

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Global debt issuance at \$5 trillion in first nine months of 2017

S&P Global Ratings indicated that the global issuance of corporate bonds, other public finance bonds and structured finance products totaled \$4.9 trillion in the first nine months of 2017, down by 5.5% from \$5.2 trillion in the same period of 2016. It attributed the decline to measures taken by the Chinese government to reduce debt issuance. Still, it expected many issuers to continue to tap the bond markets for low cost financing in the next three months. In turn, it anticipated global debt issuance to decrease by 1.1% to \$6 trillion in full year 2017, as lower international public finance issues are offset by higher global structured finance issuances, as well as increased issuances by the non-financial and financial services sectors. In comparison, global debt issuance reached \$6.1 trillion in 2016 and \$5.4 trillion in 2015. S&P pointed out that issuance by non-financial institutions amounted to \$1.8 trillion, or 36% of total debt issues, in the first nine months of 2017. Issuance from financial institutions followed with \$1.6 trillion (32.5%), then investor-placed structured finance issuance with \$658.1bn (13.5%), international public finance issues with \$439.5bn (9%), and U.S. public finance with \$285.7bn (5.8%). S&P indicated that the figures cover long-term debt with maturities that exceed one year and exclude debt issued by supranational institutions. In addition, S&P anticipated upcoming maturities in 2018 and 2019, along with stronger economic growth in Latin America for 2018, to lead to an increase in global debt issuance by 2018.

Source: S&P Global Ratings

#### Trade indicator signals moderate trade momentum in fourth quarter of 2017

The World Trade Outlook Indicator (WTOI) reached 102.2 points in September 2017, down from 102.6 points in June 2017, which points to a more moderate growth in trade activity in the fourth quarter of 2017 compared to strong growth in the beginning of the year. The WTOI, which is a composite of six key trade-related components, is a leading indicator that provides real time information on the trajectory of world trade relative to recent trends. The WTOI anticipates the trend of world merchandise trade volume, which means that the September 2017 figure is indicative of the trade trajectory in the fourth quarter of 2017. A score of more than 100 points indicate that growth in global trade is above the medium-term trend. The International Air Freight Index regressed from 107.9 points in June to 106.7 points in September 2017, the Container Port Throughput dropped from 104.2 points in June to 102.3 points in September, the Electronic Components Index improved from 100.4 points to 103.3 points in September 2017 and the Export Orders Index reached 101.9 points in September 2017, down from 102.9 points in June 2017. Also, the Agricultural Raw Materials Index regressed from 98.8 points to 97.1 points in September 2017, while the Automobile Production & Sales Index increased from 95.3 points previously to 96.3 points, which are lower than a score of 100, reflecting below trend growth for the two sectors.

Source: World Trade Organization

### EMERGING MARKETS

#### Two Arab countries among 'Fragile Five' economies

S&P Global Ratings indicated that Argentina, Egypt, Pakistan, Qatar and Turkey are the new 'Fragile Five' emerging markets (EMs), or the EMs that are the most vulnerable to a tightening in global financial conditions. The agency identified the most vulnerable EM sovereigns by assessing the 20 largest sovereigns in terms of outstanding commercial debt based on seven external financial variables, most of which are related to external liquidity. It noted that Qatar is the most vulnerable sovereign in terms of its current account balance relative to its GDP, its usable reserves as a percentage of months of current account payments, its gross external financing requirements relative to its current account receipts (CARs) plus usable reserves, as well as its short-term external debt by remaining maturity as a percentage of CARs. Also, it pointed out that Argentina is the most vulnerable economy in terms of its narrow net external debt relative to its CARs and its government foreign currency debt as a percentage of total debt, while Egypt ranks as the most vulnerable sovereign in terms of its current account balance as a percentage of CARs. It added that Turkey ranks as the second most vulnerable economy on four out of the seven covered variables. In contrast, the agency said that China, Malaysia, Russia, Saudi Arabia and Thailand are the most resilient economies to a tightening in global financial conditions.

