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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity real estate funds raise $29bn in second quarter of 2017

Research provider Preqin indicated that 45 closed-end private equity (PE) real estate investment funds raised $29.3bn in capital commitments in the second quarter of 2017, constituting an increase of 32.8% from $22.1bn in the first quarter of 2017 and a decline of 19.3% from $36.3bn in the second quarter of 2016. It added that the number of closed funds in the covered quarter was the lowest since the first quarter of 2010. It said that 23 PE real estate funds with a primary focus on North America secured $13bn in the second quarter of 2017, or 44.2% of total capital commitments, followed by 16 European-focused funds ($15.6bn), and one Asian-focused fund ($36.7m). It pointed out that 10 funds with a primary focus on opportunistic investments raised a total of $12.4bn during the second quarter of 2017, or 42.3% of total capital commitments, followed by 18 value-added funds with $9.2bn in raised capital (31.3%), nine debt funds with $6.6bn (22.4%), four core funds with $0.6bn (2.1%), three core-plus funds with $0.3bn (1.1%) and one distressed property fund with $0.3bn (0.9%). Also, the survey indicated that 557 closed-end PE real estate funds are currently seeking to raise an aggregate of $177bn, down 4.8% from the amount targeted in the previous quarter. It added that 322 out of the 557 funds, or 57.8% of the total, are seeking to raise $107bn in capital that will be invested in North America and that 327 funds, or 58.7% of the total, are aiming to raise $105.2bn in capital to be allocated towards value-added and opportunistic investments.

Source: Preqin

G-20 economies continue to adopt restrictive trade measures

The World Trade Organization indicated that the Group of 20 major economies has put in place 42 new trade-restrictive measures between mid-October 2016 and mid-May 2017, down by 41.4% from 24 new restrictive measures applied between mid-May 2016 and mid-October 2016. It noted that G-20 members introduced on average six trade-restrictive measures per month during the covered period, compared to almost five measures per month between mid-May 2016 and mid-October 2016. The distribution of new trade-restrictive measures shows that import-related restrictions and export-related restrictions accounted for 69% and 14.3% of total measures, respectively, during the seven-month period, while other restrictions represented the remaining16.7%. It estimated that the current trade-restrictive measures cover around 0.3% of world merchandise imports and about 0.4% of G-20 imports. In parallel, the WTO indicated that G-20 members introduced 42 new trade liberalizing or facilitating measures during the covered period, equivalent to six measures per month. It added that import-related measures accounted for 81% of total trade-facilitating measures, while export-related measures represented the remaining 19% of trade facilitating measures. It noted import-facilitating measures covered an estimated $163bn of trade merchandise, while import-restrictive measures covered $47bn of global trade.

Source: World Trade Organization

MENA

Stock markets up 1% in first seven months of 2017

Arab stock markets increased by 0.9% and Gulf Cooperation Council (GCC) equity markets were unchanged in the first seven months of 2017, relative to decreases of 2.5% and 3.6%, respectively, in the same period of 2016. In comparison, global equities rose by 13.4%, while emerging market equities improved by 21.8% in the first seven months of 2017. Activity on the Damascus Securities Exchange jumped by 81.4% in the covered period, the Boursa Kuwait grew by 19.2%, the Khartoum Stock Exchange expanded by 12.4%, the Tunis Bourse rose by 11.9%, the Bahrain Bourse increased by 8.8%, the Egyptian Exchange grew by 8.7%, the Casablanca Stock Exchange expanded by 4.8%, the Palestine Exchange improved by 4.5%, the Dubai Financial Market increased by 2.9% and the Abu Dhabi Securities Exchange grew by 0.4%. In contrast, activity on the Beirut Stock Exchange dropped by 18.9% in the first seven months of 2017, the Muscat Securities Market regressed by 13.1%, the Iraq Stock Exchange declined by 11.4%, the Qatar Stock Exchange dropped by 9.9%, the Saudi Stock Exchange fell by 1.6% and the Amman Stock Exchange contracted by 1.4%. In parallel, activity on the Tehran Stock Exchange increased by 2.6% in the first seven months of 2017.

