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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade to grow by 3.6% in 2017

The World Trade Organization projected global trade to grow by 3.6% in real terms in 2017, up from a growth rate of 1.3% in 2016, due to a rebound in Asian trade flows amid a pick up in intra-regional shipments and a recovery in demand in North America. But it said that the imposition of trade-restrictive measures and monetary tightening in developed countries, a rise in global geopolitical tensions as well as the elevated economic costs of natural disasters could reduce the growth rate of global trade to 3.2% in 2017. It added that other risks to the outlook include the renegotiation of the North American Free Trade Agreement and a debate over post-Brexit trade arrangements between the United Kingdom and the European Union, which could disrupt regional and global trade patterns. In parallel, the WTO forecast imports to emerging & developing countries to expand by 5.1% in real terms in 2017 and those to developed economies to grow by 3%. It expected exports from emerging & developing countries to rise by 4.7% in real terms and those from developed economies to increase by 3% in 2017. The WTO projected imports to Asia to grow by 5.8%, those to North America to expand by 4.1%, imports to Europe to rise by 2.4% and those to South & Central America to increase by 1.1% in 2017. Also, it forecast exports from Asia to expand by 6.4% in 2017, followed by North America (+4.2%), Europe (+2.5%) and South & Central America (+0.5%). Further, the WTO forecast global trade growth to moderate to 3.2% in 2018.
Source: World Trade Organization

Corporate debt at $18 trillion at end-June 2017

S&P Global Ratings indicated that the size of the global rated corporate debt market totaled $18.4 trillion at the end of June 2017. Corporate debt issued by non-financial institutions amounted to $11.6 trillion or 63.1% of the total at end-June 2017, while financial firms accounted for the remaining $6.8 trillion (36.9%). Also, investment-grade corporate issuers had $14.3 trillion in debt, or 77.6% of the total, while speculative-grade companies had $4.1 trillion (22.4%) in debt. In addition, 34.2% of rated debt instruments were in the 'BBB' rating category, 27.3% in the 'A' rating category and 11.8% in the 'BB' rating category. Corporate debt in the U.S. reached $8.7 trillion at end-June 2017 and represented 47.2% of global corporate debt, followed by Europe with $6.8 trillion (36.7%), other developed economies with $1.7 trillion (9.2%) and emerging markets with $1.3 trillion (6.9%). Further, non-financial issuers in the U.S. had $6.6 trillion in corporate debt, equivalent to 35.8% of the total, followed by non-financial firms in Europe with $3.4 trillion (18.3%), those in other developed economies with $856bn (4.7%) and non-financial issuers in emerging markets with $792.3bn (4.3%). In parallel, financial institutions in Europe had $3.4 trillion in debt, which represented 18.4% of the total at end-June 2017, followed by those in the U.S. with $2.1 trillion (11.3%), those in other developed economies with $838.1bn (4.6%) and financial firms in emerging markets with $485.3bn (2.6%).
Source: S&P Global Ratings

EMERGING MARKETS

Fixed income trading down 17% to $1,132bn in second quarter of 2017

Trading in emerging markets (EM) debt instruments reached $1,132bn in the second quarter of 2017, constituting a decrease of 14.4% from $1,323bn in the preceding quarter and a decline of 16.6% from $1,357bn in the second quarter of 2016. Turnover in local-currency instruments reached $641bn in the second quarter of 2017, down by 11.2% from $722bn in the preceding quarter and by 24.4% from $848bn in the second quarter of 2016. In parallel, trading in Eurobonds, mainly sovereign and corporate bonds, stood at $489bn in the second quarter of 2017, down by 17.1% from $590bn in the previous quarter and by 1.6% from $497bn in the second quarter of 2016. The volume of traded sovereign Eurobonds reached $258bn and accounted for 52.8% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds reached $192bn, or 39.3% of the total. In addition, turnover in warrants and options stood at $2bn in the second quarter of 2017, while loan assignments reached $143m in the covered quarter. Overall, the most frequently traded instruments in the second quarter of 2017 were Brazilian fixed income assets with a turnover of $169bn, or 14.9% of the total, followed by securities from Mexico with $149bn (13.2%) and instruments from China with $97bn (8.6%). Other frequently traded instruments consisted of fixed income securities from South Africa at $87bn (7.7%) and from India at $76bn (6.7%).
Source: EMTA

