

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Losses from natural catastrophes at \$330bn in 2017

Global reinsurer Munich Re estimated worldwide economic losses from natural catastrophes at \$330bn in 2017, up by 79.3% from \$184bn in 2016, and constituting the second highest level on record relative to losses of \$354bn in 2011. Insured losses totaled \$135bn in 2017, up 2.7 times from \$51bn in 2016, and accounted for 40.9% of total losses in 2017; while uninsured losses rose from \$133bn in 2016 to \$195bn in 2017 and represented the remaining 59.1%. The level of insured losses in 2017 was the highest since 1980. Also, economic losses from natural catastrophes averaged \$170bn per year during the 2007-16 period, of which \$49bn were insured, while the remaining \$121bn represented uninsured losses. Further, losses from flood-related events accounted for 47% of total losses in 2017 relative to 40% of aggregate losses during the 2007-16 period. On a country basis, overall losses in North America, Central America and the Caribbean accounted for 83% of total losses in 2017, followed by Asia (9%) and Europe (4%), while losses in the rest of the world represented 4% of the total last year. There were 710 relevant loss events in 2017 that included earthquakes, storms, floods, droughts and heat waves, down from 780 events in 2016, and compared to an annual average of 605 events during the 2007-16 period. In parallel, there were 10,000 fatalities from natural catastrophes in 2017, up by 3.6% from 9,650 deaths in 2016, but significantly lower than the annual average of 60,000 fatalities during the 2007-16 period.

Source: Munich Re

#### Global debt at \$233 trillion, or 318% of GDP, at end-September 2017

The Institute of International Finance indicated that global debt, which includes the debt of corporates, governments and households, reached a record-high of \$232.9 trillion, equivalent to 318% of global GDP, at the end of September 2017, compared to \$216.4 trillion at the end of 2016. It noted that global debt continued to rise in the third quarter of 2017 but at a slower pace, and that the debt-to-GDP ratio declined for the fourth consecutive quarter due to growth in the global economy, deleveraging efforts by the Canadian and Chinese governments, as well as rising inflation in China and Turkey. It pointed out that global non-financial corporate debt reached \$68.4 trillion, or 92% of GDP, at end-September 2017, followed by government debt with \$63.2 trillion (86.7% of GDP), financial sector indebtedness with \$57.8 trillion (80.1% of GDP) and household debt with \$43.5 trillion (59.1% of GDP). In parallel, the IIF said that emerging market (EM) debt grew from \$55.6 trillion at the end of 2016 to \$61.1 trillion, or about 211% of EM GDP, at end-September 2017. It indicated that EM non-financial corporate debt totaled \$28.1 trillion, or 96% of GDP, at the end of September 2017, followed by EM government borrowing at \$13.7 trillion (47.8% of GDP), EM household debt at \$10.2 trillion (35.2% of GDP) and financial sector indebtedness at \$9.1 trillion (32.1% of GDP). Further, the IIF noted that the debt of mature markets reached \$171.8 trillion at the end of September 2017 relative to \$160.8 trillion at end-2016.

Source: Institute of International Finance

### EMERGING MARKETS

#### Fixed income trading down 6% to \$1,299bn in third quarter of 2017

Trading in emerging markets debt instruments reached \$1,299bn in the third quarter of 2017, constituting an increase of 14.8% from \$1,132bn in the preceding quarter and a decline of 5.8% from \$1,379bn in the third quarter of 2016. Turnover in local-currency instruments reached \$736bn in the third quarter of 2017, up by 14.8% from \$641bn in the previous quarter and down by 16.2% from \$878bn in the third quarter of 2016. In parallel, trading in Eurobonds, mainly sovereign and corporate bonds, stood at \$553bn in the third quarter of 2017, up by 13.1% from \$489bn in the preceding quarter and by 11% from \$498bn in the third quarter of 2016. The volume of traded sovereign Eurobonds reached \$284bn and accounted for 51.4% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds reached \$209bn, or 37.8% of the total. In addition, turnover in warrants and options stood at \$9bn in the third quarter of 2017, while loan assignments reached \$435m in the covered quarter. Overall, the most frequently-traded instruments in the third quarter of 2017 were Brazilian fixed income assets with a turnover of \$143bn, or 11% of the total, followed by securities from India with \$138bn (10.6%) and instruments from China with \$129bn (9.9%). Other frequently-traded instruments consisted of fixed income securities from Mexico at \$126bn (9.7%) and from South Africa at \$107bn (8.2%).

