500 ISSUES+
Issue 515 | November 23, 2017

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Infrastructure projects with private participation up 24% to $37bn in first half of 2017

Figures released by the World Bank show that the investment commitments in infrastructure projects with private participation in developing economies, or public-private partnerships (PPP), totaled $36.7bn in the first half of 2017, constituting an increase of 24% from $29.5bn in the same period of 2016. Investments in the energy sector reached $26.8bn in the first half of 2017, those in the transportation industry totaled $8.7bn, while investments in water projects amounted to $1.1bn. Regionally, the East Asia & Pacific region attracted 35% of total investments in PPP projects, followed by Latin America & the Caribbean (27%), South Asia (17%), Europe & Central Asia (10%), the Middle East & North Africa (8%) and Sub-Saharan Africa (4%). In parallel, there were 132 infrastructure projects financed through PPP in the first half of 2017, of which 82 projects were in the energy sector, 31 in the transportation industry and 15 projects in the water sector. As such, the average investment commitment per project totaled $278m in the first half of the year compared to $269m in full year 2016. Further, Indonesia attracted $7.8bn across six projects, accounting for 21% of global investment commitments, followed by Brazil with $6.4bn (21 projects), Pakistan with $3.9bn (three projects) and China with $3.7bn (36 projects). In addition, there were 34 infrastructure projects, or 25.8% of total projects, that received support from development finance institutions.

Source: World Bank, Byblos Research

Downgrades surpass upgrades in third quarter of 2017

S&P Global Ratings indicated that it upgraded 16 corporate and sovereign issuers in emerging markets (EM) that represent $26.9bn in rated debt in the third quarter of 2017, while it downgraded 43 EM issuers with $698.8bn in rated debt. It noted that the downgrade ratio, which is the proportion of downgrades to total rating actions, stood at 73% in the third quarter of 2017, higher than the historical average of 55% since 1995. But it said that the negative bias in EMs regressed to multiyear lows to reach 25% in the third quarter of 2017 from its highest level two years ago. S&P defines negative bias as the proportion of issuers that either have a 'negative' outlook or whose ratings are on CreditWatch Negative. Further, S&P downgraded nine sovereigns representing $456bn in rated debt in the third quarter of 2017, while it upgraded one sovereign. There were four sovereign downgrades in the Eastern Europe, the Middle East & Africa (EEMEA) region, three downgrades in Latin America and two in East Asia, while the only sovereign upgrade was in Latin America ($1.9bn). Also, it downgraded 34 corporate issuers with $242bn in debt, while it upgraded 15 corporate issuers representing $25bn in rated debt in the third quarter of 2017. Emerging Asia had two corporate upgrades with total debt of $1bn and 22 downgrades of $99bn in the covered period; followed by Latin America with eight upgrades ($15bn) and eight downgrades ($98bn); and EEMEA with five upgrades ($9bn) and four downgrades ($45bn).

Source: S&P Global Ratings

MENA

Private net wealth in Arab world at $3.2 trillion at end of June 2017

Global investment bank Credit Suisse estimated the aggregate net wealth of Arab citizens at $3,214bn at the end of June 2017, constituting a decrease of 2.4% from $3,294bn at end-June 2016 and accounting for 1.1% of global net wealth in the covered period. Credit Suisse defines a country's net wealth as the sum of its population's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It excludes a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. Arab nationals' aggregate net wealth included $1,472bn in financial wealth, $2,332bn in non-financial wealth and $589.8bn in personal debt at the end of June 2017. Citizens of Saudi Arabia accumulated $771.5bn in net wealth as at end-June 2017, followed by the UAE ($603bn) and Kuwait ($291.5bn). In contrast, citizens of Mauritania and Djibouti had $3bn and $2.4bn in net wealth, respectively, as at end-June 2017, the lowest in the Arab world. In parallel, Qatar has the highest net wealth per adult among Arab countries at $102,517 as at end-June 2017, followed by Kuwait ($97,304) and the UAE ($78,803); while Sudan ($1,594), Mauritania ($1,390) and Syria ($1,122) have the lowest net wealth per adult in the Arab world.

