

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Majority of private equity fund managers to invest more capital in coming 12 months

Research provider Preqin indicated that 62% of surveyed private equity fund managers aim to increase their investments in the next 12 months, with dry powder levels at a record-high of \$963bn as at July 2017. In contrast, 6% of private equity fund managers plan to deploy less capital in the coming 12 months. Also, 50% of surveyed fund managers consider that competition for private equity investments increased from a year earlier, given the higher amounts of capital dedicated to investing in private equity instruments, while 2% believe that competition has declined. As a result, 28% of fund managers find it challenging to identify attractive companies at reasonable valuations, compared to 9% who find it easier. However, the survey pointed out that fund managers that are having difficulties identifying investment opportunities have widened their search, with 47% of respondents reviewing more opportunities than a year earlier. Further, 59% of surveyed managers consider that institutional investor appetite for private equity has increased in the past year, with 13% citing a significant increase in investor interest for private equity funds. In addition, the survey indicated that 51% of surveyed fund managers consider deal pricing to be the key challenge facing the industry in the coming 12 months, followed by the exit environment (35%), investment performance (34%) and fundraising (32%).

Source: Preqin

Technology and new data sources impacting insurers

Global reinsurer Swiss Re indicated that technology and the availability of new data sources will have an increasing impact on the global insurance sector. It noted that insurance technology (InsurTech) companies seek to employ emerging technologies, user interfaces, as well as business processes and models to deliver services that are typically provided by traditional insurers and intermediaries. InsurTech firms are defined as tech companies in the early stages of their operation that establish specific technology-led innovation within the insurance value chain, and that leverage different forms of funding such as venture capital. Swiss Re considered InsurTechs to be positive for the insurance sector, as they would enable insurers to upgrade their digital capabilities through partnering with large technology firms and collaborating among each other. It added that insurers are experimenting with digitally-enabled services to boost customer engagement and to collect data that would be used to improve underwriting and pricing decisions. Also, it indicated that BigTech companies such as Google, Facebook, Apple and Amazon, are not immediate threats to insurers despite their financial strength and technological expertise, given that tight regulatory scrutiny, brand dilution and a potential decline in their revenues limit their interest in the insurance industry. However, Swiss Re pointed out that new entrants to the insurance sector could build on the infrastructure developed by BigTech and InsurTech companies and could, in turn, represent a disruptive competitive threat to traditional insurers.

Source: Swiss Re

MENA

Arab world trails most regions in connectivity to global shipping networks

The United Nations Conference on Trade and Development included 19 Arab countries on its 2017 Liner Shipping Connectivity Index (LSCI), which assesses how well countries are connected to global shipping networks. The index is a composite of five components that capture the deployment of container ships by liner shipping companies to a country's ports. A higher score reflects a better performance on the LSCI index. The UAE has the highest connectivity to global shipping networks in the region and ranked 14th globally. Morocco (16th), Egypt (19th), Saudi Arabia (20th) and Oman (31st) followed as the five Arab countries with the highest connectivity to global shipping networks; while Algeria (119th), Tunisia (122nd), Qatar (125th), Iraq (128th) and Libya (129th) were the lowest ranked regionally. Also, the survey noted that the Arab region's simple average stood at 26.6 points and came slightly above the global average of 26.5 points. The average score of Gulf Cooperation Council (GCC) countries stood at 36.7 points, while that of non-GCC Arab countries was 22 points. In parallel, the Arab region's connectivity to global shipping networks was above that of Latin America & the Caribbean (17.7 points) and Sub-Saharan Africa (13.2 points), but was lower than the connectivity to global shipping networks of North America (47.5 points), Europe & Central Asia (37 points), East Asia & the Pacific (33.4 points) and South Asia (33.2 points).