Source: EMTA

### MENA

#### GCC countries have best entrepreneurial ecosystem in the region

The 2018 Global Entrepreneurship Index (GEI), issued by the Global Entrepreneurship Development Institute, indicated that Qatar has the most favorable entrepreneurial ecosystem among 14 Arab countries and ranks in 22nd place among 137 countries around the world. The UAE followed in 26th spot, then Oman (33rd), Bahrain (35th) and Kuwait (39th). In contrast, Egypt (76th), Algeria (80th), Libya (104th), and Mauritania (136th) have the least favorable entrepreneurial ecosystems in the region. The GEI measures the quality and dynamics of a country's entrepreneurship environment by taking into account the micro and macro aspects of the ecosystem. It assesses the efficiency of the ecosystems of start-ups and attempts to highlight the bottlenecks that erode the competitive advantages of new firms. The Arab region received an average score of 36 points compared to the global average of 34.2 points. The entrepreneurial ecosystem in the Gulf Cooperation Council (GCC) countries is better than that of non-GCC Arab countries, with average scores of 47.3 points and 27.5 points, respectively. The Arab region's entrepreneurial ecosystem is better than that of Asia-Pacific (33.2 points), South & Central America and the Caribbean (25.7 points) and Sub-Saharan Africa (17.8 points), while it is less favorable than that of North America (63 points) and Europe (49.1 points).

Source: Global Entrepreneurship Development Institute

# OUTLOOK

## EMERGING MARKETS

### Global activity to accelerate to 4% in 2018

Goldman Sachs projected global real GDP growth to accelerate from 3.7% in 2017 to 4% in 2018, mainly due to easing global financial conditions and some support from fiscal policies in certain advanced and emerging economies (EMs). It forecast growth in developed markets at 2.3% in 2018, unchanged from the preceding year, with real GDP accelerating to 2.5% in the United States, growing to 2.2% in the Eurozone and increasing to 1.5% in Japan. But it anticipated the United Kingdom's real GDP to expand by only 1.3% this year, as higher inflation would weigh on real income growth and consumption. In parallel, it projected real GDP in EMs to accelerate from 5% last year to 5.6% in 2018, but to vary widely across economies. It forecast India's real GDP growth to accelerate from 6.4% in 2017 to 8% this year, Russia's economic activity to increase from 2.2% last year to 3.3% in 2018, and Brazil's real GDP growth to pick up from 0.9% to 2.7% this year. But it anticipated China's activity to slightly decelerate from 6.8% to 6.5% this year, as the country proceeds with its political and economic reforms. Further, Goldman Sachs indicated that risks to the global outlook remain highly linked to political issues, such as the future of NAFTA negotiations,, escalating tensions between North Korea and the U.S., and instability in the Middle East.

In parallel, Goldman Sachs anticipated that a more aggressive tightening of U.S. monetary policy would not weigh significantly on growth in advanced markets, given that divergent monetary policies in these markets have limited net financial spillovers on their economies. However, it said that EMs could be more at risk from tighter U.S. monetary policy, given that most EMs keep their exchange rates partially fixed against the U.S. dollar, which means that they have to align their monetary policy with that of the United States. It added that financial conditions have recently tightened in EMs following the increase in U.S. interest rates and country specific risks in EMs. But it considered that China's move to a basket peg system and the partial closure of its capital account, as well as declining currency mismatch in EM economies and the global pickup in activity, have made EM markets more resilient, which should enable them to cope with a gradually tighter U.S. monetary policy.