Source: S&P Global Ratings

### GCC

#### Value of active gas & oil projects at \$331bn in November 2017

The Business News for Construction (BNC) Network indicated that the aggregate value of 361 active oil & gas projects in Gulf Cooperation Council (GCC) countries reached \$331.4bn in November 2017. It noted that the number of oil & gas projects in the GCC accounts for 2% of all active projects in the region, which include projects in the construction, power, transportation and water industries. Also, it said that the value of oil & gas projects represents 14% of the estimated value of all active projects, which reflects the relatively high value of energy projects in the GCC. It pointed out that 17 oil & gas projects with a combined value of \$22.1bn were announced in the GCC in the third quarter of 2017 despite lower global oil prices, which constitutes an increase of 6% in the number of projects and a rise of 5% in the value of projects from the previous quarter. It attributed the higher number of announced projects in the covered quarter to the GCC authorities' desire to invest in more hydrocarbon projects, in an effort to increase the production and export of oil & gas products to accelerate economic growth. It noted that Oman's Multi-purpose Pipeline Project was the largest announced project in the region during the third quarter of 2017 with an estimated value of \$5.6bn. In addition, BNC pointed out that a total of 10 active oil & gas projects with an estimated value of \$5.6bn moved to the construction stage in the third quarter of 2017, while 15 oil & gas projects worth \$9.9bn were completed in the covered quarter.

Source: BNC Network

# OUTLOOK

## AFRICA

### Risks to growth persist amid rising vulnerabilities

The International Monetary Fund projected real GDP growth in Sub-Saharan Africa (SSA) to accelerate from 1.4% in 2016 to 2.6% in 2017, mainly due to one-off factors such as a recovery in Nigeria's oil production, the fading drought effects in Eastern and Southern Africa, as well as an improved external environment. In parallel, the Fund indicated that economic performance varies significantly across SSA economies. It forecast real GDP to grow by only 0.8% in SSA's oil exporters this year following a contraction of 1.5% in 2016. Also, it projected growth to slightly accelerate from 2.2% in 2016 to 2.7% in 2017 in the region's other resource-intensive economies, while it forecast growth at 6% in 2017 in SSA's non-resource-intensive economies. The Fund anticipated growth in the SSA region to recover to 3.4% in 2018. But it noted that the outlook remains challenging amid policy uncertainties in Nigeria and South Africa, elevated public debt levels and debt servicing costs in some countries, increased pressure on the region's financial sectors, persistent security issues, as well as declining foreign currency reserves. It added that low commodity prices continue to weigh on SSA's growth outlook.

Further, the IMF pointed out that most SSA economies are seeking further fiscal consolidation in the medium term in order to keep their public finances on a sustainable path and preserve macroeconomic stability. It projected the region's fiscal deficit to remain unchanged at 4.7% of GDP in 2017. It considered that fiscal consolidation needs are the largest and most urgent in oil-exporting countries, while it said that other countries would also need, to a smaller extent, to focus on the composition and efficiency of spending. It added that SSA economies will also need to implement structural reforms and seize opportunities to enhance growth above current projections through structural transformation and export diversification, including by improving infrastructure, the regulatory framework, and access to credit, and building a skilled workforce. It cautioned that delays in implementing policy adjustments in the SSA region could reduce fiscal space for pro-growth expenditures, and adversely impact the external sector.

*Source: International Monetary Fund*

## QATAR

### Moderate non-oil GDP growth in 2017 and 2018

The National Bank of Kuwait (NBK) expected Qatar's non-oil economy to grow moderately in 2017 and 2018 despite potential downside risks from an intensification of the country's political rift with neighboring countries. It projected non-oil real GDP to grow by 4% in 2017 relative to a growth rate of 5.6% in 2016. It noted that the initial shock to the Qatari economy resulting from the sanctions could be easing, and expected the impact on growth to be smaller in coming months, as the initial disruption to activity fades. Further, it considered that the economic impact of the political dispute that began in early June has generally been moderate so far and is more visible in some sectors than others. It said that the initial shock to the system through disrupted trade and financial flows has eased, and anticipated the non-oil economy to avoid a recession. But it said that the impact of regional isolation on the Qatari economy could grow if the dispute persists.

