

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Digital economy supports trade & development

The United Nations Conference on Trade & Development (UNCTAD) considered that the rapid expansion of the digital economy is creating new opportunities for global trade and development. It estimated the global production of Information & Communications Technology (ICT) goods and services to be equivalent to around 6.5% of global GDP. Also, it pointed out that the export of telecommunications, computer and information services grew by 40% from about \$334bn in 2010 to reach \$467bn in 2015. It added that the shipments of 3D printers doubled year-on-year to 450,000 in 2016, and expected them to reach 6.7 million in 2020. It pointed out that key technologies that support the evolution of the digital economy include robotics, artificial intelligence, the Internet of Things, cloud computing and 3D printing, among others. Further, it said that high-speed broadband access to computing and storage capacity, as well as a decline in the cost of ICT equipment and data management, have facilitated the process of digitalization. However, UNCTAD noted the existence of a global digital gap. It said that the number of Internet users grew by 60% between 2010 and 2015, but more than 50% of the world's population remains offline. It added that more than 70% of the population of most developed countries make online purchases compared to less than 2% of the population in least developed countries (LDCs). In addition, it indicated that global online platforms have also a substantial economic impact, as it expected them to contribute to an increase of \$2.7 trillion in global GDP by 2025, as well as the creation of 72 million new full-time jobs.

Source: UNCTAD

Real estate fundraising down 20% to \$20bn in third quarter of 2017

Research provider Preqin indicated that 38 closed-end private equity (PE) real estate investment funds raised \$20.4bn in capital commitments in the third quarter of 2017, constituting a decrease of 39.5% from \$33.8bn in the second quarter of 2017 and a decline of 19.7% from \$25.4bn in the third quarter of 2016. It added that the number of closed funds in the covered quarter was the lowest since the second quarter of 2010. It said that 23 PE real estate funds with a primary focus on North America secured \$13.2bn in the third quarter of 2017, or 64.7% of total capital commitments, followed by 10 European-focused funds (\$4.6bn), and five Asian-focused fund (\$2.6m). It pointed out that seven funds with a primary focus on opportunistic investments raised a total of \$6.6bn during the third quarter of 2017, or 32.4% of total capital commitments, followed by 13 value-added funds with \$5.9bn in raised capital (28.9%), eight debt funds with \$5bn (24.6%), five core funds with \$1.5bn (7.5%), two core-plus funds with \$0.9bn (4.6%), two distressed property funds with \$0.3bn (1.5%) and one fund of funds with \$0.1bn (0.7%). Also, the survey indicated that 569 closed-end PE real estate funds are currently seeking to raise an aggregate of \$185bn, up 4.7% from the amount targeted in the previous quarter. It added that 328 out of the 569 funds, or 57.6% of the total, are seeking to raise \$106bn in capital that will be invested in North America.

Sources: Preqin

MENA

Nation brand value varies across Arab world

The Nation Brands Index for 2017 estimated the brand value of the UAE at \$594bn, the 21st highest globally and the highest among Arab countries. Saudi Arabia followed at \$575bn (22nd), then Qatar at \$223bn (42nd), Kuwait at \$170bn (51st), Egypt at \$88bn (57th), Algeria at \$70bn (60th), Iraq at \$60bn (66th), Oman at \$50bn (70th), Sudan at \$49bn (71st), Morocco at \$49bn (72nd), Yemen at \$29bn (85th), Bahrain at \$28bn (86th), Jordan at \$25bn (89th), Tunisia at \$22bn (92nd), Lebanon at \$21bn (94th) and Libya at \$17bn (97th). The index, which is issued by brand valuation and strategy consultancy firm Brand Finance, measures the strength and value of the nation brand of 100 countries based on the "royalty relief mechanism" methodology that is used to value the world's largest companies. The brand value of eight Arab countries increased and that of six economies regressed from 2016. In parallel, the survey upgraded the brand strength ratings of Lebanon, Qatar and Yemen, while it downgraded those of Iraq and Sudan. The survey rates each country's brand strength by the performance of the Investment, Goods & Services, and Society pillars. The UAE and Qatar have a rating of 'AAA' each, Bahrain's rating is at 'AA+', Saudi Arabia has an 'AA' rating, Kuwait and Morocco are rated at 'AA-' each, Egypt, Lebanon and Tunisia have a rating of 'A+' each, Algeria's rating is at 'A', Yemen has a rating of 'BB', Iraq and Sudan have a rating of 'CCC' each, and Libya's rating is at 'DDD'.