MENA

More than two-thirds of businesses adopting digital transformation

A survey conducted by Pure Storage, a provider of data platforms, indicated that 72% of businesses in the Middle East & Africa (ME&A) region are committed to becoming information-based companies and are embracing digital transformation. The survey was compiled from the responses of 500 information technology (IT) decision makers in the ME&A region. It noted that 52% of surveyed participants consider that the creation of new business models is the main factor that enables them to adopt digital solutions, while 47% of respondents cited the need to innovate quickly as the leading factor. Further, the survey pointed out that 77% of surveyed firms increased their demand for interactive simulations and real-time analytics from the previous year. However, it considered that technical complexity and the companies' reliance on IT to deliver their strategy represent key barriers for the adoption of digital solutions. Further, the survey indicated that businesses in the region are running 48% of their applications using traditional on-premise IT, while they are administering 24% of their applications on a private cloud and 23% of applications on a public cloud. It noted that 69% of businesses would increase their use of their public cloud in the coming 18 to 24 months, despite concerns about security, availability and performance in using the platform. In addition, it said that 79% of businesses in the ME&A region believe that the use of cloud and on-premise IT complement one another, rather than compete against each other.
Source: Pure Storage

OUTLOOK

SUDAN

Economic outlook dependent on deeper reforms and lifting of U.S. sanctions

The International Monetary Fund indicated that economic conditions in Sudan remain challenging in the context of subdued activity, an elevated inflation rate, persistent fiscal deficits and U.S.-imposed economic sanctions. It added that the country's growth prospects continue to be constrained by limited access to external financing and the withdrawal of foreign correspondent banking relationships. It noted that Sudanese authorities have implemented several reforms to restore macroeconomic stability and strengthen growth, such as allowing for greater exchange rate flexibility and reducing energy subsidies. But it considered that greater exchange rate flexibility would reduce the external trade deficit, increase competitiveness and encourage FDI inflows. It said that the country's medium-term outlook is contingent on implementing bold and broad-based reforms, as well as on improvements in the external environment.

In this context, the IMF projected Sudan's real GDP growth to decelerate from 3.5% in 2016 to 3.2% in 2017, mainly due to weaker domestic demand. It said that the average inflation rate surged from 17.8% in 2016 to 34% in July 2017, reflecting the impact of higher energy prices and rapid monetary expansion to help finance the remaining subsidies. As such, the Fund called on authorities to tighten monetary policy in order to contain inflationary pressure, and to phase out costly and untargeted energy subsidies. Further, it anticipated the fiscal deficit to widen from 1.6% of GDP in 2016 to 2% this year. It encouraged the government to increase its fiscal revenues in order to create space for investment in public infrastructure and human capital, and to reduce the deficit to limit its monetization. In parallel, it noted that the current account deficit is narrowing due to higher energy export receipts and the depreciation of the real exchange rate, but that foreign currency reserves remain low. It considered that the implementation of reforms and the permanent lifting of U.S. economic and financial sanctions would significantly improve Sudan's economic prospects. Also, the Fund called on authorities to continue to engage with international partners to secure support for the lifting of sanctions and for debt relief, which would pave the way for foreign investment and financing for growth and poverty reduction.