Source: Credit Suisse, Byblos Research

UAE

Profits of Abu Dhabi listed companies up 26%, Dubai firms down 7.5% in first nine months of 2017

The net income of 61 companies listed on the Abu Dhabi stock exchange totaled AED27.4bn, or $7.5bn in the first nine months of 2017, constituting an increase of 26% from AED21.8bn or $5.9bn in the first nine months of 2016. Listed banks generated net profits of $4.1bn and accounted for 54.3% of the total earnings of publicly-listed firms. They were followed by telecommunication companies with $1.8bn (23.9%), services firms with $532.4m (7.2%), real estate companies with $525.2m (7%), industrial firms with $158.3m and insurers with $154m (2.1% each), energy corporates with $101.5m (1.4%), investment & financial services firms with $83.9m (1.1%) and consumer goods firms with $61.2m (0.8%). In parallel, the cumulative net income of 45 companies listed on the Dubai Financial Market totaled AED20.2bn, or $5.5bn, in the first nine months of 2017, constituting a decrease of 7.5% from AED21.8bn or $5.9bn in the same period of 2016. Listed banks generated net profits of $3.4bn, or 61.1% of total net earnings in the covered period. Real estate & construction companies followed with $1.3bn or 24% of the total, then telecom firms with $350.7m (6.4%), investment & financial services institutions with $253.1m (4.6%), transportation companies with $248.7m (4.5%), insurers with $154.5m (2.8%), industrial corporates with $12.9m and services firms with $10.9m (0.2% each).

Source: KAMCO

EMERGING MARKETS

Non-life insurance premiums to grow by 6%, life premiums to rise by 17% in 2017

Global reinsurer Swiss Re forecast non-life insurance premiums in emerging markets to post a real growth rate of 6% in 2017 relative to 5.5% in 2016, and to be significantly lower than the 8% annual average growth rate during the 2010-14 period. It attributed the deceleration in non-life premiums to subdued premium growth in Latin America and in the Middle East & Africa, which is partly offset by strong non-life premium growth in Central & Eastern Europe. It also considered that robust investment in infrastructure in emerging markets supported premium growth in the property insurance sector. In comparison, it forecast global non-life insurance premiums to grow by a real rate of 3% in 2017 relative to 2.3% in 2016, and for non-life premiums in advanced markets to expand by 2% in 2017, up from 1.5% in 2016.

In parallel, Swiss Re expected life insurance premiums in emerging markets to grow by a real rate of 17% in 2017 relative to 19% in 2016, mainly driven by premium growth in Asia. However, it pointed out that the performance of life insurance markets varies across regions, as it expected growth in life premiums to decelerate significantly in Latin America and the Middle East. In comparison, it forecast global premiums from the life insurance segment to grow by a real rate of 3% in 2017 relative to 2% in 2016, and for life premiums in advanced markets to increase by a marginal 0.2% this year compared to a contraction of 2% in 2016.

Overall, Swiss Re projected total insurance premiums in emerging markets to grow by 10% in real terms in each of 2018 and 2019, supported by stable economic conditions, expanding populations, increased urbanization rates, as well as rising home and car ownership. Further, it said that insurance regulations in emerging markets continue to become more closely aligned with international best practices, with many markets committed towards implementing risk-sensitive solvency regulation regimes.
Source: Swiss Re

SAUDI ARABIA

Structural reforms to support medium-term outlook

Merrill Lynch expected the implementation of structural reforms in Saudi Arabia to stimulate economic activity over the medium term. It said that the government is willing to support activity through a more gradual pace of fiscal reforms, the implementation of structural reforms, the introduction of Household Allowance and Private Sector Stimulus programs, as well as the launch of infrastructure projects led by the Public Investment Fund. First, it expected that higher global oil prices would support the authorities' efforts to extend the timeline for fiscal consolidation, but noted that this could increase uncertainty about the pace of reforms in the medium term. It indicated that the extension of the fiscal balance target date by three years to 2023 could allow more spacing between reforms, which would have a more muted impact on economic activity.

Second, it anticipated that a deepening of financial markets, along with increased trade openness, an improved business environment and more developed skills in the labor force would provide supply-side support to potential growth. Third, it indicated that authorities have introduced a $53.3bn private sector stimulus plan that entails access to subsidized credit through specialized credit institutions or through directed disbursement to strategic sectors or entities dealing with energy efficiency policies. But it anticipated the fiscal costs from the plan to be elevated, and added that these costs have not been incorporated in the authorities' medium-term fiscal spending plan.