Source: Brand Finance, Byblos Research

Capital inflows to rise by 38% to \$139bn in 2017

The Institute of International Finance projected total non-resident capital inflows to the Middle East & Africa (ME&A) region at \$139bn in 2017, which would constitute an increase of 37.6% from \$101bn in 2016. It attributed the anticipated rise in capital inflows this year mainly to higher foreign direct investment (FDI) and portfolio inflows. It forecast non-resident capital inflows to GCC countries to decrease from \$112bn in 2016 to \$79bn in 2017, due to a sharp decline in portfolio inflows to Qatar, as well as to lower external financing needs in GCC economies. In parallel, it projected non-resident capital inflows to the region's oil importers to peak at \$62bn this year due to the sharp increase in capital inflows to Egypt. It forecast non-resident private capital inflows to the ME&A region to account for 12.6% of total net private inflows to emerging markets in 2017. Further, it projected portfolio investments to rise from \$31bn in 2016 to \$49bn this year, with equity investments growing to \$13bn in 2017 and debt investments increasing to \$36bn this year. It also expected FDI to grow from \$33bn in 2016 to \$34bn this year. In parallel, the IIF forecast resident capital outflows from the ME&A region to increase from \$67bn in 2016 to \$99bn in 2017. Overall, it expected net capital inflows to the ME&A region to rise from \$32bn last year to \$40bn in 2017, while it forecast net capital outflows, when including errors and omissions, to drop from \$32bn in 2016 to \$31bn this year.

Source: Institute of International Finance

OUTLOOK

EMERGING MARKETS

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

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.6% in 2017, unchanged from its July 2017 forecast, and compared to growth rates of 2.2% for advanced economies and 3.6% for the global economy. It expected growth to be primarily driven by stronger activity in China and Emerging Europe, as well as by improved conditions in large commodity exporters that experienced recessions during the past two years. It noted that growth prospects continue to vary significantly across economies. It indicated that medium-term risks to the growth outlook are tilted to the downside and include tighter global financial conditions, reversal of capital flows, a slowdown in China's economic activity, heightened policy uncertainty in the U.S., challenges facing banks in the Euro area and heightened conflicts and geopolitical tensions.

The IMF projected economic growth in Emerging & Developing Asia at 6.5% in 2017, unchanged from its July forecast. Also, it expected Sub-Saharan Africa's real GDP growth at 2.6%, nearly unchanged from its July forecast of 2.7%, but it anticipated significant differences across the region's economies to persist. It added that downside risks to Sub-Saharan Africa's outlook have increased due to several factors in the region's largest economies, including delays in implementing policy adjustments. In addition, it maintained its growth forecast for the MENA region plus Afghanistan and Pakistan at 2.6% in 2017, as it anticipated the drop in oil production under the OPEC agreement and the persistent regional insecurity and geopolitical risks to continue to weigh on the region's outlook. But it expected the MENA region's activity to accelerate to 3.5% in 2018 due to stronger domestic demand and higher oil production. In parallel, it raised its growth forecast for Emerging & Developing Europe to 4.5% in 2017 from 3.5% previously, reflecting better growth prospects for Turkey and Poland. Also, it anticipated economic activity in the Commonwealth of Independent States at 2.1% in 2017, up from its July forecast of 1.7%, due to improved activity in Russia. In parallel, it raised its growth projection for Latin America & the Caribbean to 1.2% this year from 1% previously.