*Source: Goldman Sachs*

## MENA

### Growth to average 3.1% during 2018-20 period

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to accelerate from 1.8% in 2017 to 3% in 2018 and to reach 3.2% by 2020, driven by improved activity among both oil-exporting and oil-importing economies as geopolitical tensions stabilize and oil prices rise modestly. It forecast growth in the region's oil-exporting countries to increase from 1.3% last year to 2.8% in 2018 and 2.9% by 2020, mainly supported by improved activity in Gulf Cooperation Council (GCC) economies, Algeria, Iran and Iraq. It projected growth in the GCC economies to pick up from 0.7% in 2017 to 2% this year and to reach 2.7% by 2020, as a result of easing fiscal adjustments, increased infrastructure investment and progress in reforms. In parallel, the Bank anticipated real GDP growth in oil-importing economies to pick up from 3.7% last year to 3.9%

in 2018 and 4.5% by 2020, supported by higher business and consumer confidence, as well as by increased external demand. But it noted that the elevated public debt levels of oil-importers constitute a key challenge to their growth outlook, given that they would have to implement further cuts in public spending and infrastructure investment to reduce their debt level.

In parallel, the World Bank projected the fiscal balances of MENA countries to improve during the 2018-20 period, due to lower energy subsidies and increased taxes in several economies, as well as higher oil receipts among oil exporters. Also, it expected the current account balances of MENA economies to strengthen, mainly due to stronger external demand and higher oil prices. Further, it indicated that risks to the MENA region's outlook are mainly tilted to the downside and include elevated geopolitical tensions, weaker-than-expected oil prices and slower implementation of reforms.

*Source: World Bank*

## ARMENIA

### Economic activity to recover in 2018 on higher domestic demand

Barclays Capital forecast Armenia's real GDP growth to pick up from 2.8% in 2017 to 3% in 2018, mainly due to an increase in remittance inflows that improved domestic demand. It added that the government has significantly reduced its external imbalances, which, along with its adequate fiscal and monetary policies, close cooperation with the IMF and focus on structural reforms, have improved Armenia's growth prospects. But it said that the country's persistent external deficits, low foreign currency reserves and heavy reliance on Russia through remittances and trade channels, could weigh on the outlook.

Further, Barclays indicated that Armenia's public finance dynamics have deteriorated over the past years, with the fiscal deficit widening amid weaker tax revenues and increased capital spending. In this context, it pointed out that the government proposed a strict budget that includes ambitious fiscal consolidation during the 2018-19 period. As such, it forecast the fiscal deficit to narrow from 3.6% of GDP in 2017 to 2.8% of GDP in 2018. Further, it said the government had to plan significant fiscal adjustment for 2018 in order to comply with the fiscal rule that requires authorities to narrow the deficit to below 3% of GDP once the debt level exceeds 60% of GDP, which it did in 2017. It forecast the public debt level to regress from 61% of GDP at end-2017 to 59% of GDP at end-2018 in case of fiscal consolidation.

In parallel, Barclays pointed out that Armenia has addressed its external imbalances, which has helped narrow its current account deficit from 2.3% of GDP in 2016 to 2% of GDP in 2017. But it noted that the narrowing of the deficit was mainly due to a sharp fall in imports, which could reverse in case the economy continues to improve and domestic demand strengthens. As such, it anticipated the deficit to widen to 2.7% of GDP next year. It forecast the country's foreign currency reserves to increase from \$2.1bn at end-2017 to \$2.3bn at end-2018. It anticipated the country to continue to rely on other concessional loans to finance much of its external liabilities, given that these loans are cheaper than borrowing on global financial markets and are easier to roll over.