In parallel, Merrill Lynch noted that the government's growth-supportive policies could lead to a slowdown or reversal in private sector capital outflows, as domestic confidence and investment opportunities led by large infrastructure projects improve. It said that the impact on capital flows will depend on the government's momentum in implementing the first stage of these infrastructure projects, on the overall economic environment, and on the business opportunities generated by the projects.
Source: Merrill Lynch

KUWAIT

Non-hydrocarbon growth at 4% annually over medium term

The International Monetary Fund projected Kuwait's real GDP growth at 3.9% in 2018 relative to a contraction of 2.5% in 2017, and expected it to average 3.2% over the medium term, underpinned by domestic public investment spending. It forecast hydrocarbon output growth at 4.6% in 2018 compared to a contraction of 6% in 2017, supported by a rebound in oil production in case the OPEC oil deal expires in March 2018, and expected it to grow by an average of 3% over the medium term, in line with sustained investments in the oil sector. Also, the Fund projected non-hydrocarbon growth at 3% in 2018 and expected it to gradually increase to 4% over the medium term, driven by the fast-track implementation of the five-year Development Plan, as well as improved investor sentiment. It projected the inflation rate at a multiyear low of 1.8% in 2017 due to a decline in housing rents and lower food prices, and expected it to peak at 3.7% in 2019, due to the introduction of new taxes.

In parallel, the Fund forecast Kuwait's fiscal deficit, excluding investment income and after the transfers to the Future Generations Fund, to slightly narrow from 15.9% of GDP in the fiscal year that ended in March 2017 to 15.5% of GDP in FY2017/18, and projected it to remain stable over the medium-term in case oil prices average $52 per barrel. It added that the stabilization of the fiscal balance also reflects the authorities' plan to introduce a value-added tax and excise taxes on tobacco and sugary drinks, to re-price government services, and to fully comply with the recently announced three-year expenditures' ceiling. However, it expected the government's financing needs to remain high at around $100bn over the next five years, and to be covered by the continued drawdown of assets from the General Reserve Fund, as well as through domestic and international borrowing. Further, the IMF considered that the main risks to the outlook include lower global oil prices over the medium term, tighter global financial conditions, delays in reforms and project implementation, elevated regional security risks and a volatile geopolitical environment.
Source: International Monetary Fund

EGYPT

Reforms supporting investor confidence

The International Monetary Fund considered that the Egyptian authorities remain committed to the reform program that is supported by the IMF, as reflected by stronger economic activity, a return of market confidence, a controlled inflation rate and the elimination of foreign currency shortages at the Central Bank of Egypt (CBE). It indicated that real GDP grew by 4.2% in the fiscal year that ended in June 2017, supported by the implementation of structural reforms. It also noted that portfolio investments reached $16bn in FY2016/17, while foreign direct investments grew by 13% in the same year, reflecting increased investor confidence. Further, the Fund pointed out that the inflation rate has been declining since it peaked in July 2017, supported by the CBE's tight monetary policy, and forecast the inflation rate to decline further to 13% at end-2017. In addition, it pointed out that the current account deficit narrowed in dollar terms, reflecting higher non-hydrocarbon exports and tourism receipts, as well as a decline in non-oil imports. The IMF also indicated that foreign currency reserves increased to record-high levels, underpinned by the credibility of the authorities' reform program. It noted that the primary deficit was broadly in line with previous projections at 1.8% of GDP in FY2016/17, while the fiscal deficit widened to 10.9% of GDP in FY2016/17 relative to a previous deficit forecast of 10.5% of GDP, as a result of higher-than-expected debt servicing payments. It welcomed the authorities' aim to achieve a primary surplus in FY2017/18 that would, in turn, put the government debt level on a downward trajectory in the medium term.