Source: UNCTAD, Byblos Research

GCC

Aggregate value of active construction projects at \$2.4 trillion

The Business News for Construction (BNC) Network indicated that the aggregate value of 21,893 active construction projects in Gulf Cooperation Council (GCC) countries reached \$2.4 trillion at the beginning of September 2017. It noted that the aggregate value of urban construction projects was \$1.18 trillion, or 49% of the total, reflecting the GCC economies' efforts to carry out infrastructure projects despite the economic slowdown and lower global oil prices. It added that the value of oil & gas projects in the GCC region reached \$331bn, or 13.8% of the total, followed by utility projects (12.6%) and industrial projects (7.5%). It anticipated construction activity to improve in 2018 due to a pickup in economic growth in the region, as well as to the implementation of projects that were announced in 2016. BNC pointed out that a total of 142 active projects with an estimated value of \$14bn moved to the construction stage in August 2017, while 596 active projects worth \$13bn were completed. However, it said that 90 active projects with an estimated value of \$15.6bn were put on hold in the region in August. In addition, it noted that the UAE carried out 7,878 building projects worth \$227.9bn at the beginning of September 2017.

Source: BNC Network

OUTLOOK

MOROCCO

Favorable medium-term economic prospects

The International Monetary Fund expected Morocco's real GDP to grow from 1.2% in 2016 to 4.8% in 2017, driven by a strong pickup in agricultural output and a recovery in non-agricultural activity. It expected growth to slow down to 3% in 2018 as agricultural production returns to its normal level. But it indicated that the economy's medium-term prospects are favorable, as it projected growth to reach about 4.6% by 2022 in case authorities sustain their efforts to improve the business environment and enhance productivity. In parallel, it cautioned that downside risks to the outlook are substantial and include delays in implementing key reforms, policy uncertainty, renewed doubts about the exchange rate transition, weaker growth in the Euro area, regional geopolitical tensions and global financial market volatility. It said that stronger medium-term growth is contingent on the sustained implementation of reforms to improve labor market efficiency, preserve competitiveness and enhance the business environment.

Further, the Fund projected the fiscal deficit to narrow from 4.1% of GDP in 2016 to 3.5% of GDP in 2017, reflecting the government's sustained efforts to increase tax revenues and reduce current spending. It forecast the public debt level to slightly decrease from 64.7% of GDP last year to 63.2% of GDP this year. It welcomed the authorities' strong commitment to sound macroeconomic policies and reforms, and encouraged them to sustain their efforts in order to address the remaining vulnerabilities. In parallel, the Fund projected the current account deficit to narrow from 4.4% of GDP in 2016 to 4% of GDP this year, and to remain at about 2% to 3% of GDP per year onwards, reflecting sustained export growth, steady imports, declining grant revenues and strong FDI inflows. It anticipated foreign currency reserves to reach \$24.2bn, or 5.9 months of imports in 2017, and to increase to \$25.5bn, or 5.9 months of import cover in 2018.

Source: International Monetary Fund

SAUDI ARABIA

Fiscal reforms to face challenges

HSBC Bank indicated that the implementation of Saudi Arabia's fiscal reforms under the National Transformation Program (NTP) are slowing down amid subdued economic activity and existing challenges. It said that the authorities' significant fiscal consolidation this year has caused the fiscal deficit to narrow to 5.7% of GDP in the first half of 2017 from 12.6% of GDP in the same period of 2016. However, it noted that the narrowing of the deficit resulted mostly from a 63% increase in oil revenues year-on-year, which increases the uncertainty about the sustainability of revenue growth in coming years. Further, it said that non-oil revenues came lower than the budget's target for the first half of the year, while expenditures declined by 2% in the covered period relative to the budget's target of a 6% increase. It added that the government has significantly reduced spending on goods, services and subsidies, but that these cuts were largely offset by higher social benefit payouts and debt servicing costs for the country's rising public debt level.

Further, HSBC expected the reform drive to be affected despite the introduction of new fiscal measures in 2017, mainly due to the increase in the public-sector wage bill, as well as the recent

redrafting of the NTP and its 2020 targets, which included limited information about the implementation of the next phase of fuel subsidy reforms. Also, it indicated that the sharp slowdown in economic activity could lead policy-makers to hold back austerity measures, which would contribute to the slowdown in the reform momentum. It considered that the resumption of delayed government projects would help stimulate economic activity but would weigh on the fiscal adjustment process.

Overall, HSBC anticipated that the government would narrow the fiscal deficit to near its 2017 target of 8% of GDP. As such, it forecast the deficit to narrow from 16.8% of GDP in 2016 to 8.4% of GDP in 2017 and 6.9% of GDP in 2018 in case oil prices remain stable. It anticipated the deficit to be covered by further build-up in debt and from drawdowns of savings. As such, it projected the public debt level to rise from 13.2% of GDP at the end of 2016 to 16.4% of GDP at end-2017 to 20.5% of GDP at end-2018, while it expected SAMA's foreign currency reserves to decline from \$536bn at end-2016 to \$466bn at end-2017 and \$421bn at end-2018.