*Source: Barclays Capital*

# ECONOMY & TRADE

## MOROCCO

### Favorable growth outlook, significant risks remain

The International Monetary Fund estimated that Morocco's real GDP growth accelerated from 1.2% in 2016 to 4.4% in 2017, supported by a significant rebound in agricultural activity and despite subdued non-agricultural activity. It said that real agricultural GDP grew by 15.2% in 2017 following a contraction of 12.8% in 2016, while it estimated real non-agricultural sector activity at 3% in 2017, nearly unchanged from 3.1% in 2016. It noted that the country's medium-term outlook is favorable but remains subject to risks from growth in advanced and emerging economies, geopolitical tensions in the Middle East & North Africa region, as well as volatile global financial markets and global oil prices. Further, it forecast the inflation rate at 1.3% in 2018 relative to 0.6% in 2017, amid the authorities' accommodative policies. In parallel, the IMF estimated the current account deficit to narrow from 4.4% of GDP in 2016 to 3.9% of GDP in 2017, mainly due to a strong recovery in Europe and in Morocco's export growth, and projected it to reach 3.7% of GDP in 2018. It forecast foreign currency reserves to remain at a comfortable level of about six months of import coverage in 2018. Further, it estimated the fiscal deficit to have narrowed from 4.1% of GDP in 2016 to 3.5% of GDP in 2017, due to high tax revenues and low public spending, and expected it to reach 3% of GDP in 2018. It called on authorities to implement fiscal decentralization, strengthen state-owned enterprise oversight and improve the targeting of social spending.

Source: International Monetary Fund

## SAUDI ARABIA

### Expansionary budget for 2018

Jadwa Investment indicated that Saudi Arabia's 2018 expansionary fiscal budget targets an increase in total expenditures from actual spending of \$247bn in 2017 to \$261bn in 2018, the largest budgeted spending on record. It added that the government intends to increase current spending from \$199bn in 2017 to \$206.1bn in 2018, while it seeks to raise capital spending from \$48bn last year to \$54.7bn in 2018. In addition, it said that the Public Investment Fund and the National Development Fund will earmark \$35.5bn in capital spending to finance specific projects. Also, the government announced new allowances to public-sector employees and military personnel, and increased the benefits for students, retirees and social security recipients in order to compensate for the rise in the cost of living, which would put additional pressure on current spending. Further, Jadwa indicated that Saudi authorities expect a fiscal deficit of \$52bn, or 7% of GDP, in 2018, compared to an actual deficit of \$61.3bn, or 7.6% of GDP, in 2017. However, it projects a slightly wider deficit of \$58.7bn, or 7.6% of estimated GDP, in 2018, as it anticipates lower-than-budgeted oil receipts. It forecast non-hydrocarbon revenues at \$77.6bn, similar to the budgeted figure. Further, it pointed out that financing the 2018 deficit would come from drawing down the Kingdom's stock of foreign assets and from local and foreign debt issuances. It noted that the government does not intend to exceed \$31.2bn in debt issuance in 2018, which would put the public debt level at \$148bn, equivalent to 19% of projected GDP.

Source: Jadwa Investment

## ETHIOPIA

### Ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B' Ethiopia's long-term foreign and local currency Issuer Default Ratings, with a 'stable' outlook. It indicated that the ratings balance strong economic growth, which it forecast at 9.5% annually over the coming year, against a wide current account deficit, a high level of public debt, low external buffers, as well as low development and governance levels. It forecast the current account deficit to narrow from 7.9% of GDP in the fiscal year that ended on July 7, 2017 to 6.6% of GDP in FY2018/19, driven by an increase in manufacturing and electricity exports, and improved competitiveness. It noted that FDI inflows grew from \$2.6bn in FY2014/15 to \$4.2bn in FY2016/17, which helped reduce external financing needs and, in turn, lowered net external borrowing to \$2bn in FY2016/17 and eased concerns about external debt sustainability. Further, it said that the inflation rate reached 13.6% in November, its highest level in five years, following the authorities' decision to devalue the Ethiopian birr by 13% in October 2017. It added that the spread between the official and parallel exchange rates is 12%, and that the shortage of foreign currency is a major constraint on private sector activity. It forecast the inflation rate to reach 15% in coming months, but to gradually moderate afterwards as the effects of a tighter monetary policy are transmitted to the economy. In parallel, Fitch projected the fiscal deficit at 3.2% of GDP annually between FY2018/19 and FY2019/20. It expected the public debt level, including the debt of state-owned enterprises (SOEs), to stabilize at around 55% of GDP over the coming two years, mainly due to lower SOE debt.

