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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

PE funds raise $95bn in third quarter of 2017

Research provider Preqin indicated that 181 private equity (PE) funds raised a total of $95.2bn in capital commitments worldwide in the third quarter of 2017, compared to 256 PE funds that raised $137.7bn in the preceding quarter and 232 PE funds that secured $66.6bn in the third quarter of 2016. It pointed out that 45 buyout funds secured $65.9bn during the third quarter of the year, or 69.2% of total capital commitments, followed by 80 venture capital (VC) funds with $11.2bn in raised capital (11.7%), 24 growth funds with $7.1bn in capital commitments (7.5%), six secondaries funds with $5.4bn in raised capital (5.7%), and eight fund of funds with $2.6bn in commitments (2.7%). The survey indicated that 2,022 PE funds are seeking to raise an aggregate of $706bn in capital worldwide as at the beginning of the fourth quarter of 2017. It noted that 1,057 out of the 2,022 private equity funds, or 52.3% of the total, are seeking to raise $316bn to be invested in North America, followed by 368 PE funds (18.2%) looking to raise $249bn to be invested in Asia, and 347 funds (17.2%) aiming to raise $97bn to be invested in Europe. Further, the survey indicated that dry powder held by PE funds globally, or the amount of capital available for investment in portfolio companies, reached a record-high of $953.8bn at the end of September 2017, up by 13.8% from $837.8bn at end-2016. It noted that buyout funds accounted for 63.7% of dry powder, followed by growth funds (19.1%), venture capital funds (11.4%), and other PE funds such as balanced and co-investment funds (5.8%).
Source: Preqin

Global debt at $226 trillion, or 324% of GDP, at end-June 2017

The Institute of International Finance indicated that global debt, which includes the debt of corporates, governments and households, reached a record-high of $226.1 trillion, equivalent to 324% of global GDP, at the end of June 2017, compared to $218.5 trillion or 325% of GDP, a year earlier. It noted that global debt rose but at a slower pace, and that the debt-to-GDP ratio regressed, mainly due to efforts by the Chinese government to reduce corporate leverage. It pointed out that global non-financial corporate debt reached $66.2 trillion, or 93.3% of GDP, at end-June 2017, followed by government borrowing with $61.1 trillion (87.3% of GDP), financial sector indebtedness with $56.7 trillion (84% of GDP) and household debt with $42.2 trillion (59.5% of GDP). In parallel, the IIF noted that emerging market (EM) debt grew from $54.7 trillion, or 215.4 % of EM's GDP at end-June 2016 to $59 trillion, or 219.1% of GDP at the end of June 2017. It added that EM foreign currency debt reached about $8.2 trillion, or 15% of EM debt, at end-June 2017, supported by an increase of $280bn in the financial sector's foreign currency-denominated debt and a rise of $185bn in the non-financial sector's foreign currency indebtedness from end-2016. Further, the IIF said that the debt of mature markets reached $167.1 trillion, or 387.3% of their GDP, at end-June 2017 relative to $163.8 trillion, or 390.6% of GDP, a year earlier.
Source: Institute of International Finance

MENA

Country risk level nearly unchanged in third quarter of 2017

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was nearly unchanged in the third quarter of 2017, as the average score of 19 Arab economies reached 38.21 points in the third quarter of the year compared to 38.27 points in the preceding quarter. A higher score reflects a lower country risk level. The region's risk level was higher than the global risk level of 42.5 points in the covered quarter. It was also higher than the risk levels of North America (79.5 points), Western Europe (71.9 points), Central & Eastern Europe (47.5 points), Latin America (44.4 points) and Asia (43 points); while it was lower than the risk levels of the Caribbean (36.5 points), Sub-Saharan Africa (30 points) and Australasia (27.2 points). The GCC countries' average score grew from 60.13 points in the second quarter of 2017 to 60.26 points in the covered quarter, while the average score of non-GCC Arab countries regressed from 28.19 points to 28.04 points in the covered quarter. The Arab world's Political Risks score of 11.68 points was lower than the global average of 13.71 points; while its Economic Performance score of 12.79 points was below the global average of 13.39 points. Further, the region's Credit Ratings averaged 2.65 points relative to the global average of 3.05 points; while the Access to Bank Finance & Capital Markets score was 3.66 points, lower than the global average of 3.82 points. Qatar had the lowest country risk level in the Arab world and the 24th lowest globally, followed by Kuwait (32nd), the UAE (34th) and Saudi Arabia (46th).
Source: Euromoney Group, Byblos Research