Source: International Monetary Fund

EGYPT

Reforms progressing but face challenges

The International Monetary Fund considered that Egypt's reform program is on track following the transition to a flexible exchange rate regime, the elimination of foreign currency shortages and the substantial rise in the Central Bank of Egypt's (CBE) foreign currency reserves. It said that market confidence is returning, capital inflows are increasing and the balance of payments is improving. But it projected real GDP growth to accelerate modestly from 3.5% in the fiscal year that ended in June 2017 to 4.5% in FY2017/18. It noted that the CBE's foreign reserves rose from $17.1bn, or 3.1 months of import cover at end-June 2016, to $31bn, or 5.4 months of imports at the end of June 2017 and projected them at $30.2bn, or 5.1 months of import cover at end-June 2018. It noted that the path of fiscal adjustment has changed due to a larger-than-expected depreciation of the Egyptian pound. It said that a weaker pound is supporting the external sector but is leading to higher energy subsidies and weaker fiscal consolidation. It pointed out that risks to the implementation of reforms include an extended period of high and persistent inflation, further pressure to raise public spending, an escalation in social tensions, a decline in demand for Egyptian exports, as well as a worsening of domestic security conditions. But it noted that these risks are mitigated by the strength of the policies implemented under the program, the flexible exchange rate regime, and structural reforms that reduce opportunities for corruption.

Further, it said that the energy subsidy reforms, the control of the public-sector wage bill and the introduction of the value-added tax have helped narrow the fiscal deficit from 12.3% of GDP in FY2015/16 to 10.5% of GDP in FY2016/17, and forecast the deficit to reach 8.5% of GDP in FY2017/18. In parallel, the IMF indicated that the authorities' immediate priority is to reduce the inflation rate of 32.8% at end-June 2017, which poses risks to macroeconomic stability.

Source: International Monetary Fund

TURKEY

Growth to accelerate in 2017, economic and political challenges remain

Credit Suisse projected Turkey's real GDP growth to accelerate from 3.2% in 2016 to 5.3% in 2017, mainly due to improved household and investment spending and higher credit growth as a result of the government's fiscal stimulus measures earlier this year. But it forecast growth to decelerate to 3.4% in 2018, due to a slowdown in credit growth, the government's reduced ability to further ease fiscal policy, and the banking sector's funding constraints. Also, it considered that Turkey's weak institutional and investment environment could limit the ongoing recovery in economic activity. It noted that market sentiment remains unaffected by several ongoing political risks. But it said that President Erdogan could exert further pressure on the government and the Central Bank of the Republic of Turkey (CBT) to support economic activity in 2018, which could worsen investors' perception of near-term risks in the country. Further, Credit Suisse noted that the CBT has maintained its tight monetary policy in 2017 despite the broad stability of the exchange rate since mid-March, in line with the CBT's plan to maintain a tight policy until the inflation outlook improves significantly. It projected the inflation rate to decline from 9.6% at the end of 2017 to 8% at end-2018 in case the Turkish lira remains broadly stable. As such, it anticipated the decline in inflation to encourage the CBT to further lower its policy rate from 12.25% currently to 10.25% next year.

In parallel, Credit Suisse expected Turkey's current account deficit to widen from $32.6bn, or 3.8% of GDP, in 2016 to $39.3bn, or 4.6% of GDP, in 2017, due to the anticipated increase in global oil prices. It also forecast the current account deficit at $35.3bn, or 3.7% of GDP, in 2018. It said that portfolio inflows have constituted the main source of financing for the deficit so far in 2017, which leaves the lira vulnerable to a potential reversal of the prevailing appetite towards emerging markets' assets. Further, it expected fiscal risks to remain contained, as it forecast the fiscal deficit at 2.7% of GDP in 2017 and 2.8% of GDP in 2018.