Source: Fitch Ratings

## NIGERIA

### Credit profile vulnerable to external shocks, weak institutions and wide fiscal deficits

Moody's Investors Service indicated that Nigeria's credit profile is constrained by weak institutions, vulnerability to external shocks and wide fiscal deficits. It expected the government's balance sheet to remain exposed to shocks despite the recent improvement in economic activity, which is mainly cyclical and is related to the recovery in oil production and prices. It anticipated the fiscal deficit to remain wide at 3.6% of GDP in 2017 and 3.2% of GDP in 2018, and for debt servicing to absorb a high share of revenues. It noted that public revenues decreased from 10.5% of GDP in 2014 to 5.3% of GDP in 2016, while the economy is still adjusting to the loss of more than 50% of its foreign currency earnings. It said that the authorities have stepped up their efforts to increase non-hydrocarbon revenues since late 2015 to address the significant deterioration in the country's public finances. However, it considered that an increase in non-oil revenues is the only factor that could reduce Nigeria's vulnerability to oil price volatility and support the allocation of capital spending towards infrastructure projects. In parallel, the agency pointed out that the country's credit strengths include the large size of the economy, as well as robust medium-term growth prospects that are mainly supported by domestic demand. It projected real GDP growth at 3.3% in 2018, in case economic fundamentals strengthen and oil production continues to recover.

Source: Moody's Investors Service





# BANKING

## SUDAN

### **Banks facing challenges in resuming correspondent banking relationships**

The International Monetary Fund anticipated that banking relationships between Sudanese banks and foreign correspondent banks would gradually be re-established, following the permanent lifting of the U.S. sanctions in October 2017. It said that it could take between six to 12 months to resume correspondent banking relationships (CBRs) with U.S. banks due to the need for compliance reports from the requesting bank. It said that larger Sudanese banks would attract new CBRs as it would be easier for them to comply with regulatory challenges. The Fund indicated that 17 out of 37 Sudanese commercial banks reported having CBRs as of October 2017. It noted that Sudanese banks conducted 155 CBR transactions in 15 different currencies, of which more than 50% were in the currencies of GCC countries. It added that four banks reported CBR transactions in US dollars that were conducted through banks in the Middle East and Africa region, while 11 banks had CBR transactions in euros. In parallel, the IMF pointed out that establishing a new CBR with a Sudanese bank could pose challenges to a potential correspondent bank. It noted that Sudan is still under U.S. and international sanctions that were not lifted in October 2017, which requires correspondent banks to exercise costly due diligence on CBRs to ensure compliance with the remaining sanctions. Also, it said that continued U.S. enforcement actions against banks that breach the remaining sanctions could discourage some correspondent banks from dealing with Sudanese banks. As such, the IMF encouraged Sudan to increase its efforts to remove the remaining sanctions, as well as to strengthen its anti-money laundering and combatting the financing of terrorism framework and to ensure the latter's implementation.

*Source: International Monetary Fund*

## TUNISIA

### **Agency takes rating actions on seven banks**

Capital Intelligence Ratings (CI) downgraded from 'BB' to 'BB-' the long-term foreign currency rating (FCR) of Banque Internationale Arabe de Tunisie (BIAT), Attijari Bank, Arab Tunisian Bank (ATB), Banque de Tunisie and Union Bancaire pour le Commerce et l'Industrie (UBCI). Also, it affirmed at 'B+' the FCRs of Amen Bank and of Société Tunisienne de Banque (STB) and maintained a 'stable' outlook on all the banks' FCRs. It attributed its rating actions to a change in its internal assessment of Tunisia's sovereign credit risk. In parallel, the agency affirmed at 'BB+' the financial strength rating (FSR) of ATB and Banque de Tunisie; at 'BB' that of BIAT, Attijari Bank and UBCI; at 'B+' the FSR of Amen Bank and at 'B' that of STB. It noted that all FSRs have a 'stable' outlook, but that the seven banks' FSRs are constrained by the challenging operating environment. Further, CI indicated that the FSR of BIAT is supported by the bank's solid liquidity metrics, large deposits, sound base of liquid assets and good profitability, but is constrained by its low capital position. Also, it noted that the FSR of STB is underpinned by the bank's solid capital position, improved liquidity metrics and higher revenues, while it is constrained by the very high level of non-performing loans (NPLs) and low loan-loss reserve coverage.