Equity issuance down 20% to $1.2bn in first nine months of 2017

Equity Capital Markets' (ECM) issuance in the Middle East, which includes equity and equity-related issuances, totaled $1.2bn in the first nine months of 2017, down by 20% from $1.5bn in the same period last year. ECM Issuance in the consumer goods & services sector reached $414m and accounted for 34.5% of ECM activity in the covered period, followed by the energy & power industry with $244m (20.3%), the financial sector with $236m (19.7%) and the industrial sector with $178m (14.8%). Also, there were eight initial public offerings in the first nine months of 2017 that raised $694.4m and accounted for 57% of ECM activity. In parallel, debt issuance in the region reached $84.1bn in the first nine months of 2017, up 82% from $46.3bn in the same period of 2016. Also, Sukuk issuance grew by 43.6% year-on-year to $41.5bn. Further, the value of announced mergers and acquisitions (M&A) in the Middle East, which includes inbound, outbound and inter-regional deals, totaled $35.2bn in the first nine months of 2017, down 7% from $38bn in the same period last year. In parallel, investment banking fees in the region stood at $669.1m in the covered period, down by 4% from the first nine months of 2016. Syndicated lending fees totaled $286.2m and accounted for 43% of the overall fee pool, followed by debt capital market fees at $193.8m (29%), fees from M&A deals at $145.9m (22%), and fees from equity capital markets at $43.2m (6%).
Source: Thomson Reuters

OUTLOOK

MENA

Real GDP growth of oil importers to accelerate on higher exports and investments

The Institute of International Finance projected real GDP growth in Arab oil-importing economies to increase from 2.9% in 2016 to 3.7% in 2017 and 3.9% in 2018. It attributed the improvement in the region's economic activity to a recovery in exports and private investment, the de-escalation of regional conflicts, higher demand from advanced economies, as well as the progress in the implementation of reforms, mainly in Egypt, Jordan and Morocco. But it considered that the growth rates of Arab oil importers in coming years would not be enough to effectively address their elevated unemployment rates. It expected weak productivity growth and slow capital accumulation to constrain the medium-term growth prospects of these economies.

The IIF expected Egypt's real GDP growth to pick up from 3.8% in the fiscal year that ended in June 2017 to 4.9% in FY2017/18, due to the recovery in private investment and exports. Further, it forecast Morocco's economic growth to accelerate from 1.2% in 2016 to 4.3% in 2017 due to a strong rebound in agricultural production. In addition, it anticipated the delays in the implementation of deep structural reforms to prevent a strong recovery in investment and economic activity in Lebanon and Tunisia. In parallel, it forecast Jordan's real GDP growth to remain subdued at 2% in 2017, largely due to weak export growth, and as the country continues to face a challenging environment that will keep growth well below its potential.

Further, the IIF indicated that Arab oil-importing economies have made efforts to rationalize government spending, reduce fuel subsidies, increase revenues and strengthen tax compliance in the context of the challenging economic environment. In parallel, it pointed out that downside risks to the outlook of Arab oil-importing economies include slower implementation of reforms and tighter financial conditions.
Source: Institute of International Finance

QATAR

Economy trying to adjust to political rift

EFG Hermes indicated that Qatar is slowly adjusting to the ongoing political rift with some Arab countries, as it has managed to find alternative trade routes and to inject liquidity in the banking sector in order to stabilize the economy. But it indicated that the re-routing of trade and the closure of borders have negatively affected the economy. It expected the weakening in the transportation, tourism and finance sectors to weigh on non-oil growth. As such, it revised downward its projection for Qatar's real non-GDP growth to 4% in 2017 and 4.5% in 2018 from a previous forecast of 5.5% and 5.9%, respectively. However, it anticipated Qatari authorities to continue to use their huge wealth base to mitigate the short-term pressures from the embargo.