Source: Credit Suisse

QATAR

Economy continues to adjust to impact of boycott

The Institute of International Finance considered that the Qatari economy continues to adjust to the repercussions of the ongoing political rift with some Arab countries. It indicated that severed diplomatic ties and transport links between Qatar and other Gulf Cooperation Council countries have weighed on travel and transport as well as on trade and capital flows, and have postponed the execution of scheduled projects. It noted that the Qatari government has established alternative trade routes, which include the Omani and Iranian airspaces, and the inauguration of a new seaport, and added that the country is diversifying the sources of capital goods and food imports, and resorted to Turkey as a main source for food imports. In parallel, the IIF noted that Qatari authorities remain in a strong position to meet domestic funding requirements, given the country's large public foreign assets, which it estimated at around $300bn. It added that non-resident deposits regressed from $51bn or 24.2% of total deposits at end-May 2017, to $43bn or 20.4% of total deposits at the end of July 2017. It indicated that liquidity injections from the Qatar Central Bank and higher public sector deposits have mitigated the impact of foreign financial institutions' withdrawals from Qatari banks. Still, the IIF expected the decline in non-resident deposits to be limited, and noted that total deposits increased by 12.7% year-on-year in July 2017. However, it pointed out that credit growth has decelerated to 2.8% year-on-year in July 2017, mainly due to subdued non-hydrocarbon activity.

Source: Institute of International Finance

GHANA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B' Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs), with a 'stable' outlook. It indicated that the ratings are supported by improving macroeconomic stability, which is driven by the authorities' commitment to put public finances on a sustainable path. However, it said that the ratings are constrained by high public debt levels, existing weaknesses in public finances and low GDP per capita. It forecast real GDP growth to accelerate from 3.5% in 2016 to 6% in 2017, driven by growth in hydrocarbon sector activity. It also pointed out that the decrease in the inflation rate from 15.4% in December 2016 to 12% in July 2017 allows the Bank of Ghana (BoG) to loosen monetary policy, which would provide growth stimulus. Further, it projected the fiscal deficit to narrow from 9.3% of GDP in 2016 to 7.3% of GDP in 2017, which is higher than the government's 2017 forecast of 6.3% of GDP, as it considers that the tax cuts included in the budget would keep revenues at lower-than-anticipated levels. In turn, the agency expected the public debt level at 71% of GDP at the end of 2017, which is higher than the median of 56% of GDP for 'B'-rated peers. In addition, Fitch projected the current account deficit to narrow from 5.7% of GDP in 2017 to 4.6% of GDP in 2018 and to support the accumulation of foreign currency reserves, which it forecast at $5.5bn, or three months of current external payments at end-2017. It added that the country's external position is supported by its $915m Extended Credit Facility from the IMF, which allows the country to have access to other official financing sources and to international capital markets.

Source: Fitch Ratings

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B' Nigeria's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's low public debt level and modest fiscal deficit, but are mainly constrained by policy responses that could be difficult to predict. It projected the country's real GDP to grow by 1% in 2017 and by an average 3% during the 2017-20 period, compared to a contraction of 1.5% in 2016, supported by rising oil and agriculture production, and a gradual easing of foreign currency liquidity conditions. Further, it expected higher oil receipts from increased production to narrow the fiscal deficit from 4.7% of GDP in 2016 to 3.5% of GDP in 2017 and to 1.8% of GDP in 2020. It pointed out that the government plans to clear its arrears to local states, private contractors and suppliers through the issuance of promissory notes amortized over a 10-year period, which would add to Nigeria's public debt stock by 3% to 4% of GDP. As such, it forecast the public debt level to reach 23.4% of GDP in 2020. Further, S&P forecast the current account deficit to balance during the 2017-20 period as a result of higher crude oil production. But it projected the gross external financing needs to increase from 118.8% of current account receipts (CARs) plus usable reserves in 2016 to 123.3% of CARs plus usable reserves this year and 126.1% of GDP in 2020, reflecting the country's weak external position. It expected the external financing needs to be covered by credit lines from the World Bank, the African Development Bank and from international capital markets.

