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NEWS HEADLINES

EMERGING MARKETS

Sovereign creditworthiness deteriorates

S&P Global Ratings indicated that the average sovereign rating of the 20 emerging markets (EM) with the highest level of outstanding commercial debt remained at slightly below 'BBB-' at the end of 2017. It pointed out that the average sovereign rating of the 20 EMs deteriorated in the second half of 2017, as the downgrades of the ratings of China, Columbia and South Africa, as well as the revision of Venezuela's rating to 'Selective Default', more than offset the upgrade of Argentina's rating. S&P noted that 60% of the covered sovereigns had an investment-grade rating above 'BBB-' at the end of 2017, unchanged from end-June 2017. It added that 20% of the ratings were in the 'B' or 'CCC' categories at end-2017, up from 10% over the 2009-10 period, reflecting a deterioration in the credit quality of EM sovereigns that are rated at the lower end of the group's range. Further, the agency said that the average sovereign rating becomes slightly below 'BBB+' when the ratings are weighted by nominal GDP at end-2017, largely due to the downgrade of China's rating to 'A+', which accounts for more than one-third of the aggregate GDP of the 20 EMs, compared to an average sovereign rating of above 'BBB+' at end-June 2017. Also, it said that the balance between positive and negative outlooks improved since mid-2017, with Egypt, Hungary and Russia carrying 'positive' outlooks on their sovereign ratings as at the end of 2017, and Brazil, Qatar and Turkey having 'negative' outlooks. In comparison, it noted that eight EMs had a 'negative' outlook at the end of June 2017, while only one economy carried a 'positive' outlook.

Source: S&P Global Ratings

GCC

Debt issuance down 4% to $100bn in 2017

The National Bank of Kuwait (NBK) indicated that public and private sector debt issuance in the Gulf Cooperation Council (GCC) countries reached $100bn in 2017, constituting a decrease of 4.2% from $104.4bn in 2016. It noted that public sector debt issuance stood at $84.3bn in 2017, down by 0.6% from 2016, and accounted for 84.3% of total issuance. It added that international sovereign debt issuances reached a record-high of $50bn, and represented 59% of public sector issuance in 2017. In parallel, private sector debt issuance stood at $15.8bn in 2017, constituting a decline of 19% year-on-year. NBK pointed out that debt issuance by the non-financial private sector grew by 5.6% to $7.5bn, while issuance by the financial sector declined by 33.1% to $8.3bn last year. On a country basis, debt issuance in Saudi Arabia totaled $33.2bn, or 33.2% of total GCC issuance in 2017, followed by the UAE with $21.6bn, Kuwait with $19.7bn, Oman with $9.6bn, Qatar with $9.2bn and Bahrain with $6.8bn. In addition, it expected GCC countries to continue to borrow in 2018, partly due to the region's aggregate fiscal deficit, which it estimated at $74bn this year. It noted that Oman has already issued $6.5bn in sovereign bonds in 2018. However, it said that a gradual tightening of global monetary policy, regional geopolitical uncertainties, as well as volatile global oil prices could weigh on funding conditions in the GCC.

Source: National Bank of Kuwait

MENA

Stock markets up 5% in January 2018

Arab stock markets improved by 5.1% and Gulf Cooperation Council equity markets rose by 5.5% in January 2018, relative to an increase of 1.6% each in the same month of 2017. In comparison, global equities increased by 5.3%, while emerging market equities improved by 6.8% in January 2018. Activity on the Khartoum Stock Exchange jumped by 9.1% in January 2018, the Qatar Stock Exchange grew by 8%, the Beirut Stock Exchange rose by 6.5%, the Saudi Stock Exchange expanded by 5.9%, the Casablanca Stock Exchange improved by 5.5%, the Abu Dhabi Securities Exchange increased by 4.6%, the Boursa Kuwait grew by 4.4%, the Amman Stock Exchange rose by 3.1%, the Tunis Bourse expanded by 2.8%, the Iraq Stock Exchange improved by 1.7%, the Bahrain Bourse expanded by 1.4%, the Dubai Financial Market increased by 0.7%, the Egyptian Exchange grew by 0.2% and the Palestine Exchange rose by 0.1%. In contrast, activity on the Muscat Securities Market dropped by 1.9% and the Damascus Securities Exchange regressed by 1.1% in the covered month. In parallel, activity on the Tehran Stock Exchange increased by 2.7% in January 2018.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Ability to develop and retain talent varies across Arab world

