (35.8%) and \$28.2m in other receipts (2.5%). The authorities transferred \$59.55m of total hydrocarbon revenues in May 2017 to the Federation Account, while they used the remaining balance of \$188.3m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Egypt's gas output to increase by 50% in 2018

Egypt plans to increase its natural gas production by 50% in 2018 and by 100% in 2020 from the recently discovered gas fields of Zohr, North Alexandria and Nooros. The country's natural gas production rose from 4.4 billion cubic feet per day (bcf/d) in 2016 to about 5.1 bcf/d so far in 2017, with the start of production from the North Alexandria field. The three large projects are forecast to jointly produce 4.6 bcf/d of gas by 2019.

Source: Thomson Reuters, Byblos Research

Base Metals: Copper prices to increase in 2017 on higher demand and output disruptions

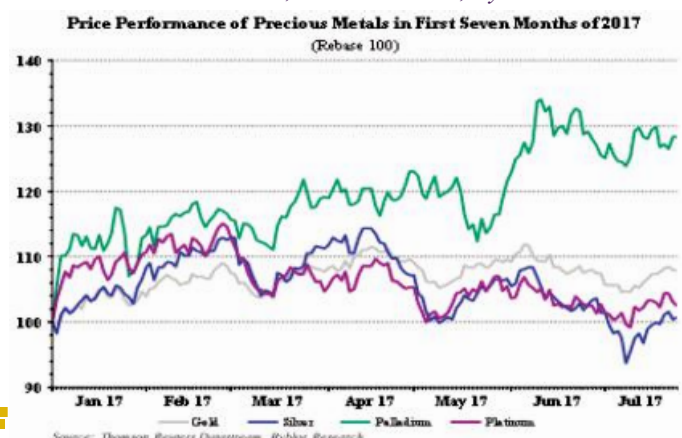
LME copper three-month future prices reached their highest level since May 2015 to close at \$6,329 per metric ton on July 25, 2017, due to a weaker US dollar, strong economic activity in China and expectations of higher Chinese demand for the refined metal. Copper prices are forecast to average \$5,606 a ton in 2017, up from \$4,871.5 a ton in 2016, mainly driven by subdued growth in the metal's output amid continuous production disruptions, and by stronger economic growth in China. In parallel, global demand for refined copper decreased by 3.4% year-on-year to 7.6 million tons in the first four months of 2017, partly due to a 7% drop in Chinese demand. Also, demand for refined copper declined by 6% in Europe, 3% in Asia and by 1% in each of Africa and the Americas. On the supply side, global refined copper production was 7.7 million tons in the first four months of the year, unchanged from the same period last year, given that the 6.5% increase in Chinese output and the 11% rise in Mexican supply were offset by a 16% decline in Chilean production. On a regional basis, refined output grew by 4% in Asia, by 3% in Africa and by 2% in Europe, while it declined by 11% in Oceania and by 10% in the Americas.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Palladium prices to grow by 26% in 2017

Palladium prices closed at \$860 per troy ounce on July 26, 2017, constituting an increase of 1.5% from end-June 2017 and a rise of 28.4% from end-2016. The year-to-date surge in the metal's price reflects tightening emissions' controls in the European Union, which increased demand for catalytic converters and, in turn, supported autocatalyst demand for the metal. Global palladium demand is projected to reach 9.9 million ounces in 2017, which would constitute an increase of 1.3% from 9.6 million ounces in 2016. The global autocatalyst sector is projected to account for 76.5% of total demand in 2017, followed by the electronics industry (10%), the chemicals sector (4.7%), the dental industry (4.2%) and the jewelry sector (3%). In parallel, global palladium production is projected to reach 8.5 million ounces in 2017, which would reflect a decline of 0.7% from 8.6 million ounces 2016, driven by a 2.9% drop in mine production. As such, the production deficit in the palladium market is forecast to widen from 673,100 ounces in 2016 to 1.4 million ounces in 2017. Overall, palladium prices are projected to rise by 25.6% from an average of \$614 an ounce in 2016 to \$771 an ounce in 2017.