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

AFRICA

Sovereign credit quality in Sub-Saharan Africa deteriorates

S&P Global Ratings indicated that the overall sovereign creditworthiness in Sub-Saharan Africa (SSA) has deteriorated since January 2017. It noted that it upgraded the ratings of Burkina Faso, which was more than offset by the sovereign downgrades of Mozambique, the Republic of Congo and South Africa due to ongoing pressure on public finances and economic activity in these countries. It also revised the outlook on Burkina Faso's sovereign ratings from 'positive' to 'stable', while it placed the ratings of the Republic of Congo on CreditWatch Negative. As such, it indicated that 10 out of the 17 rated SSA countries carry a 'stable' outlook on their sovereign ratings, five sovereigns have a 'negative' outlook, one has its ratings placed on CreditWatch Negative, while Mozambique does not carry an outlook as its rating is in 'Selective Default'. S&P expected economic conditions for SSA economies to remain challenging in 2017 due to the region's high dependence on oil and commodity exports, despite a modest increase in the price of some export commodities. It said that the average rating of the 17 SSA sovereigns stood at slightly below 'B+' as of June 2017, compared to about 'BB-' in December 2013. It added that the average sovereign rating becomes lower than 'BB-' when the ratings are weighted by nominal GDP, largely due to South Africa, which is rated 'BB+' and accounts for more than one-fourth of the aggregate GDP of the 17 countries. S&P noted that 16 out of the 17 rated sovereigns have a speculative-grade rating, except Botswana which is in the 'A-' category.

Source: S&P Global Ratings

OUTLOOK

EMERGING MARKETS

Growth projected at 4.6% for 2017, prospects vary across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.6% in 2017, nearly unchanged from its April forecast of 4.5%, and compared to growth rates of 2% for advanced economies and 3.5% for the global economy. It noted that growth would be primarily driven by commodity importers, and would also reflect improved conditions in large commodity exporters that experienced recessions during the past two years due to the drop in global commodity prices. The IMF indicated that short-term risks to the growth outlook in emerging markets and developing economies are broadly balanced. But it said that that medium-term risks are tilted to the downside and include tighter global financial conditions, reversal of capital flows, lower-than-anticipated commodity prices, heightened policy uncertainty in the U.S. and Eurozone, as well as rising geopolitical tensions.

The IMF projected economic growth in Emerging & Developing Asia at 6.5% in 2017 nearly unchanged from its April forecast of 6.4%, while it anticipated China's growth at 6.7% in 2017 relative to 6.6% previously due to sustained fiscal policy support. Also, it expected Sub-Saharan Africa's real GDP growth at 2.7%, nearly unchanged from its April forecast of 2.6%, reflecting a modest improvement in South Africa's activity. In addition, it maintained its growth forecast for the MENA region plus Afghanistan and Pakistan at 2.6% in 2017, as it expected a prolonged period of low oil prices to weigh on activity in the region's oil exporters. Further, the IMF anticipated economic activity in the Commonwealth of Independent States at 1.7% in 2017, unchanged from its April forecast. In parallel, it raised its growth forecast for Emerging & Developing Europe to 3.5% in 2017 from 3% previously, mainly due to better growth prospects for Turkey and the economic recovery in Russia. In contrast, it lowered its growth projection for Latin America & the Caribbean to 1% this year from 1.1% previously.

Source: International Monetary Fund

GCC

Economic diversification to face obstacles

S&P Global Ratings indicated that several Gulf Cooperation Council (GCC) countries have announced plans to diversify their economies away from the hydrocarbon sector amid the low oil price environment by developing the tourism, business, financial services and logistics sectors. It considered that enhancing private-sector development in the GCC region would reduce the economies' vulnerability to oil price fluctuations and would support their long-term economic growth. It added that further improvements in education and broader societal changes may also support private-sector development. However, it considered that structural challenges to economic diversification persist.

