500 ISSUES+
Issue 509 | October 12, 2017

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Average rating of top 20 debt markets close to 'BBB-' at end-September 2017

S&P Global Ratings indicated that the average sovereign rating of the 20 emerging markets (EM) with the highest level of outstanding commercial debt stood at below 'BBB-' as of September 2017. The average sovereign rating becomes slightly below 'BBB+' when the ratings are weighted by nominal GDP, largely due to China, which is rated 'A+' and accounts for more than one-third of the aggregate GDP of the 20 countries. S&P added that the average sovereign rating has been gradually declining since mid-2011 from a peak of above 'BBB-'. It upgraded the ratings of Argentina and Indonesia so far in 2017, and downgraded the ratings of China, Qatar, South Africa and Venezuela. It noted that 60% of the covered sovereigns had an investment-grade rating above 'BBB-' at end-September 2017, unchanged from the end of 2016. It added that 20% of the ratings were in the 'B' or 'CCC' categories at end-September 2017, up from 10% over the 2009-10 period, which reflects a deterioration in the credit quality of EM sovereigns that are rated at the lower end of the group's range. S&P said that six sovereign ratings had a 'negative' outlook, unchanged from end-2016. It added that 12 out of the 20 EM countries carry a 'stable' outlook on their sovereign ratings, while only the ratings of Hungary and Russia have a 'positive' outlook.

Source: S&P Global Ratings

MENA

Public governance in Arab world regresses

The World Bank's annual World Governance Indicators for 2016 show that the scores of 20 Arab countries regressed on five out of six governance indicators included in the survey and improved on just one. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.49 points on the Government Effectiveness indicator, down from -0.43 points in 2015. The indicator evaluates the quality of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's score was lower than the scores of North America (+1.54 points), Europe & Central Asia (+0.66 points), East Asia & Pacific (+0.13 points), Latin America & the Caribbean (-0.008 points) and South Asia (-0.41 points), but was better than the scores of Sub-Saharan Africa (SSA) (-0.82 points). The UAE had the most effective government among Arab countries with a score of +1.41 points, followed by Qatar (+0.75 point) and Bahrain (+0.32 points), while Yemen and Syria (-1.82 points each) and Libya (-1.89 points) came last. In parallel, Arab countries received a score of -0.46 points on the Control of Corruption indicator, up from -0.48 points in 2015. The region's average score was better than the scores of South Asia (-0.51 points) and SSA (-0.66 points). The UAE, Qatar, and Oman are the least corrupt Arab countries, while Syria, Sudan and Yemen ranked last.

Sources: World Bank, Byblos Research

Remittance inflows up 5% to $51bn in 2017

The World Bank projected remittance inflows to Arab countries at $50.8bn in 2017, constituting an increase of 4.7% from $48.5bn in 2016, compared to contractions of 6% in 2015 and 4.6% in 2016. It attributed the rise in remittances to the Arab region to the rebound in remittance inflows to Egypt following the devaluation of the Egyptian pound. Further, it said that inflows to Arab countries would account for 8.5% of global remittance flows and for 11.2% of remittances to developing economies in 2017, ranking the Arab region as the third smallest recipient in developing markets, ahead of only Europe & Central Asia (9.5%) and Sub-Saharan Africa (8.4%). Also, the Bank projected the increase in remittance inflows to Arab countries in 2017 to be the fourth highest among developing economies, after Sub-Saharan Africa (+10%), Europe & Central Asia (+8.6%) and Latin America & the Caribbean (+6.9%). It expected Egypt to be the largest Arab recipient of remittances with $18.2bn or 35.8% of the total in 2017, followed by Lebanon with $7.9bn (15.5%), Morocco with $7.1bn (14%), Jordan with $4.5bn (8.8%), Yemen with $3.4bn (6.6%), Algeria with $2.07bn (4.1%), and the West Bank & Gaza with $2.06bn and Tunisia with $2.03bn (4% each). Remittance inflows to the West Bank & Gaza would be equivalent to 14.9% of GDP in 2017, the highest in the region, followed by Lebanon at 14.6% of GDP, Yemen at 12.3% of GDP, Jordan at 11% of GDP and Egypt at 7.7% of GDP. When excluding Syria, remittance inflows to Arab countries would be equivalent to about 2.4% of the region's GDP this year.