Source: International Monetary Fund

TUNISIA

Ratings affirmed on economic recovery and investor confidence

Fitch Ratings affirmed at 'B+' Tunisia's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It projected real GDP growth to accelerate from 1% in 2016 to 2.2% in 2017, supported by a 19% year-on-year growth in tourism receipts and a 13% rise in foreign direct investments in the first nine months of 2017. It forecast real GDP growth to accelerate to 2.8% in 2018 and to 3% in 2019 due to increased investor confidence. Also, the agency projected the fiscal deficit to narrow from 6.4% of GDP in 2017 to 5.8% of GDP in 2018 and to 5.3% of GDP in 2019, which reflects the impact of the economic recovery on public revenues. Still, it projected Tunisia's public debt level to increase from 62% of GDP at the end of 2016 to 70% of GDP at end-2017 and to 76% of GDP at the end of 2024, as a result of continued wide fiscal deficits. In addition, Fitch forecast the current account deficit to narrow from 9% of GDP in 2017 to 8% of GDP in 2019 on stronger tourism receipts, while it expected the net external debt level to rise from 56% of GDP at end-2017 to 62% of GDP at end-2019. In addition, it noted that foreign currency reserves at the Central Bank of Tunisia (CBT) reached 96 days of import cover in October 2017, lower than the CBT's target of 110 days of imports. It said that the CBT has intervened in the foreign currency market in order to support foreign currency reserves, and expected the narrowing of the current account deficit and continued donor support to stabilize the reserve levels in coming years.

Source: Fitch Ratings

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's foreign and local currency sovereign ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's strong external and fiscal positions, but are constrained by weak economic growth, as well as by limited public sector transparency and monetary policy flexibility. It also said that the recent shifts in the Kingdom's political power structure could result in increased domestic and geopolitical tensions and, in turn, in short-term capital outflows. However, it pointed out that the implementation of structural reforms would reduce the level of corruption and would allow Saudi Arabia to attract more investors in the medium term. It forecast real GDP growth at 0.5% in 2017 and at 1.5% in 2018, due to lower oil production under the OPEC agreement and the authorities' fiscal consolidation measures. Further, the agency projected the fiscal deficit to narrow from 9% of GDP in 2017 to 4% of GDP in 2020, supported by the anticipated introduction of a 5% value-added tax in 2018, but to miss the government's target of a balanced budget by 2020, given broadly flat oil prices throughout 2020. Further, it forecast the Kingdom's public debt level to rise gradually from 18.7% of GDP at end-2017 to 27.5% of GDP by 2020. It projected Saudi Arabia's net asset position to decline from a peak of 121.1% of GDP in 2015 to 73.7% of GDP by 2020. In parallel, the agency said that Saudi Arabia's external position continues to be strong, and expected the Kingdom's liquid external assets to average 185% of current account receipts (CARs) over the 2017-20 period.

Source: S&P Global Ratings

MAURITANIA

Agreement with IMF to support reforms

The International Monetary Fund indicated that it has reached a staff-level agreement with Mauritania to be supported by a three-year arrangement under the Fund's Extended Credit Facility for $162.8m over the next three years. First, it said that the three-year program would support the authorities' economic policies and reforms, which aim to achieve inclusive and diversified growth, maintain macroeconomic stability, restore debt sustainability and reduce poverty. Second, the Fund pointed out that the program would allow a gradual fiscal consolidation, but would also create fiscal space for higher social spending and infrastructure investment through mobilizing revenues, prioritizing spending, as well as reforms of public investment management. Third, the IMF anticipated that the program would introduce a competitive foreign exchange market and would modernize the monetary policy framework, which would allow regular access to foreign currency, increase exchange rate flexibility, address tight liquidity and support growth. Fourth, it expected authorities to strengthen bank supervision and improve the business climate through the reform program. Finally, the Fund considered that the program would accelerate international funding and, in turn, would support Mauritanian authorities in implementing the 2017-2030 Accelerate Growth and Shared Prosperity Strategy.

Source: International Monetary Fund

MENA

Bank lending conditions remain tight in third quarter of 2017

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region increased to 45.9 in the third quarter of 2017 from 44 in the preceding quarter. The index reached its highest level since the second quarter of 2015 but has remained below the threshold of 50 for the 10th consecutive quarter, which reflects sustained tightening in lending conditions, though at a slower pace. The MENA region had the least favorable lending conditions among emerging markets in the covered quarter, behind Emerging Europe (53.4), Latin America (53), Emerging Asia (50.2) and Sub-Saharan Africa (48). The MENA's Trade Finance Index regressed to 49.3 in the third quarter of 2017 from 54.6 in the preceding quarter, while the Demand for Loans Index increased to 47 in the covered quarter from 40.4 in the second quarter of 2017, as demand for residential and commercial real estate loans and for corporate loans increased. In addition, the Funding Conditions Index reached 46.1 in the covered quarter, unchanged from the second quarter of 2017, due to improved domestic and international funding conditions. Further, the Non-Performing Loans Index increased to 43.4 in the third quarter of 2017 from 38.2 in the preceding quarter, which means that the NPLs ratio decreased relative to the previous quarter. Also, the Credit Standards Index rose to 43.4 in the third quarter of 2017 from 42.8 in the second quarter of 2017, as credit standards in most lending categories tightened at a slower pace.

