

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity fundraising up 9% to \$453bn in 2017

Research provider Preqin indicated that 921 private equity (PE) funds raised a total of \$453.3bn in capital commitments worldwide in 2017, compared to 1,256 PE funds that raised \$414.8bn in 2016. It said that the average fund size reached \$524m last year, which constitutes an increase of 37.9% from \$380m in 2016 and represents the highest value on record. Further, it pointed out that in 2017 private equity funds spent an average of 16 months to reach a final close, compared to an average of 18 months in 2016. On a country basis, it noted that 471 private equity funds with a primary focus on North America secured \$272bn in 2017, followed by 191 Asian-focused funds (\$64bn), and 188 European-focused PE funds (\$108bn). Also, the survey expected private equity fundraising to continue to grow in 2018. It pointed out that there was a record-high of 2,296 private equity funds seeking to raise an aggregate of \$744bn in capital as at the start of 2018, which constitutes an increase of 25% from the number of funds at the beginning of last year. It indicated that 1,152 out of the 2,296 private equity funds, or 50.2% of the total, are seeking to raise \$337bn to be invested in North America as at the beginning of this year, followed by 509 private equity funds (22.2%) seeking to raise \$266bn in capital to be invested in Asia, and 372 funds (16.2%) aiming to raise \$99bn in capital to be invested in Europe.

Source: Preqin

MENA

Rule of law in region lags global trends

The World Justice Project's Rule of Law Index for 2017-18 shows that the average score for the seven countries of the MENA region included in the survey reached 0.51 points relative to an average score of 0.52 points in the 2016 survey, and was lower than the global average score of 0.57 points. The region's average score came below that of the European Union, the European Free Trade Association & North America (0.74 points), East Asia & the Pacific region (0.6 points) and Latin America & the Caribbean (0.54 points). However, it exceeded the average scores of Eastern Europe & Central Asia (0.5 points), Sub-Saharan Africa (0.47 points) and South Asia (0.45 points). In parallel, the UAE was the region's top-ranked country and came in 32nd place globally on the index, followed by Jordan (42nd place), Tunisia (54th), Morocco (67th), Iran (80th), Lebanon (87th) and Egypt (110th). The rankings of four MENA countries improved, one regressed and two were unchanged from the 2016 survey, while the scores of three countries increased, three dropped and one was unchanged. In parallel, the UAE ranked first among MENA countries on the Absence of Corruption, the Order & Security, the Regulatory Enforcement, the Civil Justice and the Criminal Justice factors. Also, Tunisia came in first place on the Constraints on Government Powers, the Open Government and the Fundamental Rights factors.

Source: World Justice Project, Byblos Research

EMERGING MARKETS

Frontier market debt at \$2.6 trillion, or 122% of GDP, at end-September 2017

The Institute of International Finance indicated that total debt in 25 frontier markets, which includes the debt of corporates, governments and households, reached \$2.6 trillion at the end of September 2017, up by \$1.9 trillion from end-2005, supported by higher debt of non-financial corporates and governments. It noted that the aggregate frontier market debt was equivalent to 122% of GDP at the end of September 2017 relative to 118.8% of GDP at end-September 2016. It said that the debt of the non-financial corporate sector reached \$1.1 trillion at the end of September 2017, or 42.3% of total debt, and was equivalent to 48% of GDP compared to 45.7% of GDP at end-September 2016. It added that the non-financial sector's debt was supported by elevated debt levels in frontier markets in the Middle East. It noted that frontier market government debt was equivalent to 50.4% of GDP at end-September 2017 relative to 48.7% of GDP a year earlier, while the financial sector debt stood at 7.6% of GDP at the end of September 2017 compared to 8.4% at end-September 2016. In addition, it said that household debt was nearly unchanged year-on-year at 16% of GDP at end-September 2017. On a regional basis, the IIF indicated that frontier market debt in the Middle East was equivalent to 175% of its GDP at end-September 2017, followed by debt in Asia (124.2% of GDP), Africa (112% of GDP), Europe (110.2% of GDP) and Latin America (98.6% of GDP). It pointed out that geopolitical risks, as well as currency and interest rate volatility in African economies could constitute potential threats to the countries' ability to tap international markets.