Further, EFG Hermes noted that the political rift has weighed on Qatar's financial position, as the Qatar Central Bank (QCB) had to drawdown its foreign currency reserves and inject $26bn in the banking system in order to ease liquidity pressures resulting from non-resident deposit outflows and lower private sector deposits. It said that the interbank rate has remained elevated since the beginning of the diplomatic conflict despite easing liquidity pressures and the sizeable increase in public-sector deposits. As such, it expected the pressure on the sovereign's financial position to persist, which will require further intervention from authorities. In addition, it projected the rise in the cost of shipping and other services as a result of the new trade routes to weigh on the profitability of state-owned enterprises, which would result in lower state revenues from dividends. It also anticipated private businesses to face higher costs of doing business, mainly due to the impact of changed supply chains or to the financial cost of funding their businesses.

In parallel, EFG Hermes pointed out that authorities have several options to finance their funding gap, including external debt issuance, but at a higher cost. Also, it noted that Qatar's massive investment cycle is coming to an end, which would ease the country's fiscal pressures in coming years, while it anticipated the improvement in the current account balance to reduce external funding needs. It noted that authorities are planning to support domestic production by requiring from government entities to increase their purchases of local products to 100% from 30% previously. It also expected the government to refrain from issuing long-term domestic debt, given its elevated cost. Overall, it forecast the country's fiscal deficit to narrow in the medium term, mainly driven by lower investment spending and higher non-oil revenues.
Source: EFG Hermes

AFRICA

Inflows to emerging markets to remain strong

Goldman Sachs expected debt inflows to emerging markets (EMs) to remain strong in the coming quarters. It indicated that debt inflows to EMs have accelerated to an estimated $365bn, or 1.3% of total EMs' GDP, in the second quarter of 2017, supported by the region's improved macroeconomic dynamics, as well as a favorable external backdrop and global risk environment. It noted that the composition of debt inflows has shifted in the past three years from foreign currency to local currency instruments, from Latin America to the Central & Eastern Europe, Middle East & Africa (CEEMEA) region, and to higher-yield 'frontier' markets from other low-yielding markets. It added that, on a country level, debt inflows have shifted from Russia and Turkey to African markets, mainly to Egypt, Ghana and South Africa.

Further, Goldman Sachs indicated that Africa has received inflows of $24bn in local-currency debt so far in 2017, which represents 43% of total inflows to the CEEMEA region and 30% of total inflows to EM local-currency debt. It considered that the shift of inflows to African markets, especially Egypt, Ghana and South Africa, has been driven by global and local factors. First, it noted that an accommodative external backdrop and a decrease in global bond yields have prompted a "search for yield". Second, it said that Sub-Saharan African economies are witnessing cyclical improvements, with growth recovering, inflation declining and monetary policy easing. Third, it said that the ongoing or expected structural and institutional reforms support investments in African markets. In addition, it noted that the easing of inflationary pressure in Sub-Saharan African has enabled monetary easing and, in turn, led to a rally in local bonds.
Source: Goldman Sachs

JORDAN

Sovereign ratings downgraded, outlook 'stable'

S&P Global Ratings downgraded Jordan's long- and short-term foreign and local currency sovereign ratings from 'BB-' to B+', with a 'stable' outlook. It attributed the downgrade to the country's weakening debt profile amid subdued economic activity and slower fiscal reform implementation, as well as to rising external vulnerabilities. It noted that real GDP growth decelerated from 2.4% in 2015 to 2% in 2016, and remained subdued at 2.2% in the first half of the 2017 due to lower tourist arrivals and FDI, as well as reduced remittance and investment inflows from GCC economies. However, it expected economic activity to recover slightly by 2020, supported by higher exports and FDI. Also, the agency noted that the government's debt profile has deteriorated and its reliance on foreign currency debt has increased to more than 40% of total debt. But it anticipated the fiscal deficit to balance by 2020, and the public debt level to decrease from 81.5% of GDP in 2017 to 76.2% of GDP in 2020, supported by reforms under the IMF's extended fund facility. In parallel, S&P indicated that Jordan's external financing needs have increased due to the wide structural current account deficit, decline in foreign currency reserves and the high proportion of short-term debt. It forecast the country's external financing needs to average 155% of current account receipts during the 2017-20 period. In parallel, it projected the current account deficit to gradually narrow from 2018 onward, but to remain wide at an average of 7.5% of GDP annually during the 2017-20 period. It anticipated the deficit to be mainly financed by FDI, debt inflows and grants.