Source: S&P Global Ratings

OMAN

Insurance sector faces moderate country risks and intermediate industry risks

S&P Global Ratings assessed as "moderate" the overall risk level of the property and casualty (P/C) insurance sector in Oman. It indicated that the assessment is derived from a "moderate" country risk level and an "intermediate" industry risk level for the domestic P/C insurance sector. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P noted that the "moderate" country risk level reflects Oman's elevated economic and financial sector risks. It noted that the country's high reliance on the hydrocarbon sector exposes its economic activity to changes in oil prices. It added that lower oil prices have reduced public sector deposits at the banks, leading to tighter liquidity and higher funding costs. In parallel, S&P said that the "intermediate" industry risk assessment is supported by a mostly profitable, well-established and well-regulated insurance sector, with a five-year return on equity of 13% that is well above that of most of its Gulf Cooperation Council peers. Also, it projected premium growth in the Omani insurance market at around 8% to 10% annually in the next two to five years, supported by growth in the motor & health insurance sectors, as medical coverage will become mandatory by 2018. Further, S&P pointed out that the insurance sector's institutional and regulatory framework and oversight are improving, but remain below international standards.

Source: S&P Global Ratings

EGYPT

Agency takes rating actions on eight banks

Capital Intelligence Ratings upgraded from 'B-' to 'B' the long-term foreign currency ratings (FCRs) of National Bank of Egypt, Banque du Caire, Commercial International Bank, QNB ALAHLI, Bank of Alexandria, Arab African International Bank, Arab International Bank and the Export Development Bank of Egypt, with a 'stable' outlook. It also affirmed at 'B' all the banks' short-term FCRs. It attributed the upgrade to its similar action on Egypt's short- and long-term sovereign ratings, reflecting the high degree of correlation between the banks' FCRs and the sovereign's creditworthiness. It added that any improvement in the country's creditworthiness would have a corresponding effect on the banks' FCRs. Also, the agency affirmed the Financial Strength Ratings (FSRs) of Commercial International Bank and QNB ALAHLI at 'BBB-' , those of Arab African International Bank, Arab International Bank and Bank of Alexandria at 'BB' , and the FSRs of Banque du Caire, Export Development Bank of Egypt and National Bank of Egypt at 'BB-', with a 'stable' outlook. It pointed out that the FSR of Bank of Alexandria is driven by the bank's robust profitability, satisfactory asset quality metrics, comfortable liquidity metrics, a rebound in the bank's capital adequacy ratio, as well as support from its affiliate Intesa Sanpaolo Group. However, it indicated that the bank's FSR is constrained mainly by a difficult operating and economic environment and a relatively high cost-to-income ratio.

Source: Capital Intelligence Ratings

IRAQ

Central Bank updates ratings of banks and MTOs

The Central Bank of Iraq (CBI) rated 46 banks and 10 money transfer operators (MTOs) that have participated in foreign currency auctions year-to-September 19, 2017. The evolution of the ratings between April 25 and September 19, 2017 shows that the CBI upgraded the ratings of 19 banks and five MTOs, downgraded the ratings of seven banks and three MTOs, while it issued new ratings on five banks. It also maintained the ratings of 13 banks and two MTOs, while it indicated that two banks are currently under its supervision. The CBI evaluated banks and MTOs based on CBI requirements for foreign currency purchases, and rated them based on seven criteria that have weights ranging from zero to 100 points. The ratings are based on the banks' efficiency and ability in fulfilling the CBI standards, dealing with external correspondent banks, fulfilling clients' requests, commitment to foreign currency auction window instructions, disclosure of balances to correspondent banks, the number of lawsuits against the bank, and contracting with international auditing companies. The ratings range from 'A' to 'E', with an 'A' rating representing the bank or MTO with the highest score on these criteria. Banks with less than 17% of the points set for a criteria have to address this issue within three months or they will be suspended from participating in the currency auctions, while better rated banks will receive a higher share in foreign currency auctions. The ratings distribution shows that 78.3% of banks are rated 'B', 13% are in the 'C' segment and 4.3% belong to the 'A' category. Also, 50% of MTOs are rated 'C', 20% are in each of the 'A' and 'B' segments, while the remaining 10% belong to the 'D' category.