The INSEAD Global Talent Competitiveness Index (GTCI) for 2018 ranked the UAE in 17th place among 119 countries globally and in first place among 13 Arab countries. Qatar followed in 23rd place, then Bahrain (38th), Saudi Arabia (41st), Jordan (50th), Oman (56th), Lebanon (60th), Kuwait (65th), Tunisia (83rd), Morocco (98th), Algeria (101st), Egypt (104th) and Yemen (119th). The GTCI measures a country's ability to attract, develop and retain talent. It is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. A higher score on the index reflects a country's better performance in terms of talent competitiveness. The Arab countries' average score stood at 41.9 points, lower than the global average score of 45.5 points. Also, the Arab economies' average score was higher than the average score of Latin & Central America and the Caribbean (38.6 points), Central & Southern Asia (32.5 points) and Sub-Saharan Africa (31.5 points). But it was lower than the average score of North America (72.5 points), Europe (56.6 points), and East & Southeast Asia and Oceania (50.1 points). In parallel, the UAE (18th), Qatar (20th) and Bahrain (30th) were the top ranked Arab countries on the Talent Competitiveness Input Sub-Index that covers the policies, resources and efforts that a country can use to promote its talent competitiveness. Further, the UAE (15th), Qatar (32nd) and Lebanon (35th) led Arab countries on the Talent Competitiveness Output Sub-Index, which measures the quality of talent that results from domestic policies, resources and efforts.

Source: INSEAD, Byblos Research

OUTLOOK

EGYPT

Outlook depends on economic policies and reforms

The International Monetary Fund expected Egypt's growth outlook to be favorable, provided that authorities maintain their prudent macroeconomic policies and continue to implement growth-supportive reforms. It noted that the authorities' reform program and the IMF support have helped stabilize the economy, restore market sentiment, strengthen the growth momentum, narrow the fiscal and external deficits, reduce inflationary pressure and replenish foreign currency reserves. It projected Egypt's real GDP growth to accelerate from 4.2% in the fiscal year that ended in June 2017 to 4.8% in FY2017/18 and to reach 6% in the medium term, in case of a recovery in consumption, private investment and net exports. It forecast the average inflation rate to decline from 23.5% in FY2016/17 to 13.7% in FY2018/19, supported by tight monetary policy. It noted that the main risks to the outlook are a slowdown or reversal of reforms that could weigh on investment activity and reduce growth. It said that other risks consist of a sustained increase in oil prices that would weaken the external balance and increase the fuel subsidy bill, a deterioration in security conditions that would weigh on tourism, as well as lower growth in Egypt's main trading partners or an unexpected tightening of global financial conditions.

In parallel, the IMF anticipated the fiscal deficit to narrow from 10.9% of GDP in FY2016/17 to 9.2% of GDP in FY2017/18, driven by sustained fiscal consolidation. As such, it projected the public debt level to regress from 103.3% of GDP at end-June 2017 to 91.3% of GDP at end-June 2018. It cautioned that pressure to increase spending on public-sector wages or on social programs could weigh on public finances. Further, the Fund anticipated the current account deficit to narrow from 5.8% of GDP in FY2016/17 to 4.6% of GDP in FY2017/18, in case the tourism sector continues to recover, net exports improve and external competitiveness increases. It forecast foreign currency reserves to rise from $30.7bn, or 5.5 months of import cover at the end of June 2017, to $34.5bn, or 5.7 months of import cover at end-June 2018, supported by increased capital inflows following the transition to a flexible exchange rate regime.
Source: International Monetary Fund

KUWAIT

Growth to average 3.2% over the medium term

The International Monetary Fund indicated that Kuwait is well positioned to mitigate the impact of low oil prices on the economy, as its substantial financial buffers, low public debt level and sound financial sector would facilitate fiscal adjustment and support activity. It projected real GDP to grow by 3.9% in 2018 following a contraction of 2.5% in 2017, and expected growth to average 3.2% annually over the medium term. It forecast hydrocarbon sector activity to expand by 4.6% in 2018 relative to a contraction of 6% last year, supported by higher investments in the sector. It anticipated growth in the non-hydrocarbon sector to accelerate from 2.5% in 2017 to 3% this year, driven by higher spending under the five-year Development Plan and by improved confidence. The Fund indicated that downside risks to the growth outlook include lower-than-anticipated oil prices, tighter global financial conditions, heightened geopolitical tensions and delays in the implementation of reforms.

