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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Assets under management to reach $145 trillion at end-2025

PwC projected global assets under management (AUM) to reach $145.4 trillion at the end of 2025, which would constitute a compound annual growth rate (CAGR) of 6.2% from $84.9 trillion at the end of 2016. It noted that the increase in AUM is contingent on relatively low interest rates worldwide and a sustained global economic growth. However, it pointed out that Brexit negotiations, China's transition to a consumer-driven economy and the potential changes in U.S. policies on taxes and trade represent risks to the outlook. It forecast AUM in North America to amount to $71.2 trillion at the end of 2025 and to post a CAGR of 7.8% during the 2016-25 period, followed by those in Europe with $35.7 trillion (+5.6%), AUM in Asia-Pacific with $29.6 trillion (+10.5%), those in Latin America with $7.3 trillion (+9.2%) and AUM in the Middle East & Africa with $1.6 trillion (+9.6%). As such, AUM in North America would account for 49% of global AUM at the end of 2025, down from 55.2% at end-2016; those in Europe would represent 24.6% at end-2025, down from 25.8% at the end of 2016; AUM in Asia-Pacific would have a share of 20.4%, up from 14.3% at the end of 2016; assets in Latin America would account for 5% at the end of 2025, up from 3.9% at end-2016 and those in the ME&A would represent 1.1% of the total, up from 0.9% at end-2016.

Source: PwC

EMERGING MARKETS

Sovereigns to issue $131bn in Eurobonds in 2018

Barclays Capital projected emerging market (EM) sovereigns to issue $131bn in foreign currency-denominated bonds in 2018, relative to total issuance of $160bn in 2017. It attributed the decline in sovereign debt issuance to lower principal redemptions, which it projected at $28bn in 2018 compared to $32bn in 2017, as well as a narrowing in fiscal deficits of the largest issuers such as Saudi Arabia and Argentina. It added that the decrease in EM sovereign issuance reflects the favorable market environment in 2017 that allowed a number of issuers to pre-finance their 2018 requirements. It forecast Eastern Europe, the Middle East & Africa (EEMEA) to issue $85bn worth of Eurobonds, equivalent to 64.9% of the total in 2018, driven by sizeable issuance in Gulf Cooperation Council (GCC) countries, as well as in Turkey and Egypt. Latin America would follow with $29bn, or 22.1% of the total, then Emerging Asia with $17bn (13%). On a country basis, it expected Argentina to issue $12bn in sovereign Eurobonds, or 9.2% of the total in 2018, which would constitute the largest level among EMs, followed by Saudi Arabia with $10bn (7.6%), India, Qatar and Turkey with $9bn each (6.9% each), Russia with $7bn (5.3%) and Egypt and Oman with $5bn each (3.8% each). In parallel, Barclays forecast EM currency-denominated issuance, net of interest payments and maturities, at $77bn in 2018, with the EEMEA region accounting for $47bn, or 61% of total, followed by Latin America at $23bn (29.9%) and Asia at $8bn (11.7%).

Source: Barclays Capital

MENA

Ease of doing business varies among Arab countries

The World Bank Group's Ease of Doing Business survey for 2018 indicated that 15 out of 21 Arab economies implemented a total of 37 business reforms that affected the business environment in the region. Saudi Arabia implemented six reforms, followed by Djibouti and Mauritania with five reforms each; the UAE with four reforms; Morocco with three reforms; Egypt, Iraq, Kuwait and Qatar with two reforms each; and Bahrain, Comoros, Jordan, Palestine, Oman and Tunisia with one reform each. The survey covered the reforms that were implemented between June 2016 and June 2017. It noted that the region's most popular areas for reform were 'starting a business', 'registering property' and 'getting credit' with six reforms each; followed by 'trading across borders' and 'paying taxes' with five reforms each; 'protecting minority investors' with three reforms; 'dealing with construction permits' and 'enforcing contracts' with two reforms each; and 'getting electricity' and 'resolving insolvency' with one reform each. In parallel, the UAE was the top ranked Arab economy and came in 21st place worldwide in terms of ease of doing business. Bahrain followed in 66th place, then Morocco (69th), Oman (71st) and Qatar (83rd) as the highest ranked Arab countries. In contrast, Iraq (168th), Sudan (170th), Syria (174th), Libya (185th) and Yemen (186th) were the lowest ranked Arab economies. The rankings of nine Arab countries improved, nine declined and three were unchanged year-on-year.