Source: World Bank, Byblos Research

Initial public offerings up 5% year-on-year to $419m in second quarter of 2017

Figures released by EY indicate that new capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $418.6m in the second quarter of 2017, up by 13.4% from $369.2m in the previous quarter and by 5.4% from $397.2m in the second quarter of 2016. New capital raised through IPOs in the Gulf Cooperation Council region totaled $334m in the second quarter of 2017, up by 22% from the same period last year, and accounted for 79.8% of total IPOs in the MENA region. The largest transaction was a $243.5m cross-border IPO of ADES International Holding, an oil & gas company registered in Dubai. In parallel, there were six IPOs during the second quarter of the year, unchanged from the second quarter of last year and compared to 10 deals in the first quarter of the year. Further, there was one IPO on the London Stock Exchange that raised $243.5m in the second quarter of the year, two deals on the Egyptian Exchange that raised an aggregate of $84m, two IPOs on the Saudi Stock Exchange that raised a total of $74.8m, and one deal on the Dubai Financial Market that raised $16.3m. EY considered that the privatization of leading government-owned assets in the region would constitute the key driver of IPO activity, given that MENA governments are seeking to raise capital.

Source: EY

OUTLOOK

MENA

Economic growth at 2.7% during 2017-18

The International Monetary Fund projected economic growth in the Middle East & North Africa region (MENA) region at 2.2% in 2017 and 3.2% in 2018, nearly unchanged from its April forecasts of 2.3% and 3.2%, respectively. In comparison, it forecast real GDP growth in emerging markets at 4.6% this year and 4.9% in 2018, and global economic growth at 3.6% in 2017 and 3.7% next year. It attributed the subdued growth in MENA countries in 2017 to a slowdown in Iran's economic activity, as well as to cuts in oil production by oil exporters under the extended OPEC agreement that ends in March 2018. It also noted that the expected recovery in economic activity in 2018 reflects stronger domestic demand and a rebound in oil exporters' hydrocarbon production. However, it anticipated regional insecurity and geopolitical risks to weigh on the outlook. Further, it expected the average inflation rate in MENA economies at 7.1% in 2017 and 8.1% in 2018.

The IMF forecast real GDP growth in the oil-exporting economies of the MENA region at 1.7% in 2017 and 3% in 2018. It projected the aggregate current account deficit of oil-exporters at 0.4% of GDP in 2017 and 0.2% of GDP in 2018. Also, it expected the inflation rate of oil-exporters to average 4.3% in 2017 and 6% in 2018. Further, the Fund forecast real GDP growth in oil-importing economies at 4.3% in 2017 and 4.4% in 2018. It expected the aggregate current account deficit of oil-importers to remain unchanged at 5.3% of GDP in 2017 but to narrow to 4.8% of GDP in 2018. Also, it forecast the inflation rate in oil-importers to average 12.1% in 2017 and 11.2% in 2018, up from 6.2% in 2016, mainly due to high inflation in Egypt and Sudan.

In parallel, the IMF projected real GDP growth in the Maghreb countries, which consist of Algeria, Libya, Mauritania, Morocco and Tunisia, at 5.4% in 2017 and 3.8% in 2018, while it forecast their current account deficit to narrow from 8.5% of GDP in 2017 to 5.6% in 2018. Further, it expected growth in the Mashreq countries that comprise Egypt, Jordan and Lebanon at 3.8% in 2017 and to 4.2% in 2018, and projected their current account deficit at 8.2% of GDP in 2017, and at 6.4% of GDP in 2018.

Source: International Monetary Fund

SAUDI ARABIA

Public finances to withstand lower oil prices

The International Monetary Fund projected Saudi Arabia's fiscal deficit to narrow from 17.2% of GDP in 2016 to 9.3% of GDP in 2017, 1.4% of GDP by 2020 and 0.8% of GDP by 2022, supported by fiscal consolidation measures under the Fiscal Balance Program (FBP). It forecast the government debt level to rise from 16.7% of GDP in 2017 to 24.5% of GDP in 2020 and 25% of GDP in 2022. It noted that fiscal measures under the FBP include the introduction of the value-added tax in 2018, a gradual rise in energy and water prices and contained public spending. It considered the government's fiscal adjustment plan to be very ambitious, with a significant adverse impact on economic growth and employment in the near-term.