In parallel, the IMF 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 ends in March 2018 to 15.5% of GDP in FY2018/19, and projected it to remain around the same level over the medium term. It noted that the government covered its financing needs through drawdown of foreign assets, as well as through domestic and external borrowing. As such, it expected the public debt level to increase from 19.1% of GDP in FY2017/18 to 27% of GDP FY2018/19. Also, it projected Kuwait's assets in its sovereign wealth funds to be equivalent to 431% of GDP in FY2018/19 relative to 450% of GDP in FY2017/18. Further, it forecast the current account to post a deficit of 0.5% of GDP in 2018, and expected it to remain broadly balanced over the medium term.
Source: International Monetary Fund

ETHIOPIA

Growth to average 8% in medium term, risks of debt distress persist

The International Monetary Fund projected Ethiopia's real GDP growth at 8.5% in the fiscal year that ends in July 2018, supported by a recovery in agricultural activity and a pick-up in exports. It anticipated growth to average about 8% annually in the medium term amid sustained expansion in investment and exports. Further, it forecast the average inflation rate to rise from 7.2% in FY2016/17 to 11.5% in FY2017/18 as a result of the recent devaluation of the Ethiopian birr. But it expected the inflation rate to stabilize at about 8% annually in the medium term, as authorities implement the announced restrictive monetary and fiscal policies. The IMF pointed out that downside risks to the outlook could arise from further delays in the implementation of infrastructure projects, from the slow implementation of structural reforms and from lower growth in Ethiopia's main trading partners. Also, it considered that adverse weather conditions could weigh on the country's external position, which would lead to a wider trade deficit and weaker debt sustainability.

In parallel, the Fund projected Ethiopia's fiscal deficit, including grants, to narrow from 3.4% of GDP in FY2016/17 to 2.5% of GDP in FY2017/18, supported by sustained fiscal consolidation efforts. Further, it projected the current account deficit to narrow from 8.2% of GDP in FY2016/17 to 7.7% of GDP in FY2017/18, and to gradually improve over the medium term, mainly due to higher exports and steady remittance inflows. It forecast foreign currency reserves to increase from $3.2bn, or 1.9 months of import cover, at end-June 2017 to $3.7bn, or two months of import cover, at end-June 2018. In addition, it anticipated the external debt level to reach 33.1% of GDP at the end of June 2018, and for the public debt level to reach 59% of GDP at end-June 2018. It noted that the country is at high risk of debt distress, given that it has about $1.5bn in external debt service payments due in FY2017/18 and significant obligations over the medium term.

In parallel, the IMF expected the devaluation of the birr in October 2017 and the subsequent monetary tightening to help address the exchange rate overvaluation. It said that the real effective exchange rate was overvalued by about 20% in FY2016/17, which has resulted in foreign currency shortages.
Source: International Monetary Fund

AFRICA

Negative outlook on Sub-Saharan sovereigns

Moody's Investors Service indicated that the outlook on the sovereign ratings of Sub-Saharan African (SSA) countries is 'negative' over the next 12 to 18 months due to the region's subdued growth prospects, fiscal consolidation challenges and increased political risks. It projected growth in the SSA region to accelerate from an estimated 2.6% in 2017 to 3.5% in 2018, supported by a stronger global economy and a modest rise in commodity prices. Still, it noted that low commodity prices, domestic structural bottlenecks and the challenging business environment would continue to weigh on economic activity in SSA economies. It added that the economic recovery is fragile, is uneven across countries and is below the region's potential. In parallel, Moody's expected the fiscal deficit in most SSA-rated sovereigns to stabilize in 2018, but to be wider than the pre-2014 levels. In this context, it indicated that the public debt levels of SSA economies would increase this year, but at a slower pace, due to fiscal consolidation challenges, high debt servicing costs and subdued growth in the region. Further, it said that SSA countries with significant shares of foreign currency denominated debt would be vulnerable to currency risks amid limited foreign currency reserves. It anticipated refinancing risks to increase as a high volume of foreign debt approaches maturity in early 2020. Also, the agency indicated that liquidity risks are elevated in commodity-dependent sovereigns, due to wide fiscal deficits and challenging funding conditions.