Source: *International Monetary Fund*

GCC

Non-hydrocarbon growth to pick up in 2018

The Institute of International Finance projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) to decelerate from 2.3% in 2016 to 0.2% in 2017, mainly due to a drop in oil production under the OPEC agreement. It forecast hydrocarbon output to contract by 2.6% in 2017 compared to a growth rate of 2.8% last year, while it projected non-hydrocarbon activity to grow by 2.2% this year relative to 2% in 2016. It expected growth to pick up to 1.9% in 2018, with hydrocarbon output growing by 1.3% and non-hydrocarbon activity rising by 2.3%, which would reflect the easing of fiscal consolidation, the gradual recovery in oil prices and the progress in reforms. But it anticipated tight financial conditions and exchange rate appreciation to pose challenges for non-oil activity. In parallel, it forecast the average inflation rate in GCC economies to increase from 0.9% in 2017 to 3.5% in 2018 as a result of the introduction of the

value-added tax in 2018, as well as from further increases in domestic fuel prices and excise taxes. The IIF noted that downside risks to the outlook include a weaker-than-expected rise in oil prices, slower implementation of reforms, and a faster-than-anticipated increase in U.S. interest rates.

In parallel, the IIF indicated that governments in the GCC region have implemented fiscal reforms to adjust to the low oil price environment, such as reducing capital spending and cutting fuel subsidies. But it expected authorities to focus on mobilizing non-oil revenues in coming years, such as raising public service fees, introducing the value-added tax and privatizing public-sector assets. It noted that the current fiscal consolidation efforts and the gradual recovery in oil prices would put the region's fiscal position on a more sustainable path over the medium term. As such, it forecast the GCC's aggregate fiscal deficit to narrow from 6.3% of GDP in 2017 to 3.8% of GDP in 2018, while it projected their aggregate current account surplus to increase from 0.4% of GDP this year to 1% of GDP next year. It forecast the GCC's net foreign assets to decline from 144% of GDP at end-2017 to 137% of GDP at end-2018.

Source: *Institute of International Finance*

EGYPT

Outlook improves but remains dependent on implementation of reforms

The Institute of International Finance expected Egypt's real GDP growth to accelerate from 3.8% in the fiscal year that ended in June 2017 to 4.9% in FY2017/18, supported by a rebound in the oil & gas and manufacturing sectors, as well as an increase in exports and a pickup in private investment. It noted that the authorities' reform program aims to achieve macroeconomic stability and improve the country's growth prospects. But it considered that a deterioration in security conditions and a slowdown in the implementation of reforms could undermine tourism and private investment.

Further, the IIF indicated that the significant depreciation of the Egyptian pound from EGP8.8 against the US dollar in October 2016 to EGP17.7 per dollar currently, the introduction of the value-added tax, and the substantial increase in electricity and fuel prices have caused the inflation rate to reach 30% year-on-year in September 2017. But it projected the average inflation rate to regress from 23.5% in FY2016/17 to 19.7% in FY2017/18, as the impact of the exchange rate passes through and of energy price increases recedes. It expected authorities to keep the policy rates at their current levels in coming months in order to ease inflationary pressures.

In parallel, the IIF projected the fiscal deficit to narrow from 10.4% of GDP in FY2016/17 to 8.9% of GDP in FY2017/18 due to fiscal reforms. As such, it forecast the public debt level to regress from 97.5% of GDP in FY2016/17 to 93% of GDP in FY2017/18. Further, it projected the current account deficit to narrow from \$15.6bn in FY2016/17 to \$14.5bn in FY2017/18, as import demand moderates, exports rise and tourism receipts pick up. It anticipated Egypt's foreign currency reserves to grow from \$31.3bn, or 5.2 months of import cover at the end of June 2017, to \$34bn, or 5.4 months of imports at end-June 2018.

Source: *Institute of International Finance*



ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's foreign and local currency sovereign ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's strong external and fiscal positions, but are constrained by weak economic growth, limited public sector transparency and limited monetary policy flexibility. It projected real GDP growth at 0.5% in 2017 and 1.5% in 2018, supported by the non-hydrocarbon sector that it expected to grow by 1% in each of 2017 and 2018. It noted that oil production cuts and fiscal consolidation would weigh on domestic demand. Further, the agency did not expect the government to reach a balanced budget by 2020 amid its efforts to support the private sector and create jobs. Instead, it projected the deficit to narrow from 9% of GDP in 2017 to 4% of GDP in 2020, supported by broadly flat oil prices throughout 2020 and the anticipated tax revenues from the introduction of a 5% value-added tax in 2018. In turn, it forecast the Kingdom's public debt level to rise gradually from 13.1% of GDP at end-2016 to 18.7% of GDP at end-2017 and to reach 27.5% of GDP by 2020. It projected Saudi Arabia's net asset position to decline from a peak of 121.1% of GDP in 2015 to 73.7% of GDP by 2020. In parallel, the agency said that Saudi Arabia's external position continues to be strong, and expected its liquid external assets to average 185% of current account receipts (CARs) over the 2017-20 period. It also projected gross external financing needs at around 45% of CARs plus usable reserves during the same period.