First, S&P noted that the exchange rate peg to the US dollar in most GCC economies is appropriate because their hydrocarbon export receipts are denominated in US dollars. It expected the peg to remain in place over the medium term, as non-hydrocarbon exports are limited. However, it considered that the currency peg reduces the competitiveness and the development of the region's non-hydrocarbon exports. Second, it pointed out that weather conditions in GCC countries constrain their ability to develop the agricultural sector and other primary sectors. Third, it indicated that GCC governments aim to improve the education system and enhance the skills of the local workforce in order to support a private sector-led economic diversification. But it considered that private-sector jobs need to be sufficiently attractive in terms of salaries and benefits in order to encourage national citizens to shift away from the public sector.

Finally, S&P said that most GCC sovereigns have introduced business-friendly reforms, such as free trade zones, tax incentives, and easing of tariff restrictions and non-tariff barriers, in order to attract foreign direct investment and support economic growth in non-resource based sectors. But it noted that the UAE is the only GCC country to register a sustained improvement in the business environment, which would constrain foreign capital inflows to other GCC countries and limit their ability to enhance private-sector driven economic growth.

Source: S&P Global Ratings

IRAQ

Non-hydrocarbon activity to grow by 1.5% in 2017

The International Monetary Fund projected Iraq's real GDP to contract by 0.4% in 2017 following a growth rate of 11% in 2016, mainly due to flat growth in oil production. It forecast the non-hydrocarbon sector to grow by 1.5% in 2017 compared to a contraction of 8.1% in 2016. It indicated that Iraqi authorities have implemented the appropriate economic policies to deal with the dual shocks of the drop in global oil prices and the armed conflict with the Islamic State terrorist group.

The IMF pointed out that Iraqi authorities have preserved the Iraqi dinar's peg to the US dollar, and have implemented a sizeable fiscal adjustment by reducing inefficient capital spending while protecting social spending. However, it indicated that Iraq's performance under the Stand-By Arrangement with the IMF has been weak in some key areas, such as in public finances, and that authorities need to implement strong corrective measures to keep the program on track. In this context, the Fund called on authorities to increase non-oil revenues and reduce current expenditures. It encouraged authorities to reform the electricity sector and state-owned enterprises in order to make room for more effective investment spending. Also, it called on the government to assess the stock of arrears and strengthen expenditure commitment and cash management in order to prevent the accumulation of new arrears. In addition, it considered that the implementation of the budget-sharing agreement with the Kurdistan Regional Government would put the two governments in a better position to address the shocks to the Iraqi economy.

The Fund expected the fiscal deficit to narrow from 5.1% of GDP in 2017 to 4.7% of GDP in 2018, mostly due to higher hydrocarbon revenues. It projected the public debt level to grow from 63.8% of GDP at the end of 2017 to 65.3% of GDP in 2018. Further, it projected the current account deficit to widen slightly from 6.3% of GDP in 2017 to 6.7% of GDP in 2018. It forecast foreign currency reserves at $41.4bn, or 6.2 months of imports cover, at end-2017 and at $40.8bn, or 6 months of imports at end-2018.

Source: International Monetary Fund

GCC

Ratings on Bahrain and Oman downgraded

Moody's Investors Service downgraded Bahrain's long-term issuer rating from 'Ba2' to 'B1' and maintained the 'negative' outlook on the rating. It attributed the downgrade to its expectations that Bahrain's credit profile would continue to weaken in coming years, given the lack of a clear and comprehensive fiscal consolidation strategy. It added that the 'negative' outlook on the rating reflects heightened government and external liquidity risks and uncertainties about support from neighboring countries. It projected the country's fiscal deficit to remain in double-digits in each of 2017 and 2018 in the absence of more aggressive fiscal measures. It forecast the public debt level to rise from 73% of GDP in 2016 to more than 100% of GDP by 2020, given the country's complete dependence on debt to finance its wide fiscal deficits. It considered that Bahrain's net international investment position, which stood at 74.5% of GDP in 2016, provides an external buffer, but it expected it to decline due to a faster increase in external liabilities than in external assets. In parallel, Moody's downgraded Oman's long-term issuer rating from 'Baa1' to 'Baa2', and revised the outlook on the rating from 'stable' to 'negative'. It attributed the downgrade to the authorities' limited progress in addressing structural vulnerabilities related to the low oil price environment, including the large fiscal and external imbalances. It projected the fiscal deficit to average 9% of GDP annually during the 2017-20 period and forecast the government debt level to rise from 30% of GDP at the end of 2016 to more than 50% of GDP by end-2020. Further, it expected the current account deficit to average 12% of GDP annually in the 2017-18 period.

