

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Value of M&A deals down 71% to \$3.2bn in first two months of 2018

The value of merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region totaled \$3.2bn in the first two months of 2018, constituting a decrease of 70.8% from \$10.8bn in the same period of 2017. The value of 70 M&A deals targeting companies in the MENA region in January 2018 stood at \$1.5bn, while that of 24 transactions in February reached \$1.7bn. The value of M&A transactions in the UAE reached \$2bn in the first two months of 2018, which constitutes 64% of the region's aggregate deal value in the covered period. Qatar followed with M&A deals valued at \$371m (11.8%), then Egypt with \$201m (6.4%), Bahrain with \$158m (5%), Lebanon with \$115m (3.7%), Jordan with \$107m (3.4%), while the remaining \$86m worth of deals targeted Saudi Arabia, Oman and Tunisia. In parallel, there were 94 M&A deals targeting MENA-based companies in the first two months of 2018, down by 13.8% from 109 deals in the same period last year. Jordan had 24 M&A deals in the first two months of the year, followed by the UAE with 23 transactions, Egypt with 17 deals, Saudi Arabia with nine transactions, Oman with six deals and Morocco with five deals, while the 11 remaining deals targeted six other MENA countries.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Sovereign borrowing from commercial sources at \$181bn in 2018

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by the 13 rated countries in the Middle East & North Africa (MENA) region at \$181bn in 2018, which would reflect a decrease of 6% from \$191bn in 2017. It attributed the drop to an expected decline in borrowing by the Gulf Cooperation Council (GCC) countries amid a recovery in oil prices and the implementation of fiscal consolidation measures that would reduce financing needs. Egypt would account for 25.6% total commercial long-term borrowing in 2018 compared to 20.3% last year, followed by Iraq (19.3%), Saudi Arabia (17.2%) and Lebanon (8.6%). S&P said that \$73bn, or 40% of total sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of \$108bn in 2018. In parallel, S&P forecast the total sovereign commercial debt stock of the 13 countries, excluding bilateral and multilateral debt, at \$764bn at the end of 2018 relative to \$743bn at end-2017, consisting of \$633bn in medium- and long-term debt and \$131bn in short-term debt. Saudi Arabia would account for the 19.4% of the commercial debt stock, followed by Egypt (19%), Qatar (11.8%), Lebanon (10.7%) and Iraq (9.8%). It projected the total debt stock to reach \$860bn at end-2018 when including bilateral and multilateral debt, which would constitute a rise of \$13bn, or 2%, from end-2017. Further, gross long-term sovereign commercial borrowing would be equivalent to 9% of the aggregate GDP of the 13 economies in 2018, while the total sovereign debt stock from commercial sources would be equivalent to 38% of their GDP at end-2018.

Source: S&P Global Ratings

Stock markets up 3% in first two months of 2018

Arab stock markets improved by 2.9% and Gulf Cooperation Council equity markets rose by 2.5% in the first two of months 2018, relative to increases of 1.8% and 0.6%, respectively, in the same period of 2017. In comparison, global equities increased by 0.9%, while emerging market equities improved by 2.3% in the covered period. Activity on the Khartoum Stock Exchange jumped by 11.1% in the first two months of 2018, the Iraq Stock Exchange grew by 9.4%, the Tunis Bourse rose by 7.1%, the Casablanca Stock Exchange expanded by 6%, the Boursa Kuwait improved by 5.7%, the Abu Dhabi Securities Exchange and the Damascus Securities Exchange increased by 4.5% each, the Amman Stock Exchange grew by 4.4%, the Beirut Stock Exchange rose by 3.5%, the Egyptian Exchange expanded by 3%, the Bahrain Bourse improved by 2.9%, the Saudi Stock Exchange expanded by 2.7%, the Palestine Exchange increased by 1.7% and the Qatar Stock Exchange grew by 1.5%. In contrast, activity on the Dubai Financial Market dropped by 1.9% and that on the Muscat Securities Market regressed by 1.9% in the covered period. In parallel, activity on the Tehran Stock Exchange increased by 2.5% in the first two months of 2018.