Source: HSBC Bank

NIGERIA

Currency liberalization to support confidence and capital inflows

The Institute of International Finance indicated that Nigeria's decision last year to move to a more flexible and unified exchange rate regime has not been implemented in practice, mainly due to the authorities' concerns that the exchange rate could significantly weaken if they liberalize it, which would increase inflationary pressures and lead to a further rise in corporate defaults. It noted that foreign currency restrictions and exchange rate policy uncertainties have discouraged foreign investment and weakened economic activity in the country. Still, it said that authorities consider that the currency has already been devalued sharply and that the benefits have been limited, which means that further exchange rate liberalization may have to await other measures such as structural and fiscal reforms.

In contrast, the IIF considered that preventing the naira from depreciating would raise uncertainties, delay the price adjustment process and add to inflationary pressures that may accompany fiscal reforms. It expected Nigerian authorities to fully float the exchange rate and remove foreign currency restrictions given the government's track record of slow reforms. It anticipated the removal of foreign currency restrictions and greater exchange rate flexibility to weaken the naira in the short term while the market adjusts. It forecast the naira to settle around NGN360 against the US dollar, close to the current unsubsidized rate at the investor/exporter window. But it did not expect currency liberalization to significantly impact the inflation rate, as long as it is supported by monetary policy tightening. It also considered that a flexible exchange rate would boost confidence and increase capital inflows in the medium term. Overall, the IIF expected Nigeria's growth and foreign investment to remain below potential in the absence of further reforms, while it anticipated that a rigid naira and a high inflation rate will erode competitiveness gains from past devaluations.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

Diplomatic dispute between Qatar and neighboring countries is credit negative for sovereigns

Moody's Investors Service considered that the diplomatic dispute between Qatar and neighboring Gulf Cooperation Council (GCC) countries is credit negative for all GCC sovereigns, especially for Qatar and Bahrain. It indicated that the impact of the dispute on Qatar has been most significant on the country's trade, tourism and banking sectors. It noted that outflows from Qatar's banking system in June and July amounted to around \$30bn, and expected a further decline in deposits, as GCC banks choose not to roll over their deposits. In response, it said that the Qatar Central Bank supported the banking sector's funding, adding that Qatar allocated \$38.5bn, or 23% of GDP, to support the economy in the first two months of the sanction. Further, it indicated that negative investor sentiment has increased Qatar's financing costs and resulted in capital outflows. But it did not expect Qatar to raise funds from international capital markets this year, which would provide a cushion against higher funding costs. In parallel, the agency considered that Bahrain is vulnerable to risk reassessments by foreign investors, given the deterioration in the country's credit profile and lower shock absorption capacity. Moody's also pointed out that Bahrain's strong alliance with Saudi Arabia and the UAE could mitigate the reassessment risks to some extent, but it said that the timeliness and form of support from the two countries lacks clarity.

Source: Moody's Investors Service

KUWAIT

Profits of listed companies up 15% to \$3.3bn in first half of 2017

The cumulative net income of 146 companies listed on Boursa Kuwait totaled KD1bn, or about \$3.3bn, in the first half of 2017, constituting an increase of 15.4% from KD866.76m in the same period of 2016. Listed banks generated net profits of \$1.59bn and accounted for 48% of total net earnings in the covered period. Financial services institutions followed with \$422.3m (12.7%), telecommunication companies with \$411.8m (12.4%), industrial firms with \$348.2m (10.5%), real estate development firms with \$226.2m (6.8%), consumer goods companies with \$124.3m (3.74%), insurance firms with \$68.5m (2.1%), consumer services corporates at \$49m (1.5%), basic material companies with \$31.9m (1%), healthcare firms at \$21.8m (0.7%), oil and gas companies at \$19.3m (0.6%), and technology corporates at \$4.8m (0.1%). Further, the net earnings of financial services institutions rose 3.3 times year-on-year in the first half of 2017, followed by basic material firms (2.3 times), insurers (+44.7%), healthcare firms (+33.7%), real estate corporates (+12.6%), industrial firms (+9.1%), banks (+6.6%), and telecommunications companies (+1.9%). In contrast, profits of technology corporates listed on Boursa Kuwait regressed by 75.1%, followed by oil & gas companies (-40.5%), consumer services companies (-34%), and consumer good firms (-2.8%).