Source: Moody's Investors Service

UAE

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed at 'AA-' the UAE's long-term foreign and local currency sovereign ratings, with a 'stable' outlook. It noted that the 'stable' outlook balances the country's strong external position and financial assets with institutional weaknesses, reliance on hydrocarbon revenues and vulnerability to exogenous shocks. It projected the UAE's real GDP growth to accelerate from 2.7% in 2016 to an average of 3% annually in the 2017-19 period in case non-hydrocarbon sector growth averages 3.3% annually over the same period. Further, it forecast the fiscal deficit to narrow from 4.1% of GDP in 2016 to 2.9% of GDP in 2018 and to 1.2% of GDP in 2019, in case oil prices average $55 p/b in the 2017-19 period and authorities proceed with fiscal reforms. Also, it pointed out that the government's consolidated debt level is low at about 19.3% of GDP in 2016 and is largely matched by government deposits in the banking system. It considered that Abu Dhabi would be willing to support federal institutions and the UAE Central Bank in the event of financial distress, given that the assets managed by the Abu Dhabi Investment Authority are at about $770bn. In parallel, it noted that Dubai's government-related entities could face higher refinancing costs amid continued increases in U.S. interest rates and in geopolitical risks, given their relatively large maturities of $35.9bn, or 34.5% of GDP, in the 2017-18 period.

Source: Capital Intelligence Ratings

MOROCCO

Reforms improving economic fundamentals

The International Monetary Fund considered that the Moroccan government's new economic program is in line with key reforms agreed under the Precautionary and Liquidity Line Arrangement (PLL) with the IMF, such as reducing fiscal and external vulnerabilities. It indicated that Morocco's sound economic fundamentals and policy implementation efforts have led to a strong macroeconomic performance in recent years. It expected external imbalances to decline in 2017 and for foreign currency reserves to remain at solid levels. Also, it projected the budget deficit to narrow in 2017, driven by higher revenues and contained spending. The Fund called for additional fiscal consolidation based on accelerated tax reforms, fiscal decentralization, civil service reform, improved financial oversight at state-owned enterprises and higher efficiency of social programs and public investment programs. In parallel, the Fund expected Morocco's economic growth to pick up in 2017 and to accelerate over the medium term in case external conditions improve and reforms are implemented. It noted, however, that the outlook is constrained by domestic and external downside risks. It considered that the PLL arrangement would support the authorities' economic reforms and help mitigate external risks. It added that the adoption of a more flexible exchange rate regime would support competiveness and help the economy absorb external shocks. Also, it encouraged authorities to improve the business environment, as well as to enhance governance, access to finance and the labor market.