Source: Institute of International Finance, Byblos Research

Alternative measure of economic output ranks countries in Emerging Europe as best performers

The World Economic Forum issued the 2018 Inclusive Development Index (IDI) in order to evaluate a country's economic performance on various economic dimensions, rather than by using the gross domestic product measure. The IDI assesses a country's economic performance based on 12 dimensions, which are GDP per capita, labor productivity, healthy life expectancy, employment, net income, the poverty rate, wealth, median income, adjusted net savings, carbon intensity, the public debt level and the dependency ratio. The IDI ranked Lithuania as the country with the strongest economic performance among 74 emerging economies (EMs), followed by Hungary, Azerbaijan, Latvia and Poland; while Egypt, Zimbabwe, Malawi, Lesotho and Mozambique came last on the index. Further, Lithuania ranked in first place among EMs on the GDP per capita and labor productivity indicators, while Russia had the lowest poverty rate and public debt level. Also, Chile came in first place on the healthy life expectancy indicator, while Madagascar ranked first on the employment dimension. In addition, Moldova had the lowest dependency ratio among emerging markets, while Hungary ranked in first place in terms of equal wealth distribution. The WEF included Algeria (18th), Tunisia (39th), Jordan (50th), Mauritania (66th) and Egypt (70th) from the Arab world on the IDI.

Source: World Economic Forum

OUTLOOK

EMERGING MARKETS

Net private capital inflows at \$1.26 trillion in 2018

The Institute of International Finance projected non-resident capital inflows to emerging markets (EMs) at \$1.26 trillion in 2018, which would constitute an increase of 5% from \$1.2 trillion in 2017. It expected non-resident capital inflows to be equivalent to 4.1% of EM's GDP in 2018 compared to 4.3 % of their GDP in 2017. It attributed the anticipated growth in capital inflows to an increase in portfolio inflows, strong cross-border banking flows, as well as supportive global financial conditions. It said that downside risks are mainly related to weaker foreign direct investment flows, as well as a rapid and sizeable tightening of global financial conditions and a stronger US dollar. The IIF reduced its forecast for foreign direct investment in EMs to \$480bn in 2018 from \$565bn previously due to rising protectionism, ongoing geopolitical risks, increasing labor costs in EMs and lower growth in the Eurozone. Still, it noted that foreign direct investment in EMs would post an increase of 2.6% from \$468bn in 2017. It projected portfolio inflows to grow from \$378bn in 2017 to \$422bn in 2018, supported by higher yields and abundant global liquidity. It anticipated other investment inflows, mainly banking-related flows, to be nearly unchanged at \$353bn in 2018.

Also, the IIF expected non-resident capital inflows to Emerging Asia to grow from \$674bn in 2017 to \$702bn in 2018, mainly due to a rise of \$14bn in inflows to China, contingent on the opening of the Chinese domestic bond markets. It projected inflows to Latin America to increase from \$238bn last year to \$264bn this year and those to the Middle East & Africa region to rise from \$140bn in 2017 to \$163bn in 2018. In contrast, it forecast inflows to Emerging Europe to decrease from \$144bn last year to \$126bn this year.

In parallel, the IIF projected resident capital outflows from EMs to rise from \$929bn in 2017 to \$961bn in 2018 due to a significant drop in outflows from China. As such, it forecast net capital inflows in EMs to rise from \$3bn in 2017 to \$26bn in 2018, and to constitute the second consecutive annual net capital inflows.

Source: Institute of International Finance

GCC

Non-oil growth projected at 2.7% in 2018

The Institute of International Finance projected real GDP in the economies of the Gulf Cooperation Council (GCC) to grow by 2% in 2018 following a contraction of 0.2% in 2017, mainly due to a recovery in global oil prices and to the easing of fiscal consolidation. It forecast hydrocarbon output to increase by 1.1% this year compared to a contraction of 2.7% last year due to flat oil output following last year's decline. It projected growth in the non-hydrocarbon sector to accelerate from 1.7% last year to 2.7% this year, supported by improved domestic demand. It expected overall growth to reach 2.6% by 2020, with hydrocarbon output growing by 1.8% and non-hydrocarbon activity rising by 3.2% during the year. In parallel, it forecast the average inflation rate to increase from 1.1% in 2017 to 3.6% in 2018 as a result of the introduction of the value-added tax and increases in domestic fuel prices. The IIF noted that downside risks to the outlook mainly include a weaker-than-expected increase in oil prices and a faster-than-anticipated increase in U.S. interest rates.