Source: KAMCO

NIGERIA

Negative outlook maintained on sovereign ratings

Fitch Ratings affirmed at 'B+/B' Nigeria's long- and short-term foreign and local currency issuer default ratings (IDRs), and kept the 'negative' outlook on the ratings. It noted that the ratings are supported by the country's large and diversified economy, substantial oil reserves, net external creditor position, low external debt service ratio and large domestic debt market. But it said that the ratings are constrained by Nigeria's relatively low GDP per capita, narrow fiscal revenue base and weak business environment. It added that the 'negative' outlook reflects the downside risks from a rising public debt level, the country's subdued economic recovery, as well as a possible deterioration in foreign currency liquidity. Fitch projected real GDP growth at 1.5% in 2017 and 2.6% in 2018, supported by increased foreign currency availability to the non-oil economy and the fiscal stimulus. But it said that the foreign currency market is not fully transparent and that domestic liquidity has tightened, which could weigh on economic activity. Further, it forecast the fiscal deficit to remain nearly unchanged at 4.5% of GDP in 2017, but to narrow to 3.4% of GDP in 2018 in case of higher oil revenues. It projected the public debt level to increase from 17% of GDP at end-2016 to 20% of GDP at end-2017, but to remain well below the median of 'B'-rated peers of 56% of GDP. In parallel, the agency projected the current account surplus to improve from 0.7% of GDP in 2016 to 1% of GDP in 2017, mainly due to a 30% rise in exports. It noted that foreign currency reserves stood at \$30.8bn at end-July 2017, and expected them to be supported by external financing flows.

Source: Fitch Ratings

CÔTE d'IVOIRE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Côte d'Ivoire's long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+', with a 'stable' outlook on the ratings. It noted that the IDRs are supported by the country's strong macroeconomic performance, low inflation rate, a structural trade surplus and moderate debt ratios. But it said that the ratings are constrained by low governance and development indicators, weak public finance management, the country's high dependence on agricultural commodities, and persistent risks to political stability. It projected real GDP growth to average 6.8% in the 2017-19 period, which is well above the median of 3.78% of 'B'-rated peers. It also expected public investment to remain strong, driven by sustained spending under the 2016-20 National Development Plan, and anticipated improvements in the business climate and in infrastructure to support private investment. Also, the agency forecast the fiscal deficit to widen from 4% of GDP in 2016 to 4.7% of GDP in 2017, as it expected the decline in cocoa prices to constrain the authorities' fiscal flexibility in the medium term. It anticipated the public debt to reach 44% of GDP at end-2017, but to remain below the median of 56% of GDP of 'B'-rated sovereigns. In parallel, Fitch expected the current account deficit to widen from an average of 0.2% of GDP in the 2012-16 period to 3.5% of GDP in the 2017-19 period due to lower cocoa export receipts. But it considered that risks to external financing are moderate given the lower level of external debt compared to similarly-rated peers and sustained FDI inflows.

Source: Fitch Ratings



BANKING

SAUDI ARABIA

Agency takes rating actions on six banks

Fitch Ratings affirmed at 'A-' the long-term Issuer Default Ratings (IDRs) of Al Rajhi Bank, National Commercial Bank (NCB), Riyadh Bank (RB), Saudi British Bank (SABB) and Banque Saudi Fransi (BSF), and at 'BBB+' the IDR of Arab National Bank (ANB). It also revised the outlook on the ratings of SABB and BSF from 'negative' to 'stable', while it maintained the 'stable' outlook on the remaining banks. It noted that all the banks' IDRs reflect both their standalone creditworthiness, as defined by their viability ratings (VRs), and the ability and willingness of Saudi authorities to support the banks in case of need. It noted that the VRs of NCB, ANB, Al Rajhi and RB are supported by the banks' strong domestic franchise. It said that NCB's VR reflects the bank's diversified business, while that of Al Rajhi Bank is supported by its deposit base and improved asset quality metrics. It added that ANB's ratings are driven by the bank's sound asset quality and profitability metrics, while RB's ratings reflect solid capital ratios, which provide buffers against potential asset quality deterioration. Further, it pointed out that SABB's ratings are underpinned by the bank's strong capitalization, diversified earning sources and the benefits of its status as an associate bank of HSBC holdings. However, Fitch noted that the deterioration in the Saudi operating environment and the resulting fiscal tightening would reduce lending opportunities to infrastructure projects. It also considered that the banks' asset quality and performance could deteriorate, but that it would be gradual and manageable.