Sources: World Bank Group, Byblos Research

Region's gender gap widest globally

The World Economic Forum's Global Gender Gap Index for 2017 shows that the Arab world continued to have the widest gender gap in the world, as the region's score of 0.607 points came below the average scores of all other regions worldwide. Also, the survey showed that Tunisia had the narrowest gender gap among 14 Arab countries and came in 117th among 144 sovereigns included in the survey. The UAE followed in 120th place, then Bahrain (126th), Algeria (127th), Kuwait (129th), Qatar (130th), Mauritania (132nd), Egypt (134th), Jordan (135th), Morocco (136th), Lebanon (137th), Saudi Arabia (138th), Syria (142nd) and Yemen (144th). The index aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. It is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Empowerment. The scores of nine Arab countries improved and five regressed from the 2010 index, while the rankings of four countries improved, nine regressed and one was unchanged since 2010. In parallel, Bahrain ranked in first place among Arab countries included in the survey on the Economic Participation & Opportunity Sub-Index, while Qatar came in first place on the Educational Attainment Sub-Index. Also, Tunisia came in first place on the Political Attainment Sub-Index.

Source: World Economic Forum, Byblos Research

POLITICAL RISK OVERVIEW - October 2017

EGYPT

The Parliament extended for three months the state of emergency that the government declared in April in response to bombings inside Coptic churches in the Tanta and Alexandria governorates. Over 100 militants launched coordinated attacks on five checkpoints in and around the town of Sheikh Zuweid in the North Sinai province. The attack was claimed by the Islamic State (IS) terrorist group. Also, militants attacked a police hideout in the El-Wahat district southwest of Cairo, reportedly killing at least 52 officers. In response to the attack, President Abdel Fattah el-Sisi dismissed the Chief of Staff of the Armed Forces Mahmoud Hegazy and several other top Interior Ministry officials, as part of a high-level security reshuffle.

IRAN

President Hassan Rouhani and Turkish President Recep Tayyip Erdoğan pledged to work closely together to prevent the independence of Iraqi Kurdistan. U.S. President Donald Trump refused to recertify Iran's compliance with the 2015 nuclear deal. The U.S. Congress is set to decide whether to restore sanctions under the Joint Comprehensive Plan of Action by December 14. The U.S. Treasury Department blacklisted the Iranian Revolutionary Guards Corps (IRGC) for providing support to a number of terrorist groups. In response, the IRGC threatened to launch missile strikes on U.S. military bases.

IRAQ

Government forces advanced towards the disputed city of Kirkuk and recaptured key facilities and military installations following the Iraqi Kurdistan's independence referendum. Kurdish forces withdrew without fighting. The Kurdistan Regional Government (KRG) accepted Iraq's Prime Minister Haider Al-Abadi's call for dialogue and offered to put its drive for independence on hold. In turn, the Iraqi Kurdistan's Independent High Electoral Commission postponed parliamentary and presidential elections by eight months and extended the term of the current parliament until the elections. Gorran, a main opposition party to the KRG, called for the resignation of KRG President Massoud Barzani, and for the formation of a "national salvation government" to deal with the crisis between Kurdish and Iraqi authorities. The parliament of Iraqi Kurdistan approved a request by President Barzani not to renew his term that ends on November 1.

LIBYA

Efforts by UN envoy for Libya Ghassan Salamé to renegotiate parts of the 2015 Libyan Political Agreement failed. The Anti-IS Operations Room, a militia group that is under the government's authority, took control of the city of Sabratha from the al-Ammu armed group after two weeks of fighting. Forces aligned with the Libyan National Army (LNA) then moved to re-establish themselves near the city of Sabratha after fighting ended. At least 17 people were killed in an air strike in Libya's eastern city of Derna. President Fayez Mustafa al-Sarraj called on the United Nations and other international institutions to send aid and open a humanitarian corridor for non-governmental organizations. However, the United Nations said that the LNA's siege of the city restricted the entry of medical supplies.

NIGERIA

Boko Haram (BH) insurgents attacked a military camp in the city of Marte near Lake Chad and an army base in a village near the Yobe State, killing at least fifteen soldiers. The Nigerian Army and the Nigerian Air Force renewed their attacks against the BH insurgents in the country's Northeast. The government began the closed-door trials of 2,300 suspected insurgents detained since the start of insurgency in 2010. President Muhammadu Buhari fired the Secretary to Government of the Federation Babachir Lawal and former Director General of the Nigeria Intelligence Agency Ayo Oke for their roles in two separate cases of corruption.

SOUTH SUDAN

The Intergovernmental Authority on Development continued pre-High Level Revitalization Forum consultations with armed opposition groups that it initiated in late September, prompting opposition leaders to demand control of significant armed factions. Fighting escalated between President Salva Kiir's government forces and Sudan People's Liberation Movement/Army-in-Opposition (SPLA-IO) rebels loyal to former Vice President Riek Machar. Seven political opposition groups made attempts in Kenya to form a united front against President Kiir, but were met with limited success. U.S. Ambassador to the United Nations Nikki Haley said that the United States "lost trust" in President Kiir's government. Her visit to an internally displaced persons' camp led to protests as well as to the destruction of some aid facilities.