Source: Moody's Investors Service

GCC

Governments to face increased challenges in implementing additional tax measures

S&P Global Ratings considered that economic and social structures in the Gulf Cooperation Council (GCC) countries constrain the imposition of additional taxes. It noted that the UAE and Saudi Arabia introduced a 5% VAT in January 2018, while Bahrain and Oman said that they will introduce it during 2018 and 2019, respectively. It added that Qatar postponed the introduction of a VAT to a later stage, while Kuwait's Parliament has yet to approve the tax measure and could be considering other tax alternatives. It anticipated the introduction of the VAT to support the diversification of government revenues away from the hydrocarbon sector, and to raise government revenues by between 1.7% and 2% of GDP on average. It estimated that further significant broadening of the tax base in GCC economies, such as the implementation of a 15% corporate tax, a 15% personal income tax and a 5% tax on remittances, would raise government revenues by between 3% and 4.5% of GDP. It noted that the introduction of these taxes would narrow the fiscal deficits in the GCC, but would not address the heavy dependence of government revenues on oil receipts. Further, it indicated that the introduction of new taxes could weigh on competitiveness and, in turn, on economic growth in the GCC. It pointed out that a sharp hike in income tax on foreign labor would make the GCC region less attractive to expatriates, while taxing the income of nationals would increase social tension. It added that a potential corporate tax on local non-hydrocarbon firms would weigh on domestic investment and consumption.

Source: S&P Global Ratings

OMAN

Fiscal deficit to remain wide in 2018-19

The Institute of International Finance projected Oman's fiscal deficit to narrow from 12.4% of GDP in 2017 to 9.3% of GDP in 2018 in case oil prices average $60 p/b during the year. It noted that the deficit has remained wide because Oman, unlike other GCC countries, has maintained relatively high public spending over the past three years to support economic activity. As such, it forecast the public debt level to reach 53% of GDP in 2018, relative to 44% of GDP in 2017 and 5% of GDP in 2014. It said that Oman continues to rely on external sources to finance its deficit due to its modest foreign assets. It added that the government issued $6.5bn in foreign debt earlier this year, which would cover about 90% of its financing needs for 2018. The IIF considered that Oman's sovereign ratings will face downward pressure in the absence of fiscal consolidation. But it noted that the current increase in global oil prices could temporarily ease the pressure on the country's fiscal and external accounts. In parallel, the IIF projected Oman's real GDP growth to accelerate from 0.4% in 2017 to 3.4% this year, supported by a rebound in gas production and infrastructure projects. It forecast non-hydrocarbon sector growth to accelerate from 2.5% in 2017 to 3.5% in 2018, while it expected hydrocarbon output to grow by 3.6% this year following a contraction of 2.4% in 2017. It cautioned that fiscal easing would support growth prospects over the short term, but it would lead to higher public debt, debt servicing cost and pressure on the exchange rate over the medium term.

Source: Institute of International Finance

TUNISIA

Social and political tensions weigh on reforms

Fitch Ratings indicated that continued social and political tensions within the ruling coalition in Tunisia could weaken the consensus on fiscal and economic reforms. It pointed out that the 2018 budget includes several measures that aim to reduce imbalances and to narrow the fiscal deficit from 6% of GDP in 2017 to 4.9% of GDP in 2018. In this context, it noted that the budget law raised the value-added tax rate, and increased custom duties, taxes on banks' profits, social security levies and other indirect taxes. It said that the implementation of the 2018 budget triggered protests in several regions in the country. It added that the government has resisted calls by unions and political parties to withdraw some of the main provisions in the 2018 budget law and has made minor concessions. It noted that renewed social tensions are possible and could raise risks to fiscal consolidation. Overall, it considered the implementation of the 2018 budget to be a key indication of the government's ability to deliver reforms. Further, the agency said that continued social and political tensions have led to delays in the implementation of reforms and, in turn, to the disbursement of funds under the $2.9bn IMF program for the 2016-20 period. It noted that financial support from the IMF is crucial to cover Tunisia's external financing shortages and maintain confidence in economic policy-making. It added that the disbursement of the third IMF loan tranche that was due in March 2017 was delayed, and would likely be approved in the first quarter of 2018, given a failure to reach a staff-level agreement until December 2017.