As such, the Fund said that authorities have the fiscal space, with large fiscal buffers and low debt levels, to allow for a more gradual fiscal consolidation. It added that rapid fiscal consolidation is neither necessary nor desirable, given the slowdown in economic activity. In this context, the Fund suggested that authorities could phase-in some of the fiscal reforms over a longer period of time. It noted that a well-paced fiscal adjustment would limit the negative short-term impact on overall growth and would allow the beneficial effects of structural reforms to support growth as fiscal consolidation continues over the medium-term.

In parallel, the Fund estimated that an oil price shock that reduces oil prices from an annual average of $50.3 p/b in 2017 to $38 p/b in 2018 and to $31 p/b in 2022 would lead to a deficit of about 12% of GDP in 2020, assuming that authorities do not implement additional fiscal consolidation measures. It added that the debt level would reach 67% of GDP and the government's gross financing needs would remain below 15% of GDP during the 2018-22 period. It considered that Saudi Arabia's fiscal position will be manageable under these conditions.

Source: International Monetary Fund

ALGERIA

Economy trying to adjust to lower public receipts

The Institute of International Finance indicated that the drop in global oil prices had a limited impact on economic activity in Algeria in 2015 and 2016. It noted that real GDP grew by 3.7% in 2016, supported by a strong recovery in gas production. But it said that authorities have responded to the widening of the fiscal and external deficits and the sharp decline in foreign currency reserves by launching much-needed fiscal reforms that aim to rationalize current spending, reduce capital spending and implement tax measures to raise non-oil revenues. As such, it projected Algeria's real GDP growth to decelerate from 3.7% in 2016 to 2.1% in 2017 and 1.9% in 2018, amid the authorities' sizeable fiscal consolidation measures. It forecast the hydrocarbon sector's real GDP growth to slow down from 7.7% in 2016 to 2.9% this year and 2.5% next year, while it projected non-hydrocarbon sector activity to decelerate from 3.3% last year to 2% in 2017 and 1.8% in 2018. It expected growth in the non-oil economy to pick up gradually beyond 2018 in case structural reforms are implemented. It said that the medium-term outlook will depend on the extent to which authorities succeed in finding new sources of growth through economic reforms and diversification.

Further, the IIF projected the fiscal deficit to narrow from 13.3% of GDP in 2016 to 4.3% of GDP in 2017 and 2.8% of GDP in 2018. It said that the 2017 budget includes measures to raise additional non-hydrocarbon revenues, contain the public-wage bill, reduce current transfers by reforming the subsidy system, and cut capital spending by at least 13% in nominal terms. It added that authorities plan to reduce capital expenditures from 15.9% of GDP in 2016 to 10% of GDP by 2020 by improving the efficiency and selection of projects. In parallel, the IIF forecast the current account deficit to narrow from 16.5% of GDP in 2016 to 10.1% of GDP in 2017 and 8.9% of GDP in 2018, due to a significant increase in gas exports and a decline in imports. It anticipated foreign currency reserves to decline at a slower pace than in previous years due to expected higher oil export receipts and FDI inflows. It forecast foreign currency reserves at $100.8bn at end-2017 and $89.3bn at end-2018.

Source: Institute of International Finance

MOROCCO

Agencies affirm sovereign ratings, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term Issuer Default Ratings at 'BBB-', with a 'stable' outlook. It said that the ratings are supported by macroeconomic stability, a track record of prudent economic policies, and a fiscal deficit that is below the median deficit of similarly-rated countries. But it noted that the ratings are constrained by weaker structural indicators, a higher government debt level and wider current account deficits than peers. It expected fiscal consolidation to continue but at a slower pace than projected because further consolidation will require deeper tax reforms and a broadening of the tax base amid a large informal sector. It forecast the central government deficit to narrow from 4.1% of GDP in 2016 to 3.6% of GDP in 2017, and expected the debt level to decline from 50.1% of GDP in 2016 to 48.1% of GDP in 2019. In parallel, S&P Global Ratings affirmed at 'BBB-/A-3' Morocco's short- and long-term sovereign ratings, with a 'stable' outlook. It said that the ratings are supported by ongoing external and fiscal consolidation, moderate government debt levels and relatively stable policy-making. But it noted that the country's significant reliance on the agricultural sector, low GDP per capita and elevated social needs weigh on the ratings. It forecast real GDP growth to average 4% during the 2017-20 period in case adverse weather conditions do not affect the agricultural sector, and if non-agricultural output increases. It expected the current account deficit to narrow from 4.2% of GDP in 2017 to 3.3% of GDP in 2018. It forecast Morocco's external financing requirements to average 92.1% of current account receipts and usable reserves during the 2017-20 period.