Source: Fitch Ratings

OMAN

Outlook on banking sector revised to 'negative'

Moody's Investors Service revised the outlook on Oman's banking system from 'stable' to 'negative'. It attributed the outlook revision to the government's weakening fiscal capacity to provide support to the banking sector in case of need, as well as to slower economic activity and tighter liquidity conditions. It noted that the outlook revision follows its similar action on Oman's sovereign ratings. It expected the banks' lending growth to decline from 10.1% in 2016 to 5% in 2017 due to Oman's weak operating environment. Also, it anticipated problem loans to increase from 2.1% of total loans at end-March 2017 to about 3% during the 2017-18 period as a result of the slowdown in economic activity. It added that high loan concentration to single borrowers and to the real estate sector poses downside risks to the banks' asset quality. In parallel, Moody's anticipated the banks' capital buffers to remain stable, which would provide them with a stronger capacity to absorb losses. It projected the banking sector's tangible common equity to range between 12% to 14% of risk-weighted assets over the next 12 to 18 months. Further, it expected the banks' net interest margin to remain stable at about 2.4% over the next 12 to 18 months, as higher lending rates would offset increasing funding costs. The agency expected funding and liquidity conditions to remain tight, but it said that the government's international bond issuances, slower credit growth and higher oil prices would mitigate these pressures.

Source: Moody's Investors Service

IRAQ

Non-performing loans on the rise, state-owned banks severely undercapitalized

The International Monetary Fund indicated that Iraq's banking sector is shallow and its state-owned institutions need restructuring. It said that the sector is dominated by state-owned banks, mainly Rafidain and Rasheed banks, which hold about 71% of banks' deposits and 54% of the loans portfolio. It added that state-owned banks are severely undercapitalized, while their liquidity position is uncertain due to the lack of audited financial statements. It pointed out that the Tier-One capital ratio of state-owned banks reached 19.6% at the end of 2016 relative to 6.2% a year earlier, but it noted that the increase reflects a significant decrease in risk-weighted assets, rather than a rise in capital. In contrast, the Tier-One capital ratio of private banks rose to 93.5% at end-2016 from 58.4% a year earlier. Further, the IMF said that non-performing loans are high and rising at both private and state-owned banks. It noted that the non-performing loans ratio at state-owned banks increased from 8.1% at end-2015 to 10% at the end of 2016, while the same ratio at private banks grew from 11.4% at the end of 2015 to 23.7% at end-2016. It considered that the persisting narrowing spread between the official and parallel market exchange rates creates profit opportunities for banks that discourage them from lending to the economy. In parallel, the Fund indicated that Iraq's banking sector is at risk of being blacklisted in case authorities do not address anti-money laundering and combating the financing of terrorism deficiencies, which would affect correspondent banking relationships.

Source: International Monetary Fund

ANGOLA

Subdued economic activity and tighter liquidity conditions to pose challenges for banks

Moody's Investors Service indicated that Angola's banking sector faces challenging operating conditions, as the decline in oil receipts, subdued domestic demand and high inflation rates continue to weigh on the country's economic activity. It expected high government arrears, defaults of construction sector loans and currency depreciation to exert further pressure on the banks' non-performing loans (NPLs) ratio that stood at 13.1% at the end of 2016. But it anticipated that the introduction of Recredit, a state-owned asset management company authorized to buy NPLs, would help limit the increase in NPLs. Further, the agency indicated that the banks' profitability has decreased over the past decade due to higher competition, but that their return on equity remains strong at 15.6% in 2016. It expected the banks' profitability to remain stable in the next 12 months, supported by high interest rates and government bond yields. In parallel, Moody's projected the banks' capital buffers to remain stable, supported by sufficient earnings, which would provide them with the capacity to absorb credit costs. But it noted that the financial metrics of state-owned banks are deteriorating, which could weigh on their capitalization levels. It anticipated the banks' foreign currency liquidity to remain tight amid the low oil price environment and the existing restrictions on foreign currency.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil market to balance in 2017