Source: Fitch Ratings

GCC

Corporate governance at banks improves

S&P Global Ratings considered that corporate governance practices at banks in the Gulf Cooperation Council (GCC) countries compare favorably with those in many emerging markets, especially in oil-rich countries. It added that corporate governance in the GCC region improved significantly over the past decade, in line with advances in global corporate governance practices. It attributed this progress to developments in local and global regulations, as well as to the growing need for transparency, as regional banks have increased their international debt issuances. Overall, the agency indicated that the quality and effectiveness of financial reporting is satisfactory for publicly-listed GCC banks. It added that all publicly-listed banks publish annual and quarterly interim reports according to international financial reporting standards, and that most of them publish quarterly or biannual Basel Pillar 3 disclosures. However, S&P pointed out that the banks are owned by powerful local families or influential individuals, which might impact decision-making. In this context, it said that governance risks could arise from implicit related-party lending and excessive risk taking, but it noted that direct related-party lending is closely controled by banking regulations in the GCC. In parallel, the agency indicated that some GCC countries have strengthened the regulations of non-bank financial institutions (NBFIs), but it said that regulators can still improve the requirements on financial reporting, on leverage and on capital adequacy of NBFIs.

Source: S&P Global Ratings

NIGERIA

Agency affirms ratings of five banks

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of Guaranty Trust Bank (GTB) and Zenith Bank at 'B+', those of Access Bank and United Bank for Africa (UBA) at 'B', and the long-term IDRs of First Bank of Nigeria (FBN) and its holding company FBN Holdings (FBNH) at 'B-'. It maintained a 'stable' outlook on the long-term IDRs of Access Bank and UBA, and a 'negative' outlook on the four remaining banks, in line with the outlook on the sovereign ratings. In parallel, it affirmed the Viability Ratings (VRs) of GTB and Zenith Bank at 'b+', those of Access Bank and UBA at 'b' and the VRs of FBN and FBNH at 'b-'. The agency indicated that the banks' IDRs are driven by their standalone creditworthiness and, in turn, by their VRs. It pointed out the VR of Zenith Bank is underpinned by its well-established franchise, favorable underwriting standards and risk controls, as well as by its strong loss-absorption capacity and capital adequacy ratios. Also, it said that FBN's VR is supported by its solid franchise, strong operating revenues, stable customer deposits, low funding costs and adequate local currency liquidity ratios, but is constrained by deteriorating asset quality and low capital metrics. It added that UBA's VR is driven by its well-established franchise, low loan impairment ratio, improved foreign currency liquidity position and high local liquidity metrics, but is mainly constrained by narrow capital buffers and limited loss-absorption capacity. Further, the agency noted that the government's ability to provide funding to the banks is weak, particularly funding in foreign currency, given the prevailing tight foreign currency liquidity conditions.

Source: Fitch Ratings

MAURITANIA

NPL ratio at 23% at end-June 2017

The International Monetary Fund indicated that tight liquidity conditions and the slowdown in economic activity during the 2014-16 period have adversely affected Mauritania's banking sector, with a deterioration in the banks' asset quality and profitability. It noted that overall liquidity conditions have improved in 2017, but remained insufficient to support lending growth. It added that private-sector lending grew by 6.3% year-on-year at the end of June 2017, relative to annual growth rates of 8.3% in 2016 and of 21.3% in 2014. Further, it said that the recovery in economic activity in 2017, along with better terms of trade, helped reduce the non-performing loans (NPLs) ratio from 25.5% at end-2016 to 23% at the end of June 2017. In addition, it pointed out that authorities have taken steps to address financial stability risks by improving the banks' liquidity and capital positions, as well as by strengthening their asset quality. As such, it noted that the banks' average capital adequacy ratio increased from 23.7% at end-2016 to 25.5% at the end of June 2017, while the sector's liquid assets grew from 17% of total assets at the end of 2016 to 24% of assets at end-June 2017. The IMF welcomed the Banque Centrale de Mauritanie's (BCM) plan to increase gradually the minimum capital requirement from UM6bn, or about $16.9m, to UM10bn, or $28.2m, over two years, which would encourage mergers and reduce loan concentration. It also encouraged the BCM to ensure adequate reporting and provisioning for NPLs, as well as the enforcement of credit concentration limits, including restrictions on lending to related parties.