Source: Thomson Reuters, Deutsche Bank, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-2.5	17.3	2.5	-	-	-	-12.3	
	-	-	-	-	Negative								
Angola	B	B1	B	-	B+	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
	Negative	Negative	Negative	-	Negative								
Egypt	B-	B3	B	B-	B-	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B3	B	-	B+	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
	Stable	Stable	Stable	-	Negative								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	Stable	-	Negative								
Dem Rep Congo	B-	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Negative	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
	Stable	Positive	Stable	-	Stable								
Nigeria	B	B1	B+	-	B+	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
	Stable	Stable	Negative	-	Negative								
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	Negative								
Tunisia	-	Ba3	B+	-	BB+	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	Negative	Stable	-	Stable								
Burkina Faso	B-	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
	Stable	-	-	-	Stable								
Rwanda	B	B2	B	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
	Stable	Stable	Positive	-	Stable								
Middle East													
Bahrain	BB-	Ba2	BB+	BB+	BBB-	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Negative	Negative	Negative	Stable	Negative								
Iran	-	-	-	BB-	BB-	0.7	29.2	2.0	-	-	-	5.3	-
	-	-	-	Stable	Positive								
Iraq	B-	-	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	-	Stable	-	Stable								
Jordan	BB-	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
	Negative	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B2	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Negative	Stable	Negative	Stable								
Oman	BB+	Baa1	BBB	BBB+	BBB	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Negative	Stable	Negative	Stable	Negative								
Qatar	AA-	Aa2	AA	AA-	AA-	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
	CWN***	Negative	CWN***	Negative	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Negative	-	Stable	Stable								
Yemen	-	-	-	-	CCC	-6.0	77.4	20.3	-	-	-	-4.2	
	-	-	-	-	Negative								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	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	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA-	Aa3	A+	-	A								
	Stable	Negative	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-								
	Negative	Negative	Stable	-	Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+	Ba1	BBB-	-	BB+								
	Negative	CWN***	Negative	-	Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB	Ba1	BB+	BB+	BB-								
	Negative	Negative	Stable	Stable	Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC	Caa3	CCC	-	B-								
	Negative	Stable	-	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

* including grants for Sub-Saharan African countries

** to official creditors

***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 2017



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.00-1.25	26-Jul-17	No change	20-Sep-17
Eurozone	Refi Rate	0.00	20-Jul-17	No change	07-Sep-17
UK	Bank Rate	0.25	15-Jun-17	No change	03-Aug-17
Japan	O/N Call Rate	-0.10	20-Jul-17	No change	21-Sep-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	0.75	12-Jul-17	Raised 25bps	06-Sep-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	13-Jul-17	No change	31-Aug-17
Malaysia	O/N Policy Rate	3.00	13-Jul-17	No change	07-Sep-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	27-Jul-17	No change	14-Sep-17
South Africa	Repo rate	6.75	20-Jul-17	Cut 25bps	21-Sep-17
Kenya	Central Bank Rate	10.00	17-Jul-17	No change	20-Sep-17
Nigeria	Monetary Policy Rate	14.00	25-Jul-17	No change	26-Sep-17
Ghana	Prime Rate	21.00	24-Jul-17	Cut 150bps	25-Sep-17
Angola	Base rate	16.00	05-Jul-17	No change	31-Jul-17
Mexico	Target Rate	7.00	22-Jun-17	Raised 25bps	10-Aug-17
Brazil	Selic Rate	9.25	26-Jul-17	Cut 100bps	06-Sep-17
Armenia	Refi Rate	6.00	27-Jun-17	No change	15-Aug-17
Romania	Policy Rate	1.75	03-Jul-17	No change	04-Aug-17
Bulgaria	Base Interest	0.00	30-Jun-17	No change	01-Aug-17
Kazakhstan	Repo Rate	10.50	17-Jul-17	No change	21-Aug-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

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