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

Corruption perception varies across region

Global non-governmental organization Transparency International included 21 Arab countries on its 2017 Corruption Perception Index (CPI), which measures the perceived level of public sector corruption in 180 countries worldwide. The rankings are based on scores that range between zero and 100 points, with lower scores reflecting economies perceived as more corrupt. The UAE was perceived as the least corrupt Arab country and ranked in 21st place globally. It was followed by Qatar (29th), Saudi Arabia (57th), Jordan (59th), and Oman (68th); while Libya (171st), Sudan and Yemen (175th each), Syria (178th) and Somalia (180th) were perceived as the most corrupt countries in the region. Arab countries received an average score of 33.4 points in 2017 relative to 32.7 points in the 2016 survey, lower than the global average of 43.1 points. The Arab economies' average score was higher than that of Sub-Saharan Africa (32 points), but it was lower than the average scores of the European Union & Western Europe (66.4 points), Asia Pacific (44.4 points), the Americas (44.2 points) and Eastern Europe & Central Asia (34.5 points). Also, GCC countries received an average score of 50.3 points in the 2017 survey, unchanged from the 2016 survey, while non-GCC Arab countries had an average score of 26.6 points relative to 25.7 points in the 2016 survey.

Source: Transparency International

OUTLOOK

MENA

Growth of oil importers to accelerate to 4% in 2018

The Institute of International Finance projected real GDP growth in Arab oil-importing economies to accelerate from 3.7% in 2017 to 3.9% in 2018 and 4.3% in 2019. It attributed the countries' favorable economic outlook to expectations of a gradual improvement in confidence, higher demand from advanced economies, reforms in Egypt, Jordan and Morocco, and a pickup in investment and exports amid a supportive security and political environment. Still, it considered that the pickup in economic growth would be below the growth rates required to reduce the oil-importing countries' average unemployment rate of 12%. It added that oil-importing countries need to implement deeper structural reforms, which include improving the business environment, raising competitiveness and reducing unemployment.

The IIF projected Egypt's real GDP growth to pick up from 4.2% in the fiscal year that ended in June 2017 to 4.8% in FY2017/18, driven by the country's macroeconomic stabilization efforts and ongoing structural reforms that would support confidence. Further, it forecast Morocco's economic growth to decelerate from 4.7% in 2017 to 3.1% in 2018, mainly due to an anticipated decline in agricultural output. In addition, it considered that delays of deeper structural reforms in Lebanon and Tunisia would limit the recovery in economic and investment activity. In parallel, the IIF anticipated the fiscal position to improve in most oil importers this year, largely due to restrained public wages, lower fuel subsidies and efforts to increase tax receipts. But it expected debt servicing to increase in line with the projected rise in global interest rates.

Further, the IIF considered that slower reform implementation in oil-importing economies will weigh on private investment and macroeconomic stability, and will constitute a downside risk to their outlook. Also, it noted that faster-than-anticipated monetary tightening in the U.S. will raise borrowing costs in Lebanon and Jordan and, in turn, constrain their economic activity. In contrast, it said that upside risks to the region's outlook include a quicker-than-expected rise in exports, as well as a rebound in tourism activity and foreign direct investment.

Source: Institute of International Finance

SAUDI ARABIA

Non-oil growth at 2.5% in 2018-19 period

Regional investment bank EFG Hermes projected Saudi Arabia's real GDP to grow by 1.7% in 2018 and 2.4% in 2019, following a contraction of 0.7% in 2017, mainly due to higher investment spending amid rising global oil prices. It forecast the Kingdom's non-oil real GDP growth at 2.2% this year and 2.7% in 2019 relative to earlier forecasts of 1.8% and 2.2%, respectively, following the government's expansionary fiscal policy, and other social and economic reforms. But it anticipated real consumption growth to be largely flat this year and to remain under pressure in coming years, amid rising inflationary pressures and new measures that could reduce expatriates' spending.