Source: International Monetary Fund

ETHIOPIA

Economic growth to support fiscal position in near term

Moody's Investors Service considered that Ethiopia's 'B1' government bond rating and the associated 'stable' outlook are supported by strong domestic economic growth and low debt servicing costs, amid high inflation rates, low GDP per capita levels, a weak institutional framework and limited foreign currency reserves. It added that the country's vulnerability to political risks, unfavorable weather conditions, and volatile coffee and gold prices represent challenges to the sovereign's credit profile despite the authorities' efforts to diversify the economy. The agency forecast Ethiopia's average annual real GDP growth at about 8% in coming years, which would support the fiscal position. It considered the country's fiscal strength to be 'moderate', reflecting a low debt burden, favorable debt structure and affordable interest payments, which are offset by low government revenue ratios, large potential contingent liabilities from state-owned enterprises, and a high share of debt in foreign currency. It indicated that the fiscal deficit averaged 1.9% of GDP annually during the 2008-16 period, supported by prudent spending controls amid fluctuating grants to finance public spending, as well as by the authorities' efforts to increase public revenues. It projected the fiscal deficit at around 2.5% of GDP in coming years. It said that the government's debt level, which reached 27.6% of GDP in 2016, is low relative to peers. But it noted that the debt level has slowly increased in recent years to fund large capital projects, and expected this trend to continue due to large scale infrastructure projects under the country's Growth and Transformation Plan.

Source: Moody's Investors Service

UAE

Banks' earnings nearly unchanged year-on-year in second quarter of 2017

The net profits of eight listed banks in the UAE totaled AED8.1bn, or $2.22bn, in the second quarter of 2017, constituting a drop of 1.9% from AED8.25bn in the first quarter of 2017 and a marginal increase of 0.4% from AED8.06bn in the second quarter of 2016. The marginal year-on-year rise in net profits is mainly due to a 1.9% growth in net interest income, which was partly offset by a 2.5% decline in non-interest income. Also, operating expenses regressed by 1.4% year-on-year to AED5.3bn, or $1.45bn, in the second quarter of 2017. In parallel, total assets reached AED1,864bn, or $510.7bn, at the end of June 2017, and increased by 3.3% from end-June 2016. Net loans grew by 1.4% year-on-year to AED1,141bn, or $312.5bn, at the end of June 2017 compared to a 6.7% increase a year earlier. The deceleration in lending growth reflects mainly the banks' weaker credit appetite and selective lending. Further, customer deposits reached AED1,251bn, or $342.7bn, at the end of June 2017 and increased by 4.7% from end-June 2016. The loans-to-deposits ratio was 91.2% at end-June 2017 relative to 94.2% a year earlier, reflecting relatively stable liquidity conditions. Further, total financial investments by the eight banks reached AED224.3bn, or $61.5bn, at end-June 2017 and grew by 4.2% from a year earlier. EFG Hermes indicated that Dubai's banks posted strong lending growth, widening spreads and improved provisioning, while the performance of Abu Dhabi banks was constrained by subdued lending growth and deteriorating credit quality in the retail segment.

Source: EFG Hermes

SAUDI ARABIA

Banks to benefit from domestic sukuk issuance

Moody's Investors Service indicated that Saudi Arabia's issuance of SAR17bn, or $4.5bn, under its newly-established local currency government sukuk program is credit positive for banks in the Kingdom. It said that banks would be able to channel their substantial and low-yielding cash reserves and placements at the Saudi Arabian Monetary Authority (SAMA) to government sukuks, or Islamic bonds, with higher yields. Also, it noted that the sukuk issuance would widen the array of shariah-compliant instruments available to Islamic banks in the country and support the development of a domestic Islamic bond market by establishing a yield curve. The agency considered that Saudi banks are better positioned to absorb domestic sukuk issuance over the coming 12 to 18 months because their liquidity has improved relative to 2016. It indicated that the Saudi banks' cash balance at SAMA, in excess of statutory reserves, was SAR109bn at the end of May 2017, up by 105.7% from SAR53bn in May 2016. It added that lending contracted by 0.9% year-on-year at end-May 2017 relative to a rise of 9.5% a year earlier due to fiscal consolidation. However, it pointed out that subdued lending growth and the banks' large stock of liquid assets have weighed on their profitability metrics, as the banking sector's net income decreased by 2.8% year-on-year in the first quarter of 2017. As such, it anticipated that the domestic sukuk issuance would provide banks with an opportunity to earn higher yields on their excess cash reserves, which, in turn, would support their profitability.