COUNTRY RISK WEEKLY BULLETIN

In parallel, the IIF expected the GCC's aggregate fiscal deficit to gradually narrow from 6.2% of GDP in 2017 to 4.2% of GDP in 2018 and 1.5% by 2020, mainly due to higher oil receipts and a significant increase in non-oil revenues. It noted that fiscal consolidation in the GCC region will mainly depend on mobilizing non-oil revenues in coming years, such as the increase in several fees, charges and excise taxes. It projected the region's public debt level to increase from 41% of GDP at the end of 2017 to 43.4% of GDP at end-2018 and 45.5% of GDP by end-2020, as GCC countries continue to finance their deficits through a combination of external and domestic debt issuances to limit the drawdown of their foreign assets and sovereign wealth funds. In parallel, the IIF projected the GCC's aggregate current account surplus to increase from 2.6% of GDP in 2017 to 4.5% of GDP this year and to reach 4.1% of GDP in 2020. It forecast the GCC's net foreign assets to increase from \$663bn at end-2017 to \$686bn at end-2018 and to reach \$675bn at end-2020.

Source: Institute of International Finance

TURKEY

Challenging economic environment in 2018

The International Monetary Fund projected Turkey's real GDP growth to decelerate from 7% in 2017 to 4% in 2018, partly due to weaker policy support. It forecast the inflation rate to remain in double-digits at the end of 2018, in the absence of further interest rate hikes. Further, it anticipated the current account deficit to exceed 5% of GDP in 2018 due to strong domestic demand and higher oil prices, and despite a recovery in tourism activity. It expected Turkey's external financing needs to remain elevated this year amid relatively low levels of foreign currency reserves that cover around 50% of its gross external financing needs. It noted that Turkey is vulnerable to a deterioration in external conditions, given its large external financing needs, limited foreign currency reserves, increased reliance on short-term capital inflows and high corporate exposure to foreign exchange risk. It added that risks to the outlook could emerge from a weaker domestic environment, heightened regional tensions and shifts in investor sentiment.

In this context, the Fund called on authorities to tighten monetary policy, to carefully manage the fiscal and quasi-fiscal policies, to preserve financial stability and adequate buffers, and to implement reforms in order to reduce the internal and external imbalances. It noted that a tighter monetary policy would support the credibility of the Central Bank of the Republic of Turkey's inflation forecasts, would allow the latter to gradually move closer to its 5% inflation target and could help accumulate foreign currency reserves. Further, it welcomed the authorities' efforts to limit foreign currency borrowing of unhedged borrowers and called for further tightening of regulations on corporate borrowing in foreign currency. On the fiscal front, the Fund cautioned from the growing gap between primary spending and tax revenues, as well as from rising contingent liabilities. It considered that a gradual fiscal consolidation would help reduce imbalances and strengthen investor sentiment. It considered that authorities need to implement more fiscal measures to reach a primary surplus of about 0.5% of GDP in 2019, such as raising direct taxation, improving the efficiency of the VAT system, strengthening budgetary discipline and containing the public-sector wage bill.

Source: International Monetary Fund

February 22, 2018

ECONOMY & TRADE

GCC

Negative outlook on region's insurance market

Rating agency A.M. Best indicated that its negative outlook on the Gulf Cooperation Council's (GCC) insurance markets reflects the low oil price environment, the introduction of the value-added tax (VAT), political tensions and trade embargos, as well as fierce price competition. It noted that low hydrocarbon prices have had a limited impact on premium growth, but have exposed capital levels of insurers to volatility from fluctuating asset prices. It added that a contraction in premiums generated from government-related engineering and property projects would not affect net premiums, but it could weigh on insurers' profits. Further, it expected the introduction of VAT in the UAE and Saudi Arabia to increase the cost of conducting business for insurers. But it noted that the impact of the VAT on individual insurance companies is contingent on the classification of products and on the insurers' ability to reclaim the input tax. In addition, it considered that the number of insurers in the GCC continues to be high relative to the volume of premiums generated, despite the merger and acquisition deals of 2017, which led to strong pricing pressure. Also, A.M. Best expected downside pressure on insurers' earnings over the medium term from narrower margins, volatile returns from investments and a high exposure to the motor and medical segments. Overall, it indicated that GCC insurers are generally well-capitalized and capable of weathering extreme stress scenarios, but have become more vulnerable to investment market shocks amid increased economic and political uncertainties. It considered that insurers with more robust balance sheets, rationalized dividend policies and diversified business are in a better position to cope with the current operating environment.