First, NBK said that some GCC countries cut transportation links with Qatar and imposed travel restrictions to the country, which has weighed on tourism and trade activities. Second, it noted that Qatar's oil and gas exports have been unaffected by the dispute, which has alleviated pressure on the country's fiscal position and balance of payments. Third, it said that fears of a major rise in food prices due to restricted imports from neighboring countries have not materialized so far. It added that the inflation rate has reached -0.4% year-on-year in August 2017, mainly driven by renewed weakness in housing prices. Fourth, it pointed out that other sectors have also suffered, with the local stock market regressing by 17% since the start of the crisis, making it the region's worst performer. Fifth, it indicated that Qatari authorities have responded to non-resident deposit outflows since June by depositing about \$28bn in the banking sector. It added that deposit growth surged to 18% year-on-year in September 2017, while credit growth remained solid at 13% annually in September. Sixth, it said that interest rates have increased only slightly in Qatar, and added that the hike was not entirely related to the crisis. Finally, it noted that the foreign currency market has been slightly more volatile, with speculation on the currency peg to the US dollar rising following the start of the dispute.

*Source: National Bank of Kuwait*

## ALGERIA

### Growth at 1.9% in 2017-19

The World Bank projected Algeria's real GDP growth to decelerate from 3.8% annually between 2014 and 2016 to an average rate of 1.9% annually during the 2017-19 period, mainly due to the ongoing fiscal consolidation and the stabilization of hydrocarbon production. It expected higher taxes and import duties to weigh on the country's non-hydrocarbon sector growth. It estimated Algeria's real GDP to have increased by 3.7% in the first quarter of 2017, supported by a 7.1% growth in hydrocarbon production, while it said that non-hydrocarbon sector activity slowed down year-on-year to 2.8% in the first quarter of 2017. Further, it said that the Algerian economy faces significant downside risks, including rising social discontent from the government's spending cuts, tax hikes and high youth unemployment levels, slow structural transformation, low decentralization, low female labor force participation, and from managing the newly-adopted non-conventional monetary policy. It considered that the government's new monetary policy would reduce public finance constraints in the short term, but could lead to delays in adopting and implementing key fiscal and structural reforms that the economy urgently needs.

In parallel, the Bank indicated that the wide fiscal and external current account deficits persist, which could further deplete fiscal savings and foreign currency reserves. But it expected the twin deficits to decline to sustainable levels by 2020, in case the government continues to implement fiscal consolidation measures. It forecast Algeria's fiscal deficit to narrow from an annual average of 12.5% of GDP during the 2014-16 period to 8.2% of GDP in the 2017-19. In parallel, it projected the current account deficit to narrow from an annual average of 12.2% of GDP during the 2014-16 period to 11.1% of GDP in the 2017-19 period, and to remain manageable given the high level of foreign reserves.

*Source: World Bank*

## ECONOMY & TRADE

### OMAN

#### Ratings downgraded on external debt challenges

S&P Global Ratings downgraded Oman's long-term local and foreign currency sovereign credit ratings from 'BB+' to 'BB', with a 'stable' outlook. It attributed its rating action to Oman's deteriorating external balance sheet, as it anticipated the country's net external asset position to decline from 65% of current account receipts (CARs) in 2016 to 32.4% of CARs in 2017, and to shift to a net debtor position of 15% of CARs by 2020 due to sustained wide current account deficits. It expected the current account deficit to remain above 10% of GDP in 2017 and 2018, given the low oil price environment and the highly concentrated export base. In parallel, S&P projected the fiscal deficit to narrow from 20.2% of GDP in 2016 to an average of 10% of GDP annually during the 2017-20 period, supported by the government's fiscal consolidation measures. It anticipated Omani authorities to continue to finance the deficits through external debt issuance and the drawdown of foreign assets. As such, it forecast the government debt level to rise from 29.8% of GDP in 2016 to 48.2% of GDP by 2020. It noted that the ratings are mainly supported by the government's substantial fiscal assets, as well as potential financial aid from other GCC peers in case the external balance significantly deteriorates. But it said that the ratings are constrained by the country's reliance on the hydrocarbon sector, wide fiscal and current account deficits with limited domestic market funding, limited monetary policy flexibility, as well as centralized decision-making which results in less predictable policymaking.