Source: International Monetary Fund

IRAN

Banks have weak asset quality and capital levels

The Institute of International Finance indicated that the balance sheets of Iranian banks have weakened over the past few years due to public payment arrears, connected lending and poor management. It noted that the banks' capital adequacy ratio regressed from 8.5% in 2012 to about 6% in 2017. It added that the banking sector's non-performing loans ratio significantly increased over the past few years and reached 13% in 2017, well above the average ratio of 3% among GCC banks. It attributed the deterioration in the banks' asset quality to poor management and to the impact of economic and financial sanctions on the economy and on the financial sector. Also, it indicated that the banks' profitability continues to be constrained amid rising funding costs. Further, the IIF indicated that most private businesses in Iran face difficulties in accessing loans or in servicing their obligations. It noted that total debt owed to state and private banks grew by about 25% to $340bn in 2017, which increases the risk of large write-offs. The IIF pointed out that Iranian banks require large capital injections, management restructuring and improvements in governance. However, it considered that reforming the financial sector in Iran would not be easy due to powerful vested interests. In parallel, the IIF indicated that international banks would be cautious about dealing with Iranian banks or corporates in case the United States withdraws unilaterally from the nuclear deal. It noted that this would pose a major challenge for global banks to reestablish correspondent banking relationships.

Source: Institute of International Finance

Oil prices to average $62 p/b in 2018

ICE Brent crude oil front-month prices averaged $69 per barrel (p/b) in January 2018, constituting an increase of 24.3% from an average of $55.5 p/b in the same month of 2017; while WTI oil prices averaged $63.6 p/b last month and rose by 21% from $52.6 p/b in January 2017. The recent upward trend in global oil prices is due to several factors, including OPEC's strong compliance with the oil production cuts, a weaker US dollar, better global growth prospects, supply disruptions, rising demand for winter heating and improved market sentiment. These factors have offset the news that U.S. oil output exceeded 10 million barrels per day (b/d) towards the end of 2017 for the first time in 48 years, and that OPEC oil production rose in January 2018 from an eight-month low in December due to higher output from Iraq, Nigeria and Saudi Arabia. Overall, the oil market remains affected by two opposing forces, which are the OPEC-led production cuts and rising U.S. shale oil output. As such, oil prices are not expected to significantly rise above $70 p/b level in 2018, and are more likely to trade between $60 p/b and $70 p/b throughout the year. As such, Brent oil prices are forecast to average $63.8 p/b in the first quarter of 2018 and $62.2 p/b in the second quarter of the year, while WTI oil prices are expected to average $59.3 p/b in the first quarter and $58.2 p/b in the second quarter of 2018. Overall, Brent and WTI oil prices are projected to average $62.4 p/b and $58.1 p/b, respectively, in 2018.

Source: Citi, Thomson Reuters, Byblos Research

Egypt's oil exports to rise by 9% in FY2017/18

Egypt's revenues from oil exports are forecast to reach $7.1bn in the fiscal year that ends in June 2018, which would constitute an increase of 9.2% from $6.5bn in FY2016/17, and which would represent 30.6% of the country's total exports of goods. In parallel, Egypt's oil imports are projected at $11.8bn in FY2017/18, which would constitute a rise of 5.6% from $11.2bn in the preceding fiscal year, and which would account for 20.7% of its total imports of goods.

Source: International Monetary Fund

Nigeria's oil receipts up 40% to $3.1bn in first 11 months of 2017

Nigeria's crude oil and condensate export receipts totaled $3.1bn in the first 11 months of 2017, constituting an increase of 40% from $2.2bn in the same period of 2016. Export revenues in the first 11 months of 2017 consisted of $2.15bn from crude oil exports (69.1%), $865.6m from gas exports (27.8%) and $97.1m in other receipts (3.1%). The authorities transferred $56.6m of total hydrocarbon revenues in November 2017 to the Federation Account, while they used $144.5m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Kuwait to spend more than $500bn on hydrocarbon projects by 2040

Kuwait announced that it will spend more than $500bn on oil & gas projects by 2040 to boost its hydrocarbon output and refining capacity. It plans to allocate $114bn in capital expenditures over the next five years, followed by an additional $394bn to be invested by 2040. It expected the projects to increase the country's oil production capacity from 3.15 million barrels per day (b/d) currently to 4.75 million b/d by 2040.

