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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Infrastructure funds raise $12bn in third quarter of 2017, down 54% year-on-year

Research provider Preqin indicated that 17 unlisted infrastructure funds secured $11.9bn in capital commitments in the third quarter of 2017, constituting a rise of 57.7% from $7.6bn in the second quarter of 2017 and a decline of 54% from $25.8bn in the third quarter of 2016. It noted that 129 unlisted infrastructure funds held a final close and secured $114.1bn in capital commitments between January 2016 and September 2017. It added that 45 unlisted infrastructure funds with a primary focus on North America raised $61.1bn between January 2016 and September 2017, equivalent to 53.5% of the aggregate capital raised, while 48 European-focused funds secured $35.2bn (30.9%) and 15 Asian-focused funds raised $10.3bn (9.1%). Also, the survey indicated that there were 170 unlisted infrastructure funds seeking to raise an aggregate of $118bn in capital as at the start of the fourth quarter of 2017, compared to 177 funds that targeted $114bn in capital at the beginning of the year. It indicated that 71 out of the 170 unlisted infrastructure funds, or 41.8% of the total, are seeking to raise $39.5bn to be invested in Europe, followed by 42 infrastructure funds (24.7%) aiming to raise $34.1bn in capital to be invested in North America, and 16 infrastructure funds (9.4%) seeking to raise $17bn in capital to be invested in Asia.

Source: Preqin

MENA

Economic freedom in Arab world varies in 2017

The Fraser Institute's 2017 Index of Economic Freedom in the Arab World indicated that the UAE has the highest level of economic freedom among 16 Arab countries and came in 37th place among 159 sovereigns included in the survey. Jordan followed in 39th place , then Qatar (45th), Bahrain (49th place) and Lebanon (78th) as the five countries with the highest level of economic freedom, while Syria (153rd), Libya (154th) and Algeria (156th) ranked as the countries with the lowest level of economic freedom in the region. The index evaluates individual economies on the basis of 41 variables that are divided into five broad factors of economic freedom that measure the Size of Government; Legal Structure & Security of Property Rights; Access to Sound Money; Freedom to Trade Internationally; and the Regulation of Credit, Labor and Business. The rankings of 10 Arab countries regressed, four improved and two were unchanged from the 2016 survey. In parallel, the scores of 10 countries regressed, four improved, and two were unchanged from the previous survey. Lebanon had the best score on the Size of Government category, while Qatar ranked first in the Legal Structure & Security of Property Rights and the Regulation of Credit, Labor and Business categories. Also, the UAE came in first place on the Freedom to Trade Internationally and Jordan ranked first on the Access to Sound Money category.

Source: Fraser Institute, Byblos Research

Stock markets up 1% in first 10 months of 2017

Arab stock markets increased by 1.3% and Gulf Cooperation Council (GCC) equity markets grew by a marginal 0.4% in the first 10 months of 2017, relative to decreases of 4.6% and 6.6%, respectively, in the same period of 2016. In comparison, global equities increased by 18%, while emerging market equities improved by 24.4% in the first 10 months of 2017. Activity on the Damascus Securities Exchange jumped by 154.8% in the covered period, the Khartoum Stock Exchange increased by 17.2%, the Egyptian Exchange rose by 16.2%, the Boursa Kuwait expanded by 13.3%, the Tunis Bourse grew by 11.2%, the Palestine Exchange improved by 7.5%, the Casablanca Stock Exchange increased by 6.3%, the Bahrain Bourse rose by 4.6% and the Dubai Financial Market grew by 3%. In contrast, activity on the Qatar Stock Exchange dropped by 21.8% in the covered period, the Beirut Stock Exchange declined by 15.9%, the Muscat Securities Market regressed by 13.4%, the Iraq Stock Exchange decreased by 12.8%, the Saudi Stock Exchange declined by 3.8%, the Amman Stock Exchange contracted by 3.6% and the Abu Dhabi Securities Exchange regressed by 1.5%. In parallel, activity on the Tehran Stock Exchange increased by 10.3% in the first 10 months of 2017.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Value of M&A deals down 46% to $27bn in first nine months of 2017