Source: Central Bank of Iraq

NIGERIA

Banks to benefit from decline in foreign currency lending

Moody's Investors Service considered the decline in foreign currency lending in Nigeria to be credit positive for local banks, as it would ease the pressure on their asset quality, capital adequacy and foreign exchange funding. It noted that banks reduced their foreign currency loans in an effort to de-risk their balance sheets and preserve foreign currency through the repayment of loans, non-renewal of expired facilities and conversion of loans from foreign currency to the naira. However, it pointed out that the banks' ratio of foreign currency loans to total loans remains high. Further, the agency noted that the banks' reduced exposure to foreign currency loans will support their efforts to reduce asset quality risks, given that foreign currency loans expose borrowers to foreign exchange volatility. Also, it noted that a decline in foreign currency loans would support the banks' capital adequacy ratios, as a weaker naira inflates risk-weighted assets when these loans are converted to the local currency. In addition, it said that lower foreign currency lending will ease foreign currency liquidity pressure on banks, as banks reduce their need for foreign exchange funding and, in turn, their reliance on corporate deposits that are expensive and volatile. Still, it expected banks to continue to face asset and foreign currency risks until 2018, due to the remaining high level of outstanding foreign currency loans. It said that the non-performing loans ratio rose from 5.3% at end-2015 to 14% at the end of 2016, and anticipated that asset quality would continue to deteriorate but at a slower pace.

Source: Moody's Investors Service

MOROCCO

Currency band to widen despite drop in foreign currency reserves

Fitch Ratings indicated that Bank Al-Maghrib plans to widen the Moroccan dirham's floating bands from +/- 0.3% to +/- 2.5%, despite the decline in the level of foreign currency reserves in the second quarter of 2017. It said that Morocco's net international reserves (NIR) dropped to their lowest level in two years to reach $20.9bn on July 7, 2017, which prompted authorities to postpone the broadening of the floating bands, initially planned for June 2017. The agency attributed the decline in NIRs to higher resident demand for foreign currency instruments for hedging or profit-making purposes, ahead of the broadening of the dirham. It added that Moroccan banks increased their holdings of foreign currency assets by 56%, or $1.6bn, during the 12-week period ending July 7, 2017. Also, it said that the drop in NIRs resulted from a widening in the current account deficit due to higher global oil prices, and from a significant increase in FDI outflows that led to higher balance-of-payments outflows. In parallel, Fitch said that the initial broadening of the band would be narrow, and that the resulting benefits in terms of external competitiveness and economic shock-absorption capacity would be moderate. But it considered that the widening of the bands would allow for greater exchange rate flexibility. Also, the agency anticipated that a further widening of the bands would have a limited impact on economic stability and the banking sector, given the banks' low foreign currency exposure and high share of dirham-denominated debt.

Source: Fitch Ratings

ENERGY / COMMODITIES

Several factors constraining oil price growth

Brent oil prices are forecast to average $52.3 per barrel (p/b) in the first nine months of 2017, constituting an increase of 15% from the same period last year, and are projected to average $52 p/b in full year 2017 and $54 p/b in 2018. Supply-side factors that would limit significant increases in oil prices in the medium term include higher output from Libya and Nigeria, two OPEC countries that are not included in the 2016 OPEC agreement, and continued production increases in the U.S., Brazil, and Canada. In fact, oil production in the three countries is forecast to reach 20.6 million b/d in 2017, which would constitute a rise of 5.4% from 19.6 million b/d in 2016. First, the rebound in drilling activity in the U.S. doubled the U.S. oil rig count in September 2017 from its low in May 2016 and resulted in higher global oil inventories in the country, which weighed on global oil prices. Second, less stringent environmental regulations by the current U.S. Administration support oil supply and limit the recovery in hydrocarbon prices over the medium term. Third, a decline in oil production costs in the U.S. and Canada also constitutes a downside risk to the price outlook, as it supports oil output levels. In addition, increases in oil prices are limited by a stronger US dollar, which makes oil imports more expensive to countries in the European Union and South East Asia and, in turn, reduces oil consumption in those countries.