SUDAN

The United States announced the permanent lifting of economic and trade sanctions on Sudan following a nine-month assessment of the government's progress on five tracks. President Omar al-Bashir extended until the end of the year the ceasefire between government forces and armed rebels in the South Kordofan and Blue Nile states. The rebel group Sudan People's Liberation Movement-North (SPLM-N) confirmed at a conference held in Kauda, in the South Kordofan State, Abdelaziz al-Hilu as its new chairman following disputes over the group's leadership. Al-Hilu's main rivals, former chairman Malik Aggar and former Secretary General Yassir Arman were not in attendance.

SYRIA

U.S.-backed Syrian Democratic Forces (SDF) retook the strategic city of Raqqa from the IS group following a four-month offensive. SDF and regime forces continued to race to recapture further territories in the east of the country from the IS group. In fact, regime forces took the eastern town of Mayadeen from the IS group, while the SDF forces captured the nearby al-Omar oil field, which is the country's largest. The Hay'at Tahrir al-Sham armed group, which is reportedly linked to al-Qaeda, launched an offensive to retake regime-held areas in the Hama province, and succeeded in recapturing the village of Abu Dali. Turkish forces entered the northwestern Idlib province to establish a de-escalation zone to end fighting between rebel and regime forces, as part of a deal negotiated between Turkey, Russia and Iran. A United Nations convoy provided aid to 40,000 people in the towns of Kafra Batna and Saqba in the besieged Damascus suburb, the first such assistance since June 2016.

TUNISIA

A Tunisian military ship hit a boat carrying migrants to Italy, killing eight and sparking protests in the country's southern city of Souk Lahad. The Truth and Dignity Commission, an independent tribunal that is responsible for investigating human rights violations committed by the Tunisian State since 1955, agreed to provide reparations totaling $1.5bn for activists tortured and jailed by the State.

YEMEN

Clashes between The Huthi/Saleh bloc and the Saudi-led coalition continued along the Saudi border. U.S. forces carried an airstrike on an IS training camp in the central Bayda province. Five suspected al-Qaeda suicide bombers attacked a security checkpoint in the southern Abyan province, killing four soldiers. Former governor of Aden Aydaroos al-Zubaidi indicated that a referendum on the independence of Southern Yemen would be announced soon. Tensions escalated between supporters of the Huthis and those of the General People's Congress Party that is loyal to former President Ali Abdullah Saleh, as Huthi rebels raided the Saleh-aligned foreign Ministry in Sanaa.

Source: International Crisis Group, Newswires

UAE

Non-hydrocarbon growth at 3% in 2017, fiscal deficit at 3% of GDP

The Institute of International Finance projected the UAE's real GDP growth to decelerate from 3% in 2016 to 1.4% in 2017, mainly due to a drop in oil production under the OPEC agreement. It forecast hydrocarbon output to contract by 2.2% in 2017 compared to a growth rate of 3.8% in 2016, with oil production declining from 3.07 million barrels per day (b/d) last year to 3 million b/d this year. It projected non-hydrocarbon sector activity to pick up from 2.8% in 2016 to 3% in 2017, supported by higher investment and non-hydrocarbon exports. It indicated that the UAE has been resilient to the impact of lower global oil prices, given its relatively diversified economy, excellent infrastructure, political stability and ample foreign assets. It forecast growth to pick up to 2.8% in 2018, with real hydrocarbon GDP growing by 1.3% and non-hydrocarbon sector activity accelerating by 3.5%, mainly due to a recovery in oil prices, an improvement in global trade activity and the easing of fiscal consolidation. Further, the IIF said that downside risks to the UAE's outlook include lower-than-anticipated oil prices and a faster-than-expected U.S. monetary tightening that could increase the cost of capital and undermine private investment. It added that a collapse of the nuclear deal with Iran could lead to a deterioration in the deep trade ties between the UAE and Iran, given the strong trade linkages between the two countries.

The IIF projected the UAE's fiscal deficit to narrow from 4.4% of GDP in 2016 to 3% of GDP in 2017 and 0.8% of GDP in 2018 as a result of the fiscal adjustment in Abu Dhabi and the modest increase in oil prices. As such, it anticipated the UAE's fiscal breakeven oil price to decline from $60 p/b in 2017 to $58 p/b in 2017. The IIF considered that the UAE would continue to finance its fiscal deficits by tapping its substantial foreign assets and through external borrowing. It forecast the UAE's total foreign assets to decline from 228% of GDP in 2016 to 219% of GDP this year and 212.4% of GDP in 2018.