The value of merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region totaled $27.3bn in the first nine months of 2017, constituting a decrease of 46.1% from $50.6bn in the same period of 2016. The value of M&A transactions in the UAE reached $6.6bn in the first nine months of the year, or 24.2% of the region's aggregate deal value. Iran followed with M&A deals valued at $5.1bn (18.8%), then Saudi Arabia with $5bn (18.3%), Kuwait with $3.5bn (12.9%), Egypt with $2.2bn (8.2%), Oman with $1.8bn (6.6%) and Jordan with $1.4bn (5.1%). In parallel, there were 460 M&A deals targeting MENA-based companies in the first nine months of 2017, down by 24.5% from 609 deals in the same period last year. The UAE had 110 M&A deals during the covered period, followed by Egypt with 99 transactions, Jordan with 55 deals, Iran with 37 transactions and Kuwait with 35 deals. Further, the value of the 31 M&A deals that targeted companies in the MENA region stood at $399m in October 2017, down by 86.7% from $3bn (34 transactions) in the preceding month and by 86.5% from $2.95bn (60 deals) in October 2016. The October 2017 results were the lowest since July 2017, when 34 M&A transactions totaling $323m took place in the MENA region. The largest deal in October was a minority stake acquisition that took place in Oman and was worth $130m, or 32.6% of the total value of transactions in the MENA region during the month.

Source: Zephyr, Bureau Van Dijk, Byblos Research

OUTLOOK

MENA

Fiscal consolidation, oil output and regional conflicts to affect growth in oil-exporting countries

The International Monetary Fund forecast real GDP growth in oil-exporting economies of the Middle East & North Africa (MENA) region to decelerate from 5.6% in 2016 to 1.7% in 2017, mainly due to cuts in oil production following the November 2016 OPEC agreement. But it projected the region's non-hydrocarbon sector activity to accelerate from 1.1% last year to 2.6% in 2017, as the pace of fiscal consolidation eases compared to the previous years. It noted that fiscal consolidation, oil production and regional conflicts continue to be the key determinants of economic growth in oil-exporting countries. It projected growth in Gulf Cooperation Council (GCC) economies to slow down from 2.2% in 2016 to 0.5% this year, while it anticipated the region's non-oil sector activity to accelerate from 1.8% last year to 2.6% in 2017. Also, it forecast real GDP growth in non-GCC oil-exporting economies to decelerate from 9.5% last year to 3.1% in 2017, and for their non-hydrocarbon sector activity to grow by 2.6% in 2017 following a growth rate of 0.3% last year. Further, the IMF anticipated non-hydrocarbon growth to remain subdued over the medium term given the spillovers from the low oil price environment, which would require oil exporters to push ahead with diversification plans and private sector development. It considered that risks to the region's outlook consist of lower-than-anticipated oil prices, unfavorable geopolitical developments, a faster-than-expected normalization of U.S. monetary policy and a strengthening of the US dollar.

In parallel, the Fund anticipated the modest recovery in oil prices and the significant fiscal consolidation efforts to ease the pressure on the fiscal and external balances of oil-exporting economies in the MENA region this year. It expected the fiscal deficit of the region's oil-exporters to narrow from 10.6% of GDP in 2016 to 5.2% of GDP in 2017, while it anticipated their current account deficit to narrow from 3.6% of GDP last year to 0.4% of GDP this year. It forecast the GCC's aggregate fiscal deficit to narrow from 11.9% of GDP in 2016 to 6.3% of GDP in 2017, while it expected their aggregate current account deficit to shift from a deficit of 3.4% of GDP in 2016 to a surplus of 0.2% of GDP this year. It expected oil-exporters to continue to issue debt in coming years to meet their budget financing needs.