Source: Moody's Investors Service

QATAR

Ratings' outlook on banks revised to 'negative'

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency rating (FCR) of Qatar National Bank (QNB) at 'AA-', that of Qatar Islamic Bank (QIB) and Doha Bank at 'A+', the FCR of Ahli Bank and Qatar International Islamic Bank (QIIB) at 'A' and that of the Commercial Bank at 'A-'. It revised the outlook on the six banks' long-term FCRs from 'stable' to 'negative' following a similar action on Qatar's sovereign ratings, which reflects uncertainty related to the impact and length of the dispute between Qatar and other GCC countries. Also, it affirmed at 'A1+' the short-term FCR of QNB and at 'A2' the remaining banks' short-term FCRs. In parallel, the agency affirmed the financial strength rating (FSR) of QNB at 'AA-', that of QIB and Doha Bank at 'A', the FSR of Ahli Bank and QIIB at 'A-', and that of the Commercial Bank at 'BBB+'. It revised the outlook on QNB's FSR from 'stable' to 'negative', while it maintained the 'stable' outlook on the remaining five banks' FSRs. It considered that it is too early to assess the financial impact of the rift between Qatar and other Arab countries on each of the six banks. It added that a potential impact would be visible in the banks' financial results in the third quarter of 2017. As such, CI indicated that it would reassess the banks' FSRs in the third quarter of the year based on liquidity and net interest margins trends.

Source: Capital Intelligence Ratings

NIGERIA

Banking sector faces challenging environment

The Institute of International Finance indicated that the Nigerian banking sector is constrained by deteriorating asset quality, tight liquidity, declining profitability and stagnant private sector lending. It noted that lending to the private sector posted a double-digit growth rate in 2016, mainly due to the impact of the devaluation of the Nigerian naira on foreign-currency denominated loans. But it considered that the underlying private sector credit growth was subdued. It did not expect any significant recovery in private sector lending prior to 2018 due to the challenging economic environment and relatively tight monetary policy. Also, the IIF anticipated liquidity in the banking sector to remain tight in 2017, given the Central Bank of Nigeria's efforts to support the naira and rebuild foreign currency reserves. Further, it said that the banks' non-performing loans (NPL) ratio rose from 5.3% at the end of 2015 to 14% at end-2016 and that the share of restructured loans increased last year due to the economic slowdown and the deprecation of the naira. It noted that entities in the power and hydrocarbon sectors had to restructure their loans, as they were adversely impacted by the decline in oil prices and the weaker naira; while delays in salary payments weighed on the quality of retail loans. It added that authorities announced a new framework that allows asset management companies to purchase NPLs from banks, which would contain the increase in NPLs. The IIF pointed out that the banking system has sufficient buffers to absorb the losses, with a capital adequacy ratio of 13.9% at end-2016. It anticipated the banks' profitability and capital adequacy ratios to remain under pressure amid the challenging operating environment.

Source: Institute of International Finance

Oil prices to remain volatile in the near term

ICE Brent crude oil front-month prices averaged $52.2 p/b in the first seven months of 2017, constituting an increase of 24.6% from the same period of 2016. The rise in oil prices was mainly supported by the coordinated efforts of OPEC and non-OPEC members to reduce their oil production in order to balance the global oil market. OPEC oil production rose in July 2017 to its highest level since December 2016, driven by higher output from Libya and lower compliance from other members, which increased investors' doubts about OPEC's attempts to reduce the oversupply in the global oil market and support prices. Oil prices are expected to remain volatile in the near term amid fears that lower compliance among OPEC members may persist and U.S. shale oil production could increase. Brent oil prices are forecast to average $51.2 p/b in the third quarter and to rise to $53.7 p/b in the fourth quarter of 2017, while WTI Cushing prices are projected to average $49.1 p/b in the third quarter and to increase to $51.3 p/b in the fourth quarter of the year. Overall, Brent oil prices are forecast to average $52.5 p/b in 2017, while WTI oil prices are expected to average $50.1 p/b this year. In parallel, the Bloomberg Brent Crude Oil Total Return Sub-Index rose by 7.2% in July 2017 and regressed by 11.2% in the first seven months of the year, while the WTI Crude Oil Sub-Index grew by 8.5% last month and dropped by 11.6% from end-2016.

