

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Majority of IT professionals consider that payment information is at risk in cloud environment

A survey of information technology (IT) specialists conducted by international digital security company Gemalto indicated that 87% of surveyed participants expect cloud computing applications and platforms to be important for their organizations' operations in the coming two years, up from 79% currently. Cloud computing applications and platforms use remote servers hosted on the Internet to store, manage and process data. The survey was compiled from the responses of 3,621 IT specialists in Australia, Germany, France, Japan, India, Brazil, the U.S. and the United Kingdom who are involved in their company's use of public and private cloud resources. Also, 67% of respondents said that their organization is committed to protecting confidential and sensitive information in the cloud environment, but only 47% believe that their company has adopted a proactive approach to comply with privacy and data protection regulations. Further, 54% of surveyed participants consider that payment information is most at risk in the cloud environment, followed by customer information (49% of respondents), consumer data (35% of surveyed individuals), e-mails (21% of participants) and employee records (10% of respondents). In parallel, respondents had mixed views about who should be responsible for protecting sensitive or confidential data in the cloud environment. In fact, 34% of respondents consider that it is the responsibility of the cloud user, another 34% of participants believe that the cloud provider is accountable, while 32% of surveyed individuals consider it to be a shared responsibility between the cloud provider and user.

Source: Gemalto, Byblos Research

EMERGING MARKETS

Non-resident portfolio inflows at \$235bn in 2017

The Institute of International Finance indicated that non-resident portfolio inflows to emerging markets (EMs) reached \$235bn in 2017, which constituted an increase of 54.6% from \$152bn in 2016. It pointed out that EM debt inflows totaled about \$170bn compared to \$99bn in 2016, representing 72.3% of total non-resident portfolio inflows, while equity inflows stood at \$65bn relative to \$54bn in 2016. It noted that non-resident portfolio inflows reached their highest level since 2014 last year, driven by a favorable environment, higher commodity prices, and a weaker US dollar that allowed EMs to issue record amounts of foreign currency-denominated debt in 2017. In parallel, the IIF said that net capital inflows to EMs reached \$125bn in 2017, the largest such level since 2013. As such, it estimated that foreign currency reserves at EM central banks grew by more than \$132bn in 2017 compared to decreases in each of 2015 and 2016. However, it indicated that the level of reserves remains relatively low in some countries, especially in Chile, Hungary, Turkey and Ukraine. In addition, it noted that upside risks to portfolio inflows include solid economic growth in EMs, while downside risks consist of monetary tightening by the Bank of Japan and the European Central Bank. It added that the outlook for portfolio inflows is contingent on changes in the U.S. Federal Reserve's policy.

Source: Institute of International Finance

MENA

Cost of living varies among Arab cities

The 2018 Cost of Living survey, produced by crowd-sourced global database Numbeo, ranked Dubai as the most expensive location among 20 Arab cities and the 210th most expensive among 540 cities worldwide. Doha followed in 288th place, then Beirut (299th), Abu Dhabi (300th) and Sharjah (324th) as the five Arab cities with the highest cost of living. The Arab cities that had the lowest cost of living were Casablanca (458th), Algiers (473rd), Tunis (506th), Cairo (525th) and Alexandria (538th). The Cost of Living Index is a relative indicator of consumer goods price, including groceries, restaurants, transportation and utilities. Based on the same cities included in the mid-2017 and 2018 surveys, the rankings of three out of 20 Arab cities rose, reflecting an increase in the cost of living relative to other cities worldwide, while the rankings of 16 cities regressed and the rank of one city was unchanged from the mid-2017 survey. Dubai's rank changed from 200th place in the mid-year 2017 survey to 192nd place in the January 2018 survey, reflecting the highest rise in the cost of living in the region, while Irbil's rank changed from 313th place in the mid-year 2017 survey to 352nd place in the January 2018 survey, registering the steepest decline in the cost of living regionally. Further, the Rent Index showed that Dubai has the highest apartment rents regionally, while rents in Alexandria were the lowest. Numbeo relies on residents' inputs and uses data from official sources to compute the indices.