EFG Hermes indicated that higher oil prices and the government's decision to postpone its deadline to reach a balanced budget by three years to 2023 have improved the country's

COUNTRY RISK WEEKLY BULLETIN

growth prospects. It said that the government intends to increase public spending by an average of 6% annually during the 2017-20 period. It added that the government is planning to implement a more efficient spending framework, which includes higher cash subsidies, social benefits and capital spending, as well as lower spending on defense, general administration and security. Also, it noted that the government is introducing several stimulus packages to support growth, such as those related to housing and small- and medium-sized enterprises. It anticipated the recovery in public investment to materialize in 2019, supported by \$76bn in projects that are in the final preparation phase, as well as \$395bn in projects that are in the study or design phases.

Further, EFG Hermes said that the allocation of SAR50bn in spending on allowances has reduced the potential fiscal savings from SAR56bn to SAR6bn this year. It noted that this would cause the non-oil deficit to slightly widen to 36.8% of GDP, reversing the narrowing trend over the past three years. Still, it forecast the Kingdom's overall fiscal deficit to narrow from 9% of GDP in 2017 to 7.3% of GDP in 2018 and 6.6% of GDP in 2019, reflecting higher oil export receipts. It considered that Saudi Arabia could miss its target of achieving a balanced budget by 2023, given that its fiscal balance is highly reliant on oil prices.

Source: EFG Hermes

ALGERIA

Real GDP growth to reach 3.3% in 2018

The Institute of International Finance indicated that economic activity in Algeria has weakened in 2017, mainly due to the stagnation in oil production and the government's fiscal consolidation measures. However, it projected the country's real GDP growth to rebound from 2% in 2017 to 3.3% in 2018, supported by the significant planned increase in public spending and the recovery in oil prices. But it expected growth to decelerate to 2.4% in 2019, as the persistent wide fiscal and external deficits would require the government to step up efforts to attract foreign direct investment and diversify the economy by addressing deep-rooted structural challenges. Further, it forecast the hydrocarbon sector's real GDP growth to increase from 0.5% in 2017 to 2.5% this year and 2.9% in 2019, as new gas production comes online. It projected non-hydrocarbon sector growth to accelerate from 2.4% last year to 3.5% in 2018, but to slow down to 2.3% in 2019.

Further, the IIF expected the fiscal deficit to widen from 6.9% of GDP in 2017 to 9.4% of GDP in 2018 as a result of increased spending, but it projected the deficit to narrow to 8.6% of GDP in 2019. It noted that Algerian authorities have relied on domestic debt issuance rather than on external debt issuance to finance the deficit, and are expected to continue relying on domestic debt to finance future deficits. It projected the government debt level to increase from 25.3% of GDP at the end of 2017 to 31.5% of GDP at end-2018 and 37.5% of GDP at end-2019. In parallel, the IIF forecast the current account deficit to narrow from 9.9% of GDP in 2017 to 7.7% of GDP in 2018 and 7.6% of GDP in 2019, in case hydrocarbon export receipts increase. It anticipated foreign currency reserves at \$84bn, or 21.5 months of import cover, at end-2018, and at \$69.5bn, or 17 months of imports, at end-2019 compared to \$98.6bn, or 28.1 months of imports, at end-2017.