ICE Brent crude oil front-month prices continued to trend higher and closed at \$55.2 per barrel (p/b) on September 13, 2017, supported by the International Energy Agency's announcement that the global oil market oversupply has started to tighten due to strong global oil demand and reduced output from OPEC and non-OPEC producers. In fact, OPEC's oil output dropped in August for the first time in five months, mainly due to production disruptions in Libya and lower output from other OPEC members. Also, the oil market sentiment improved after OPEC's compliance rate with its production quota increased to 82% in August from 75% in July 2017. In parallel, the U.S. Energy Information Administration revised downward its 2017 and 2018 U.S. oil output forecasts to reflect the impact of Hurricane Harvey. It indicated that the hurricane has resulted in significant disruptions to the U.S. energy market and has increased uncertainties about the return to normal operations for a broad range of upstream production, refining, pipeline, and terminal and distribution infrastructure. It expected the severity and duration of these supply outages to raise the uncertainty about energy prices in coming months. It projected global demand for petroleum and other liquids, which include crude oil, natural gas liquids and biofuels, to grow by 1.35 million barrels per day (b/d) to 98.3 million b/d in 2017; while it expected global production to rise by 1.07 million b/d to 98.3 million b/d this year. As such, the oil market is anticipated to balance in 2017 relative to an average oversupply of 280,000 b/d in 2016. Overall, Brent oil prices are forecast to grow by 13.3% to an average of \$51.1 p/b in 2017, while WTI oil prices are projected to rise by 12.8% to \$48.8 p/b this year.

Source: IEA, U.S. EIA, Byblos Research

OPEC's oil basket price up 6% in August 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries averaged \$49.60 per barrel (p/b) in August 2017, constituting an increase of 5.7% from \$46.93 p/b in the preceding month. Angola's Girassol crude oil posted a price of \$52.3 p/b, followed by Nigeria's Bonny Light at \$51.7 p/b, and Abu Dhabi's Murban at \$51.5 p/b. All 14 prices included in the OPEC reference basket posted monthly increases that ranged from \$1.97 p/b to \$3.56 p/b in August 2017.

Source: OPEC, Byblos Research

Middle East accounts for 4% of global natural gas imports

The Middle East region's aggregate natural gas imports reached 45.43 billion cubic meters (bcm) in 2016, up by 2.6% from 44.27 bcm in 2015, and equivalent to 4.2% of the world's natural gas imports. The UAE imported 27.5 bcm of natural gas, or 60.5% of the region's total, followed by Iran with 9.2 bcm (20.3%), Kuwait with 4.3 bcm (9.5%) and Jordan with 2.2 bcm (4.9%).

Source: OPEC, Byblos Research

Iraq's oil supply to drop by 1.5% in 2017

The International Monetary Fund expected Iraq's crude oil production to reach 4.57 million barrels per day (b/d) in 2017, which would constitute a decrease of 1.5% from 4.63 million b/d in 2016. Also, it projected the country's crude oil exports to average 3.75 million b/d in 2017, down by 1% from 3.79 million b/d last year. Iraq is currently OPEC's second largest oil producer.