Source: Fitch Ratings, S&P Global Ratings

CÔTE d'IVOIRE

Reforms and investment support growth prospects

Moody's Investors Service considered that Côte d'Ivoire's 'Ba3' rating and 'stable' outlook reflect the economy's growing diversification and strong growth prospects, which are supported by structural reforms and public investment in infrastructure. But it noted that the ratings are constrained by a weak institutional framework. It expected Côte d'Ivoire, which is the world's leading producer of cocoa and cola nuts, to post medium-term growth rates above 7% per year. It added that Côte d'Ivoire's rating benefits from its membership in the West African Economic and Monetary Union, as well as from its developed regional financial sector that has enabled it to absorb an increasing share of government debt. The agency indicated that the government's debt levels are low and that the authorities are committed to increase public revenues in order to finance high capital spending and maintain stable debt levels. It projected the fiscal deficit to remain around 4% of GDP over the 2017-18 period. Further, it noted that political stability in Côte d'Ivoire has improved amid strong ties with the international community and that potential risks ahead of the 2020 elections are likely to be contained. In parallel, Moody's indicated that France would increase its concessional lending to Côte d'Ivoire by €700m to an aggregate of €2bn over the next three years, equivalent to about 5% of 2017 GDP. It considered the loan to be credit positive because it provides the government with substantial affordable financing for economically strategic infrastructure projects.

Source: Moody's Investors Service

ANGOLA

Deal with IMF unlikely in the near term

Citi Research did not expect Angola to approach the International Monetary Fund for an agreement in the near future, as it considered that such an agreement would force the authorities to adjust the exchange rate and to be transparent about their current levels of borrowing, as well as about the state of the banking sector. It pointed out that alternative external funding sources, such as loans from China, do not require such disclosures and are politically attractive for the government. Citi considered that the Banco Nacional de Angola (BNA) is increasingly convinced that a currency devaluation would address, in part, the current foreign currency shortages in the country, amid the decline in foreign reserves from $24.3bn at end-2015 to $15.6bn at the end of August 2017. It added that the BNA argues that the government could delay the political decision to devalue the kwanza, but it could eventually be forced to devalue the currency amid current trends and the low oil price environment. However, Citi noted that the level of support for a currency devaluation beyond the BNA remains uncertain. It considered that the government would delay the decision to approach the Fund until after the ruling party conducts its congress in early 2018, and in case the new President consolidates his political position in power.

Source: Citi Research

GHANA

Outlook on ratings revised to 'positive' on expected policy measures

S&P Global Ratings affirmed at 'B-/B' Ghana's long- and short-term sovereign credit ratings, and revised the outlook on the ratings from 'stable' to 'positive'. It attributed the outlook revision to its expectations that the new administration would implement measures that would help strengthen the country's very weak public finances, and that economic growth would pick up due to increased oil production. It projected real GDP growth at 6% in 2017 and 7.5% in 2018, supported by increased oil production and improved electricity supply. Also, the agency projected the fiscal deficit to gradually narrow from 8% of GDP in 2017 to 6% of GDP in 2018 and 4% of GDP in 2020. It noted that the clearance of arrears of about 4% of GDP would keep the deficit wide in 2017 and 2018, before narrowing afterwards. It added that the government plans to introduce a cap of 5% of GDP on fiscal deficits by the end of 2017, which would help keep the deficit in check. Also, it said that authorities are lengthening the maturity of the domestic debt stock to reduce debt servicing costs that absorb about 20% of revenues. It projected the net government debt to gradually decline from 70% of GDP in 2017 to 65% of GDP by 2020. But it noted that contingent liabilities from state-owned entities are sizeable, and that the debt stock is exposed to exchange rate risks and to changes in investor sentiment. Further, S&P expected higher oil receipts, along with increased portfolio inflows, to narrow the current account deficit from 6.6% of GDP in 2016 to 4.1% of GDP in 2018, and to increase foreign currency reserves. It expected foreign currency reserves to cover just over three months of current account payments by 2020.