Source: Numbeo, Byblos Research

AFRICA

Credit quality in Sub-Saharan Africa deteriorates

S&P Global Ratings indicated that the overall sovereign creditworthiness in Sub-Saharan Africa (SSA) has deteriorated since July 2017. It noted that it upgraded the ratings of the Republic of Congo, which was more than offset by the sovereign downgrade of Angola due to its rising debt service costs and weak economic growth, of the Democratic Republic of Congo as a result of elevated political and economic risks, and of South Africa due to the weakening of its economic and fiscal framework. In parallel, S&P revised the outlook on Botswana and Zambia to 'stable' from 'negative' and that on Ghana to 'positive' from 'stable'. As such, it indicated that 15 out of the 17 rated SSA countries carry a 'stable' outlook on their sovereign ratings; one has a 'positive' outlook; while Mozambique is in 'Selective Default'. S&P expected economic conditions in SSA economies to modestly improve in 2018 due to the pickup in oil prices and broadly stable prices for key commodity exports, such as copper and diamonds, among others. It said that the average rating of the 17 SSA sovereigns stood at just above 'B' as at December 2017, compared to just below 'BB-' in 2009. It added that the average sovereign rating becomes slightly lower than 'B+' when the ratings are weighted by nominal GDP, largely due to South Africa, which is rated 'BB' and accounts for more than one-fourth of the aggregate GDP of the 17 countries. S&P noted that 16 out of the 17 rated sovereigns have a speculative-grade rating, while Botswana is rated 'A-'.

Source: S&P Global Ratings

OUTLOOK

EMERGING MARKETS

Growth projected at 4.9% for 2018, prospects diverge across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.9% in 2018, unchanged from its October 2017 forecast, and compared to growth rates of 2.3% for advanced economies and 3.9% for the global economy. It expected growth to be mainly driven by stronger activity in India and Emerging Europe, and to vary significantly across economies. It pointed out that risks to the medium-term growth outlook of emerging markets are skewed to the downside and include a tightening in global financial conditions, increased trade barriers and regulatory realignments that would weigh on investment, geopolitical tensions and political uncertainties in emerging markets.

The IMF projected economic growth in Emerging & Developing Asia at 6.5% in 2018, unchanged from its October 2017 forecast. It noted that China's real GDP growth would moderate and India's growth would recover in the 2018-19 period. Also, it raised its growth forecast for Emerging & Developing Europe to 4% this year from 3.5% previously, reflecting improved growth prospects in Turkey and Poland. Further, it forecast real GDP growth in the MENA region plus Afghanistan and Pakistan at 3.6% in 2018, similar to its October projection of 3.5%. It noted that the region's growth prospects are supported by higher global oil prices, but are constrained by fiscal adjustment requirements. Also, it expected Sub-Saharan Africa's real GDP growth at 3.3% this year, nearly unchanged from its October forecast of 3.4%, supported by stronger economic growth in Nigeria, but constrained by subdued growth prospects in South Africa. In addition, it anticipated economic activity in the Commonwealth of Independent States at 2.2% in 2018, similar to its October forecast of 2.1%, due to stronger economic activity in Russia. In parallel, the Fund maintained its growth forecast for Latin America & the Caribbean at 1.9% in 2018, and expected the region's activity to be supported in part by an improved growth outlook in Mexico and a strong economy in Brazil.

Source: *International Monetary Fund*

IRAN

Outlook depends on future of nuclear deal

The Institute of International Finance analyzed Iran's medium-term growth dynamics under two scenarios, one that assumes that the U.S. withdraws unilaterally from the nuclear deal and another that presumes that the U.S. extends its participation in the deal and eases sanctions on Iran's financial sector. Under the first scenario, the IIF expected the withdrawal of the U.S. from the nuclear deal to deter global investment and trade with Iran, and to delay the country's economic recovery. As such, it projected Iran's real GDP growth under this scenario to decelerate from 3.1% in the fiscal year that ends in March 2018 to 2.6% in FY2018/19 and 2.4% in FY2020/21, due to slower private consumption and capital investment. It forecast hydrocarbon output growth to regress from 4.4% in FY2017/18 to 3.3% in FY2018/19 and 3.4% in FY2020/21, while it expected growth in the non-hydrocarbon sector to decrease from 2.7% in FY2017/18 to 2.4% in FY2018/19 and 2.3% in FY2020/21. Also, it indicated that the growth in foreign capital inflows would be slow, which

could keep the financial sector under pressure and place further strain on the Iranian rial in the black market. In this context, it projected the average inflation rate at 10.1% in FY2018/19 and 9% in FY2020/21 compared to 10.4% in FY2017/18.