*Source: Capital Intelligence Ratings*

## SAUDI ARABIA

### **Banks' ratings affirmed, outlook revised to 'negative'**

Capital Intelligence Ratings (CI) affirmed at 'A+' the long-term foreign currency ratings (FCRs) and the Financial Strength Ratings (FSRs) of National Commercial Bank (NCB), Al Rajhi Banking & Investment Corp., Samba Financial Group (SAMBA), Riyadh Bank and Banque Saudi Fransi (BSF). It also affirmed at 'A' the FCRs and FSRs of Saudi British Bank (SABB) and Arab National Bank (ANB) and at 'A-' those of Alawwal Bank, formerly Saudi Hollandi Bank. Further, it revised the outlook on all the banks' FCRs from 'stable' to 'negative' following a similar action on Saudi Arabia's sovereign ratings. It also revised from 'stable' to 'negative' the outlook on the FSRs of SABB and Alawwal Bank, while it maintained the 'stable' outlook on the remaining banks' FSRs. The agency attributed the outlook revision on SABB's FSR to the increase in the bank's non-performing loans in recent years, while it noted that the revision on Alawwal Bank's FSR is due to the sharp weakening of its asset quality and profitability metrics in 2016. In parallel, CI indicated that NCB's FSR is mainly supported by the bank's strong capital profile, sound asset quality, rising operating profits and strong franchise. It added that SAMBA's FSR is underpinned by the bank's very solid capital ratios, strong liquidity metrics, strong and continually improving asset quality, and sound net profitability metrics. It noted that the FSRs of NCB and SAMBA are mainly constrained by the banks' relatively low net special commission income, the sovereign rating as well as by the challenging operating environment.

*Source: Capital Intelligence Ratings*

## ANGOLA

### **New managed-float foreign exchange regime**

Standard Chartered Bank indicated that Angola's decision to introduce a new managed float foreign exchange regime on January 9, 2018 has led to the depreciation of the Angolan kwanza by 10.3% from AOA166 against the US dollar to AOA185 per dollar. It forecast the kwanza to depreciate throughout 2018 to AOA210 against the US dollar. It said that the market has been anticipating the currency depreciation over the past few weeks, which resulted in the devaluation of the kwanza on the parallel market from AOA370 against the dollar in August 2017 to AOA430 per dollar recently. It noted that Angola's decision to abandon the currency peg mostly reflects the decline by \$5bn of its foreign currency reserves in the first 11 months of 2017, and the shortages of hard currency in the market. Further, it considered the change in the monetary policy to be positive, but to be insufficient to attract foreign currency inflows, given the absence of developed and open domestic capital markets. It added that higher oil receipts and external borrowing would constitute the main sources of foreign currency for Angola. It considered that Angola could need support from the International Monetary Fund, as the latter would provide direct financial support and improve confidence towards the country, which would unlock other sources of foreign financing.

*Source: Standard Chartered Bank*



## ENERGY / COMMODITIES

### Oil prices reach a three-year high of nearly \$70p/b

ICE Brent crude oil front-month prices continued to increase at a strong pace, as they reached a three-year high of \$69.2 per barrel (p/b) on January 10, 2018 due to several converging factors, such as the extension of OPEC oil production cuts, stronger global economic activity, a larger-than-expected drawdown on U.S. crude oil inventories, and rising demand for winter heating in the Northern Hemisphere. Also, oil prices have remained elevated mainly due to supply disruptions from Venezuela and prospects of tighter sanctions against Iran. Oil prices are expected to keep their upward trend in the near-term amid the implementation of OPEC-led cuts and strong demand growth that would outpace the growth in non-OPEC supply. However, the rapid increase in oil prices could encourage countries that have endorsed the OPEC and non-OPEC production cut deal to boost their output. As such, oil prices could come under pressure in 2018 in case of non-compliance with the agreed production cuts, rising U.S. shale oil output or slower demand growth. The oil market's response to oil supply data over the next two months is expected to be a key factor for the 2018 oil price outlook. Brent oil prices are forecast to average \$62 p/b in the first quarter of 2018 and \$59 p/b in the second quarter of the year, while WTI oil prices are expected to average \$60 p/b in the first quarter and \$56 p/b in the second quarter of 2018.