Source: International Monetary Fund, Byblos Research

Base Metals: Higher global demand to drive steel prices in 2017

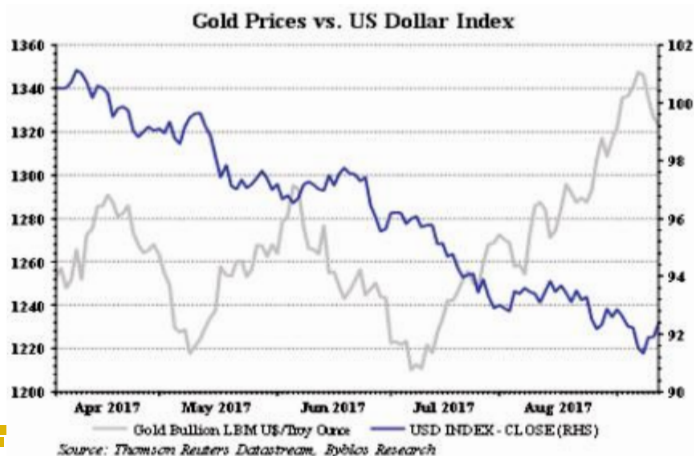
LME steel billet cash prices averaged \$312.5 per ton in the first eight months of 2017, up 1.6 times from \$195.7 per ton during the same period last year, and reached \$312.5 per ton on September 13, 2017. The rise in steel prices is due to expectations of higher global demand in 2017, driven by a recovery in the construction industry in developed markets, China's infrastructure spending, resilient auto demand and output cuts ahead of the winter season. Also, the year-on-year rally in the metal's price has been driven by lower steel inventory levels in China at the end of 2016. In parallel, global crude steel output reached 977.3 million tons in the first seven months of 2017, up by 4.6% from 934 million tons in the same period of 2016. China's crude steel production totaled 491.6 million tons, or 50.3% of global output in the first seven months of 2017. Japan followed with 60.9 million tons (6.2%), then India with 58 million tons (6%) and the U.S. with 47.7 million tons (5%). On a regional level, steel output in Asia totaled 675.2 million tons and accounted for 69.1% of global production in the covered period, followed by the European Union with 99.6 million tons (10.2%) and North America with 67.6 million tons (6.9%). The figures are based on data of 67 producing countries that account for 99% of global steel supply.

Source: World Steel Association, Thomson Reuters

Precious Metals: Gold prices to fall during the remainder of 2017

Gold prices averaged \$1,336 a troy ounce in August 2017, up by 3.9% from an average \$1,236.1 an ounce in the previous month, and constituting the highest monthly average so far this year. The rise in the metal's price in August reflects a weaker US dollar amid political gridlock in the U.S., the country's tensions with North Korea, as well as uncertainties about further U.S. monetary tightening in the remainder of 2017. In fact, the month-on-month rise in the metal's average price in August coincided with a 2% drop in the trade-weighted US Dollar Index. However, the metal's price is expected to fall in the remainder of 2017 due to lower Chinese and Indian jewelry demand, as well as an expected easing in political tensions between the U.S. and North Korea. As such, gold prices are forecast to average \$1,259 an ounce in 2017 and \$1,285 an ounce in 2018 compared to \$1,250 an ounce in 2016. Downward pressures to the price outlook include a stronger-than-expected U.S. economic growth and, in turn, more increases in U.S. interest rates in coming months.

Source: Thomson Reuters, Standard Chartered, 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
	Stable	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	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Stable	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	-	B1	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-	B1	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-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	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-	B3	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Stable	Stable	Negative	Stable								
Oman	BB+	Baa2	BBB	BBB+	BBB	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Negative	Negative	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
	Negative	Negative	Negative	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	07-Sep-17	No change	26-Oct-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	05-Sep-17	No change	03-Oct-17
New Zealand	Cash Rate	1.75	09-Aug-17	No change	27-Sep-17
Switzerland	3 month Libor target	-1.25-(-0.25)	14-Sep-17	No change	14-Dec-17
Canada	Overnight rate	1.00	06-Sep-17	Raised 25bps	25-Oct-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	31-Aug-17	No change	19-Oct-17
Malaysia	O/N Policy Rate	3.00	07-Sep-17	No change	09-Nov-17
Thailand	1D Repo	1.50	16-Aug-17	No change	27-Sep-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	14-Sep-17	No change	26-Oct-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	01-Sep-17	No change	29-Sep-17
Mexico	Target Rate	7.00	10-Aug-17	No change	28-Sep-17
Brazil	Selic Rate	8.25	06-Sep-17	Cut 100bps	25-Oct-17
Armenia	Refi Rate	6.00	15-Aug-17	No change	26-Sep-17
Romania	Policy Rate	1.75	04-Aug-17	No change	29-Sep-17
Bulgaria	Base Interest	0.00	01-Sep-17	No change	29-Sep-17
Kazakhstan	Repo Rate	10.25	21-Aug-17	Cut 25bps	09-Oct-17
Ukraine	Discount Rate	12.50	14-Sep-17	No change	26-Oct-17
Russia	Refi Rate	9.00	28-Jul-17	No change	15-Sep-17



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