Source: Institute of International Finance

OPEC's oil output unchanged in August 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 32.76 million barrels per day (b/d) in August 2017, nearly unchanged from 32.83 million b/d in the preceding month. Saudi Arabia produced 10 million b/d in August 2017, equivalent to 30.6% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.6%), Iran with 3.8 million b/d (11.7%) and the UAE with 2.9 million b/d (8.9%).

Source: OPEC, Byblos Research

Zohr offshore gas field to produce 500 million cubic feet per day

Egypt's new offshore gas field Zohr is set to start operating at the end of 2017 and is expected to produce 500 million cubic feet per day of natural gas. The country aims to speed up production from recently discovered fields and to halt its oil imports by 2019. Egypt's hydrocarbon imports are projected to increase from $11.5bn, or 4.8% of GDP in the fiscal year that ended in June 2017, to $12.7bn, or 4.9% of GDP in FY2017/18. In parallel, the country's oil exports are forecast at $6.5bn in FY2017/18, up by 8.3% from a year earlier.

Source: International Monetary Fund, Thomson Reuters

Middle East accounts for 4% of global natural gas demand

The Middle East region's aggregate natural gas demand reached 489.9 billion cubic meters (bcm) in 2016, up by 1.7% from 481.8 bcm in 2015, and equivalent to 13.6% of the world's natural gas consumption. Demand for natural gas in Iran reached 188.6 bcm, or 38.5% of the region's total, followed by Saudi Arabia with 106.9 bcm (21.8%), the UAE with 71.8 bcm (14.7%) Qatar with 38.6 bcm (7.9%) and Oman with 23.2 bcm (4.7%).

Source: OPEC, Byblos Research

Base Metals: Copper prices to increase due to higher demand

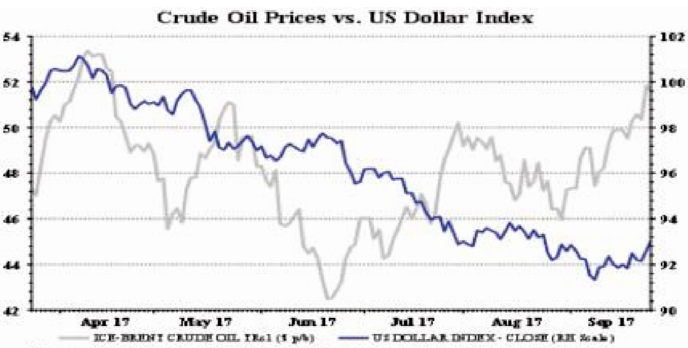
LME copper three-month future prices are expected to average $5971.5 per metric ton in the first nine months of 2017, up by 26.1% from the same period of 2016, due sustained supply disruptions and higher Chinese demand for the refined metal. Also, the metal's price reached its highest level since September 2014 to close at $6,917 a ton on September 4, 2017 but has been on a downward trend since, as a stronger dollar and anticipation of slower growth in China, the world's biggest industrial metals consumer, are capping prices. Copper prices are forecast to rise from $4,874 a ton in 2016 to $6,088 a ton in 2017 and $6,600 a ton in 2018, driven by subdued growth in the metal's output amid continuous output disruptions. In parallel, global demand for refined copper decreased by 2.1% year-on-year to 11.65 million tons in the first half of 2017, partly due to a 4% drop in Chinese demand. Also, demand for refined copper declined by 4% in Europe, by 3% in Africa and by 2% in Asia, while it increased by 1% in the Americas. On the supply side, global refined copper production was 11.5 million tons in the first half of the year, unchanged from the same period last year, given that the 10% rise in Mexican supply, the 9% growth in Indian production and the 7% increase in Chinese output were offset by a 12% decline in Chilean production. On a regional basis, refined output grew by 5% in Asia and by 3% in Europe, while it dropped by 10% in the Americas and by 6% in Oceania, and remained nearly unchanged in Africa.