Source: Thomson Reuters, CNBC, Bloomberg Indexes

Middle East's jewelry demand nearly unchanged in second quarter of 2017

The Middle East region's demand for jewelry totaled 47.7 tons in the second quarter of 2017, nearly unchanged from 47.5 tons in the same quarter last year, and accounted for 9.9% of global jewelry demand. Consumption of gold jewelry in the UAE reached 12.2 tons in the second quarter of the year, equivalent to 25.5% of the region's total demand. Saudi Arabia followed with 11.6 tons (24.3%), then Iran with 10.2 tons (21.4%), Egypt with 4.7 tons (9.9%) and Kuwait with 3.6 tons (7.5%).

Source: World Gold Council, Byblos Research

Armenia's exports of precious stones and metals up 74% in 2016

Exports of precious stones and metals from Armenia totaled $336.2m in 2016, constituting an increase of 73.5% from $193.8m in the previous year, and accounted for 19% of the country's total exports. Gold exports increased by 35.3% to $131.2m last year, exports of diamonds rose by 55.3% to $104.7m, while exports of other precious stones and metals grew by 17 times to $78.5m in 2016.

Source: Customs Service of Armenia, Byblos Research

Iraqi oil export receipts at $4.4bn in July 2017

Iraq's crude oil exports reached 3.23 million barrels per day (b/d) in July 2017, down from 3.27 million barrels per day (b/d) in June 2017, as there were no shipments from the northern Kirkuk field. In fact, all exports in the covered month originated from the country's central and southern fields. Iraq's oil export receipts reached $4.39bn in July, up by 6.2% from $4.13bn in June, with the average sale price rising from $42 per barrel in June to $43.8 per barrel in July 2017.

Source: Iraq Ministry of Oil, Byblos Research

Base Metals: Steel prices to rise in 2017 on higher global demand

LME steel billet cash prices averaged $312.5 per ton in the first seven months of 2017, up 1.8 times from $177.9 per ton during the same period last year. The rise in steel prices reflects expectations of higher global demand in 2017, driven by a recovery in the construction industry in developed markets, especially in the U.S., in addition to a surge in infrastructure development projects in Japan ahead of the 2020 Tokyo Olympics, as well as growing real estate construction in China. Also, the year-on-year rally in the metal's price is driven by lower steel inventory levels in China at the end of 2016. In parallel, global crude steel output reached 836 million tons in the first half of 2017, up by 4.5% year-on-year. China's crude steel production totaled 419.7 million tons, or 50.2% of global output in the first half of 2017. Japan followed with 52.3 million tons (6.3%), then India with 49.5 million tons (5.9%) and the U.S. with 40.6 million tons (4.9%). On a regional level, steel output in Asia totaled 57.8 million tons and accounted for 69% of global production in the covered period, followed by the European Union with 86.1 million tons (10.3%) and North America with 57.4 million tons (6.9%). The figures are based on data of 67 producing countries that account for 99% of global steel supply.

Source: Barclays, World Steel Association, Thomson Reuters, Byblos Research

Precious Metals: Gold prices to decline in second half of 2017

Gold prices peaked at $1,300 an ounce during the first half of 2017, driven by continued U.S. monetary tightening, risks related to the political rift between Qatar and other Arab countries in June, as well as uncertainties about Britain's exit from the European Union and general elections in the United Kingdom. However, prices are expected to decline during the remainder of the year, due to expectations of moderate economic growth in the U.S. in coming months, which would limit further U.S. interest rate hikes. In fact, gold prices rose from $1,221 an ounce in the first quarter of 2017 to $1,259 an ounce in the second quarter of the year, but are projected to decline to $1,235 an ounce in the third quarter and to $1,215 an ounce in the fourth quarter of 2017. In parallel, global physical demand for gold is expected to reach 3,685.2 tons in 2017, up by 4% from 3,542.5 tons in the previous year, driven by an increase in jewelry consumption. In parallel, global gold output is projected to drop by 2.4% to 4,418 tons in 2017, mainly due to a decline in mine production.