Source: Institute of International Finance

IRAQ

Progress in the implementation of anti-money laundering measures

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that it continues to identify Iraq as a jurisdiction with strategic AML/CFT deficiencies. However, it noted that Iraq, through its high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF, has significantly addressed since October 2013 the strategic deficiencies related to its AML/CFT regime. The action plan includes the criminalization of money laundering and terrorist financing, establishing an adequate legal framework for identifying and freezing terrorist assets, ensuring that all financial institutions are subject to adequate customer due diligence requirements, establishing a fully operational and effectively functioning Financial Intelligence Unit, ensuring that all financial institutions are subject to adequate suspicious transaction reporting requirements, and establishing an adequate AML/CFT supervisory and oversight program for the financial sector. The FATF welcomed Iraq's commitment to its action plan, but noted that the task force still needs to approve the applicability of the above reforms across all Iraqi territories. It added that it will reevaluate the country's position in February 2018 to decide whether an on-site visit should take place.

Source: Financial Action Task Force

JORDAN

Lending to resident private sector up 8% in first nine months of 2017

The consolidated balance sheet of commercial banks in Jordan indicated that total assets reached JD48.5bn or $68.3bn at the end of September 2017, constituting increases of 0.2% from the end of 2016 and of 1% from end-September 2016. Resident private sector claims grew by 7.8% from end-2016 to JD22.2bn, while credit facilities to the non-resident private sector rose by 2.1% to JD490m, leading to an increase of 7.7% in overall private sector credit facilities in the first nine months of 2017. Lending to the resident private sector accounted for 45.8% of total assets at end-September 2017 compared to 41.9% a year earlier. In parallel, resident private sector deposits reached JD26.7bn at the end of September 2017, down by 1% from JD26.95bn at end-2016, but up by 0.7% from JD26.5bn at end-September 2016; while non-resident private sector deposits grew by 15.6% from the end of 2016 and regressed by 2.6% from end-September 2016 to JD3.6bn. The government's deposits totaled JD942.5m, down by 16.6% from end-2016, and those of public non-financial institutions decreased by 8.8% to JD295m. In parallel, claims on the public sector accounted for 22.4% of total assets at end-September 2017 compared to 25.1% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.1bn, or $7.2bn, down by 15.1% from JD6bn at end-2016; while capital accounts and allowances increased by 0.9% from the end of 2016 to JD7.3bn. Also, deposits at foreign banks reached JD3.9bn, or $5.5bn, at end-September 2017, down by 1.3% from end-2016; while the sector's foreign liabilities grew by 5.1% from the end of 2016 to JD6.8bn.

Source: Central Bank of Jordan, Byblos Research

UAE

Tier One capital of top 22 banks at $83bn

In its 2017 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included 22 banks operating in the United Arab Emirates 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 UAE banks totaled $82.8bn at the end of 2016 compared to $77.6bn a year earlier, and accounted for 26.5% of the Tier One capital of banks in the Middle East. The aggregate assets of the 22 banks reached $661.6bn at the end of 2016 and accounted for 24.3% of the aggregate assets of banks in the Middle East. As such, the UAE banks' combined Tier One capital-to-assets ratio was 12.5% 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 22 banks reached $10.8bn in 2016, up by 6.1% from the previous year. The ratio of pre-tax profits-to-Tier One capital of the UAE banks reached 13.04% in 2016, equal to that of the Top 1000 banks. The 22 banks from the UAE accounted for 1.12% of the Tier One capital of the Top 1000 banks, for 0.58% of their total assets and for 1.12% of their pre-tax profits.