Source: Institute of International Finance

ECONOMY & TRADE

IRAQ

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-/B' Iraq's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It said that the ratings are constrained by the country's underdeveloped political institutions, domestic political tensions, especially with the Kurdistan Regional Government, as well as by the threat of terrorist attacks from Islamic State (IS) militants. It noted that the future governance of newly-liberated areas from IS militants constitutes a major political and security challenge for the government. It expected economic growth to remain subdued and to average 2.1% annually during the 2018-21 period amid volatile political and security conditions, fiscal consolidation and weak non-hydrocarbon sector activity. It added that Iraq received \$30bn, or about 15% of 2018 GDP, in pledges, loans and investments at a donor conference for Iraq in February 2018, but it noted that the amounts that will be disbursed could be significantly lower. Further, S&P expected the fiscal deficit to narrow from 4.1% of GDP in 2017 to 1% of GDP in 2018, in case of higher oil prices, and projected it to stabilize at around 3% of GDP over the 2019-21 period. It considered that the IMF program has been crucial for Iraq's fiscal position, as it unlocked further funding from official and unofficial creditors. In parallel, the agency projected the current account deficit to narrow from 5.5% of GDP in 2018 to 4.8% of GDP in 2021 in case oil production increases. It projected foreign currency reserves to remain stable at around \$48.7bn, or six months of current account payments, over the 2018-21 period.

Source: S&P Global Ratings

TURKEY

Ratings constrained by external vulnerabilities

S&P Global Ratings affirmed at 'BB/B' Turkey's long- and short-term foreign currency sovereign credit ratings, with a 'negative' outlook. It noted that the ratings are supported by the country's moderate debt burden, expectations of a modest accumulation of additional liabilities on the government's balance sheet, and a flexible exchange rate system that enables the economy to adjust to external shocks. But it said that Turkey's persistent debt-financed current account deficits, elevated external financing needs and weak institutional framework constrain the ratings. It forecast the fiscal deficit to widen from an average of 1.4% of GDP annually during the 2015-17 period to 2.2% of GDP between 2018 and 2021, due to the government's accommodative fiscal policy stance to support economic growth. Still, it expected the debt level to remain at around 27% of GDP during the 2018-21 period. Further, the agency considered that Turkey's external vulnerabilities could increase amid expectations of higher global interest rates. It noted that the current account deficit widened from 3.8% of GDP in 2016 to 5.2% of GDP, or \$47bn, in 2017, the third largest nominal value globally. It projected the deficit to narrow to 4.5% of GDP in 2018 and to 4.1% of GDP by 2021 in case exports continue to grow. Further, it forecast Turkey's external financing needs to average 171.5% of its current account receipts plus usable reserves during the 2018-21 period, which exposes it to shifts in investor sentiment. It added that the country's net foreign currency reserves, which it estimated at \$33bn at end-2017, cover only about two months of current account payments.

Source: S&P Global Ratings

ETHIOPIA

Ratings affirmed on strong growth prospects

Moody's Investors Service affirmed Ethiopia's long-term issuer rating and senior unsecured rating at 'B1' with a 'stable' outlook. It said that the ratings are supported by the country's very strong growth potential, and expectations of narrow fiscal deficits and low public debt levels. In contrast, it noted that the ratings are constrained by contingent liabilities from state-owned enterprises (SOEs), structural shortages of US dollars and elevated political risks. The agency expected Ethiopia's real GDP growth to exceed 8% annually in coming years, mainly due to strong foreign direct investment, which increased by 27.6% to \$4.1bn in the fiscal year that ended in July 2017, as well as to large infrastructure investments and expanding access to credit. It expected the fiscal deficit at about 3% of GDP in coming years and for the government debt level to remain below 30% of GDP. However, it indicated that the public debt, which includes the debt of SOEs, reached 59% of GDP as of June 2017. It added that about 50% of the SOEs' debt is raised from foreign investors, which exposes SOEs to external vulnerability risks. It anticipated the public sector's external debt service to average \$1.4bn, or 1.8% of GDP annually between FY2017/18 and FY2020/21. In addition, it indicated that the private sector is constrained by foreign currency shortages, as reflected by the widening spread between the official and parallel exchange rates from 10% to about 20%, despite the 15% depreciation of the official exchange rate. It cautioned that a rise in social and political risks could significantly affect investments and access to external financing.