Source: S&P Global Ratings

### BAHRAIN

#### Outlook on ratings revised to 'negative'

Fitch Ratings affirmed at 'BB+' Bahrain's long-term foreign and local currency Issuer Default Ratings (IDRs), and revised the outlook on the ratings from 'stable' to 'negative'. It noted that ratings are supported by a developed financial sector and improved external financing flexibility that is driven by strong GCC support. However, it said that the ratings are constrained by double-digit fiscal deficits, high and rising public debt levels, a highly oil-dependent budget and domestic political tensions that weigh on fiscal adjustment. It attributed the outlook revision to the Bahraini authorities' failure to identify a clear medium-term strategy to tackle the wide fiscal deficits and rising government debt ratio. It forecast the fiscal deficit to narrow from 16.2% of GDP in 2016 to 10.2% of GDP in 2017, but it expected the narrowing of the deficit to be insufficient to stabilize the country's public debt level, which it forecast to rise from 74% of GDP in 2016 to 100% of GDP in 2026. It added that the introduction of the value-added tax in 2018, in line with an agreement among GCC states, would support the country's public finances. It noted that narrowing the deficit would require deeper reforms to the country's social and economic model, which is characterized by low taxation and generous benefits. In addition, the agency forecast real GDP growth at 2.4% in each of 2017 and 2018, reflecting stable oil production and moderate non-hydrocarbon real GDP growth. It also pointed out that infrastructure spending, financed through development funds from GCC peers, supports economic activity.

Source: Fitch Ratings

### EGYPT

#### Outlook revised to 'positive' on rising reserves and economic growth

S&P Global Ratings affirmed at 'B-/B' Egypt's long- and short-term foreign and local currency sovereign credit ratings, and revised the outlook on the ratings from 'stable' to 'positive' due to increasing foreign exchange reserves and strengthening economic growth. The agency estimated real GDP growth in the fiscal year that ended in June 2017 at 4.2%, driven by increased public and private investments as well as higher exports, and projected it to accelerate to an average of 4.4% between FY2017/18 and FY2019/20. It added that the improved growth prospects would be supported by strong FDI inflows, higher remittance inflows, and a gradually declining energy deficit as new gas production from the Zohr field comes online. In parallel, S&P projected the fiscal deficit to average 9.1% of GDP between FY2017/18 and FY2019/20 relative to 11% in FY2016/17, supported by ongoing fuel subsidy cuts, electricity tariff hikes and containment of the civil service wage bill, as well as receipts from the increase of the value-added tax. As a result, it projected the government's debt level to regress from 103.3% of GDP in FY2016/17 to 93.2% of GDP in FY2019/20. Also, it forecast the current account deficit to narrow from 6.6% of GDP in FY2016/17 to 4.1% of GDP by FY2019/20. It expected the deficits to be financed primarily by rising FDI inflows and public external debt. Further, the agency projected gross external financing needs to decrease from 125.2% of current account receipts and usable foreign reserves in FY2016/2017 to 116.2% in FY2019/20. Also, it estimated net international reserves at \$36.7bn in October 2017, up from \$19bn a year earlier.

Source: S&P Global Ratings

### ANGOLA

#### Significant macroeconomic imbalances persist

The International Monetary Fund considered that the Angolan economy has recovered moderately this year and projected real GDP to grow by 1.1% in 2017. However, it pointed out that the country continues to face significant macroeconomic imbalances. It said that the spread between the official and parallel exchange rates remains wide, and that foreign exchange purchase orders continue to accumulate at commercial banks, despite the increased sale of foreign currency by the National Bank of Angola that reduced foreign currency reserves to \$14.9bn at end-October 2017. It also forecast Angola's current account deficit to narrow to 5.2% of GDP in 2017, supported by a recovery in the country's trade balance, but expected the inflation rate to remain elevated. The IMF noted that the new government approved a six-month plan in response to the challenges, which aims to boost fiscal consolidation efforts, increase exchange rate flexibility and improve governance and the business climate in order to promote growth. In parallel, VTB Capital said that Angola requires a continuous reform strategy to address the existing significant macroeconomic challenges that the country faces. It added that multilateral donor support without an IMF program is limited, expensive and unsustainable. As such, it stressed on the need for authorities to deliver a credible macroeconomic framework and reform program in order to secure IMF support, which, in turn, would attract other donor support and more affordable private capital inflows.