In parallel, the IIF indicated that growth prospects would improve in case the U.S. remains part of the nuclear deal and eases sanctions on Iran's financial sector. As such, it projected Iran's real GDP growth to accelerate to 3.2% in FY2018/19 and 5.1% in FY2020/21. It forecast hydrocarbon output to grow by 3.7% in FY2018/19 and 4.4% in FY2020/21, and non-hydrocarbon activity to expand by 3% in FY2018/19 and 5.3% in FY2020/21. It noted that foreign capital inflows would pick up, which would facilitate domestic investment and increase job creation. As such, it anticipated the spread between the official and the black market exchange rates to narrow, which would help reduce the average inflation rate to 8.3% in FY2018/19 and 6.5% in FY2020/21.

Source: *Institute of International Finance*

ANGOLA

Devaluation to adversely impact growth prospects

Barclays Capital indicated that Angola's recent decision to shift from a pegged exchange rate regime to a managed float foreign exchange system would have several implications on the country's macroeconomic fundamentals and credit metrics. First, it said that the authorities' decision has led to the depreciation of the Angolan kwanza from AOA166 against the US dollar to about AOA202 per dollar currently. It added that the parallel exchange market has yet to react to the depreciation of the official exchange rate, and has remained at about AOA450 per dollar. It noted that the wide gap between the official and parallel exchange rates means that there is still space for further depreciation of the official exchange rate. It expected the Banco Nacional de Angola (BNA) to gradually allow the currency to depreciate and to conduct periodic foreign currency auctions in the near term, which would help improve foreign currency liquidity in the market.

Second, Barclays Capital expected the government's balance sheet to weaken substantially as a result of the currency depreciation. It noted that the government's fiscal buffers decreased substantially from a peak of 13.6% of GDP at end-2012 to about 5% of GDP at end-2017, and that gross financing needs remain high due to elevated domestic debt refinancing requirements. It forecast the public debt level to grow significantly from 67% of GDP at end-2017 to between 85% and 90% of GDP at end-2018, reflecting debt accumulation and currency depreciation. It added that Angola will become the most indebted issuer in the Sub-Saharan Africa region following the currency depreciation.

Third, Barclays Capital anticipated the weaker kwanza to weigh on growth prospects in 2018 through higher inflation rates and tighter monetary and fiscal policies. It added that the real sector will be adversely affected by a further reduction in the purchasing power of households and a deterioration in the operating environment for firms. It considered that the government's growth projection of 4.9% in 2018 is overly optimistic, and expected real GDP to grow instead by about 1% to 1.5% this year. It noted that the inflation rate could increase to 35% in 2018, depending on the extent of the kwanza's depreciation during the year.

Source: *Barclays Capital*

ECONOMY & TRADE

SAUDI ARABIA

High growth targets to limit fiscal consolidation

Fitch Ratings considered that Saudi Arabia's recent fiscal measures will lead to a sustained rise in government revenues. It noted that the authorities' decision to increase fuel prices, raise taxes on expatriates and introduce a value-added tax would generate the equivalent of 1% of GDP in non-hydrocarbon revenues. But it said that higher non-hydrocarbon receipts will be offset by a budgeted increase of 0.8% of GDP in government spending in 2018, partly due to the authorities' plan to compensate vulnerable households for the rise in utility and fuel costs. As such, it forecast the non-oil deficit to narrow slightly to 36.6% of non-oil GDP in 2018. It added that revenues included in the 2018 budget might be understated, as they could get a one-off increase from settlements following the anti-corruption campaign launched in November 2017. In parallel, the agency pointed out that fiscal consolidation efforts in Saudi Arabia are constrained by the authorities' focus on high GDP growth targets, which explains their decision to postpone achieving a balanced budget from 2020 to 2023. In addition, it said that the government's announcement in early January 2018 of an additional one-year stimulus package, estimated at around 2% of GDP, reflects a weaker commitment to spending ceilings that were adopted in December 2017, and undermines confidence in the authorities' fiscal framework. It added that fiscal discipline could weaken amid the current period of higher global oil prices.