Source: S&P Global Ratings

ETHIOPIA

Devaluation of local currency aims to control inflation and support exports

IHS Markit considered that the National Bank of Ethiopia's decision to devalue the Ethiopian birr by 15% and to raise the key interest rate from 5% to 7% aims to boost the country's exports, as well as to control the rising inflation. It expected the depreciation of the birr to be moderate compared to the devaluation of the currencies of trading partners in the region with floating exchange rate regimes, which would lead to an appreciation of the birr's real effective exchange rate. IHS pointed out that the country has a de-facto exchange rate regime of a crawling peg, which has resulted in an overall appreciation of the currency's real effective exchange rate. It noted that risks to the currency are currently moderate, but expected them to rise in case external pressures intensify. Further, it anticipated the shortage of foreign currency in the economy to force authorities to devalue the birr further in the long term, but did not expect any additional radical actions by authorities in the short and medium terms. IHS noted that downside risks to the devaluation include a higher import bill that could consequently lead to an increase in the inflation rate. It considered the devaluation of the local currency to be in line with the Ethiopian Growth and Transformation Plan II (GTP II), which seeks to increase productivity gains in order to raise the economy's competitiveness in external markets. It expected the NBE to maintain its prudent monetary policy stance following the end of the GTP II.

Source: IHS Markit

GHANA

Oil production to support medium-term growth and balance of payments

The Institute of International Finance considered that the new Ghanaian government is committed to the implementation of fiscal consolidation measures. It noted that the increase in oil production so far in 2017 would mainly support the country's medium-term growth prospects and reduce its external imbalances. It said that real GDP expanded by 9% year-on-year in the second quarter of 2017, driven by higher oil output and a pickup in the agricultural sector's activity. As such, it expected real GDP growth to rise from 3.7% in 2016 to between 6.5% and 7% in 2017, and to further accelerate to about 9% in 2018, as additional oil production comes online next year. In parallel, the IIF indicated that the trade balance shifted from a deficit of \$1.8bn in the first eight months of 2016 to a surplus of \$1.2bn in the same period this year, mainly due to higher oil, cocoa and gold export receipts. It forecast the current account deficit to narrow from 6.6% of GDP in 2016 to about 2% of GDP in 2017. Also, it projected foreign currency reserves to increase from \$5.5bn at the end of 2016 to about \$7.5bn at end-2017 amid stronger capital inflows. In parallel, the IIF considered that narrowing the budget deficit and reducing the public debt level are the authorities' main concern. It noted that the government's efforts, including reducing spending on goods and services, cutting capital expenditures, broadening the revenue base and improving tax collection have reduced the public debt level from 73.3% of GDP at end-2016 to 68.6% of GDP at end-June 2017.

Source: Institute of International Finance

BAHRAIN

Debt servicing to weigh on public finances

Fitch Ratings considered that the increase in Bahrain's external borrowing and, in turn, higher government interest payments on its debt, are weighing on the country's budget. It noted that Bahrain's borrowing this year consists of the \$3bn three tranche Sukuk issuance in September 2017, the \$600m 11-year bond that it issued in February, as well as \$440m in local issuances in the first eight months of the year. The agency pointed out that the increase in debt servicing in 2016 has completely offset any reductions that authorities made in subsidy and capital spending. Further, it projected the debt servicing to rise from \$1.2bn in 2017 to \$1.8bn in 2019. It also expected the interest payments to exceed 20% of revenues, which is well above the debt servicing median of similarly-rated peers. Fitch forecast the fiscal deficit to narrow from 16% of GDP in 2016 to 12.8% of GDP in 2017, supported mainly by higher oil revenues. However, it anticipated the fiscal deficit to narrow at a slower pace to 12.1% of GDP in 2018 and 10.9% of GDP in 2019, following the latest \$3bn Sukuk issuance. It pointed out that authorities are making efforts to limit spending and to implement non-oil revenue measures, but that the measures announced so far would only slow the rise in the debt ratio, which it projected at 95% of GDP in 2019. In parallel, IHS Markit downgraded Bahrain's short- and medium-term sovereign credit ratings to the equivalent of 'A' and 'BB+' on the generic scale, respectively, with a 'negative' outlook on the ratings. It attributed the downgrades to the steep decline in Bahrain's foreign currency reserves.