Source: International Monetary Fund, VTB Capital





# BANKING

## AFRICA

### Devaluation of CFA franc unlikely

Standard Chartered Bank considered that a devaluation of the West African CFA franc or of the Central African CFA franc, which are both pegged to the Euro, is not likely in the near term. The CFA franc is the common currency of the West African Economic & Monetary Union (WAEMU) and the Central African Economic & Monetary Community (CEMAC). It pointed out that foreign currency reserves at La Banque des États de l'Afrique Centrale declined from \$7.8bn at end-May 2016 to \$4bn at the end of May 2017. However, it did not expect a currency devaluation, as long as CEMAC countries are under an IMF program and continue to receive financial support from the World Bank, the European Union, France and the African Development Bank Group. It added that international donors are injecting EUR6.6bn to support the CEMAC region over the 2017-20 period. It anticipated CEMAC authorities to address the liquidity pressures through fiscal adjustment, but without abandoning the peg. Also, Standard Chartered noted that foreign currency reserves at La Banque Centrale des États de l'Afrique de l'Ouest have declined in previous years, partly due to lower cocoa export prices, but that they rose from \$9.6bn at end-January 2016 to \$11.6bn at end-May 2017. Further, it forecast the region's foreign currency reserves to improve, supported by a stabilization in cocoa export prices and Côte d'Ivoire's Eurobond issuance in June 2017. In addition, it did not expect WAEMU authorities to abandon the currency peg despite lower liquidity, given favorable economic conditions in the region.

Source: Standard Chartered Bank

## SAUDI ARABIA

### Banks' earnings up 13% in third quarter of 2017

The net profits of nine listed banks in Saudi Arabia, which are National Commercial Bank, Al Rajhi Bank, Samba Financial Group, Riyadh Bank, Banque Saudi Fransi, Saudi British Bank, Arab National Bank, Alawwal Bank and Alinma Bank were flat in the third quarter of 2017 relative to the second quarter of the year, while they grew by 13% year-on-year to SAR10.54bn from the third quarter of 2016. The year-on-year growth in net profits is mainly due to a 6% rise in aggregate net special commission income (NSCI), which was offset by a 2% decrease in aggregate non-NSCI. In parallel, total assets of the nine banks were unchanged year-on-year and regressed by 1.5% quarter-on-quarter at the end of September 2017. Also, net loans at end-September 2017 declined by 2.3% from end-September 2016 while they were flat from end-June 2017, and total customer deposits regressed by 1.2% year-on-year and by 3% quarter-on-quarter at the end of September 2017. The aggregate loans-to-deposits ratio was 85% at end-September 2017, reflecting relatively accommodative liquidity conditions. Deutsche Bank indicated that non-performing loans (NPLs) at all banks are deteriorating at a slow pace from a low NPLs ratio of 1.2%, but that asset quality remains solid with a healthy coverage of above 100% at most banks. Further, it said that downside risks to the banks' performance include lower margins and higher loan impairments, while upside risks include an improvement in the macroeconomic environment, as well as higher fees and commission income.

Source: Deutsche Bank

## UAE

### Banks' funding conditions improve

Moody's Investors Service indicated that the UAE banking system's net loans to deposits ratio had improved to 91% at the end of September 2017 from a peak of 96% at end-September 2016, which constitutes a credit positive for the country's banking sector. It said that the stabilization in the banks' funding primarily reflects higher global oil prices, which averaged \$52 per barrel during the first nine months of 2017, up from an average of \$44 per barrel during the same period of 2016. It pointed out that the improvement in oil prices has increased hydrocarbon receipts for the government and the corporate sector, and in turn led to higher deposits into the banking system. Also, the agency noted that weak economic growth amid cuts in public spending has led to subdued domestic business activity, constraining banks' lending opportunities and funding needs. It added that the merger of First Gulf Bank and National Bank of Abu Dhabi into First Abu Dhabi Bank PJSC in March 2017 has led to a consolidation in the banking sector's balance sheet and, in turn, to weaker credit growth. As such, it estimated credit growth at 0.1% over the 12-month period that ended in September 2017, down from 5.8% over the 12 months that ended in September 2016. Further, Moody's indicated that the international debt issuances of \$10bn in October 2017 and \$5bn in April 2016 have also helped stabilize funding conditions, as well as supported banks' liquidity. In parallel, the agency estimated the banks' reliance on market funding at 16.3% of tangible assets in June 2017 and liquid resources at 30.8% of tangible assets at June 2017, and expected them to remain broadly stable over the coming 12 to 18 months.