Source: S&P Global Ratings

SAUDI ARABIA

Liquidity conditions improve, NPLs to rise

Fitch Ratings indicated that liquidity conditions for banks in Saudi Arabia have significantly improved in recent months, but it anticipated a rise in non-performing loans (NPLs) due to the slowdown in economic activity. It said public-sector deposits have increased and that the government has cleared most of its overdue payments to contractors. It added that most banks had a high liquidity coverage ratio that exceeded 200% at end-June 2017. Also, it noted that funding costs, which surged in 2016, have declined towards very low historical levels. It did not expect renewed withdrawals of public sector deposits, as the government is financing part of its deficit through external debt issuance. However, the agency expected the NPLs ratio to rise and lending growth to remain subdued in the second half of 2017 and into 2018 amid the slowdown in activity. It noted that borrowers' creditworthiness continued to decline in the first half of the year, while the NPLs ratio increased to 1.4% at the end of June 2017. Still, it considered the banking sector's overall asset quality to be strong as the NPL ratio is very low compared to global standards and the loan-loss coverage is high, even when taking into account delinquent loans that are not impaired, watch-listed exposures and restructured loans. In parallel, Fitch said that Saudi banks are among the most capitalized in the world, while their profitability metrics are solid by international standards. But it noted that earnings could decline given the pressure on asset quality.

Source: Fitch Ratings

UAE

Stable outlook on banking sector

Moody's Investors Service maintained its outlook on the UAE's banking system at 'stable' for the next 12 to 18 months, reflecting the banks' strong capitalization levels, stable funding and liquidity conditions, as well as the country's economic resilience. It forecast lending growth at about 5% in 2018, supported by an anticipated recovery in economic activity next year following subdued growth in 2017. It projected the sector's non-performing loans (NPLs) ratio to increase to about 5.5% to 6% in 2018 from 5.3% in June 2017, due to the economic slowdown in 2017. It said that the high exposure of banks to government-related institutions and to the volatile real-estate sector pose downside risks to the banks' loan quality. Further, the agency expected the banks' capital levels to remain strong over the next 12 to 18 months due to their internal capital generation and lower growth in risk-weighted assets. It forecast the banks' tangible common equity at between 14% to 16% of risk-weighted assets in the coming 12 to 18 months, which provides a substantial cushion against the deterioration in the quality of loans. Also, Moody's anticipated the stabilizing oil prices and international bond issuances to continue to support funding and liquidity conditions in the country, following the tightening of liquidity in 2016. In addition, it said that the banks' profitability would remain strong over the next 12 to 18 months, and projected their return on assets at about 1.5% to 1.7% over the covered period. It considered that lower operating expenses and stabilizing provision charges would balance thinner interest margins.

Source: Moody's Investors Service

EGYPT

Increase in reserve requirement ratio to have limited impact on banks' net interest margins

EFG Hermes considered that the Central Bank of Egypt's (CBE) decision to raise the banks' reserve requirement ratio (RRR) on deposits in local currency from 10% to 14% aims to improve liquidity management in the market. However, it noted that the increase in the RRR could weigh on the banks' net interest income in the short term, given that 4% of the banks' local-currency deposits, which are earning a net yield of about 14.5%, would be placed at the CBE at a zero percent rate. It anticipated that banks would likely reduce the rates on customer deposits to minimize the impact of lower interest income on their profitability. It also expected the CBE to ease its monetary policy amid an anticipated decline in inflation rates, and consequently reduce its policy rates by between 300 and 400 basis points in the coming 12 months. It said that the banks' net interest margins have not been very sensitive to lower rates. As such, it forecast the banks' net interest margins to only gradually decline in the coming 12 months in case the CBE reduces policy rates, given that lower funding costs would offset lower asset yields. Overall, it considered that the impact of the increase in the RRR to the levels that prevailed in 2011 would be manageable for larger banks. In parallel, EFG expected lending growth to accelerate by mid-2018, mainly due to pent-up demand for investment loans and lower rates.