Source: International Copper Study Group, Standard Chartered

Precious Metals: Gold prices to rise further in coming month

Gold prices are forecast to average $1,252 a troy ounce in the first nine months of 2017, down by a marginal 0.6% from the same period of 2016. The metal's average price is estimated at $1,320 an ounce in September 2017, the highest monthly average so far this year, up by 2.8% from an average $1,284 an ounce in the previous month. The month-on-month rise in the metal's price in September coincides with a 1% drop in the trade-weighted US Dollar Index. Further, gold prices are forecast to trend higher in October 2017, supported by expectations of increased demand for jewelry ahead of the largest gold-buying festival in India. The metal's price is forecast to rise from $1,250 in 2016 to $1,259 an ounce in 2017, supported by tensions between the U.S. and North Korea, and higher physical demand for the metal. Downside risks to the metal's price outlook include increases in U.S. interest rates in coming months, given that the Fed Fund futures curve, which reflects the probability of another hike in December 2017, recently rose from 50% to over 60%.

Source: Thomson Reuters, Standard Chartered, Byblos Research



Source: Thomson Reuters Datastream, 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+								
	-	-	-	-	Negative	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	B1	B	-	B+								
	Stable	Negative	Negative	-	Negative	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
Egypt	B-	B3	B	B	B-								
	Stable	Stable	Stable	Stable	Stable	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
Ghana	B-	B3	B	-	B+								
	Stable	Stable	Stable	-	Negative	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
Libya	-	-	B	-	B-								
	-	-	Stable	-	Negative	-16.4	78.2	-	-	-	-	-10.6	-
Dem Rep Congo	CCC+	B3	-	-	CCC								
	Stable	Stable	-	-	Stable	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
Nigeria	B	B1	B+	-	B+								
	Stable	Stable	Negative	-	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	-	B1	B+	-	BB+								
	-	Negative	Stable	-	Stable	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
Burkina Faso	B-	-	-	-	B+								
	Stable	-	-	-	Stable	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B	B2	B	-	B+								
	Stable	Stable	Positive	-	Stable	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
Middle East													
Bahrain	BB-	B1	BB+	BB+	BBB-								
	Negative	Negative	Negative	Stable	Negative	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
Iran	-	-	-	BB-	BB-								
	-	-	-	Stable	Positive	0.7	29.2	2.0	-	-	-	5.3	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-4.2	60.0	38.8	-	-	-	-4.4	-
Jordan	BB-	B1	-	BB-	BB+								
	Negative	Stable	-	Negative	Stable	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Negative	Stable	Stable	Stable	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B-	B3	B-	B	B-								
	Stable	Stable	Stable	Negative	Stable	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB+	Baa2	BBB	BBB+	BBB								
	Negative	Negative	Negative	Stable	Negative	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA-	Aa2	AA-	AA-	AA-								
	Negative	Negative	Negative	Negative	Stable	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	-	-	-	-	C								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Negative	-	Stable	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					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	20-Sep-17	No change	01-Oct-17
Eurozone	Refi Rate	0.00	07-Sep-17	No change	26-Oct-17
UK	Bank Rate	0.25	14-Sep-17	No change	02-Nov-17
Japan	O/N Call Rate	-0.10	21-Sep-17	No change	31-Oct-17
Australia	Cash Rate	1.5	05-Sep-17	No change	03-Oct-17
New Zealand	Cash Rate	1.75	27-Sep-17	No change	08-Nov-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	27-Sep-17	No change	08-Nov-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	18.75	06-Jul-17	No change	17-Aug-17
Turkey	Base Rate	8.00	14-Sep-17	No change	26-Oct-17
South Africa	Repo rate	6.75	21-Sep-17	No change	23-Nov-17
Kenya	Central Bank Rate	10.00	18-Sep-17	No change	28-Nov-17
Nigeria	Monetary Policy Rate	14.00	26-Sep-17	No change	21-Nov-17
Ghana	Prime Rate	21.00	25-Sep-17	No change	27-Nov-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	26-Sep-17	No change	14-Nov-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	8.50	15-Sep-17	Cut 50bps	27-Oct-17

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