Source: Institute of International Finance

ARMENIA

Real GDP to grow by 3.2%, current account deficit at 3.4% of GDP in 2017-18

The International Monetary Fund projected Armenia's real GDP to grow by 3.5% in 2017 and by 2.9% in 2018, compared to a growth rate of 0.2% in 2016. It estimated the country's nominal GDP at $11bn in 2017 and at $11.5bn in 2018. It forecast the average inflation rate to shift from -1.4% in 2016 to 1.9% in 2017, and expected it to average 3.5% in 2018. Also, the IMF forecast broad money to grow by 10.9% in 2017 and by 10.2% in 2018, down from a growth rate of 16.6% in 2016.

In parallel, the Fund projected Armenia's fiscal deficit to narrow from 5.6% of GDP in 2016 to 3.3% of GDP in 2017 and 2.4% of GDP in 2018. It estimated government revenues, excluding grants, to rise from 20.8% of GDP in 2016 and 21.8% of GDP in 2017 and to 21.9% of GDP in 2018, and total expenditures to decline from 28.5% of GDP in 2016 to 26.4% of GDP in 2017 and to 26.3% of GDP in 2018. It expected the gross public debt level to rise from 53.5% of GDP at end-2016 to 55.8% of GDP at end-2017 and 58.3% of GDP at end-2018. It also forecast the gross external debt to decrease from 92.8% of GDP at the end of 2016 to 92.3% of GDP at end-2017 and 90.2% of GDP at the end of 2018.

Further, the IMF expected Armenia's exports of goods & services to rise from $3.5bn in 2016 to $3.9bn in 2017 and $4.2bn in 2018, and for imports of goods & services to increase from $4.5bn in 2016 and $5.1bn in 2017 and to $5.3bn in 2018. As such, it projected the country's current account deficit at 3.6% of GDP in 2017 and at 3.2% of GDP in 2018, relative to 2.3% of GDP in 2016. It also forecast the country's gross official reserves to grow from $2.2bn or 5.2 months of import cover at the end of 2016, to $2.3bn or 5.2 months of import cover at end-2017, and to $2.5bn, or 5.3 months of import cover at the end of 2018.

Source: International Monetary Fund

SAUDI ARABIA

Growth to accelerate over medium term

The National Commercial Bank (NCB) projected Saudi Arabia's real GDP to contract by 1.2% in 2017 relative to a growth rate of 1.7% in 2016, and to grow by 0.7% in 2018 in the context of the low oil price environment. It noted that the sharp drop in oil revenues has led to higher financial market volatility and a sharp deceleration in capital and trade flows to Saudi Arabia, and has weighed on the Kingdom's economic activity during the past two years. It considered that the Kingdom will have to implement further policy reforms in order to ease fiscal pressures, in case of a prolonged period of subdued oil prices. In parallel, it projected Saudi Arabia's growth to pick up to 2% in the medium term, but to remain below the average growth rate of 4% annually posted during the previous decade. Further, NCB expected economic activity to remain sensitive to external shocks, including possible declines in oil prices and the slower global growth outlook, mainly in Europe and China.

In parallel, it expected Saudi Arabia's fiscal deficit to narrow from 12.8% of GDP in 2016 to 8.4% of GDP in 2017 and 8.1% of GDP in 2018, supported by significant fiscal consolidation under the Fiscal Balance Program. It noted that authorities have introduced energy price reforms, expatriate levies and taxes on vacant lands, among other measures, and plan to introduce the value-added tax in early 2018. It indicated that the government has upgraded its fiscal and monetary policy frameworks to ensure financial stability while efficiently and effectively utilizing the Kingdom's resources. Also, it said that authorities are implementing a huge program of public private partnerships (PPPs) as part of its National Transformation Plan 2020, including power plants, airports, seaports, roads and water treatment plants, among others. It added that the PPP financing scheme would benefit medium and small projects through reduced capital requirements. It also pointed out that authorities continue to finance the deficit through external and domestic borrowing, and by tapping the country's foreign reserves. It anticipated the Saudi Arabian Monetary Agency's foreign currency reserves to decline from $529.3bn at the end of 2016 to $475.8bn at end-2017 and $421.6bn at the end of 2018. Further, it projected the current account balance to shift from a deficit of 4.3% of GDP in 2016 to surpluses of 2.8% of GDP in 2017 and 3.7% of GDP in 2018.