Source: International Monetary Fund

ANGOLA

Growth to average 1.6% during the 2017-18 period

The International Monetary Fund projected Angola's real GDP growth rate at 1.5% in 2017 and 1.6% in 2018, compared to a contraction of 0.7% in 2016. In comparison, it forecast real GDP of Sub-Saharan Africa's (SSA) oil-exporting countries to grow by 0.8% in 2017 and by 1.8% in 2018, relative to a contraction of 1.5% in 2016. It also expected the country's non-oil GDP to grow by 1.3% in 2017 and by 1.5% in 2018, compared to growth rates of 0.5% and 0.2% in 2017 and 2018, respectively, for the SSA region's oil-exporting economies. Further, it forecast Angola's annual average inflation rate at 30.9% in 2017 and 20.6% next year, compared to inflation rates of 17.1% and 13.9% in 2017 and 2018, respectively, for SSA's oil-exporting economies. The IMF anticipated the country's total investment spending to decline from 8.4% of GDP in 2016 to 7.8% of GDP in 2017 and to 6.7% of GDP next year, while it forecast net FDI in Angola at 0.6% of GDP this year and at 0.5% of GDP in 2018. The Fund projected the government's fiscal balance, including grants, to post deficits of 6.8% of GDP in 2017 and of 5.5% of GDP in 2018. It anticipated government revenues, excluding grants, to decrease from 18.6% of GDP in 2016 to 17.1% of GDP this year and to 16.6% of GDP in 2018, while it forecast total expenditures at 23.9% of GDP in 2017 and 22.1% of GDP in 2018. Also, the IMF projected the government's debt at 65.1% of GDP in 2017 and 66% of GDP in 2018. In parallel, the Fund expected the current account deficit to narrow from 5.1% of GDP in 2016 to 4.8% of GDP in 2017 and 4.5% of GDP next year. It also projected Angola's gross official reserves to decline from 8.8 months of imports of goods & services in 2016 to 6.2 months of import cover this year and 5.2 months of imports of goods & services in 2018.

Source: International Monetary Fund

SAUDI ARABIA

Fiscal consolidation and slow economic diversification to weigh on growth

BNP Paribas projected Saudi Arabia's real GDP to contract by 1.8% in 2017 relative to a growth rate of 1.6% in 2016, mainly due to reduced public investments amid low global oil prices. It forecast oil production to decline by about 5% in 2017 under the OPEC agreement, leading to a similar contraction in hydrocarbon sector activity, while it did not expect non-hydrocarbon real GDP growth to exceed 1% in 2017. It considered that the need for further fiscal consolidation and the slow pace of economic diversification would weigh on the Kingdom's economic activity in the medium term. Further, BNP Paribas projected real GDP to grow by 1.6% in 2018, supported by the government's stimulus efforts to boost the economy, and if authorities temporarily halt the reduction of energy subsidies. However, it noted that significant downside risks to the country's economic outlook in 2018 include uncertainties about the direction of global oil prices, risks in maintaining oil production quotas, as well as the introduction of the value-added tax in 2018 that would weigh on private consumption.

In addition, BNP Paribas noted that the fiscal deficit narrowed by about 50% in the first half of 2017 from the same period last year, due to a significant increase in oil revenues and stable government spending. Overall, it projected the deficit to narrow from 17% of GDP in 2016 to 12% of GDP in 2017, but to widen marginally to 13% of GDP in 2018. In turn, it forecast the public debt level to rise from 13% of GDP at the end of 2016 to 20% of GDP at end-2017 and to 27% of GDP at the end of 2018. In addition, it anticipated the current account deficit to narrow from 4.5% of GDP in 2016 to 0.5% of GDP in 2017 and to reach 0.8% of GDP in 2018, while it projected the external debt to rise from 20% of GDP in 2016 to 22% of GDP in 2017 and to 24% of GDP in 2018. Further, BNP Paribas expected the Saudi Arabian Monetary Agency's foreign currency reserves to decline from $529bn or 31 months of import cover, at the end of 2016, to $497bn or 32 months of import cover, at end-2017, and to $456bn or 28 months of import cover, at the end of 2018.