Source: Moody's Investors Service

## NIGERIA

### Agency takes rating actions on banks

Moody's Investors Service downgraded from 'B1' to 'B2' the long-term local currency deposit and issuer ratings of Zenith Bank (Zenith), Guarantee Trust Bank (GTBank), Access Bank (Access), United Bank for Africa (UBA) and the long-term local and foreign currency issuer ratings of Bank of Industry, a local development bank. It also downgraded from 'B2' to 'B3' the long-term foreign currency deposit ratings of Zenith, First Bank of Nigeria (FBN), GTBank, Access, UBA, Union Bank of Nigeria (Union) and Sterling Bank (Sterling). It attributed the downgrades to the government's weakened capacity to provide support to the banks in case of need, as reflected by the downgrade of Nigeria's sovereign ratings from 'B1' to 'B2'. It also noted that the ratings' downgrade reflects the banks' significant holdings of government securities that exceed 100% of their core capital, which link the banks' credit profile to that of the sovereign. In parallel, the agency affirmed at 'b2' the standalone baseline credit assessments (BCA) of Access, UBA and Bank of Industry, and at 'b3' those of FBN, Sterling and Union, as it expected their standalone credit profiles to remain resilient despite the challenging operating conditions. However, it downgraded the BCA of GTBank and Zenith from 'b1' to 'b2', in line with the sovereign downgrade, and despite the banks' resilient financial performance.

Source: Moody's Investors Service

## ENERGY / COMMODITIES

### Oil price risks tilted to the upside in coming months

ICE Brent crude oil front-month prices averaged \$53.5 per barrel (p/b) and remained highly volatile so far in 2017, trading at a low of \$44.8 p/b and a high of \$64.3 p/b. Crude oil prices have recently eased after they increased to their highest level in two years, but continued to trade above \$60 per barrel (p/b) so far in November 2017. The current level of oil prices has been mainly supported by expectations that OPEC members will extend their production cut agreement in November 30 and by rising tensions in the Middle East. In fact, oil prices reached \$62.1 p/b in intra-day trading on November 16, up by 7.3% from a month earlier. However, recent data released by the U.S. Energy Information Administration showed an increase of 1.9 million barrels in U.S. crude oil inventories, which capped the rise in oil prices. Also, prices came under pressure following the International Energy Agency's forecast of slower growth in global crude oil demand. In short, the oil market remains highly uncertain ahead of the November 2017 OPEC meeting, with dual risks to the oil price outlook. In parallel, Standard Chartered indicated that oil price risks remain heavily skewed to the upside in coming months, and include the successful extension of the OPEC oil agreement, a rapid decline in oil inventories, a strong growth in oil demand, lower U.S. shale oil supply, as well as the ongoing geopolitical tensions in the Middle East that are likely to add to supply risks. Overall, Brent oil prices are forecast to grow by 17.6% to an average of \$53 p/b in 2017.

Source: Standard Chartered, Thomson Reuters, Byblos Research

### Middle East's jewelry demand down 4% in third quarter of 2017

Demand for jewelry in the Middle East region totaled 40.9 tons in the third quarter of 2017, down by 3.6% from 42.4 tons in the same quarter last year, and accounted for 8.5% of global jewelry demand. Consumption of gold jewelry in Iran reached 11.4 tons in the third quarter of the year, equivalent to 27.8% of the region's total demand. Saudi Arabia followed with 9.8 tons (24%), then the UAE with 7 tons (17.1%), Egypt with 6.3 tons (15.5%) and Kuwait with 2.2 tons (5.4%).

Source: World Gold Council, Byblos Research

### OPEC's oil basket price up 4% in October 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$55.5 per barrel (p/b) in October 2017, constituting an increase of 3.9% from \$53.44 p/b in the preceding month. Nigeria's Bonny Light crude oil posted a price of \$57.97 p/b, followed by Algeria's Sahara blend and Angola's Girassol at \$57.88 p/b each. All 14 prices included in the OPEC reference basket posted monthly increases that ranged from \$1.05 p/b to \$2.47 p/b in October 2017.