Source: National Commercial Bank

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'A+' Saudi Arabia's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It noted that the ratings are supported by strong fiscal and external balances, which include exceptionally high foreign currency reserves, low government debt and significant government assets. However, it indicated that the ratings are constrained by the country's elevated dependence on oil, wide fiscal deficits and slow non-oil growth prospects. The agency forecast the fiscal deficit to narrow from 17.2% of GDP in 2016 to 8.7% of GDP in 2017, partly due to a recovery in global oil prices, and to narrow further to 5.4% of GDP in 2019 due to the implementation of revenue-raising measures. It noted that the government financed its deficits through deposits from the Saudi Arabia Monetary Authority (SAMA) and by issuing domestic and external debt. As such, it expected government deposits with SAMA to decline from 35.2% of GDP in 2016 to 20.7% of GDP by 2019, while it forecast the public debt level to rise from 13.1% of GDP in 2016 to 25% of GDP by 2019. Further, Fitch projected the current account position to be broadly balanced in 2017 and 2018 relative to a deficit of 4.3% of GDP in 2016, due to an expected recovery in oil prices. Still, it said that foreign currency reserves declined by $51bn in the first nine months of 2017. In parallel, the agency forecast the Kingdom's real GDP to contract by 0.4% in 2017, mainly due to oil production cuts under the OPEC agreement, and projected it to grow by 0.8% in 2018 and to be constrained by the introduction of tax measures.

Source: Fitch Ratings

TURKEY

Sovereign ratings affirmed, outlook 'negative'

S&P Global Ratings affirmed at 'BB/B' Turkey's long- and short-term foreign currency sovereign credit ratings, with a 'negative' outlook. It noted that the ratings are supported by the country's moderate debt burden, expectations of only modest accumulation of additional liabilities on the government's balance sheet, as well as a flexible exchange rate system that would enable the economy to adjust to external shocks. But it said that the ratings are constrained by Turkey's persistent current account deficit, high external financing needs and weak institutional framework. It expected Turkey's fiscal deficit to widen from 1.5% of GDP in 2016 to 2.4% of GDP in 2017, mainly due to lower taxes on white goods and furniture, as well as a strong increase in capital expenditures. It anticipated the country's fiscal stance to remain accommodative ahead of the heavy presidential and general elections scheduled for 2019. In parallel, S&P noted that Turkey's external position remains weak, given its substantial net external liability position and elevated external financing needs. It projected the current account deficit to widen from 3.8% of GDP last year to 4.5% of GDP in 2017 and to average 4.3% of GDP annually during the 2017-20 period, which would reflect strong domestic demand and rising import prices. It forecast Turkey's external financing needs to average 168% of its current account receipts plus usable reserves during the 2017-20 period. It also projected the country's net foreign currency reserves at $41bn at the end of 2017, equivalent to about two months of current account payments, reflecting limited buffers to offset external pressures.

Source: S&P Global Ratings

MOROCCO

Growth to reach 4.5% in medium term in case of further structural reforms

The International Monetary Fund considered that the Moroccan authorities' efforts to improve fiscal management and diversify the economy have strengthened the economy's resilience. However, it encouraged authorities to accelerate the implementation of structural reforms in order to achieve higher and more sustainable growth. It forecast real GDP growth at 4.4% in 2017, driven by a significant rebound in agricultural activity and despite subdued non-agricultural activity, and at 4.5% in the medium term, contingent on the implementation of further structural reforms. However, it noted that the outlook is subject to domestic and external risks that include delays in the implementation of key reforms, geopolitical tensions in the region, as well as volatile global financial markets and global oil prices. Further, the Fund pointed out that fiscal developments have been positive and consistent with the authorities' objective to narrow the fiscal deficit to 3.5% of GDP in 2017. It also welcomed the government's fiscal deficit target of 3% of GDP in 2018. Further, it encouraged the government to continue to implement comprehensive tax reforms and to reduce the public debt level to 60% of GDP by 2021. It expected the authorities' revenue-generating measures to create room for investment in infrastructure and human capital, which would support economic growth. In addition, the IMF supported the government's intention to gradually transition to a more flexible exchange rate regime, which would improve the economy's ability to absorb shocks.