Source: The Banker

ENERGY / COMMODITIES

Oil prices to increase in coming quarters

ICE Brent crude oil front-month prices reached $63.3 per barrel (p/b) on November 22, 2017, constituting an increase of 3.2% from the end of October and of 11.4% from end-2016, mainly supported by expectations that OPEC members will extend their production cut agreement on November 30 following a series of ministerial statements. Also, WTI oil prices reached their highest level since July 2015 to close at $57.9 p/b on November 22 due to the shutdown of the Keystone pipeline, one of the largest crude oil pipelines connecting Canada's Alberta oilfields to the United States, as well as to a drawdown of 1.9 million barrels in U.S. crude oil inventories. All these factors have supported investor sentiment and lifted oil prices despite worries over rising output. Further, the decline in oil supplies in the U.S following the closure of the pipeline is expected to support a further reduction in U.S. crude oil inventories, which would underpin oil prices in the near future. Also, the oil price outlook is contingent on the outcome of the November 2017 OPEC meeting. In addition, Brent oil prices are forecast 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 and $62 p/b in the first quarter of 2018; while WTI oil prices are anticipated to rise from $48.1 p/b in the third quarter to $56 p/b in the fourth quarter and $60 p/b in the first quarter of 2018. Overall, Brent oil prices are expected to increase by 24% to 56 p/b in 2017, while WTI prices are projected to grow by 22% to $53 p/b this year.

Source: Thomson Reuters, Standard Chartered, Byblos Research

Middle East's demand for gold bars and coins up 4.6 times in third quarter of 2017

Net demand for gold bars and coins in the Middle East totaled 10.3 tons in the third quarter of 2017, up by 4.6 times from 2.2 tons in the same quarter of 2016, and representing 4.6% of global demand for bars and coins. Demand for gold bars and coins from Iran reached 5.5 tons representing 54% of the region's total demand. Saudi Arabia followed with 2.2 tons (21.4%), then the UAE with one ton (9.5%), Egypt with 0.7 tons (6.6%) and Kuwait with 0.1 tons (1.4%).

Source: World Gold Council, Byblos Research

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

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

Source: OPEC, Byblos Research

UAE to invest $35bn to expand power generation capacity

APICORP expected the UAE to invest $35bn in the power sector in order to generate an additional capacity of 17 gigawatts during the 2017-20 period. It forecast nuclear capacity to represent 41% of the UAE's new capacity in the covered period, followed by gas (21%), coal (18%), photovoltaic power (15%) and concentrated solar power (5%).

Source: APICORP Energy Research

Base Metals: Copper demand unchanged in first eight months of 2017

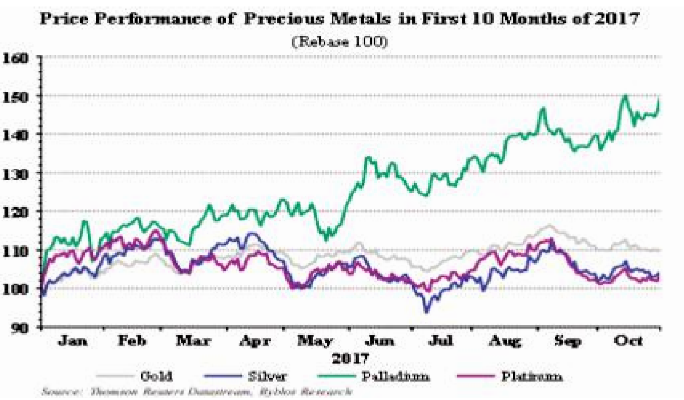
LME copper three-month future prices averaged $6,118.8 per metric ton so far this year, up by 27.4% from $4,802.5 per ton in the first 11 months of 2016, due to sustained disruptions to mine and refined production, as well as to higher Chinese demand for the refined metal. Copper prices are forecast to rise from $4,874 per ton in 2016 to $6,088 per ton in 2017 and $6,600 a ton in 2018, driven by subdued growth in the metal's supply and Chinese policy-induced constraints on import volumes. In parallel, latest available figures show that global demand for refined copper was unchanged year-on-year at 15.6 million tons in the first eight months of 2017, partly due to a 1% drop in Chinese demand, which offset the 1% increase in global demand in the rest of the world. Also, demand for refined copper grew in India and Japan, while it declined in Germany, South Korea and the United States. On the supply side, global refined copper production was 15.55 million tons in the first eight months of the year, up by a 0.5% from 15.46 million tons in the same period last year, mainly due to a 8% rise in Indian supply and a 6% growth in Chinese, which were mostly offset by a 10% decline in Chilean production and a 9% decrease in US supply. On a regional basis, refined output grew by 4.5% in Asia and by 4% in Europe, while it dropped by 9% in the Americas, by 8% in Oceania and by 2% in Africa.