Source: A.M. Best

ANGOLA

Rating downgraded on high external debt

IHS Markit downgraded Angola's medium-term sovereign credit risk rating from 55 to 60, equivalent to 'B-' on the generic scale, while it revised the outlook on the rating from 'negative' to 'stable'. It attributed the downgrade to the country's elevated external debt as a percentage of foreign exchange earnings, and to the high debt servicing ratio. It noted that the external debt was equivalent to 123.4% of foreign exchange earnings in 2016, significantly above the threshold of 100%. It indicated that Angola's external debt increased after the sharp fall in global oil prices and the resulting shift of the current account balance from a surplus to a deficit. IHS anticipated the current account balance to remain in deficit over the medium term, mainly due to subdued growth in oil output and despite a decline in imports from the sharp currency depreciation, following the adoption of a flexible exchange rate regime. It noted that the country's import cover declined from 11 months at end-December 2016 to an estimated seven months, but continues to exceed the three-month threshold. Further, it forecast the external debt to remain above 100% of foreign exchange earnings over the medium term due to the sustained accumulation of foreign debt. It said that the government secured a \$2bn loan facility from Brazil in early 2018 and plans to issue a \$2bn Eurobond. In addition, IHS forecast the debt servicing ratio, which is currently equivalent to 33.4% of foreign exchange earnings, to remain above the 25% threshold in the medium term.

Source: IHS Markit

GHANA

Sovereign ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed at 'B3' Ghana's long-term issuer and senior unsecured bond ratings and maintained the outlook at 'stable'. It said that the ratings are supported by a decline in the country's borrowing needs, progress with the restructuring of legacy debts of state-owned power utilities, as well as higher hydrocarbon production and a favorable ruling in the maritime dispute with Côte d'Ivoire that would ease external imbalances. However, it added that the ratings are constrained by Ghana's weak fiscal institutions, high debt burden and weak debt affordability. Moody's projected Ghana's gross financing requirements to regress from 23% of GDP in 2017 to about 12% to 17% of GDP over the next three years amid fiscal consolidation and a lengthening of domestic debt maturities. It forecast the fiscal deficit to narrow from 6.5% of GDP in 2017 to 5.4% of GDP in 2018 and 4.5% of GDP in 2019. It cautioned that increased foreign investor participation in the domestic debt market exposes Ghana to a sudden reversal in investor sentiment. Further, the agency noted that Ghana's balance-of-payment dynamics have started to improve, with foreign currency reserves covering over three months of imports compared to 2.5 months of imports at end-2015. In parallel, Moody's indicated that Ghana's debt servicing absorbed 34.6% of revenues in November 2017, one of the highest such percentages worldwide, and expected it to remain high at about 25% in 2019. It forecast the public debt to gradually regress from 70.3% of GDP in 2017 to 68.5% of GDP in 2018 and 67.5% of GDP in 2019.

Source: Moody's Investors Service

QATAR

Risks to public finances persist

Fitch Ratings considered that Qatar's fiscal deficit is narrowing despite its ongoing political rift with neighboring countries. But it noted that the dispute, along with associated spending pressures, would still represent downside risks to the country's public finances. It estimated Qatar's fiscal deficit to have narrowed from 5.1% of GDP in 2016 to 2.5% of GDP in 2017, supported by a recovery in global hydrocarbon prices and the resulting rebound in nominal GDP and government revenues. However, it expected that the spending pressure associated with the dispute would partly offset the positive impact of higher oil prices on the country's fiscal position. Further, it noted that the economy is resilient, as reflected by the growth in non-resident interbank and customer deposits at Qatari banks at the end of 2017 for the first time since June. It said that non-resident investor confidence in Qatar persists and that international oil companies are willing to participate in expanding the country's LNG production. As such, it estimated real GDP growth at 1.1% in the first nine months of 2017, while it noted that imports have recovered, reflecting the country's ability to establish new supply chains. In parallel, it indicated that the country increased its purchase of military equipment and that infrastructure spending related to the 2022 FIFA World Cup would likely increase, as supplies for the infrastructure projects are re-routed. In addition, Fitch pointed out that private sector companies could require government support to recover from the loss of economic links with Saudi Arabia and the UAE.