Source: OPEC, Byblos Research

### Iraqi oil export receipts at \$5.45bn in October 2017

Iraq's crude oil exports reached 3.348 million barrels per day (b/d) in October 2017, up by 100,000 barrels per day from 3.24 million b/d in September 2017. The rise in the country's hydrocarbon exports reflects increased shipments from its central and southern fields that more than offset the shortfall in output from the northern Kirkuk fields. Also, oil export receipts reached \$5.45bn in October, with the average sale price of \$52.595 per barrel last month.

Source: Iraq Ministry of Oil, Byblos Research

### Base Metals: Zinc prices to rise in 2018 on further production deficits

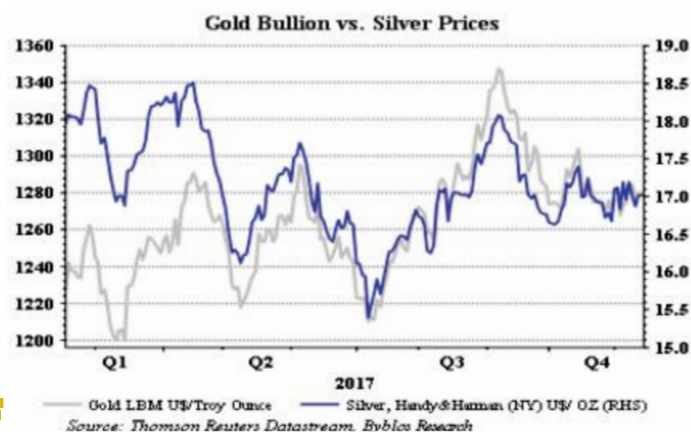
LME zinc 3-month future prices averaged \$2,827.3 per ton in the first 10 months of 2017, up by 41.8% from \$1,993.6 a ton in the same period of 2016, due to subdued supply, limited zinc inventories and strong activity in China's residential property sector. Also, zinc prices are forecast to rise from \$2,100.3 a ton in 2016 to \$2,892 a ton in 2017 and \$3,225 a ton in 2018, driven by sustained production deficits in both the zinc concentrate and refined metal markets, amid already existing low concentrate and refined stocks. In fact, the deficit in the zinc concentrate market is projected at 100,000 tons, while the shortfall in the metal's refined market is forecast at 250,000 tons. Downside risks to the metal's price outlook include lower global demand due to environmental concerns over some galvanized steel plants, as well as the destocking of zinc inventories by galvanizing steel or iron ore, contributing to lower zinc purchases and a rebound in the production of the metal. In contrast, upside risks include environmental regulations, declining grades and limited new capacity. In parallel, the Bloomberg Zinc Total Return Sub-Index rose by 4.3% in October and by 27.6% in the first 10 months of 2017.

Source: Standard Chartered, Thomson Reuters, Bloomberg

### Precious Metals: Gold prices to increase in 2018 on recovery of Indian demand

Gold prices averaged \$1,255 a troy ounce in the first 10 months of 2017, nearly unchanged from the same period of 2016, due to the impact of increased U.S. tensions with North Korea, which was offset by weaker Indian demand for the metal and higher expectations of a hike in U.S. interest rates in December. Also, global gold demand declined by 8.6% year-on-year to 915 tons in the third quarter of 2017, reflecting decreases of 28% in investment demand and of 3.4% in jewelry consumption, which were partly offset by a 25% rise in net purchases by central banks. Gold jewelry accounted for 52.3% of total demand in the covered quarter, followed by investment demand with 26.4% of the total, net purchases by central banks (12.1%) and demand from the technology sector (9.2%). In parallel, global gold supply regressed by 1.8% year-on-year to 1,146.4 tons in the third quarter of 2017, due to a 1.3% decline in mine supply and a 6% decrease in recycled gold. Gold prices are forecast to increase from \$1,259 an ounce in 2017 to \$1,285 an ounce in 2018, supported by a recovery in Indian demand for the metal next year. However, downside risks to the metal's price outlook include two potential U.S. interest rate hikes in 2018.