Source: Zawya, Thomson Reuters, Byblos Research

Base Metals: Sustained production cuts support zinc prices

LME zinc 3-month future prices averaged $3,405 per ton in January 2018, up by 25.1% from $2,723 a ton in the same month of 2017. Prices reached their highest level in more than 10 years to close at $3,550 on January 29, 2018, driven by expectations of increased infrastructure projects in the United States following President Donald Trump's State of the Union address. Also, the rally in zinc prices is supported by higher global demand for the metal against a backdrop of constrained supply conditions, particularly in China. In addition, inventories of the refined metal dropped to 176,275 tons, their lowest level since 2008, amid worries over supply shortages. In parallel, zinc prices are forecast to average $3,300 a ton in the first quarter and to rise to $3,400 a ton in the second quarter of 2018 due to sustained production cuts in China, the world's largest producer of zinc. Further, the metal's price is projected to increase from an average of $2,888 a ton in 2017 to an average of $3,225 a ton in 2018, as the zinc market is expected to post a deficit of 350,000 tons this year. However, the metal's price is expected to average $2,400 a ton over the 2019-20 period in case production in existing facilities rebounds and new capacity comes online.

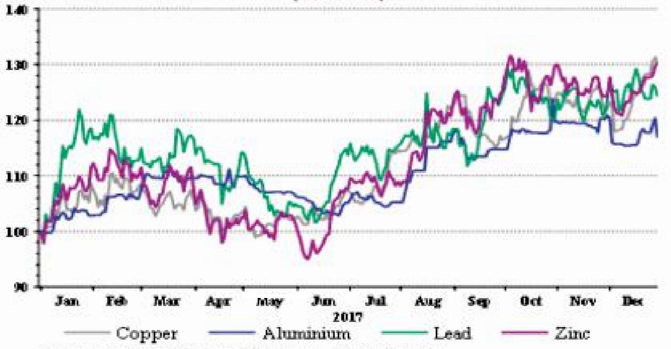
Source: Citi, Standard Chartered Bank, Thomson Reuters

Precious Metals: Gold prices to rise in 2018 supported by a recovery in investor demand

The gold Bullion spot prices averaged $1,300.5 a troy ounce in January 2018, up by 5% from $1,266.5 an ounce in December 2017, and constituting the highest monthly average since September 2017. The increase in gold prices mainly reflects a weaker US dollar, as the rise in the metal's average monthly price coincided with a 2.8% drop in the trade-weighted US Dollar Index. Gold prices are forecast to increase from an average of $1,258 an ounce in 2017 to $1,360 an ounce in 2018, supported by a recovery in global investor demand, especially in China, as well as stable physical demand for the metal in India. However, downside risks to the metal's price outlook for 2018 include potential U.S. interest rate hikes and a slowdown in U.S. retail demand. In parallel, global gold demand reached 3,932 tons in 2017, constituting a rise of 10.5% from 3,557 tons in 2017, mainly due to higher global jewelry demand. On the supply side, global gold production totaled 4,409 tons in 2017, down by 3.6% from 4,572 tons in 2016, mainly reflecting lower global mine production and scrap supply. In fact, mine production reached 3,214 tons last year, down by 0.7% from 3,236 tons in 2016, while the metal's scrap supply decreased by 5.9% to 1,226 tons in 2017.

Source: Thomson Reuters GFMS, Byblos Research

Price Performance of Base Metals in 2017
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

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

COUNTRY RISK METRICS

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

** including grants for Sub-Saharan African countries*
*** to official creditors*
****Credit Watch Negative*
Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.25-1.50	31-Jan-18	No change	21-Mar-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	N/A
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	29-Jan-18	No change	28-Feb-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	01-Feb-18	No change	01-Mar-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

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