Source: Moody's Investors Service

AFRICA

Increase in public debt level exposes SSA countries to high risks

European credit insurance group Credendo indicated that the public debt level in Sub-Saharan African (SSA) economies has been rising since 2014, with the debt level in SSA's oil-exporters increasing at a faster pace. It considered that SSA economies are facing difficulties in coping with the higher debt level, given their elevated debt servicing costs and weak revenue collection capacity. It noted that the region's public debt level reached 45% of GDP at the end of 2017, up from 32.2% of GDP at end-2014, due to wide structural fiscal deficits. In this context, it said that 23 out of 48 SSA countries had a fiscal deficit that was wider than 5% of GDP in 2016, mainly due to their large investment programs, the drop in global oil prices and lower fiscal revenues, compared to five countries during the 2011-13 period. Also, Credendo pointed out that a large number of SSA economies has been shifting away from expensive domestic debt towards external borrowing, which increased the region's median external debt level from 22.8% of GDP at end-2007 to 41.2% of GDP at the end of 2016. It added that SSA's external debt was equivalent to 137% of exports in 2016 relative to 64% of exports in 2011, which raises concerns about the countries' ability to finance their external debt. It added that foreign currency reserves are under pressure in several SSA countries as a result of their wide current account deficits, and that the low level of reserves could trigger currency devaluations in coming years and, in turn, raise the level of external debt.

Source: Credendo

BANKING

MENA

Bank lending conditions still tight in fourth quarter of 2017

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region increased to 46.7 in the fourth quarter of 2017 from 45.9 in the preceding quarter. The index reached its highest level since the second quarter of 2015, but it remained below the threshold of 50 for the 11th consecutive quarter, which reflects sustained tightening in lending conditions. The MENA region had the least favorable lending conditions among emerging markets in the covered quarter, behind Emerging Europe (53.6), Latin America (52.6), Emerging Asia (50.9) and Sub-Saharan Africa (48.3). The MENA's Trade Finance Index rebounded to 51.2 in the fourth quarter of 2017 from 49.3 in the preceding quarter, while the Funding Conditions Index reached 48.2 in the covered quarter, up from 46.1 in the third quarter of 2017, due to improved domestic and international funding conditions. Also, the Credit Standards Index rose to 46.4 in the fourth quarter of last year from 43.4 in the previous quarter of 2017, as credit standards in most lending categories eased. Further, the Demand for Loans Index decreased to 44.9 in the covered quarter from 47 in the third quarter of 2017, as demand for residential real estate and consumer loans declined. In addition, the Non-Performing Loans Index decreased to 42.9 in the fourth quarter from 43.4 in the third quarter of 2017, which means that the NPLs ratio increased relative to the previous quarter.

Source: Institute of International Finance

JORDAN

Construction and trade account for 44% of overall lending at end-2017

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD24.8bn, or \$34.9bn, at the end of 2017, constituting an increase of 8.1% from JD22.9bn at end-2016. Credit facilities were equivalent to 87% of GDP in 2017 compared to 83.5% of GDP in 2016. Credit in foreign currency accounted for 10.5% of the total at the end of 2017, relative to 11.9% a year earlier. The resident private sector accounted for 87.9% of total credit at end-2017 relative to 86.9% a year earlier, followed by the central government with 8.5%, down from 9.4% at the end of 2016; the non-resident private sector with 2% compared to 2.1% a year earlier; and public entities with 1.4%, down from 1.6% at end-2016. The distribution of credit by sector shows that construction represented JD6.6bn or 26.7% of the total at end-2017, up from 25.4% a year earlier; while general trade accounted for JD4.2bn or 17.2% of the total relative to 17.8% at the end of 2016. Public services & utilities followed with JD3.7bn or 15% of the total; then industry with JD2.7bn (11%); financial services with JD632.5m (2.6%); tourism, hotels & restaurants with JD619.8m (2.5%); transportation with JD354.3m and agriculture with JD337m (1.4% each); and mining with JD255.2m (1%). Further, other sectors accounted for JD5.3bn, or 21.3% of total credit, of which JD158.1m were extended to buy shares. In parallel, loans & advances reached JD16.4bn at end-2017, followed by Islamic banks' receivables with JD5.3bn, overdrafts with JD2.7bn, discounted bills with JD212m and credit cards with JD152.4m.