Source: BNP Paribas

QATAR

Insurance sector faces intermediate industry risks

S&P Global Ratings assessed as "intermediate" the overall risk level of the property and casualty (P/C) insurance sector in Qatar. It indicated that the assessment is derived from an "intermediate" country risk and an "intermediate" industry risk for the domestic P/C insurance sector, which it revised from a previous level of "low" risk. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P noted that the "intermediate" level of country risk is supported by a relatively stable environment for P/C insurers, as well as by measures taken by authorities to support confidence and to manage the impact of Qatar's political rift with neighboring governments. However, it noted that the country risk is mainly constrained by the country's high political and financial system risks, as well as underdeveloped public institutions. In parallel, it attributed the revision to the industry risk assessment to a decrease in the P/C insurers' aggregate return on equity to 10.1% in 2016, its lowest level since 2012. The agency added that the ongoing competitive pricing, increasing operational costs and market-sensitive investment income weigh on the insurers' financial performance. Further, it pointed out that the P/C market is still developing and has a penetration rate of less than 1% of GDP. It added that the premium growth of the Qatari P/C insurance market decelerated from an average of 8% in the 2012-14 period to 1.5% in 2015 and 0.3% in 2016. In addition, S&P considered that Qatar's insurance institutional framework is weak, but it said that the Qatar Central Bank's decision to introduce new risk-based regulations for insurers is a positive step towards developing a more consistent and sophisticated institutional framework.

Source: S&P Global Ratings

OMAN

Fiscal consolidation risks persist

Fitch Ratings indicated that Oman continues to face fiscal consolidation risks, given that the reduction in government expenditures fell short of the targeted spending cuts. It noted that government expenditures declined by 6% year-on-year in the first seven months of 2017, compared to a budgeted reduction of 9% in full year 2017. It added that current spending, including subsidies, dropped by 2% in the first seven months of the year compared to a planned cut of 7% in 2017, while capital expenditures dropped by 4% in the covered period relative to a budgeted reduction of 9% this year. It attributed the resilience of current spending to higher defense spending, given the regional security challenges. In parallel, the agency noted that revenues rose by 26% year-on-year in the first seven months of 2017, due to a recovery in global oil prices. Also, Fitch forecast the fiscal deficit to remain wide at 11.9% of GDP in 2017, 10.9% of GDP in 2018 and 9.8% of GDP in 2019. In turn, it projected the public debt levels to reach 48.2% of GDP by 2019, which is four times the average debt level during the 2012-16 period, and is higher than the median of 'B'-rated peers. It noted that Oman finances its deficits mostly through foreign debt issuance and drawdowns from the State General Reserve Fund of Oman (SGRF). It noted that SGRF's foreign assets of $18bn at end-2016 support the country's sovereign net foreign asset position, as well as its exchange rate peg.

Source: Fitch Ratings

ETHIOPIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B/B' Ethiopia's foreign and local currency sovereign ratings, with a 'stable' outlook. It indicated that the ratings are supported by the country's moderate debt position and stronger-than-peers growth prospects, but are constrained by a weak external liquidity position, restricted monetary policy flexibility and limited institutional effectiveness. The agency forecast GDP growth to average 9% over the 2017-20 period, supported by continued investments in the agriculture, transport and energy sectors, as well as by greater integration into regional value chains. Further, S&P projected the budget deficit to narrow marginally from 2.9% of GDP in 2017 to 2.6% of GDP in 2020, supported by tax reforms and the rationalization of public investments. Also, it estimated the general government debt level at about 34% of GDP at end-2017, which would reach about 63% of GDP when combined with the debt of state-owned enterprises (SOEs). In parallel, S&P said that the Ethiopian authorities responded to the 20% to 40% overvaluation of the real effective exchange rate by devaluing the Ethiopian birr by 15%. It projected the current account deficit to narrow from about 10% of GDP in 2016 to around 7% of GDP in 2020 due to recovering commodity prices and higher non-traditional exports, including electricity, live animals, transport and tourism. It forecast the country's gross external financing needs to average 142.5% of current account receipts and usable reserves during the 2017-20 period. Also, it expected usable reserves to cover 1.8 months of current account payments by 2020, which would limit the authorities' ability to mitigate shocks.

Source: S&P Global Ratings

BAHRAIN

Support of currency peg is priority for GCC

Merrill Lynch indicated that Bahraini authorities are reportedly seeking financial assistance from Gulf Cooperation Council (GCC) economies in order to replenish their foreign currency reserves and prevent a currency devaluation. But it said that GCC countries have asked Bahrain to undertake further fiscal reforms in exchange for financial support. It noted that GCC support has shifted from unconditional and implicit aid to conditional and explicit assistance. It considered that explicit GCC support, along with concrete fiscal reforms, could narrow Bahrain's fiscal and external imbalances. It said that Bahrain's recent $3bn bond issuance in September 2017 should allow some room for negotiations to be completed over the first half of 2018. It considered that the potential emergence of an anchor such as IMF assistance would be market-positive. Further, it noted that risks could emerge in coming months if market access is compromised or if domestic confidence decreases and leads to higher dollarization or capital outflows. It noted that the materialization of these risks would increase the urgency to finalize a framework with GCC economies in coming months. It considered that supporting Bahrain's currency peg would remain a priority for GCC economies to avoid contagion risk. It added that forcing Bahrain into a debt restructuring would raise the GCC financing costs at a time when the region's gross financing needs are substantial. Further, it said that GCC support allows market access to Bahrain, which, in turn, reduces its need to access GCC resources.