Source: Fitch Ratings

UAE

Ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed the United Arab Emirates' long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook. It noted that the ratings and outlook reflect the country's strong external position, stable domestic political situation, diversified base of current account receipts and a high real GDP per capita. It considered that Abu Dhabi would be willing to support federal institutions and the UAE Central Bank in the event of financial distress, given that the assets managed by the Abu Dhabi Investment Authority are about \$770bn. Further, it indicated that the government's refinancing risks are limited. But it noted that Dubai's government-related entities (GREs) could face higher refinancing costs amid continued increases in U.S. interest rates and in geopolitical risks, given their relatively large maturities of \$35.9bn, or 34.5% of GDP, in the 2017-18 period. In parallel, S&P Global Ratings affirmed the ratings of the Emirate of Sharjah at 'A/A-1' and those of the Emirate of Ras Al Khaimah (RAK) at 'BBB+/A-2', with a 'stable' outlook on the long-term ratings of each of the emirates. It noted that the ratings are supported by their individual fiscal position and by the advantages that they derive from being part of the federation. It said that Sharjah's 'stable' outlook reflects an expected narrowing of its fiscal deficit from 2.2% of GDP in 2017 to 1.8% of GDP in 2018 and to 1.5% of GDP by 2019, supported by revenue-raising measures and higher transfer payments from GREs. It added that RAK's 'stable' outlook reflects a gradual recovery in its economic growth, with its real GDP growth accelerating from 1.8% in the 2015-17 period to 2.5% in the 2018-21 period.

Source: Capital Intelligence Ratings, S&P Global Ratings

MOROCCO

Growth to accelerate with reforms

The International Monetary Fund indicated that Morocco's economic resilience improved following the implementation of sound macroeconomic policies and reforms. It noted that real GDP growth recovered in 2017 and expected it to accelerate over the medium term in case external conditions improve and additional reforms are implemented. The Fund called on authorities to continue implementing fiscal consolidation, which would reduce the public debt level and create fiscal space for priority investment and social spending in the medium term. In addition, the IMF considered that Bank al-Maghrib's (BAM) recent decision to widen the dirham's floating band from +/-0.3% to +/-2.5% would further improve Morocco's external position, strengthen the economy's capacity to absorb shocks and maintain its competitiveness. In parallel, Fitch Ratings considered that the widening of the floating band would pose limited risks to macroeconomic stability. It anticipated supportive economic fundamentals, such as a comfortable level of net international reserves of \$26bn in early January 2018, a low inflation rate, a narrower current account deficit and a moderate foreign-currency exposure, to limit the pressure on the exchange rate. It forecast the current account deficit to narrow from 4.4% of GDP in 2016 to 3.8% of GDP by 2019, and projected the inflation rate to remain close to 2% over the coming two years. Overall, the agency considered the short-term benefits of the band's widening to be modest because the trading range continues to be narrow.

Source: International Monetary Fund, Fitch Ratings

TURKEY

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'BB+' Turkey's long-term foreign currency Issuer Default Rating, with a 'stable' outlook. It indicated that the ratings balance high external financing needs, elevated political and geopolitical risks, and high levels of inflation and macroeconomic volatility against a low public debt level, as well as a commitment to fiscal stability and strong growth performance. The agency projected the fiscal deficit to narrow in 2018 from 2% of GDP in 2017, as the government is planning to raise taxes and scale back stimulus packages. However, it anticipated authorities to increase spending ahead of the 2019 general elections. It estimated the government's debt level at 28.4% of GDP at the end of 2017 and anticipated it to remain below 30% of GDP during the 2018-19 period. In parallel, Fitch projected the current account deficit to widen in coming years from 5.3% of GDP in 2017, despite a rebound in tourism activity, due to a rise in imports. It expected debt instruments to finance the current account deficit, amid subdued foreign direct investments, which would increase the net external debt to 34% of GDP by 2019. Further, it projected Turkey's external financing requirements to reach \$214bn in 2018, or 226% of estimated foreign currency reserves at end-2017, which would keep the economy exposed to shifts in investor sentiment. In parallel, the agency anticipated real GDP growth to decelerate from an estimated 6.8% in 2017 to 4.1% in 2018 as a result of tighter fiscal and monetary policies and limited access to credit facilities. It said that the inflation rate averaged 11.1% in 2017 and expected it to stay in double digits through most of the year.