Source: EFG Hermes

NIGERIA

Economic activity and regulatory environment to support larger banks

EFG Hermes considered that the moderate improvement in Nigeria's macroeconomic fundamentals, following the rebound of activity in the oil & gas sector, and the current supportive regulatory environment, would sustain the strong performance of Zenith Bank, Guaranty Trust Bank, Access Bank, United Bank for Africa, FBN Holdings and Stanbic IBTC Holdings. The six banks account for over 65% of the sector's assets. It projected the banks' deposits to grow by a compound annual growth rate (CAGR) of 13% in the next five years, and for their assets to post a CAGR of 11.4% over the same period, supported by market consolidation and the strong growth at the banks' foreign subsidiaries. It expected the six banks' non-performing loans (NPLs) ratio to rise from 7% in 2016 to 9.3% in 2017 and to gradually decline to 3.8% by 2021. It noted that the banks' NPLs ratio was below the sector's average of 14% in 2016 because of their exposure to low-risk sectors, and the successful restructuring of loans in higher risk sectors. EFG indicated that a more efficient capital management, the deleveraging of the six banks' balance sheets and the strong profitability metrics of most banks would increase their capital adequacy ratio from 19.9% in 2016 to 20.7% in 2017. It anticipated the implementation of international accounting rules IFRS9 in 2018 to have a moderate impact on the banks' capital ratios due to their high NPL cover that reached 93.7% in 2016. Further, EFG noted that the increase in loan-loss provisions, following the implementation of IFRS9, could weigh on the banks' profitability. In contrast, it said that a devaluation of the naira would lead to significant revaluation gains for most banks.

Source: EFG Hermes

ENERGY / COMMODITIES

Various factors to contribute to higher oil prices

Oil prices are forecast to increase from an average of $52.2 per barrel (p/b) in the third quarter of 2017 to 54 p/b in the fourth quarter of the year and to $56 p/b in the first quarter of 2018. The expected rise in oil prices reflects a continued drawdown of global oil inventories, the likelihood of a disruption to oil production in the Iraqi Kurdistan Region, a decrease of 10% in the U.S. oil rig count in September and a decline in Venezuelan oil output. Also, the compliance of the Organization of the Petroleum Exporting Countries (OPEC) economies with oil output cuts rose from 95% in August to 97% in September 2017, and would consequently contribute to higher oil prices in coming quarters. However, oil prices are projected to decrease in the second half of 2018, given that the global oil inventory drawdown is expected to be temporary and could reverse, even in the event of an extension in November 2017 of the OPEC agreement. Downside risks to the oil price outlook include uncertainties about the sustainability of the OPEC agreement, given that such an agreement between a large number of countries could face coordination challenges. In comparison, upward risks to the oil price outlook include the current U.S. Administration’s continued threats to revoke the Iranian nuclear deal, which would disrupt Iran’s oil exports that rose significantly following the removal of international sanctions in 2015.
Source: Barclays Capital, Standard Chartered, Thomson Reuters

OPEC's oil basket price up 8% in September 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged $53.44 per barrel (p/b) in September 2017, constituting an increase of 7.7% from $49.6 p/b in the preceding month. Angola’s Girassol crude oil posted a price of $56.83 p/b, followed by Equatorial Guinea’s Zafiro at $56.57 p/b and Nigeria’s Bonny Light at $56.55 p/b. All 14 prices included in the OPEC reference basket posted monthly increases that ranged from $3.2 p/b to $5.01 p/b in September 2017.
Source: OPEC, Byblos Research

Gasoline demand in GCC economies down 0.4% in 2016

The Arab Petroleum Investments Corporation estimated that the annual gasoline demand of GCC countries grew by 6.2% between the 2010-15 period, but regressed by 0.4% in 2016. It indicated that demand for gasoline declined by 12% in Qatar in 2016, by 6.2% in Oman, by 4.3% in Bahrain and by 2.9% in Kuwait. In contrast, it pointed out that demand for gasoline in the UAE increased by 20% in 2016, while it was unchanged year-on-year in Saudi Arabia. It attributed the decrease in the demand for gasoline to the energy reforms implemented by GCC governments, as well as to the slowdown in regional economic activity.
Source: APICORP Energy Research