Source: International Copper Study Group, Standard Chartered

Precious Metals: Automotive sector to account for 43% of global platinum demand in 2017

Platinum prices decreased by 4.4% year-on-year to an average of $954 a troy ounce in the first 10 months of 2017, reflecting reduced demand for diesel-powered vehicles, mainly in Western Europe. In fact, the sale of diesel cars in the region declined year-on-year from 49% of total vehicle sales to 42.7% of sales in October 2017. Further, global demand for platinum is projected to regress by 5.7% to 7.8 million ounces this year as a result of a decline in the metal's consumption in the automotive, jewelry and industrial sectors. The global automotive sector is expected to account for 43% of total platinum demand in 2017, followed by the jewelry industry (33%) and the industrial sector (21%). In parallel, global platinum supply is projected to decrease by 1.1% to 7.8 million ounces in 2017, with mine production accounting for 76.2% of the total. As such, the production deficit in the platinum market is forecast to narrow from 400,000 ounces in 2016 to 15,000 ounces in 2017. In turn, the metal's price is forecast to decline from $987 an ounce in 2016 to $968 an ounce in 2017.

Source: World Platinum Investment Council, Standard Chartered, Byblos Research



Price Performance of Precious Metals in First 10 Months of 2017

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- Stable	B2 Stable	B Negative	- -	B+ Negative	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
Egypt	B- Stable	B3 Stable	B Stable	B Stable	B- Stable	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B Stable	B1 Stable	B Stable	- -	B+ Stable	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
Ghana	B- Positive	B3 Stable	B Stable	- -	B+ Negative	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
Ivory Coast	- -	Ba3 Stable	B+ Stable	- -	B+ Stable	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
Libya	- -	- -	B Stable	- -	B- Negative	-16.4	78.2	-	-	-	-	-10.6	-
Dem Rep Congo	CCC+ Stable	B3 Stable	- -	- -	CCC Stable	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB- Stable	Ba1 Positive	BBB- Stable	- -	BBB Stable	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
Nigeria	B Stable	B2 Stable	B+ Negative	- -	B+ 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 Negative	B+ Stable	- -	BB+ Stable	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
Burkina Faso	B- Stable	- -	- -	- -	B+ Stable	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B Stable	B2 Stable	B Positive	- -	B+ Stable	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
Middle East													
Bahrain	BB- Negative	B1 Negative	BB+ Negative	BB+ Negative	BB+ Negative	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
Iran	- -	- -	- -	BB- Stable	BB- Positive	0.7	29.2	2.0	-	-	-	5.3	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-4.2	60.0	38.8	-	-	-	-4.4	-
Jordan	B+ Stable	B1 Stable	- -	BB- Negative	BB+ Stable	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	AA- Stable	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B- Stable	B3 Stable	B- Stable	B Negative	B- Stable	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB Stable	Baa2 Negative	BBB Negative	BBB+ Stable	BBB Negative	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA- Negative	Aa2 Negative	AA- Negative	AA- Negative	AA- Stable	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	- -	- -	- -	- -	C Negative	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Negative	- -	AA- Stable	AA- 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 Date	Last meeting Action	Next meeting
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	16-Nov-17	No change	28-Dec-17
Turkey	Base Rate	8.00	26-Oct-17	No change	14-Dec-17
South Africa	Repo rate	6.75	23-Nov-17	No change	18-Jan-18
Kenya	Central Bank Rate	10.00	18-Sep-17	No change	28-Nov-17
Nigeria	Monetary Policy Rate	14.00	21-Nov-17	No change	N/A
Ghana	Prime Rate	21.00	25-Sep-17	No change	27-Nov-17
Angola	Base rate	16.00	02-Nov-17	No change	27-Nov-17
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
www.byblosbank.com

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

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

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

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

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

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

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

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

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

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

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