Source: S&P Global Ratings

IRAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed at 'BB-' Iran's long-term foreign and local currency ratings, and maintained the outlook at 'stable'. It indicated that the ratings reflect the country's favorable short- to medium-term economic and fiscal outlook following the lifting of international economic and financial sanctions related to the country's nuclear program. As a result, it noted that Iran began to repatriate previously-frozen external financial assets and to increase hydrocarbon exports to a wider range of markets. However, it said that the ratings remain constrained by the uncertainty about the relationship between Iran and the U.S., the slow pace of reforms, the country's heavy reliance on the hydrocarbon sector, government spending rigidity, a weak financial system and complex internal politics. The agency projected real GDP growth at 3.8% in the fiscal year that ends in March 2018, supported by higher oil production, a rebound in the petrochemical and construction sectors underpinned by financial support from authorities, as well as a pickup in domestic demand. However, it pointed out that political and geopolitical uncertainties continue to delay a faster recovery in economic activity. In addition, CI expected Iran's public finances to remain favorable, supported by the authorities' efforts to implement policy reforms and broaden the tax base. It projected the primary central government's budget balance to shift to a surplus in FY2018/19, in case authorities implement the planned fiscal consolidation measures, and oil prices increase.

Source: Capital Intelligence Ratings

ANGOLA

Sovereign ratings downgraded on weakening public finances and declining foreign currency reserves

Moody's Investors Service downgraded Angola's long-term issuer and senior unsecured debt ratings from 'B1' to 'B2', and revised the outlook on the ratings from 'negative' to 'stable'. It attributed the downgrade to Angola's lower medium-term growth prospects, a deterioration in the country's fiscal strength, and persisting external pressures given low foreign currency liquidity and declining foreign currency reserves. The agency projected Angola's real GDP growth to average 2% during the 2017-18 period, compared to an average growth rate of 4.5% during the 2010-15 period, and to remain constrained by foreign currency liquidity shortages, elevated inflation rates, reduced government spending and a weak banking system. Further, it forecast Angola's gross borrowing requirements at around 17% of GDP annually during the 2017-19 period, but it projected the public debt level to remain below 60% of GDP in the medium term. In addition, Moody's forecast the current account deficit to narrow from 3.1% of GDP in 2016 to 1.8% of GDP in 2017, mainly due to reduced imports. But it noted that foreign currency reserves fell from $23.2bn at the end of 2016 to $20.8bn at end-August 2017 despite a rebound in global oil prices, and expected them to reach $22bn at end-2017, in case the government issues the planned $2bn Eurobond.

Source: Moody's Investors Service

ALGERIA

Government delays reforms until after 2019 presidential elections

IHS Markit indicated that the provisions of Algeria's 2018 Finance Law and the Money & Credit Act reflect the government's unwillingness to implement austerity measures or structural economic reforms to address the country's budgetary shortfalls ahead of the 2019 presidential elections. It noted that the government does not plan to cut its spending to reduce the budget deficit. It added that the amended Money & Credit Act authorizes Banque d'Algérie to lend money directly to the public Treasury to finance the budget deficit, while maintaining the current high level of social welfare and subsidy policies. Further, IHS expected the liquidity injection into the economy for a five-year-period, as part of the unconventional funding program, to maintain the high level of imports and to widen the current account deficit. In parallel, it said that the re-launching of any suspended capital projects, mainly in infrastructure, as a result of the liquidity injection, could lead to a minor increase in employment and domestic manufacturing, given that such projects are delivered by largely self-sufficient foreign firms that use their own equipment and labor. Further, IHS expected non-hydrocarbon revenue and GDP growth to remain flat in the next 12 months as the government continues to keep the Algerian dinar at an artificially high level. In parallel, it pointed out that the tax reductions stipulated in the existing hydrocarbon law and the reintroduction of the foreign exchange forward market reflect the government's willingness to substantially improve the business environment. But it did not expect these efforts to materialize in the near term. Finally, it said that the unconventional funding program would allow the government to postpone the risk of economically-motivated unrest until 2019.