Source: Fitch Ratings, IHS Markit



BANKING

UAE

Banking sector risk assessment maintained

S&P Global Ratings maintained the UAE's banking sector in 'Group 5' under its Banking Industry Country Risk Assessment (BICRA), and the sector's economic and industry risk scores at '5' each. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in the BICRA 'Group 5' include India, Oman, Poland, Qatar, South Africa and Spain. S&P indicated that the UAE's economic risk score reflects its "low risks" in economic resilience, as well as its "high risks" in economic imbalances and in credit risks in the economy. It indicated that signs of stress are emerging in some sectors, such as in small- and medium-sized enterprises, retail, real estate and contracting, due to the slowdown in economic activity and volatile capital markets. It anticipated that this would result in higher non-performing loans and credit losses in the banking sector next year. It noted that UAE banks have improved their loan-loss coverage levels over the past few years, which should mitigate a sharp increase in credit losses. It expected lending growth to slow down due to fiscal consolidation and weak macroeconomic sentiment in retail and private corporates. In parallel, S&P said that the industry score reflects the country's "intermediate risks" in its institutional framework and its system-wide funding, and "high risks" in its competitive dynamics. It expected deposit growth to slow down in 2017 and 2018, due to low global oil prices, but it considered that the banking system will maintain a healthy level of liquidity due to the slowdown in lending activity. It indicated that the trend for economic and industry risks is "stable".

Source: S&P Global Ratings

EGYPT

Banking sector has 'stable' outlook

Moody's Investors Service indicated that the 'stable' outlook on the Egyptian banking system is supported by resilient loan performance and a stable deposit base, given a pickup in economic growth. It considered funding from low-cost domestic deposits, mainly from households, to be a credit strength for the banking sector, and expected the banking sector's increasing penetration rate and higher remittance inflows to support deposit growth. Also, the agency did not expect any material deterioration in loan quality, despite a sharp increase in borrowing rates and in the inflation rate. However, it anticipated the banks' delinquency rate, or the ratio of loans that have delinquent payments to total loans, to increase as new loans mature. It also expected the banks' exposure to low-rated government securities, which account for 33% of their assets, to continue to pose a key concentration risk, as it links the banks' credit profile to that of the government. In addition, Moody's anticipated the banks' capital buffers to improve in the coming two years, as they retain more of their profits. It also expected banks to continue to post higher profits relative to regional peers. It said that the banks' pre-provision income would be supported by fees & commissions and higher loan volumes despite a small decline in the banks' net interest margin, which stood at 4.6% at the end of March 2017.

Source: Moody's Investors Service

SAUDI ARABIA

Banks can absorb adverse liquidity shocks

The International Monetary Fund considered that the capital and liquidity metrics of Saudi Arabia's banking sector reflect the banks' healthy buffers. It said that the solvency stress testing of the Saudi Arabian Monetary Authority's (SAMA) shows that most Saudi banks would be able to continue operating and meet regulatory capital requirements in case of severe economic shocks, including a significant drop in global oil prices. It added that all banks would also be able to cope with additional adverse liquidity shocks, despite recent liquidity challenges. The Fund estimated the banks' capital adequacy ratio at 19.5% at the end of 2016 compared to 18.1% at end-2015, with little variation across banks, and their Tier One capital ratio at 17.5% relative to 16.2% at end-2015. Also, it indicated that the banks' non-performing loans (NPL) ratio grew marginally from 1.1% at end-2014 to 1.4% at end-2016 despite macroeconomic shocks, reflecting the high quality of their loan portfolio, rapid bad loan write-offs, and the rescheduling or restructuring of some consumer and real estate loans. It added that the banking system has sufficient provisions to contain further asset deterioration, and that the provisions coverage of NPLs rose from 164.4% at end-2015 to 177% by the end of 2016. The IMF noted that higher provisions and liquidity strains weighed on the sector's profitability, with the banks' aggregate net income dropping by 6% in 2016. But it noted that the banks' profitability remains supported by their high net interest margins and relatively stable fee income.