Source: International Monetary Fund

NIGERIA

Ratings downgraded on weak public finances

Moody's Investors Service downgraded Nigeria's long-term issuer and senior unsecured debt ratings from 'B1' to 'B2', and maintained a 'stable' outlook on the ratings. It attributed the ratings' downgrade to the authorities' unsuccessful efforts at increasing non-oil revenues, as well as to the vulnerability of the government's balance sheet to further economic or financial shocks, elevated interest payments and wide fiscal deficits. The agency indicated that the drop in global oil prices severely weighed on public finances, as it forecast general government revenues to decrease from 10.5% of GDP in 2014 to an annual average of 6.4% of GDP over the 2017-19 period. Also, it said that the subdued macroeconomic environment in 2016 has weighed on the authorities' efforts to increase non-oil revenues since late 2015. It added that the revenue shortfalls would have to be matched by large cuts in necessary capital expenditures, which would, in turn, weigh on potential growth. As such, it projected the general government deficit to slightly narrow from 3.6% of GDP in 2017 to 3.2% of GDP in 2018. Further, it forecast general government debt servicing to decline from a peak of about 30% of general government revenues in 2016 to 28.4% in 2017. In parallel, Moody's projected real GDP growth at 3.3% in 2018, up from 1.7% in 2017. It added that the current account balance has shifted back into surplus and expected it to average 1.5% of GDP in 2018 and 2019, supported by a rebound in oil production and higher oil prices.

Source: Moody's Investors Service

GCC

Sovereign ability to support banks varies across the region

Fitch Ratings indicated that it has downgraded the Issuer Default Ratings (IDRs) of Qatar and Saudi Arabia's banking sectors in 2017, while it has a 'negative' outlook on one third of banks in Oman, Bahrain and Qatar, which reflects reduced sovereign ability in some GCC countries to provide support to banks in case of need. It noted that the sovereign's ability to provide support to the banking system has diminished in Saudi Arabia as a result of lower global oil prices, and has decreased in Qatar following the diplomatic rift with several Arab countries. As such, it said that it has reduced by one notch the IDRs of banks in these countries this year. But it considered that the sovereigns' willingness to provide support to banks has remained strong throughout the GCC region, and expected this trend to persist in the near future. It noted that the Qatari government has supported banks with public-sector deposits in 2017 in order to ease the adverse impact of deposit outflows caused by the rift. It said that 77% of GCC banks' IDRs are still driven by potential sovereign support directly or through the banks' parent, while 19% of the banks' IDRs are supported by their standalone creditworthiness and the remaining 4% are driven by potential parent support that is not linked to sovereign support. In parallel, it indicated that almost 50% of GCC banks' Viability Ratings (VRs) are investment grade. It noted that Saudi Arabia's VRs are the strongest among GCC countries, given that they benefit from a more favorable operating environment, while it said that Qatar's VRs are on Rating Watch Negative, reflecting heightened risks to their operating environment, funding, liquidity and earnings in case the rift persists.

Source: Fitch Ratings

KUWAIT

Banks' earnings up 2% in third quarter of 2017

Regional investment bank EFG Hermes indicated that the aggregate earnings of four of the five largest banks in Kuwait, which are National Bank of Kuwait, Burgan Bank, Kuwait Finance House and Commercial Bank of Kuwait, reached KD157.4m, equivalent to $519.4m, in the third quarter of 2017, up by 8.8% from KD144.7m in the previous quarter and by 2.1% from KD154.1m in the third quarter of 2016. It noted that the year-on-year earnings growth is supported by a 5% year-on-year increase in net interest income and a 7% rise in fee income, but is constrained by higher provisioning costs and a slower earnings growth at Burgan Bank. Also, it pointed out that the banks' aggregate lending reached KD30.4bn, or $100.3bn, at the end of September 2017, up by 0.5% from KD29.9bn at end-June 2017, and by 5.5% from KD28.8bn at the end of September 2016. It expected the banks' lending to continue to grow in the fourth quarter of 2017, driven by stronger corporate loan growth on higher government spending. In parallel, it indicated that deposit growth picked up in 2017, as total deposits grew by 4.5% year-on-year to KD31.1bn, or $102.6bn, at the end of September 2017, compared to an annual contraction of 0.1% a year earlier. The loans-to-deposits ratio stood at 98% at end-September 2017 compared to 97% at the end of September 2016, which reflects comfortable liquidity conditions in the Kuwaiti banking sector.