Source: Fitch Ratings



BANKING

EGYPT

Banking sector resilient to moderate shocks

The International Monetary Fund indicated that Egypt's banking sector remains liquid, profitable and well-capitalized despite the depreciation of the Egyptian pound and the increase in interest rates. It said that the banks' average risk-weighted capital adequacy ratio reached 14.5% at the end of June 2017 relative to 14.1% at end-2016, and was above the Central Bank of Egypt's (CBE) minimum requirement of 11.25%. It noted that the CBE's decision to allow banks to include current-year profits in their capital adequacy ratio calculation and to prohibit dividend payments for all banks supported their capitalization levels. Further, it pointed out that the banks' profitability remain strong, as their return on assets reached 2% on an annualized basis in June 2017 relative to 1.5% in 2016, while their return on equity stood at 31% on an annualized basis in June compared to 24.4% in 2016. In parallel, the Fund indicated that the sector's non-performing loans (NPLs) ratio reached 5.5% at the end of June 2017, down from 5.8% at end-2016, while their loan provisions were equivalent to 91.1% of NPLs at end-June. It considered that the banking sector is resilient to moderate shocks, and that capital levels and operating profits are sufficient to absorb future loan impairments. It added that the banks maintain solid liquidity buffers and are able to weather interest rate and liquidity risks from their large holdings of government securities. In addition, it expected the banks' asset quality to remain sound in the absence of new shocks, mainly due to the CBE's restrictions on foreign currency lending to borrowers without sufficient foreign currency revenues, and to the cash collateral requirement for trade finance loans in the same currency.

Source: International Monetary Fund

KUWAIT

Outlook on banking sector revised to 'positive'

IHS Markit revised from 'stable' to 'positive' the outlook on the Kuwaiti banking sector risk rating of 40, which reflects "Medium Risk" and is equivalent to between 'BBB+' and 'BBB-' on the generic scale. It attributed the outlook revision to slower lending growth, improving economic growth prospects amid a recovery in global oil prices, as well as to a relatively moderate deterioration in Kuwaiti banks' asset quality since the decline in oil prices in 2014. It said that the banks' non-performing loans (NPLs) ratio grew from a recent low of 2.2% at the end of 2016 to 2.5% at the end of September 2017. It considered that the formation of a new Cabinet in December 2017 would likely allow the implementation of measures that would help develop the non-oil economy, which would support the banks' asset quality and limit a further rise in their NPLs in the near term. Overall, it anticipated a limited and more gradual increase in the banks' NPLs compared to the pace of NPLs accumulation during the global financial crisis. Further, IHS Markit indicated that the 'positive' outlook on the banking sector rating reflects expectations of an upgrade of Kuwait's risk rating next year. In this context, it pointed out that a rating upgrade would mainly be contingent on the stabilization of the NPL ratio at below 4%, on modest lending growth rates, on the banks' lower exposure to the local equity market, and on an anticipated rebound in economic activity that would support the recovery in asset quality over the coming three years.

Source: IHS Markit

OMAN

Risks to banking sector increase

S&P Global Ratings downgraded Oman's Banking Industry Country Risk Assessment (BICRA) from 'Group 5' to 'Group 6', as it reassessed the economic risk score from '6' to '7' and maintained the industry risk score at '5'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 6' are Brazil, China, Colombia, Hungary, Slovenia, Thailand and Turkey. S&P said that Oman's economic risk score reflects "very high risks" in its economic resilience, "high risks" in credit risk in the economy and "intermediate risks" in its economic imbalances. It noted that banks face high economic risks due to the impact of low oil prices on the economy. It added that credit risks are elevated due to high household leverage and only adequate lending and underwriting standards. It expected credit conditions to deteriorate in 2018, mainly in the retail sector, which would lead to an increase in non-performing loans and credit losses, as well as to a decline in the banks' profitability. It projected lending growth to average 5% in the 2018-19 period. In parallel, S&P indicated that the industry score reflects the country's "high risks" in its competitive dynamics, and "intermediate risks" in its institutional framework and system-wide funding. It added that the banks' balance sheets are liquid and mainly funded by core customer deposits. But it noted that the banks' heavy reliance on public-sector deposits makes them vulnerable to a deterioration in their system-wide funding. S&P said that the trend for economic and industry risks is 'negative'.