Source: International Monetary Fund

QATAR

Investor confidence starting to recover

Fitch Ratings indicated that the pressure on the funding costs and liquidity of Qatari banks from non-resident deposit outflows is easing, and that the pace of deposit withdrawals caused by the country's political rift with several Arab countries is slowing down. It noted that non-resident deposit outflows were offset mainly by Qatari public-sector deposits, as well as by inflows from international asset managers and by debt and Sukuk issuances. It said that the banking sector's overall funding increased slightly in August 2017 for the first time since the crisis began. It added that the rate of net non-resident deposit outflows decelerated from 12% in June to 6% in July and 4% in August 2017. It pointed out that non-resident outflows, mainly the withdrawal of customer deposits from other GCC countries, appear to have slowed and have been offset by public-sector money deposited at banks. Further, it indicated that funding from the Qatari Central Bank (QCB), which had increased significantly in June, receded in August, which reflects the banks' decreasing reliance on QCB support. It noted that non-resident deposits accounted for 18.8% of total deposits at the end of August 2017 relative to a pre-crisis share of 25%. In parallel, it pointed out that global investor confidence in Qatar may be starting to recover, given that deposits from foreign non-bank financial institutions grew by 8% in August after decreasing by 19% in June and by 15% in July, and that non-resident deposits and debt and Sukuk issuance picked up slightly. It noted that Qatari banks are paying higher interest rates than before the crisis in order to attract depositors.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices to be supported by extended OPEC production cuts in 2018

Crude oil prices have traded around their highest levels in 2017 over the past few weeks, reaching a two-year high of \$59 per barrel (p/b) on September 25. The improvement in the oil market sentiment reflects four major developments that are higher global oil demand due to accelerating growth in the U.S. and Europe, the increasing likelihood that OPEC will extend its output cuts until the end of 2018, the easing impact of hurricanes in the U.S., as well as elevated geopolitical tensions in the Middle East. Also, non-OPEC output is expected to further rise in 2018, which would require OPEC members to extend their production cut agreement until the end of 2018 in order to support oil prices. In parallel, oil prices have rebounded as refining capacity in the U.S. has mostly come back online following the hurricane-enforced closures, and as the excess in crude oil inventories is being cleared by record high U.S. crude oil exports. Further, the Kurdish independence referendum has increased uncertainty over the future flow of Iraqi Kurdish oil exports to Turkey, while the U.S. Administration is considering re-imposing sanctions on Iran, which could put at risk around 200,000 b/d of Iranian oil exports to Europe. Overall, the oversupply in the oil market is projected to decrease from 300,000 b/d in 2017 to 100,000 b/d in 2018. Brent oil prices are forecast to increase from an average of \$45.1 p/b in 2016 to \$52.6 p/b in 2017. Downside risks to the oil price outlook include accelerated recovery in oil output from Libya and Nigeria and failure to extend the OPEC oil agreement beyond March 2018.

Source: QNB Economics, Institute of International Finance

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

Crude oil consumption in the Middle East & Africa region (ME&A) is forecast to average 12.28 million b/d in 2017, which would reflect a growth of 1.7% from 12.07 million b/d in 2016. The region's demand for oil would account for 38.5% of demand in developing countries and for 12.7% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.1 million b/d in 2017, unchanged from 2016.