Source: IHS Markit

GCC

Fintech to affect certain business segments

S&P Global Ratings considered that financial technology (fintech) could reduce the profitability of some business lines of Gulf Cooperation Council (GCC) banks, such as retail banking, but would not cause significant disruptions to the sector as a whole. It noted that fintech companies could affect the GCC banks' money transfer operations through lower transfer fees and reduced transfer time, and could disrupt the payment industry through decreasing costs for end users. However, the agency considered that some business lines at GCC banks remain protected from the fintech revolution, including the corporate lending segment, which represents one of the banks' main business lines. It noted that corporate lending is relationship-based, and added that the added-value of the human component remains significant for corporates. Further, S&P noted that GCC banks should be aware of fintech's potential threats in order to better implement defensive measures or develop cooperative strategies with new fintech companies. It noted that the banks' defensive measures would include strengthening mobile banking services and rationalizing branch networks. It also expected regulators in the region to continue to protect the financial stability of the banking sector. The agency indicated that regulators are closely monitoring fintech companies from the perspective of financial stability, but are also seeking to collaborate with fintechs. In fact, it said that most GCC countries' national development plans aim to support small- and medium-sized enterprises, which include fintechs, in order to improve economic diversification.

Source: S&P Global Ratings

KUWAIT

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Rating (IDR) of National Bank of Kuwait (NBK) and at 'A+' the IDR of Burgan Bank, Gulf Bank, Commercial Bank of Kuwait (CBK), Al Ahli Bank of Kuwait (ABK), Ahli United Bank Kuwait (AUBK), Kuwait International Bank (KIB) and Industrial Bank of Kuwait (IBK). It noted that all the banks' long-term IDRs have a 'stable' outlook. It indicated that the ratings reflect the extremely high probability of support from the Kuwaiti authorities to all domestic banks in case of need, irrespective of their size, franchise, funding structure and level of government ownership. In parallel, Fitch upgraded the Viability Rating (VR) of Gulf Bank from 'bb' to 'bb+', given the bank's adequate franchise, a competent management team, as well as improving asset quality and profitability and capital metrics. In contrast, it downgraded the VR of National Bank of Kuwait from 'a' to 'a-', due to the bank's high sector and single obligor concentration risks and unhedged foreign currency risk from foreign subsidiaries. In parallel, the agency affirmed at 'bbb-' the VR of AUBK, at 'bb+' those of ABK and IBK, at 'bb' the VRs of Burgan Bank and CBK, and at 'bb-' that of KIB. It noted that Burgan bank's VR is mainly supported by high net interest margins, but is constrained by weaker capitalization and asset quality metrics than peers. It added that CBK's rating reflects stronger asset quality and profitability metrics than peers, as well as stable capital and leverage ratios.

Source: Fitch Ratings

MAURITANIA

Sector constrained by deteriorating asset quality and tight liquidity

The International Monetary Fund indicated that the Mauritanian banking sector is constrained by deteriorating asset quality, tight liquidity and declining profitability, amid the slowdown in economic activity. But it noted that the sector's capital adequacy ratio remains strong, and private sector lending has started to grow. It pointed out that the sector's non-performing loans (NPLs) ratio declined from 30% at end-2015 to 21% at the end of 2016, largely due to an accounting transfer of fully provisioned NPLs out of the banks' balance sheets. It indicated that strains on bank liquidity persist as a result of the assets' deterioration, with the sector's liquid assets declining from 21.4% of total assets at the end of 2015 to 17% of assets at end-2016. Further, the Fund noted that the sector is well-capitalized, with the banks' average capital adequacy ratio rising from 23.1% at end-2015 to 23.7% at the end of 2016. It noted that Banque Centrale de Mauritanie (BCM) plans to upgrade the capital adequacy ratio of banks to comply with Basel III requirements and to increase gradually the minimum capital requirement from UM6bn to UM10bn. The IMF called on authorities to enforce credit concentration limits, including restrictions on lending to related parties. In addition, it indicated that some banks raised their rates to attract more deposits, which has weighed on the sector's profitability. It added that smaller banks are facing difficulties in finding foreign correspondent banks due to their anti-money laundering and counter financing of terrorism deficiencies.