Source: World Gold Council, Standard Chartered



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-2.5	17.3	2.5	-	-	-	-12.3	
	-	-	-	-	Negative								
Angola	B-	B2	B	-	B+	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
	Stable	Stable	Negative	-	Negative								
Egypt	B-	B3	B	B	B-	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
	Stable	Stable	Stable	Stable	Stable								
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B-	B3	B	-	B+	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
	Positive	Stable	Stable	-	Negative								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	Stable	-	Negative								
Dem Rep Congo	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Stable	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
	Stable	Positive	Stable	-	Stable								
Nigeria	B	B2	B+	-	B+	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
	Stable	Stable	Negative	-	Negative								
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	Negative								
Tunisia	-	B1	B+	-	BB+	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	Negative	Stable	-	Stable								
Burkina Faso	B-	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
	Stable	-	-	-	Stable								
Rwanda	B	B2	B	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
	Stable	Stable	Positive	-	Stable								
Middle East													
Bahrain	BB-	B1	BB+	BB+	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Negative	Negative	Negative	Negative	Negative								
Iran	-	-	-	BB-	BB-	0.7	29.2	2.0	-	-	-	5.3	-
	-	-	-	Stable	Positive								
Iraq	B-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Stable	Stable	Negative	Stable								
Oman	BB	Baa2	BBB	BBB+	BBB	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Stable	Negative	Negative	Stable	Negative								
Qatar	AA-	Aa2	AA-	AA-	AA-	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
	Negative	Negative	Negative	Negative	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Negative	-	Stable	Stable								
Yemen	-	-	-	-	CCC	-6.0	77.4	20.3	-	-	-	-4.2	
	-	-	-	-	Negative								



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
	Stable	Negative	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
	Negative	Negative	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
	Stable	Stable	Stable	-	Positive								
Russia	BB+	Ba1	BBB-	-	BB+	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
	Negative	CWN***	Negative	-	Negative								
Turkey	BB	Ba1	BB+	BB+	BB-	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7
	Negative	Stable	-	-	Stable								

\* 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
<b>Emerging Markets</b>					
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	09-Nov-17	No change	14-Dec-17
Brazil	Selic Rate	7.50	25-Oct-17	Cut 75bps	06-Dec-17
Armenia	Refi Rate	6.00	14-Nov-17	No change	26-Dec-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





Economic Research & Analysis Department  
Byblos Bank Group  
P.O. Box 11-5605  
Beirut - Lebanon  
Tel: (+961) 1 338 100  
Fax: (+961) 1 217 774  
E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

---

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



---

# BYBLOS BANK GROUP

---

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: [erbilbranch@byblosbank.com.lb](mailto:erbilbranch@byblosbank.com.lb)

Sulaymaniyah Branch, Kurdistan, Iraq  
Salem street, Kurdistan Mall - Sulaymaniyah  
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya – Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: [baghdadbranch@byblosbank.com.lb](mailto:baghdadbranch@byblosbank.com.lb)

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: [basrabranch@byblosbank.com.lb](mailto:basrabranch@byblosbank.com.lb)

## UNITED ARAB EMIRATES

---

Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+ 971) 2 6336050 - 2 6336400  
Fax: (+ 971) 2 6338400  
E-mail: [abudhabirepoffice@byblosbank.com.lb](mailto:abudhabirepoffice@byblosbank.com.lb)

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296  
E-mail: [infoarm@byblosbank.com](mailto:infoarm@byblosbank.com)

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Rue Montoyer 10  
Bte. 3, 1000 Brussels - Belgium  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 7518 8100  
Fax: (+ 44) 20 7518 8129  
E-mail: [byblos.london@byblosbankeur.com](mailto:byblos.london@byblosbankeur.com)

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: [byblos.europe@byblosbankeur.com](mailto:byblos.europe@byblosbankeur.com)

## CYPRUS

---

Limassol Branch  
1, Archbishop Kyprianou Street, Loucaides Building  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139  
E-mail: [byblosbankcyprus@byblosbank.com.lb](mailto:byblosbankcyprus@byblosbank.com.lb)

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: [nigeriarepresentativeoffice@byblosbank.com.lb](mailto:nigeriarepresentativeoffice@byblosbank.com.lb)

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293