Source: S&P Global Ratings

GHANA

Steady policy rates if inflationary pressures persist

IHS Markit indicated that the Bank of Ghana's (BOG) decision to hold its key policy rate at 20% reflects concerns about the rise of the inflation rate in the last two months of 2017, as inflation increased marginally following a stable trend. It added that the BoG took into account the impact of the current increase in global oil prices on transport cost and, in turn, on the inflation rate. It expected the BoG to monitor price dynamics in the first quarter of 2018 and to keep its policy rate unchanged at its March monetary policy meeting, in case the inflation rate continues to increase or inflation expectations strengthen. It said that the BoG is likely to resume its monetary-easing cycle in 2018, though at a slower pace than in 2017, once inflationary pressures ease. In parallel, the BoG indicated that the banking sector is liquid, profitable and solvent, but it noted that asset quality remains a concern. It said that the banking sector's capital adequacy ratio increased from 14.8% at the end of June 2017 to 18% at the end of 2017, significantly above the 10% prudential requirement, mainly due to the implementation of the capital restoration plan in the sector. It added that the banks' return on equity improved from 17.6% in 2016 to 18.8% in 2017. However, it pointed out that the non-performing loans (NPLs) ratio increased from 21.6% at the end of October 2017 to 22.7% at the end of 2017, with more than 50% of NPLs in the loan loss category.

Source: IHS Markit, Bank of Ghana



ENERGY / COMMODITIES

Oil prices to reach \$60 p/b in 2018

Crude oil prices reached a three-year high in late January 2018, mainly due to a weaker US dollar, a decline in U.S. crude oil inventories for the 10th consecutive week and sustained production cuts by OPEC and non-OPEC members. ICE Brent crude oil front-month prices reached \$70.5 per barrel (p/b) on January 24, 2018, constituting an increase of 28.7% from an average of \$54.8 p/b in 2017, while WTI oil prices grew by 29% from an average of \$50.8 p/b in 2017 to close at \$65.7 p/b on the same day. In parallel, OPEC's compliance with the output cuts reached a record high of 129% in December 2017, which improved investor sentiment. Other factors that have supported oil prices so far in 2018 include the unrest in Iran, higher demand for winter heating in the U.S., a decline in oil exports from southern Iraq, a drop in Venezuela's oil output to a three-decade low, and improved global economic prospects. In parallel, S&P Global Ratings increased by \$15 its 2018 forecast for average Brent and WTI oil prices to \$60 p/b and \$55 p/b, respectively. It attributed the increase in prices to stronger global oil demand, the ongoing OPEC production cuts, as well as actual and potential supply disruptions. It anticipated the oil market to balance by mid-2018. It noted that the major downside risks for oil prices this year include an increase in U.S. shale oil production and the non-compliance of countries that are part of the OPEC agreement.

Source: Thomson Reuters, S&P Global Ratings, Byblos Research

Iraqi oil exports at 3.8 million b/d in first three weeks of 2018

Iraq's crude oil exports reached 3.76 million barrels per day (b/d) during the first three weeks of 2018, down by 90,000 b/d from December 2017. The decline in oil exports reflects unfavorable weather conditions that have reduced shipments so far this month. Southern Iraqi crude oil exports reached 3.44 million b/d in the first three weeks of the year, down from 3.54 million b/d in December 2017, while northern exports averaged 320,000 b/d in the covered period, compared to 310,000 b/d in December 2017.

Source: Iraq Ministry of Oil, Thomson Reuters, Byblos Research

Production from Algeria's Rhourde el Khrouf oil-field to recover after Cepsa-Sonatrach deal

Sonatrach, Algeria's state-owned oil and gas company, signed a deal with Cepsa, the Spanish oil and gas company, to boost production at the Rhourde el Khrouf mature oilfield in southeastern Algeria, through new hydrocarbon recovery techniques. The contract extends over 25 years and includes \$1.2bn in investments. Under the deal, crude oil output is projected to grow from 11,000 barrels per day (b/d) to 24,000 b/d in five years. Further, Cepsa seeks to produce liquefied petroleum gas from the oilfield for the first time and targets a production rate of 10,000 b/d in six years.

Source: Thomson Reuters

OPEC's oil output unchanged in December 2017

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 32.42 million barrels per day (b/d) in December 2017, nearly unchanged from 32.37 million b/d in the preceding month. Saudi Arabia produced 9.9 million b/d in December 2017, equivalent to 30.6% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.6%) and Iran with 3.8 million b/d (11.8%).