Source: International Monetary Fund

TURKEY

State-owned banks' ratings affirmed

Fitch Ratings affirmed at 'BB+' the long-term foreign currency issuer default ratings (IDRs) of Ziraat Bankasi, Turkiye Halk Bankasi and Turkiye Vakiflar Bankasi (Vakifbank), with a 'stable' outlook. It also affirmed at 'BB+' Ziraat Bank's participation bank subsidiary Ziaraat Katilim A.S. It noted that the banks' ratings reflect the potential support from Turkish authorities in case of need. Also, it indicated that the banks' 'bb+' Viability Ratings reflect their standalone creditworthiness, strong domestic franchises and broadly stable capitalization and profitability. But it noted that the banks' credit profiles would likely remain under pressure amid the challenging operating environment, which would weigh on their asset quality, profitability and capital adequacy. It expected the banks' high foreign currency lending and credit concentration to heighten refinancing risks. But it considered that these risks would be broadly manageable given the banks' market access, broad investor bases, reasonable diversification of maturities and adequate foreign currency liquidity. Further, it anticipated the banks' profitability to remain broadly stable, supported by the Credit Guarantee Fund stimulus, gains from CPI-linked securities and sound net interest margins. In addition, it pointed out that near-term asset quality risks at the three banks have moderated due to the stabilisation of the Turkish lira in the first half of 2017 and the improving growth outlook. It expected the banks to remain exposed to further exchange rate volatility and to potential changes in investor sentiment.

Source: Fitch Ratings

ENERGY / COMMODITIES

Several factors support oil prices in 2017 and 2018

Brent oil prices averaged $52.9 per barrel (p/b) and remained volatile so far this year, trading at a low of $44.8 p/b and a high of $59 p/b. Overall, oil prices are forecast to increase from $45.1 p/b in 2016 to 53.4 p/b in 2017 and further to $54.5 p/b in 2018. The expected increase of 18.4% in oil prices in 2017 would mainly be due to lower global production, as reflected by a slow-down in drilling activity this year, as well as by a sharp decline in global inventories. In fact, OPEC supply is forecast to decrease from 32.8 million barrels per day (b/d) in 2016 to 32.5 million b/d in 2017. Also, oil prices are supported by Saudi Arabia's commitment to the OPEC agreement, as reflected by the country's record-low exports to the United States. Further, continued strong oil demand, which is expected to increase by 1.6% and 1.2% in 2017 and 2018, respectively, would lead to a further tightening in the global oil market oversupply in 2018, and consequently, to higher oil prices. Downside risks to the oil price outlook include an expected decline in oil production costs in the U.S. and Canada, as well as less stringent environmental regulations by the current U.S. Administration in support of oil output. In parallel, the U.S. Administration's continued threats to revoke the Iranian nuclear deal, which would disrupt Iran's oil exports, constitute upside risks to the oil price outlook.
Source: Deutsche Bank, Standard Chartered Bank, Thomson Reuters

Middle East accounts for 17% of world's oil rigs

There were 566 active oil rigs in the Middle East region in 2016, up by 7% from 529 rigs in 2015, and equivalent to 16.9% of the world's active oil rigs. Also, there were 161 active oil rigs in Saudi Arabia in 2016, or 28.4% of the region's total, followed by Iran with 153 rigs (27%), the UAE with 79 rigs (14%), Oman with 59 rigs (10.4%) and Kuwait with 58 active oil rigs (10.2%).
Source: OPEC, Byblos Research

Iraqi oil production to reach 5 million b/d in 2017

Iraq's crude oil exports reached 3.13 million barrels per day (b/d) during the first three weeks of October 2017, down by 110,000 barrels per day from 3.24 million b/d in September 2017, due to a shortfall in output from the northern Kirkuk fields. Exports from the country's central and southern fields are forecast to increase by 200,000 b/d by the end of 2017, as authorities aim to offset the disruption to oil production in the Iraqi Kurdistan Region. Overall, crude oil production in Iraq's central and southern fields is projected to reach 5 b/d in 2017, up from 4.47 million barrels per day (b/d) currently.
Source: Iraq Ministry of Oil, Byblos Research

Global steel demand to increase by 2% in 2018

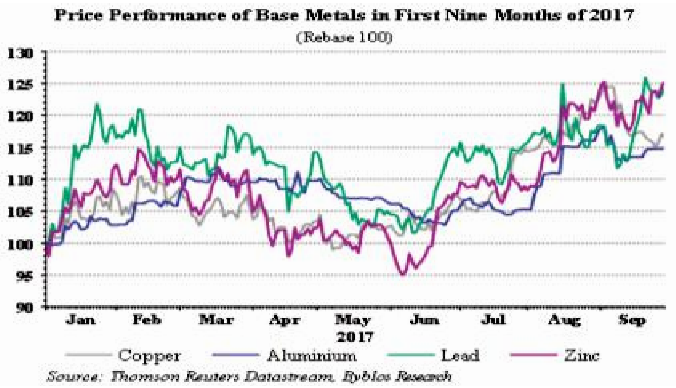
Global steel demand is projected to reach 1.65 billion tons in 2018, up by 1.6% from 1.62 billion tons in 2017. Steel demand in Asia & Oceania is expected to reach 1.1 billion tons and to account for 67.4% of global demand in 2018. The European Union would follow with 164.3 million tons (10% of the total), North America with 140.4 million tons (8.5%), the Middle East region with 56.5 million tons (3.4%), the Commonwealth of Independent States with 53 million tons (3.2%), Central & South America with 42.3 million tons and other European economies with 42.2 million tons (2.6% each) and Africa with 38.5 million tons (2.3%).
Source: World Steel Association, Byblos Research