Source: EFG Hermes

BAHRAIN

Ratings on seven banks affirmed

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Gulf International Bank (GIB), Ahli United Bank (AUB) and Ahli United Bank UK (AUB UK) at 'BBB+', that of Arab Banking Corporation (ABC) at 'BBB-', the IDRs of National Bank of Bahrain (NBB) and the Bank of Bahrain and Kuwait (BBK) at 'BB+', and that of Investcorp Bank at 'BB'. Also, it kept the 'negative' outlook on the IDRs of AUB, NBB and BBK and the 'positive' outlook on Investcorp's rating, while it maintained the 'stable' outlook on the remaining banks' IDRs. It noted that the long-term IDRs of NBB, BBK, ABC and Investcorp are driven by the banks' standalone strength, while those of GIB, AUB and AUB UK reflect the probability of support from their shareholders. In parallel, the agency affirmed at 'bbb' the Viability Rating (VR) of AUB, at 'bbb-' those of GIB, ABC and AUB UK, at 'bb+' those of NBB and BBK and at 'bb-' the VR of Investcorp. Fitch indicated that AUB's VR reflects the bank's diversified franchise, sound asset quality, adequate capitalization and comfortable liquidity levels. Also, it considered that ABC's VR is supported by the bank's adequate credit quality and stable interest and profit margins. Further, it said that GIB benefits from a prudent and diversified geographical operating environment in the Gulf Cooperation Council countries, as well as in Western Europe and North America, which supports the bank's business generation as well as funding, liquidity and capital. But it said that the bank's ratings are constrained by low net interest and profit margins. It added that NBB's VR takes into account the bank's solid domestic franchise, adequate asset quality and healthy profitability.

Source: Fitch Ratings

QATAR

Profits of banks up 8% in third quarter of 2017

Regional investment bank EFG Hermes indicated that the aggregate earnings of five listed Qatari banks, which are Qatar National Bank (QNB), Qatar Islamic Bank, Commercial Bank of Qatar, Masraf Al Rayan and Doha Bank reached QAR5.2bn, equivalent to $1.4bn, in the third quarter of 2017, constituting an increase of 8.2% from the same period last year. The banks' net interest income grew by 4% year-on-year in the third quarter of 2017 when including the results of QNB's foreign subsidiaries. Excluding QNB's foreign business, the five banks' net interest income grew by 19% year-on-year, mainly supported by reversals of loan-loss provisions and higher net interest spreads at QNB's domestic business. Also, the banks' non-interest income dropped by 2% year-on-year in the covered quarter. Further, the aggregate lending of the five banks was QAR890bn, or $244.5bn, at the end of September 2017, up by 11% from end-September 2016, driven by public sector lending. Also, the banks' aggregate deposits at end-September 2017 grew by 1% from end-June 2017 and by 12% from end-September 2016, supported by deposits from the Qatar Investment Authority that offset the outflow of GCC deposits. The loans-to-deposits ratio was at 104% at end-September 2017 compared to 101% a year earlier, which reflects tight liquidity conditions. In parallel, the banks' non-performing loans ratio stood at 2% at end-September 2017, nearly unchanged from end-September 2016.

Source: EFG Hermes

ENERGY / COMMODITIES

Oil prices at $58 p/b in fourth quarter of 2017

ICE Brent crude oil front-month prices continued to trend higher and traded above $60 per barrel (p/b) in early November 2017, reaching their highest levels since mid-2015. The surge in oil prices was due to several converging market forces that include declining U.S. crude oil inventories and shale oil output, a growing consensus that OPEC members will extend the production cut agreement and, more recently, rising tensions between Saudi Arabia and Iran. These factors have supported oil prices and caused them to increase by about $10 per barrel from the previous month. A rise in geopolitical risks has also added to the upside pressure of oil prices, including Iraq's response to the Kurdistan independence referendum, potential new U.S. sanctions on Iran, and an economic and political collapse in Venezuela, in addition to the recent unsettled political and security environment in Saudi Arabia. In parallel, oil market sentiment seems to be more bullish than it has been previously, given the improved fundamental data and investors' sentiment. However, risks of oil prices falling again are still pronounced and the oil market remains highly volatile ahead of the November 2017 OPEC meeting. Brent oil prices are expected to increase from an average of $52.5 p/b in the third quarter of 2017 to $58 p/b in the fourth quarter of the year. Overall, Brent oil prices are projected to average $53.3 p/b compared to an average of $45.1 p/b in 2016.

Source: CNBC, Thomson Reuters, Standard Chartered

MENA's oil exports to decrease by 1.5% in 2017

The Middle East & North Africa region's crude oil exports are forecast to average 20.06 million barrels per day (b/d) in 2017, down by 1.5% from 20.36 b/d in 2016. The Gulf Cooperation Council (GCC) countries' crude oil exports would account for 63.8% of the region's oil exports in 2017, while non-GCC oil exporters would represent the remaining 36.2%. Saudi Arabia's crude oil exports are projected at 7.11 million b/d in 2017, equivalent to 35.4% of the region's oil exports, followed by Iraq at 3.75 million b/d (18.7%) and the UAE at 2.43 million b/d (12.1%).