Source: Merrill Lynch

QATAR

Authorities to support currency peg

Commerzbank indicated that the Qatar Central Bank (QCB) is mitigating depreciation pressures on the Qatari riyal through drawing down foreign currency reserves. It noted that the country's foreign currency reserves fell from $33bn before the political rift to about $15.9bn currently, which reflects QCB's intervention to maintain the currency peg. It considered that the Qatar Investment Authority, the sovereign wealth fund, would be able to provide sufficient foreign currency to local banks. Also, it pointed out that authorities have placed restrictions to limit the decline in foreign currency reserves. It noted that the QCB has allowed local banks to have access to foreign currency at a fixed exchange rate of QAR3.64 against the US dollar, but only for legitimate transactions that are based on commercial requirements. It added that local banks have, in turn, limited the sale of foreign currency to foreign banks. It said that the country has two alternative options to limit the decrease in foreign currency reserves, which are imposing capital controls or floating the exchange rate. But it considered that liberating the exchange rate would lead to further currency depreciation and capital outflows, while placing additional capital controls could threaten Qatar's status as a financial center. Overall, Commerzbank expected Qatari authorities to sustain their current strategy of maintaining the peg through drawdowns of assets from the QIA. It did not expect authorities to abandon the currency peg, while it anticipated capital outflows to ease in coming months.

Source: Commerzbank

NIGERIA

High yields on T-bills supporting interest margins

Fitch Ratings indicated that Nigerian banks have been investing heavily in Treasury bills since the second half of 2016, and considered that the very high yields on such securities are enabling banks to maintain wide interest margins. It noted that interest margins at rated banks averaged 7.5% in the first half of 2017, in line with margins in the same period of 2016. But it said that the boost to interest margins might be temporary, as T-bill yields have regressed from just over 18.5% in mid-2017 to about 15.5% in recent weeks, and anticipated that they might further decline. The agency pointed out that Nigerian authorities have attempted to control inflation and manage the demand for foreign currency by providing lucrative low risk naira-denominated investments, in order to promote naira retention and reduce demand for US dollars. It added that figures released by the Central Bank of Nigeria (CBN) indicate that naira-denominated time and savings deposits have decreased by 8.7% year-on-year to $28bn at end-July 2017, as depositors switched to Treasury bills with higher yields. In parallel, Fitch noted that the high yields on T-bills are mitigating the increase in the banks' deposit funding costs and compensating for the lack of profitable new lending opportunities. It added that elevated cash reserve requirements on naira deposits, which are currently set at 22.5%, are also limiting lending opportunities, as they yield no return. Also, the agency considered the capital adequacy of Nigerian banks to be weak, given that the extensive restructuring of loans in the hydrocarbon sector could mask the accurate loan impairment ratios of banks.

Source: Fitch Ratings

UAE

Banks' earnings up 9% year-on-year in third quarter of 2017

The net profits of 11 listed banks in the United Arab Emirates, which are Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank, Bank of Sharjah, Commercial Bank of Dubai, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Mashreq Bank, National Bank of Ras Al-Khaimah, United Arab Bank, and Union National Bank grew by 6% in the third quarter of 2017 from the previous quarter and by 9% from the third quarter of 2016. The year-on-year growth in net profits is mainly due to a 4% rise in net interest income, and a 2% increase in non-interest income. In parallel, the total assets of the 11 banks increased by 3.9% year-on-year and by 1.8% quarter-on-quarter at the end of September 2017. Also, the banks' net loans at end-September 2017 grew by 1.5% from end-June 2017 and by 3% from a year earlier, while total customer deposits increased by 0.9% from end-June and by 5.6% from end-September 2016. The aggregate loans-to-deposits ratio stood at 91% at end-September 2017, reflecting relatively accommodative liquidity conditions. Deutsche Bank indicated that the non-performing loans ratio is stable at most banks and that coverage levels are solid at all banks. Also, it pointed out that a recovery in oil prices would lead to stronger credit growth and wider margins, while a further deterioration in the macroeconomic environment would weigh on the banks' margins and asset quality.