Source: Fitch Ratings

BANKING

JORDAN

Lending to resident private sector up 9.5% in 2017

The consolidated balance sheet of commercial banks in Jordan indicated that total assets reached JD49.1bn or \$69.2bn at the end of 2017, constituting an increase of 1.5% from end-2016. The banking sector's assets were equivalent to 172.5% of GDP in 2017 relative to 176.3% of GDP in 2016. Resident private sector claims grew by 9.5% from end-2016 to JD22.5bn, while credit facilities to the non-resident private sector rose by 4.3% to JD500.2m, leading to an increase of 9.3% in overall private sector credit facilities in 2017. Lending to the resident private sector accounted for 45.9% of total assets at end-2017 compared to 42.5% a year earlier. In parallel, resident private sector deposits reached JD26.92bn at the end of 2017, nearly unchanged from JD26.95bn at end-2016; while non-resident private sector deposits grew by 17.6% from the end of 2016 to JD3.63bn. The government's deposits totaled JD956m, down by 15.4% from end-2016, and those of public non-financial institutions dropped by 22.5% to JD250.4m. In parallel, claims on the public sector accounted for 21% of total assets at end-2017 compared to 22.9% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.85bn, or \$8.25bn, down by 3.1% from JD6bn at end-2016; while capital accounts and allowances increased by 3.8% from the end of 2016 to JD7.54bn. Also, deposits at foreign banks reached JD4.1bn, or \$5.7bn, at the end of 2017, up by 3.3% from end-2016; while the sector's foreign liabilities grew by 5.7% from the end of 2016 to JD6.8bn.

Source: Central Bank of Jordan, Byblos Research

NIGERIA

Banks to use exchange rate in line with market rate in their financial reports

Fitch Ratings indicated that Nigerian banks plan to use a foreign exchange rate that is more in line with market exchange rates for the disclosure of their 2017 financial statements. It considered that the banks' decision to abandon the official exchange rate of NGN305 against the US dollar would provide a more realistic representation of their foreign currency positions and capital. It added that about 40% of the banking sector's assets and liabilities are denominated in foreign currency and that not all banks operate with matched foreign currency positions, which requires close monitoring of foreign currency risk. The agency pointed out that Nigerian banks are planning to use in their 2017 disclosures the Nigerian Foreign Exchange Fixing (NiFEX) rate of NGN330 per US dollar, which is the Central Bank of Nigeria's reference rate for spot foreign currency transactions. It added that some banks could use a blended rate between the NiFEX and the official exchange rate. Still, it considered that both rates continue to be significantly below the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) of about NGN360 per dollar, which is the closest to a market rate. Fitch did not expect Nigerian banks to use an exchange rate that is closer to the NAFEX rate, as it considered that any further increase in the exchange rate would lead to lower capital ratios. In parallel, the agency's stress tests show that only large banks can withstand a depreciation of the exchange rate to NGN450 per dollar and an increase in the risk-weight on foreign currency loans from 100% to 130%, without breaching their minimum capital requirements.

Source: Fitch Ratings

EGYPT

Lower interest rates to have limited impact on banks' margins

Regional investment bank EFG Hermes considered that the Central Bank of Egypt's (CBE) recent decision to cut the policy rates would have a small impact on the banking sector's interest margins. It noted that the CBE lowered on February 15, 2018 its overnight deposit and lending rates by 100 basis points each to 17.75% and 18.75%, respectively, constituting the first such cut since the CBE liberalized the exchange rate in November 2016. It expected the CBE to further reduce the rates by about 200 to 300 basis points in 2018. It anticipated the CBE to gradually carry out the rate cuts throughout the year, which would contain the adverse impact on the banks. Also, it said that the banks' structure of funding is skewed to the short term, which would allow for a relatively fast downward adjustment of the interest rates on deposits. It noted that Egyptian banks have been lengthening the duration of their Treasury bills holdings and shortening the duration of deposits in anticipation of the rate cuts. Further, EFG Hermes pointed out that the decline in borrowing costs would support credit demand. It forecast lending growth to accelerate from 13% in 2017 to 17% in 2018, which would improve the quality of revenue streams for banks and partially offset the impact of narrower margins. It noted that lending growth could further increase, in line with the anticipated decrease in policy rates.