Base Metals: Copper prices to exceed $6,000 per ton this year

Copper prices averaged $5,850 per metric ton in the first quarter of 2017, $5,692 per ton in the second quarter and $6,388 per ton in the third quarter of the year, and are forecast to rise to $6,500 per ton in the fourth quarter of 2017. Overall, the metal's price is projected to increase from $4,874 per ton in 2016 to $6,100 per ton this year. The increase in copper prices this year reflects a widening of the production deficit in the copper market, due to higher demand, mainly in China and the United States. In fact, demand for refined copper is projected to grow from 23.5 million tons in 2016 to 23.7 million tons in 2017 and to 24.3 million tons in 2018. On a regional level, copper demand in Asia is expected to reach 17.7 million tons, or 70.5% of global consumption, in 2018, followed by the European Union with 3.2 million tons (13.2%), North America with 2.4 million tons (9.7%) and other European countries with 0.9 million tons (3.9%). In parallel, the metal's global refined production is forecast to rise to 23.6 million tons in 2017 and further to 24.6 million tons in 2018. On a regional level, production of refined copper in Asia is projected at 14.2 million tons, or 57.8% of global production, in 2018, followed by Latin America with 3.1 million tons (12.6%), the European Union with 2.8 million tons (11.3%), North America with two million tons (8.1%) and Africa with 1.4 million tons (5.6%).
Source: International Copper Study Group, Byblos Research

Precious Metals: Production deficit in platinum market to narrow in 2017 on reduced demand

Platinum prices decreased by 4.5% year-on-year to an average of $957 a troy ounce in the first nine months of 2017, due to reduced demand for diesel-powered vehicles. In fact, the share of diesel-powered vehicles in Western Europe declined from 55.7% of total automobiles in 2011 to 49.5% of total vehicles in 2016. Further, global demand for platinum is projected to regress by 2% to 7.5 million ounces in 2017, partly due to a decline in demand for the metal in the automotive and chemical sectors. The metal's demand in the automotive sector is expected to decline further in the coming years, as several countries in Europe announce plans to prohibit the use of diesel-power automobiles by 2025. In parallel, global production of platinum is forecast to remain nearly unchanged at 7.4 million ounces this year, as a decline in South African output would be offset by a rise in North American production. As such, the production deficit in the platinum market is projected to narrow from 230,000 ounces in 2016 to 100,000 ounces in 2017. Still, the metal's price is forecast to increase from $948 an ounce in 2016 to $1,088 an ounce in 2017.
Source: Deutsche Bank, Julius Bär, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating: 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 (%)
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	B2	B	-	B+								
	Stable	Stable	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+	BB+								
	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	B+	B1	-	BB-	BB+								
	Stable	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: 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 (%)
Asia													
Armenia	- -	B1 Stable	B+ Stable	- -	B- Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA- Stable	Aa3 Negative	A+ Stable	- -	A Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB- Stable	Baa3 Positive	BBB- Stable	- -	BBB Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB- Negative	Baa2 Negative	BBB+ Stable	- -	BBB- Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB Negative	Baa2 Stable	BBB- Stable	- -	BBB Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	BBB- Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+ Negative	Ba1 CWN***	BBB- Negative	- -	BB+ Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB Negative	Ba1 Negative	BB+ Stable	BB+ Stable	BB- Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC Negative	Caa3 Stable	CCC -	- -	B- Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

** including grants for Sub-Saharan African countries*
*** to official creditors*
****Credit Watch Negative*
Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.00-1.25	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	25-Oct-17	No change	06-Dec-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	7.50	25-Oct-17	Cut 75bps	06-Dec-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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