Source: Deutsche Bank, Byblos Research

SAUDI ARABIA

Tier One capital of top 12 banks up 8% to $90bn at end-2016

In its 2017 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included 12 banks operating in Saudi Arabia on the list. The rankings are based on the banks' Tier One capital at year-end 2016. *The Banker* indicated that the rankings are based on Basel's Bank of International Settlements' definition of Tier One capital. The aggregate Tier One capital of the Saudi banks totaled $90.1bn at the end of 2016, up by 8.2% from end-2015, and accounted for 28.8% of the Tier One capital of banks in the Middle East. Also, the aggregate assets of the 12 banks reached $590.4bn at the end of 2016 and accounted for 21.7% of the aggregate assets of banks in the Middle East. As such, the Saudi banks' combined Tier One capital-to-assets ratio was 15.3% at end-2016 and outperformed the ratio of 11.51% of banks in the Middle East and the Top 1000 banks' aggregate ratio of 6.5%. Also, the cumulative pre-tax profits of the 12 banks reached $11.1bn in 2016, down by 5.3% from 2015. The ratio of pre-tax profits-to-Tier One capital of Saudi banks reached 12.28% in 2016, relative to 13.04% for the Top 1000 banks. The 12 Saudi banks accounted for 1.22% of the Tier One capital of the Top 1000 banks, for 0.52% of their total assets and for 1.15% of their pre-tax profits.

Source: The Banker

ENERGY / COMMODITIES

Oil prices reach their highest level since mid-2015

Crude oil prices reached their highest level since mid-2015 to close at $61.4 per barrel (p/b) at the end of October 2017, supported by OPEC and non-OPEC members' increased adherence to their pledged supply cuts, a growing consensus that OPEC members will extend their production cut agreement in November 2017, higher-than-expected drawdown in U.S. crude oil inventories, as well as lower oil exports from Iraq. In fact, OPEC's compliance rate with its production quota increased to 92% in October from 86% in September 2017. Also, the oil market sentiment improved after Russia and Saudi Arabia expressed their readiness to extend the production cut agreement beyond the March 2018 deadline. Further, recent data released by the U.S. Energy Information Administration showed a decrease of 2.4 million barrels in U.S. crude oil inventories, which supported oil prices. In addition, Iraq reduced its oil output by 120,000 barrels per day in October after its military reclaimed disputed oilfields from Kurdish forces, leading to an upward pressure on prices. However, the rally in oil prices is expected to be temporary and the oil market is anticipated to remain highly volatile in coming months, as investors will continue to focus on U.S. shale oil production and inventory levels, the fluctuation of the US dollar, the extension of the OPEC agreement, and a recovery in oil output from Libya and Nigeria. Brent oil prices are expected to increase from an average of $52.5 p/b in the third quarter of 2017 to 55.04 p/b in the fourth quarter of the year and to $55.4 p/b in the first quarter of 2018.
Source: Thomson Reuters, CNBC, Financial Times

MENA's oil production to decline by 2% in 2017

The Middle East & North Africa region's crude oil production is forecast to average 27.5 million barrels per day (b/d) in 2017, which would constitute a decrease of 1.9% from 28.1 million b/d in 2016. The Gulf Cooperation Council (GCC) countries' crude oil output would account for 63.2% of the region's oil output in 2017, while non-GCC producers would represent the balance of 36.8%. Saudi Arabia's crude oil production is projected at 10.02 million b/d in 2017, equivalent to 36.4% of the region's oil output, followed by Iraq with 4.57 million b/d (16.6%) and Iran with 3.79 million b/d (13.8%).
Source: International Monetary Fund, Byblos Research