Source: OPEC, Byblos Research

Base Metals: Copper prices decrease on rising inventories

LME copper three-month future prices averaged \$7,118 per metric ton so far this year, but they closed at \$6,923 per ton on January 23, 2018, their lowest value since December 18, 2017, following news of a surge in global refined copper inventories. The metal's price rebounded to \$7,150 on January 24, due to a significantly weaker U.S. dollar, and despite rising inventories. Copper prices are forecast to average \$6,600 a ton in 2018 and \$6,700 a ton in 2019, compared to an average of \$6,198.7 a ton in 2017, mainly driven by China's production cuts of the refined metal. In parallel, the latest available figures show that global demand for refined copper was 19.6 million tons in the first 10 months of 2017, nearly unchanged from 19.5 million tons in the same period of 2016, as Chinese demand was unchanged and global demand in the rest of the world increased by a marginal 0.4% in the covered period. On the supply side, global refined copper production was 19.4 million tons in the first 10 months of 2017, unchanged from the same period of 2016. In fact, a 7% rise in Indian supply and a 5% growth in Chinese output were mostly offset by a 10% decline in US supply and an 8% decrease in Chilean production. On a regional basis, refined output grew by 3.5% in Europe and by 3% in Asia, while it dropped by 10% in Oceania, by 8% in the Americas and by 2% in Africa.

Source: International Copper Study Group, Standard Chartered Bank, Thomson Reuters

Precious Metals: Silver prices to rise on supportive supply and demand dynamics

Silver prices averaged \$17.1 per troy ounce in 2017, trading at a low of \$15.4 an ounce and a high of \$18.5 an ounce last year. In 2018, the metal's price is forecast to increase to an average of \$18.3 an ounce and to trade at a low of \$15.5 an ounce and a high of \$20.5 an ounce. The rise in silver prices reflects supportive supply and demand dynamics. On the demand side, the global automotive sector will boost silver's industrial demand in 2018. Also, jewelry consumption is forecast to rise by 4% this year following an increase of 1% in 2017, mainly driven by jewelry demand in China. In addition, silver usage for photovoltaic cells is forecast to reach a record-high in 2018, supported by growing demand for solar panels, as individual households in China are increasingly using solar panels. On the supply side, the metal's production is anticipated to decline by 2% this year, constituting the second consecutive annual decrease, which would support the metal's price outlook. However, downside risks to prices include subdued investor demand and ongoing efforts to substitute silver usage in the photovoltaic and healthcare sectors.

Source: Standard Chartered Bank, Thomson Reuters



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	Positive	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-								
	-	Stable	Stable	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA-	Aa3	A+	-	A								
	Stable	Negative	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-								
	Negative	Negative	Stable	-	Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+	Ba1	BBB-	-	BB+								
	Negative	CWN***	Negative	-	Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB	Ba1	BB+	BB+	BB-								
	Negative	Negative	Stable	Stable	Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC	Caa3	CCC	-	B-								
	Negative	Stable	-	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

* including grants for Sub-Saharan African countries

** to official creditors

***Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.25-1.50	13-Dec-17	Raised 25bps	31-Jan-18
Eurozone	Refi Rate	0.00	25-Jan-18	No change	08-Mar-18
UK	Bank Rate	0.50	14-Dec-17	No change	08-Feb-18
Japan	O/N Call Rate	-0.10	23-Jan-18	No change	09-Mar-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	1.25	17-Jan-18	Raised 25bps	07-Mar-18
Emerging Markets					
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	18-Jan-1	No change	27-Feb-18
Malaysia	O/N Policy Rate	3.25	25-Jan-18	Raised 25bps	07-Mar-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	07-Mar-18
South Africa	Repo rate	6.75	18-Jan-18	No change	28-Mar-18
Kenya	Central Bank Rate	10.00	24-Jan-18	No change	27-Mar-18
Nigeria	Monetary Policy Rate	14.00	23-Jan-18	No change	21-Mar-18
Ghana	Prime Rate	20.00	22-Jan-18	No change	26-Mar-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	9.75	15-Jan-18	Cut 50bps	20-Feb-18
Ukraine	Discount Rate	16.00	25-Jan-18	Raised 150bps	01-Mar-18
Russia	Refi Rate	7.75	15-Dec-17	Cut 50bps	09-Feb-18



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

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

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