Source: Citi, Thomson Reuters GFMS, Byblos Research

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

Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
			LT Foreign currency rating										
Africa													
Algeria	- -	- -	- -	- -	BB+ Negative	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B Negative	B1 Negative	B Negative	- -	B+ Negative	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
Egypt	B- Stable	B3 Stable	B Stable	B- Stable	B- Stable	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B Stable	B1 Stable	B Stable	 -	B+ Stable	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
Ghana	B- Stable	B3 Stable	B Stable	- -	B+ Negative	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
Ivory Coast	- -	Ba3 Stable	B+ Stable	- -	B+ Stable	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
Libya	- -	- -	B Stable	- -	B- Negative	-16.4	78.2	-	-	-	-	-10.6	-
Dem Rep Congo	B- Negative	B3 Stable	- -	- -	CCC Stable	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB- Stable	Ba1 Positive	BBB- Stable	- -	BBB Stable	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
Nigeria	B Stable	B1 Stable	B+ Negative	- -	B+ Negative	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
Sudan	- -	- -	- -	- -	CC Negative	-2.5	55.2	47.5	-	-	-	-4.7	-
Tunisia	- -	Ba3 Negative	B+ Stable	- -	BB+ Stable	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
Burkina Faso	B- Stable	- -	- -	- -	B+ Stable	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B Stable	B2 Stable	B Positive	- -	B+ Stable	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
Middle East													
Bahrain	BB- Negative	B1 Negative	BB+ Negative	BB+ Stable	BBB- Negative	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
Iran	- -	- -	- -	BB- Stable	BB- Positive	0.7	29.2	2.0	-	-	-	5.3	-
Iraq	B- Stable	- -	B- Stable	- -	CC+ Stable	-4.2	60.0	38.8	-	-	-	-4.4	-
Jordan	BB- Negative	B1 Stable	- -	BB- Negative	BB+ Stable	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	AA- Stable	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B- Stable	B2 Negative	B- Stable	B Negative	B- Stable	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB+ Negative	Baa2 Negative	BBB Negative	BBB+ Stable	BBB Negative	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA- CWN***	Aa2 Negative	AA CWN***	AA- Negative	AA- Stable	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	- -	- -	- -	- -	C Negative	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Negative	- -	AA- Stable	AA- Stable	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
Yemen	- -	- -	- -	- -	CCC Negative	-6.0	77.4	20.3	-	-	-	-4.2	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	LT Foreign currency rating: Moody's	LT Foreign currency rating: Fitch	LT Foreign currency rating: CI	LT Foreign currency rating: IHS	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 (%)
Asia													
Armenia	- -	B1 Stable	B+ Stable	- -	B- Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA- Stable	Aa3 Negative	A+ Stable	- -	A Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB- Stable	Baa3 Positive	BBB- Stable	- -	BBB Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB- Negative	Baa2 Negative	BBB+ Stable	- -	BBB- Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB Negative	Baa2 Stable	BBB- Stable	- -	BBB Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	BBB- Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+ Negative	Ba1 CWN***	BBB- Negative	- -	BB+ Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB Negative	Ba1 Negative	BB+ Stable	BB+ Stable	BB- Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC Negative	Caa3 Stable	CCC -	- -	B- 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	03-Aug-17	No change	14-Sep-17
Japan	O/N Call Rate	-0.10	20-Jul-17	No change	21-Sep-17
Australia	Cash Rate	1.5	01-Aug-17	No change	05-Sep-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	6.00	02-Aug-17	Cut 25bps	04-Oct-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	31-Jul-17	No change	31-Aug-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	01-Aug-17	No change	01-Sep-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	28-Jul-17	No change	15-Sep-17

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