Zinc prices to be largest base metal gainer in 2017

Zinc prices grew by 41.8% year-on-year in the first 10 months of 2017, the largest rise among base metals, followed by those of copper (+28%), lead (+27%), aluminum (+23%), tin (+16%) and nickel (+9%). In parallel, zinc prices are forecast to rise by 37.7% in full year 2017, followed by those of copper (+25%), aluminum (+24%), lead (+23.7%), tin (+14%) and nickel (+2.7%).
Source: Thomson Reuters, Standard Chartered, Byblos Research

MENA's natural gas output to rise by 5% in 2017

The production of natural gas in the Middle East & North Africa region is forecast to average 14.7 million barrels of oil equivalent per day (boe/d) in 2017, which would constitute an increase of 5% from 14.02 million boe/d in 2016. The Gulf Cooperation Council (GCC) countries would account for 59% of the region's gas production in 2017. Iran's natural gas production is projected at 4.23 million boe/d in 2017, equivalent to 28.8% of the region's total, followed by Iran with 4.08 million boe/d (27.7%%) and Saudi Arabia 2.21 million boe/d (15%).
Source: International Monetary Fund, Byblos Research

Base Metals: Copper prices to increase in 2017 and 2018

LME copper three-month future prices averaged $6,064.7 per metric ton in the first 10 months of 2017, up by 28.1% from $4,735.5 a ton in the same period of 2016, due to sustained supply disruptions and higher Chinese demand for the refined metal. Copper prices are forecast to rise from $4,874 a ton in 2016 to $6,088 a ton in 2017 and $6,600 a ton in 2018, driven by subdued growth in the metal's output amid continuous output disruptions. In parallel, global demand for refined copper regressed by 0.5% year-on-year to 13.69 million tons in the first seven months of 2017, partly due to a 2% drop in Chinese demand and to higher levels of copper scarp supply. Also, demand for refined copper grew in India, Japan and the United States, while it declined in Germany and South Korea. On the supply side, global refined copper production was 13.53 million tons in the first seven months of the year, up by a marginal 0.3% from 13.48 million tons in the same period last year, mainly due to a 7% rise in Indian supply and a 6.5% growth in Chinese production, which were offset by an 11% decline in Chilean production. On a regional basis, refined output grew by 4.5% in Asia and by 4% in Europe, while it dropped by 10% in the Americas, by 9% in Oceania and by 3% in Africa.
Source: International Copper Study Group, Byblos Research

Precious Metals: Silver prices to rise on solid industrial demand and stagnating mine output

Silver prices averaged $17.2 per troy ounce so far in 2017, trading at a low of $15.4 an ounce and a high of $18.5 an ounce. Also, the metal's price averaged $17.5 an ounce in the first quarter of 2017, $17.2 an ounce in the second quarter and $16.9 an ounce in the third quarter, and is projected to increase to $17.5 an ounce in the fourth quarter of the year. Overall, silver prices are forecast to rise from $17.1 an ounce in 2016 to $17.3 an ounce in 2017, supported by solid industrial demand and stagnating mine output. In fact, mine output is forecast to decline from 27,601 tons in 2016 to 27,380 tons in 2017. The expected increase in the metal's price in 2017 also reflects higher demand from India and China, where silver imports increased by 60% and 39% year-on-year, respectively, in September 2017. Upside risks to the price outlook include improved retail investment, while downside risks could arise from ongoing efforts to substitute silver usage in the photovoltaic and healthcare sectors. In parallel, the Bloomberg Silver Total Return Sub-Index was unchanged in October and grew by 3.4% in the first 10 months of 2017.
Source: Standard Chartered, Thomson Reuters, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	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	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	31-Oct-17	No change	13-Dec-17
Eurozone	Refi Rate	0.00	26-Oct-17	No change	14-Dec-17
UK	Bank Rate	0.50	02-Nov-17	Raised 25bps	14-Dec-17
Japan	O/N Call Rate	-0.10	31-Oct-17	No change	21-Dec-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	26-Oct-17	No change	14-Dec-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-Nov-17	No change	N/A
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	01-Nov-17	No change	01-Dec-17
Kazakhstan	Repo Rate	10.25	09-Oct-17	No change	27-Nov-17
Ukraine	Discount Rate	13.50	26-Oct-17	Raised 100 bps	14-Dec-17
Russia	Refi Rate	8.25	27-Oct-17	Cut 25bps	15-Dec-17

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