Source: EFG Hermes

IRAN

Increased pressure on currency so far in 2018

IHS Markit indicated that the Iranian rial has come under significant pressure since the beginning of the year due to political reasons rather than to underlying economic fundamentals. It added that the spread between the official and parallel exchange rates, which has been stable at about 15% during the 2016-17 period, has reached 32% in mid-February 2018, while the parallel exchange rate reached an all-time low of IRR49,000 per US dollar. It noted that the Central Bank of Iran (CBI) authorized banks to increase the rates on one-year fixed deposits in local currency from 15% to up to 20% in response to the unexpected pressure on the currency. It added that the CBI sold gold coins at attractive prices, and reportedly froze over 755 bank accounts held by foreign exchange dealers. Further, IHS Markit indicated that concerns about an approaching banking crisis in Iran are contributing to the weakness of the currency. It said that the size and number of small private banks expanded rapidly during the 2005-16 period, but it noted that some of these banks have unexpectedly shut down operations. It added that the CBI suspended the issuance of new banking licenses and has allocated \$3.3bn to compensate two to three million depositors that have been affected by the collapse of unregistered financial institutions. Further, IHS Markit indicated that the banking sector's capital adequacy ratio (CAR) stood at just 5% in 2016. As such, it estimated that a capital injection of IRR678 trillion, or \$13.8bn, is required to bring the sector's CAR up to the minimum requirement of 8%. It added that capital needs would be equal to 5% of GDP and to 25% of the government's annual revenues, and could be significantly higher if the level of non-performing loans is understated.

Source: IHS Markit



ENERGY / COMMODITIES

Global energy consumption to grow by 1.3% per year between 2016 and 2040

BP projected demand for global primary energy, which consists of oil, coal, natural gas, nuclear energy, hydropower and renewable energy, to increase by an annual average rate of 1.3% during the 2016-40 period, with most of this growth coming from non-members of the Organization for Economic Cooperation and Development economies, mainly China and India. It said that renewable energy, which includes wind and solar energy as well as biomass and biofuel, would account for 14.1% of global energy demand in 2040 relative to a share of 3.8% in 2016. BP expected the consumption of renewable energy to grow by an annual average rate of 7% during the 2016-40 period, the fastest growth rate among all sources of energy. Further, it projected natural gas consumption to grow by an annual average growth rate of 1.6% during the 2016-40 period, the fastest growth rate among fossil fuels. In contrast, it forecast coal consumption to remain unchanged in the covered period, and to account for 21% of global energy demand in 2040 relative to 28% of the total in 2016. It considered that the aggregate share of fossil fuels from total energy consumption would drop from 85% in 2016 to 74% by 2040. Further, BP noted that the increase in energy demand in the power sector during the 2016-40 period would contribute to 68.6% of the growth in global energy consumption during the same period.

Source: BP, Byblos Research

Ethiopia's energy capacity to reach 17 GW by 2020

The Ethiopian government signed an agreement with Reykjavik Geothermal Limited in order to build two geothermal power plants that will produce about one gigawatt (GW) of geothermal generation capacity over seven years. The \$4bn project will allow Ethiopia to diversify its power sources, increase its generation capacity to 17 GW by 2020 and become an energy hub in the Sub-Saharan Africa region. Further, the geothermal project will assist the government to reach its target of 100% grid connectivity by 2025 from 30% currently.

Source: Moody's Investors Service

Global steel output up by 5% in 2017

Global steel production reached 1.69 billion tons in 2017, constituting a rise of 5.3% from 1.61 billion tons in 2016. Chinese steel production totaled 831.7 million tons last year and accounted for 49.2% of global production. Japan followed with 104.7 million tons or 6.2% of the total, then India with 101.4 million tons (6%) and the United States with 81.6 million tons (4.8%). On a regional basis, steel production in Asia reached 1,162.5 million tons and accounted for 68.7% of global steel demand in 2017, followed by Europe with 313.2 million tons (18.5%) and North America with 116 million tons (6.9%).

Source: World Steel Association, Byblos Research

OPEC's oil output unchanged in January 2018

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 32.3 million barrels per day (b/d) in January 2018, nearly unchanged from 32.31 million b/d in the preceding month. Saudi Arabia produced 10 million b/d in January 2018, equivalent to 30.9% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.7%) and Iran with 3.8 million b/d (11.85%).