Source: Barclays, Standard Chartered Bank, Thomson Reuters

### Nigeria's oil receipts up 41% to \$2.9bn in first 10 months of 2017

Nigeria's crude oil and condensate export receipts totaled \$2.9bn in the first 10 months of 2017, constituting an increase of 41.2% from \$2.1bn in the same period of 2016. Export revenues in the first 10 months of 2017 consisted of \$2bn from crude oil exports (68.8%), \$815.4m from gas exports (28%) and \$93.5m in other receipts (3.2%). The authorities transferred \$121.7m of total hydrocarbon revenues in October 2017 to the Federation Account, while they used \$155.8m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

### Libya's oil revenues at \$14bn in 2017

Libya's oil revenues reached \$14bn in 2017, up 2.9 times from \$4.8bn in 2016. The increase in oil receipts mostly reflects a partial recovery in the country's oil output to around one million barrels per day (b/d), which is still below the 1.6 million b/d Libya was producing prior to the 2011 uprising. As a result, Libya's budget deficit narrowed from LYD20.3bn, or \$15bn, in 2016 to LYD10.6bn, or \$7.85bn, in 2017. Further, oil revenues accounted for more than 86% of total national revenues, which stood at LYD22.3bn, or \$16.5bn, in 2017.

Source: Central Bank of Libya

### Iraq to export to Iran 30,000 b/d from Kirkuk fields by end-January 2018

Iraq is expected to export to Iran 30,000 barrels per day (b/d) from the Kirkuk oil fields by the end of January 2018. Oil will be transported via trucks under a swap agreement with Iran that allows Iraq to exchange 60,000 b/d of oil from the Kirkuk fields for Iranian oil that will be delivered to southern Iraq. The two countries are planning to build a pipeline that will go through Turkey and the Mediterranean, as an alternative route to trucking oil to Iran.

Source: Thomson Reuters

### Base Metals: China to ban new steel facilities in 2018

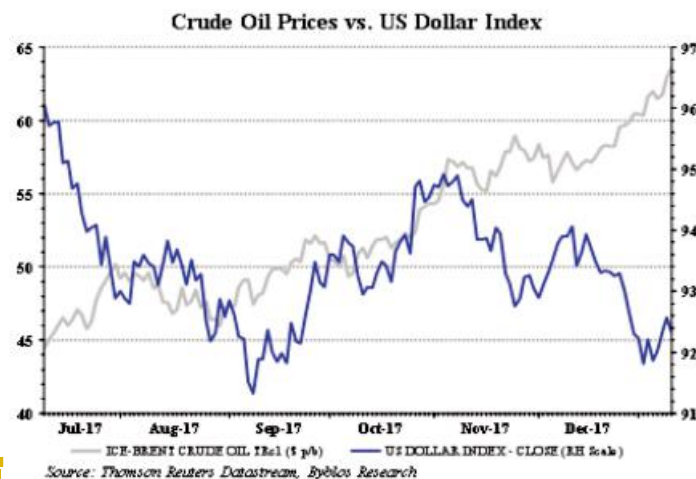
LME steel billet cash prices averaged \$312.5 per ton in 2017, constituting an increase of 36.8% from \$228.5 per ton in 2016. The rally in the metal's price has been mainly driven by China's "war on pollution", as supply side reforms have significantly weighed on growth in the Chinese steelmaking industry in 2017. Also, China, the world's largest producer of steel, indicated that it will not authorize new steel factories in 2018. It added that it reduced its steel capacity by 50 million tons in 2017, as well as by another 120 million tons of illegal lower-grade steel. In parallel, global crude steel output reached 1.54 billion tons in the first 11 months of 2017, up by 5.4% from 1.46 billion tons in the same period of 2016. China's crude steel production totaled 764.8 million tons, or 49.8% of global output in the first 11 months of 2017. Japan followed with 95.9 million tons (6.2%), then India with 92.5 million tons (6%) and the U.S. with 74.9 million tons (4.9%). On a regional level, steel output in Asia totaled 1.06 billion tons and accounted for 68.8% of global production in the covered period, followed by the European Union with 154.9 million tons (10.1%) and North America with 106.4 million tons (6.6%). The figures are based on data of 66 producing countries that account for 99% of global supply.