Source: OPEC, Byblos Research

Nigeria's oil receipts up 9% year-to-July 2017

Nigeria's crude oil and condensate export receipts totaled \$1.83bn in the first seven months of 2017, constituting an increase of 9.4% from \$1.67bn in the same period last year. Export revenues in the first seven months of the year consisted of \$1.23bn from crude oil exports (67.2%), \$549.5m from gas exports (30.1%) and \$49.9m in other receipts (2.7%). The authorities transferred \$108.1m of total hydrocarbon revenues in July 2017 to the Federation Account, while they used the remaining balance of \$363.8m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Global oil demand to exceed 100 million b/d in 2020

The Organization of the Petroleum Exporting Countries (OPEC) forecast global oil demand to exceed 100 million barrels per day (b/d) in 2020 and to reach over 111 million b/d by 2040. The market is rebalancing at an accelerated pace, as cuts by OPEC and non-OPEC countries are helping to reduce inventory levels and to drive global oil prices higher. In parallel, OPEC projected global oil demand to reach 96.8 million b/d in 2017.

Source: OPEC

Base Metals: Copper prices to decline in first quarter of 2018

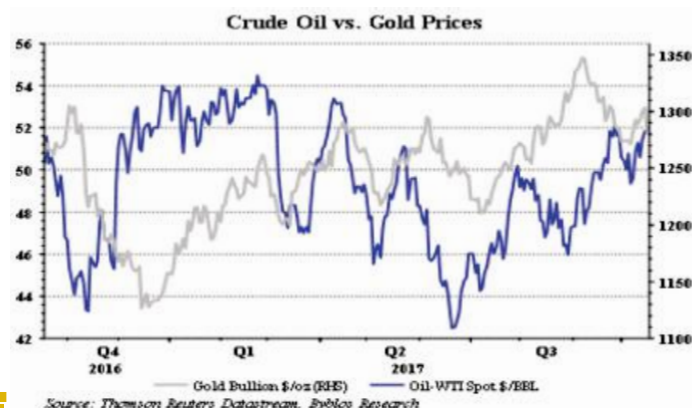
LME copper three-month future prices averaged \$5,977 per metric ton in the first nine months of 2017, constituting an increase of 26.3% from \$4,734 a ton in the same period of 2016, due to a weaker US dollar, sustained supply disruptions and higher Chinese demand for the refined metal. Also, the metal's price reached its highest level since September 2014 to close at \$7,134.5 a ton on October 16, 2017, but has been on a downward trend since then. Copper prices are forecast to decrease from an average of \$6,500 a ton in the fourth quarter of 2017 to \$6,450 a ton in the first quarter of 2018, due to sell-offs of accumulated inventories and anticipation of slower growth in China, the world's biggest industrial metals consumer, which would mitigate an increase in the metal's price. In fact, the Chinese automobile and real estate sectors, which together represent about 40% of China's copper demand, are showing signs of weakening, and this is expected to continue in 2018. Downside risks to the metal's price outlook include the introduction of new scrap material in the market, further tightening of credit conditions, new real estate market regulations, as well as closures of uncompetitive manufacturing firms that consume copper, in case new policies are implemented. Overall, copper prices are forecast to average \$6,088 a ton in 2017 and to increase to \$6,600 a ton in 2018.

Source: Barclays Capital, Standard Chartered Bank, Thomson Reuters

Precious Metals: Silver prices rising in 2017 on higher industrial demand and lower mine output

Silver prices averaged \$17.4 a troy ounce in September 2017, up by 2.9% from \$16.9 an ounce in August 2017, constituting the second consecutive month-on-month rise in the metal's prices. Further, the metal's prices are projected to grow by 1.2% to \$17.3 an ounce in 2017 and to outperform the anticipated year-on-year increase of 0.9% in gold prices. The rise in silver prices in 2017 mainly reflects higher global industrial consumption for the metal amid increased demand for solar panels and smartphones, as well as stagnating mining output. Also, a 60% year-on-year growth in Indian silver imports and a 45% increase in Chinese imports in August 2017 are supportive of the metal's prices. Further upside risks to the price outlook consist of a weaker US dollar, while downside risks include expectations of weakening demand for silver coins in the United States. In parallel, the Bloomberg Silver Total Return Sub-Index decreased by 5% in September but grew by 3.2% from end-2016.

Source: Standard Chartered Bank, Bloomberg Indexes



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
	Positive	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+	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Negative	Negative	Negative	Negative	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	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	19-Oct-17	No change	30-Nov-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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