Source: International Monetary Fund, Byblos Research

Algeria's hydrocarbon export receipts to reach $34bn in 2018

Algeria's hydrocarbon export receipts are projected to increase from $27.7bn in 2016 to $32.3bn in 2017 and to $33.6bn in 2018. Also, the country's oil output is forecast to grow by 6.5% in 2018 relative to a drop of 2.7% in 2017. The increase in output in 2018 is due to new fields that are expected to come online in 2018. Algeria's economy relies heavily on the oil & gas sector, which accounts for 60% of fiscal revenues and 95% of exports receipts.

Source: Thomson Reuters, Byblos Research

Nigeria's oil receipts up 23% year-to-August 2017

Nigeria's crude oil and condensate export receipts totaled $2.27bn in the first eight months of 2017, constituting an increase of 22.6% from $1.85bn in the same period last year. Export revenues in the first eight months of the year consisted of $1.54bn from crude oil exports (67.7%), $666.1m from gas exports (29.4%) and $65.4m in other receipts (2.9%). The authorities transferred $154.9m of total hydrocarbon revenues in August 2017 to the Federation Account, while they used the remaining balance of $287.6m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Base Metals: Steel prices supported by production cuts

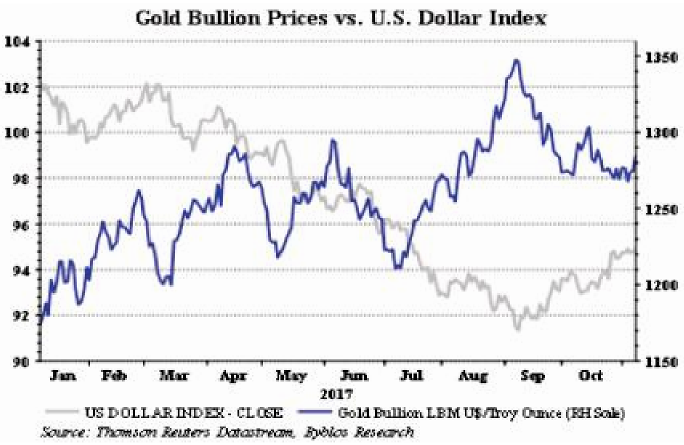
LME steel billet cash prices averaged $312.5 per ton in the first 10 months of 2017, up 1.4 times from $218.9 per ton during the same period last year. Also, the rally in the metal's price has been driven by decreasing inventory levels, as well as news that mills in Shanghai would reduce steel output ahead of the coming winter as the Chinese government aims to accelerate efforts to fight pollution. China, the world's biggest steel producer, is aiming to cut steel capacity by 100 million to 150 million tons over the 2016-2020 period. In parallel, global crude steel output reached 1.27 billion tons in the first nine months of 2017, up by 45.6% from 1.2 billion tons in the same period of 2016. China's crude steel production totaled 638.7 million tons, or 50.4% of global output in the first nine months of 2017. Japan followed with 78.3 million tons (6.2%), then India with 75.3 million tons (5.9%) and the U.S. with 61.5 million tons (4.9%). On a regional level, steel output in Asia totaled 876.3 million tons and accounted for 69.2% of global production in the covered period, followed by the European Union with 126.4 million tons (10%) and North America with 87.7 million tons (6.8%). The figures are based on data of 66 producing countries that account for 99% of global supply.

Source: World Steel Association, Thomson Reuters

Precious Metals: Gold prices to continue to increase in fourth quarter of 2017

Gold prices grew from an average of $1,219 per troy ounce in the first quarter of 2017 to $1,259 an ounce in the second quarter and to $1,279 an ounce in the third quarter of the year, and are forecast to increase further to $1,300 an ounce in the fourth quarter of 2017. The gradual rise in prices so far this year reflects a weaker U.S. dollar amid U.S. tensions with North Korea and Iran. Also, expectations of a one-year delay to implement the planned corporate tax cuts under the U.S. tax reform plan, as well as increased tensions between Saudi Arabia and Iran, would support the metal's price further in the fourth quarter of the year. In addition, gold prices are forecast to average $1,285 an ounce in 2018, and to be constrained by expectations of two U.S. interest rate hikes in the first half of 2018 and an anticipated decline in physical demand for the metal. In parallel, the Bloomberg Precious Metals Total Return Sub-Index dropped by 0.7% in October but rose by 7.9% in the first 10 months of 2017, while the Gold Sub-Index decreased by 1% last month but grew by 9.6% from end-2016.

Source: Standard Chartered, Bloomberg, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
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	B2	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					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	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	07-Nov-17	No change	05-Dec-17
New Zealand	Cash Rate	1.75	08-Nov-17	No change	07-Feb-18
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	09-Nov-17	No change	N/A
Thailand	1D Repo	1.50	08-Nov-17	No change	20-Dec-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	07-Nov-17	No change	08-Jan-18
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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