OPEC's oil output unchanged in September 2017

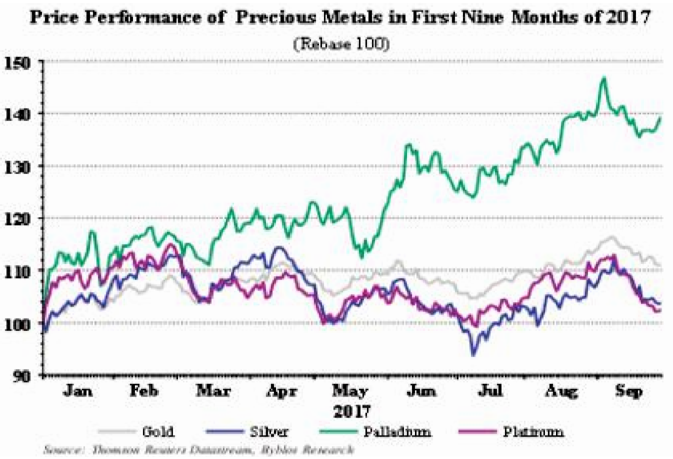
Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 32.75 million barrels per day (b/d) in September 2017, nearly unchanged from 32.66 million b/d in the preceding month. Saudi Arabia produced 10 million b/d in September 2017, equivalent to 30.5% of OPEC's total oil production, followed by Iraq with 4.5 million b/d (13.7%) and Iran with 3.8 million b/d (11.7%).
Source: OPEC, Byblos Research

Base Metals: Steel prices to continue to rise in 2017

LME steel billet cash prices averaged $312.5 per ton in the first nine months of 2017, up 1.6 times from $200.6 per ton during the same period last year. The increase in steel prices is due to expectations of higher global demand in 2017, driven by a 3% to 4% anticipated rise in Chinese demand this year. Also, the rally in the metal’s price has been driven by lower steel inventory levels in China at the end of 2016 and by news that mills in Shanghai will reduce steel output a month ahead of schedule to meet air quality targets. However, the price outlook is at risk of a surplus capacity that is building up in Asia, the Middle East and the United States. In parallel, global crude steel output reached 1.12 billion tons in the first eight months of 2017, up by 4.9% from 1.07 billion tons in the same period of 2016. China's crude steel production totaled 566.4 million tons, or 50.5% of global output in the first eight months of 2017. Japan followed with 69.6 million tons (6.2%), then India with 66.5 million tons (5.9%) and the U.S. with 54.7 million tons (4.9%). On a regional level, steel output in Asia totaled 776.7 million tons and accounted for 69.2% of global production in the covered period, followed by the European Union with 112.7 million tons (10%) and North America with 77.5 million tons (6.9%).
Source: World Steel Association, Thomson Reuters

Gold prices at below $1,300 per ounce on weaker physical demand

Gold prices traded below the $1,300 per troy ounce level so far in October 2017, reflecting a weakening in physical demand for the metal in China, as well as an increase in the probability of a U.S. interest hike in December 2017. Also, the increase in Indian jewelry demand has been limited so far in October ahead of India’s upcoming festival season, due to the implementation of the Goods & Services Tax on July 1, 2017, which has prevented any significant rise in the metal’s price. Overall, gold prices gradually increased from an average of $1,219 an ounce in the first quarter of 2017 to $1,259 an ounce in the second quarter and to $1,279 an ounce in the third quarter of the year, and are forecast to rise further to $1,300 an ounce in the fourth quarter of 2017. The gradual increase in the metal’s prices this year is attributed to sentiment-driven factors, such as political risks in Europe. In parallel, the Bloomberg Precious Metals Total Return Sub-Index declined by 3.3% in September but rose by 8.7% in the first nine months of 2017, while the Gold Sub-Index decreased by 2.7% last month and grew by 10.7% from end-2016.
Source: Standard Chartered, Bloomberg, 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-	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+								
	Positive	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	CCC+	B3	-	-	CCC								
Congo	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	Negative	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	31-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	03-Oct-17	No change	07-Nov-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	21-Sep-17	No change	18-Dec-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	04-Oct-17	Cut 25bps	06-Dec-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	28-Sep-17	No change	16-Nov-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	02-Oct-17	No change	27-Oct-17
Mexico	Target Rate	7.00	28-Sep-17	No change	09-Nov-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	03-Oct-17	No change	07-Nov-17
Bulgaria	Base Interest	0.00	02-Oct-17	No change	01-Nov-17
Kazakhstan	Repo Rate	10.25	09-Oct-17	No change	27-Nov-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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