Source: OPEC, Byblos Research

Base Metals: Copper prices decrease on stronger US dollar

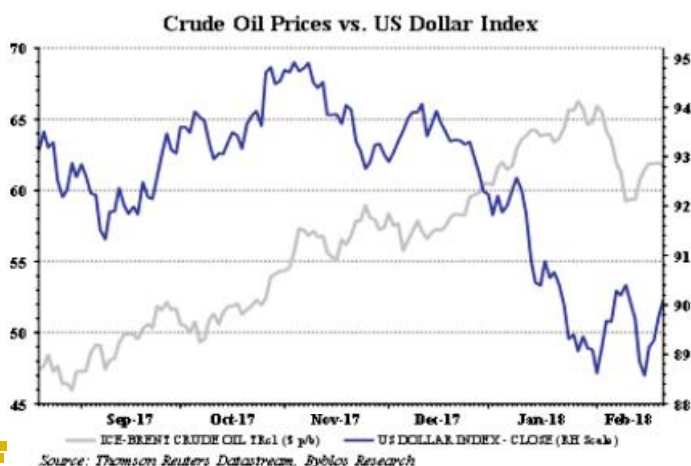
LME copper three-month future prices averaged \$7,084.4 per metric ton so far this year and closed at \$7,119 per ton on February 21, 2018. Copper prices are forecast to average \$7,150 a ton in 2018 and \$7,250 a ton in 2019, compared to an average of \$6,198.7 a ton in 2017, mainly driven by the expectations of production cuts amid unchanged demand conditions. In parallel, the latest available figures show that global demand for refined copper was 21.6 million tons in the first 11 months of 2017, up by 0.6% from 21.5 million tons in the same period of 2016, as Chinese demand grew by 0.9% and demand in the rest of the world increased by a marginal 0.3% in the covered period. On the supply side, global refined copper production was 21.4 million tons in the first 11 months of 2017, nearly unchanged from 21.3 million tons in the same period of 2016. In fact, a 6.5% rise in Indian supply and a 5% growth in Chinese output were mostly offset by an 11% decline in US supply, as well as by decreases of 7.5% and of 4% in Chilean and Japanese production, respectively. On a regional basis, refined output grew by 3.5% in each of Asia and Europe, while it dropped by 15% 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 decline by 6% in 2018

Silver prices are forecast to average \$16.7 per troy ounce in 2018, which would constitute a decline of 5.8% from \$17.1 an ounce in 2017, mainly due to expectations of weaker electronic, photographic and silverware demand this year. Also, an anticipated recovery in silver mine production and in the metal's scrap supply in 2018 would further weigh on prices. However, expectations of strong growth in global industrial demand for the metal, especially in China and Taiwan, would limit a further decline in prices this year. Overall, silver prices are forecast to average \$17 an ounce in the first quarter of 2018, to decline to \$16.8 an ounce in the second quarter, and to regress to \$16.5 an ounce in each of the third and fourth quarters of the year. Upside risks to the price outlook include stronger-than-anticipated jewelry consumption, especially in China and India, as well as increased retail investment for the safe-haven metal. In contrast, a potential drop in industrial demand, as well as U.S. interest rate hikes this year, would represent downside risks to prices.

Source: Citi Research, 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	-	Stable								
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	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	08-Feb-18	No change	22-Mar-18
Japan	O/N Call Rate	-0.10	23-Jan-18	No change	09-Mar-18
Australia	Cash Rate	1.5	06-Feb-18	No change	06-Mar-18
New Zealand	Cash Rate	1.75	08-Feb-18	No change	21-Mar-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-18	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	14-Feb-18	No change	28-Mar-18
India	Reverse repo rate	6.00	07-Feb-18	Cut 25bps	N/A
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	17.75	15-Feb-18	Cut 100bps	29-Mar-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	7.50	08-Feb-18	Raised 25bps	12-Apr-18
Brazil	Selic Rate	6.75	07-Feb-18	Cut 25bps	21-Mar-18
Armenia	Refi Rate	6.00	14-Feb-18	No change	28-Mar-18
Romania	Policy Rate	2.25	07-Feb-18	Raised 25bps	05-Apr-18
Bulgaria	Base Interest	0.00	01-Feb-18	No change	01-Mar-18
Kazakhstan	Repo Rate	9.75	15-Jan-18	Cut 50bps	05-Mar-18
Ukraine	Discount Rate	16.00	25-Jan-18	Raised 150bps	01-Mar-18
Russia	Refi Rate	7.50	09-Feb-18	Cut 25bps	03-Mar-18



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