Source: Julius Baer, World Steel Association, Thomson Reuters

### Precious Metals: Platinum prices to recover in 2018

Platinum prices averaged \$948 a troy ounce in 2017, constituting a decline of 4% from \$987 an ounce in 2016, while they traded at a low of \$877 an ounce and a high of \$1,033 an ounce in 2017. The decrease in the metal's prices mainly reflects lower platinum demand, due to a decline in demand for diesel-powered vehicles, which accounts for 50% of the world's platinum consumption. However, platinum prices are expected to recover in 2018 and to average \$980 an ounce in the first quarter of the year and \$1,040 an ounce in the second quarter, partly driven by higher investment demand and lower mine output, which would widen the production deficit in the platinum market this year. In fact, the metal's subdued prices in 2017 have led to lower investment in platinum mines, and have weighed on the metal's mine supply. In addition, platinum jewelry demand is forecast to grow by 3% in 2018, due to higher Chinese and Indian jewelry demand, which would underpin the metal's price outlook.

Source: Standard Chartered Bank, Julius Bär, Byblos Research



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-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	Negative	-	-	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	B+	B1	BB+	BB+	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Stable	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	1.25-1.50	13-Dec-17	Raised 25bps	31-Jan-18
Eurozone	Refi Rate	0.00	14-Dec-17	No change	25-Jan-18
UK	Bank Rate	0.50	14-Dec-17	No change	08-Feb-18
Japan	O/N Call Rate	-0.10	21-Dec-17	No change	23-Jan-18
Australia	Cash Rate	1.5	05-Dec-17	No change	06-Feb-18
New Zealand	Cash Rate	1.75	08-Nov-17	No change	08-Feb-18
Switzerland	3 month Libor target	-1.25-(-0.25)	14-Dec-17	No change	15-Mar-18
Canada	Overnight rate	1.00	06-Dec-17	No change	17-Jan-18
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.75	14-Jun-17	Raised 25bps	31-Jan-18
Taiwan	Discount Rate	1.375	21-Dec-17	No change	22-Mar-18
South Korea	Base Rate	1.50	30-Nov-17	Raised 25bps	18-Jan-18
Malaysia	O/N Policy Rate	3.00	09-Nov-17	No change	25-Jan-18
Thailand	1D Repo	1.50	20-Dec-17	No change	14-Feb-18
India	Reverse repo rate	6.00	04-Oct-17	Cut 25bps	07-Feb-18
UAE	Repo rate	1.75	13-Dec-17	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	1.50	13-Dec-17	Raised 25bps	N/A
Egypt	Overnight Deposit	18.75	28-Dec-17	No change	15-Feb-18
Turkey	Base Rate	8.00	14-Dec-17	No change	24-Jan-18
South Africa	Repo rate	6.75	23-Nov-17	No change	18-Jan-18
Kenya	Central Bank Rate	10.00	28-Nov-17	No change	24-Jan-18
Nigeria	Monetary Policy Rate	14.00	21-Nov-17	No change	23-Jan-18
Ghana	Prime Rate	20.00	27-Nov-17	Cut 100bps	22-Jan-18
Angola	Base rate	18.00	04-Dec-17	Raised 200bps	29-Jan-18
Mexico	Target Rate	7.25	14-Dec-17	Raised 25bps	08-Feb-18
Brazil	Selic Rate	7.00	06-Dec-17	Cut 50bps	07-Feb-18
Armenia	Refi Rate	6.00	26-Dec-17	No change	14-Feb-18
Romania	Policy Rate	2.00	08-Jan-18	Raised 25bps	07-Feb-18
Bulgaria	Base Interest	0.00	02-Jan-18	No change	01-Feb-18
Kazakhstan	Repo Rate	10.25	27-Nov-17	No change	15-Jan-18
Ukraine	Discount Rate	14.50	14-Dec-17	Raised 100bps	25-Jan-18
Russia	Refi Rate	7.75	15-Dec-17	Cut 50bps	09-Feb-18





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