Source: Central Bank of Jordan, Byblos Research

UAE

Banks' earnings up by 2% to \$8.7bn in 2017

The net profits of eight listed banks in the UAE totaled AED32bn, or \$8.7bn, in 2017, constituting an increase of 1.7% from AED31.5bn, or \$8.6bn, in 2016. The growth in the aggregate net profits was caused by a 3.3% rise in the banks' non-interest income to AED20.3bn, or \$5.5bn, while the aggregate net interest income was nearly unchanged year-on-year at AED45.5bn, or \$12.4bn. In parallel, the banks' earnings reached AED8.7bn, or \$2.4bn, in the fourth quarter of 2017, which represents a growth of 0.5% from the third quarter of 2017, and an increase of 11.7% from the fourth quarter of 2016. The banks' net interest spread narrowed from 2.57% in 2016 to 2.52% in 2017. Also, the banks' aggregate operating expenditures were unchanged at AED21.8bn, or \$5.9bn, in 2017. In parallel, the eight banks' total assets reached AED1,955bn, or \$532.3bn, at the end of 2017, and increased by 5.3% from AED1,856bn, or \$505.4bn, at end-2016. Also, net loans grew by 3.3% year-on-year to AED1,158bn, or \$315.4bn, at the end of 2017. In addition, customer deposits reached AED1,292bn, or \$351.7bn, at the end of 2017 and increased by 6.1% from end-2016. As such, the loans-to-deposits ratio stood at 89.7% at end-2017 relative to 92.1% a year earlier, which reflects a slight improvement in liquidity conditions at UAE banks. Further, total financial investments by the eight banks reached AED247.3bn, or \$67.3bn, at the end of 2017 and grew by 15.2% from a year earlier.

Source: EFG Hermes

OMAN

Agency takes rating actions on five banks

Capital Intelligence Ratings (CI) downgraded the long-term foreign currency rating (FCR) of Bank Muscat and Ahli Bank from 'BBB+' to 'BBB', and the FCR of Oman Arab Bank (OAB) and Bank Sohar from 'BBB' to 'BBB-', while it affirmed at 'BBB' the FCR of National Bank of Oman (NBO). It also downgraded the short-term FCR of Bank Muscat, Ahli Bank and NBO from 'A3' to 'A2', while it affirmed that of OAB and Bank Sohar at 'A3'. In addition, it maintained the 'stable' outlook on all the banks' long-term FCRs. It noted that the downgrades follow a similar action on Oman's sovereign ratings. In parallel, the agency affirmed the financial strength rating (FSR) of Bank Muscat at 'BBB+', that of NBO and Ahli Bank at 'BBB' and the FSR of OAB and Bank Sohar at 'BBB-', with a 'stable' outlook. It indicated that the FSR of Bank Muscat, which is the largest bank in the country, is supported by the bank's strong financial metrics, leading franchise, majority government ownership, as well as its significant share of the banking sector's assets and deposits. Further, CI pointed out that all the banks' FSRs are constrained by weakening profitability due to rising funding costs, by tight loans-to-deposits ratios that largely reflect the small size of the Omani market, as well as by highly concentrated loans and customer deposits. It added that the liquidity metrics of the Omani banking sector are tight, as credit growth marginally outpaces deposit growth. It anticipated liquidity conditions to remain tight over the medium term, due in part to the government's fiscal constraints and its limited capacity to inject liquidity into the banking system.

Source: Capital Intelligence Ratings



ENERGY / COMMODITIES

Oil prices retreat on weaker Asian data and higher U.S. oil inventories

ICE Brent crude oil front-month prices averaged \$65.7 per barrel (p/b) in February 2018, constituting a decrease of 4.7% from an average of \$69 p/b in the previous month, while WTI oil prices averaged \$62.2 p/b last month and regressed by 2.2% from \$63.6 p/b in January 2018. The drop in oil prices was mainly due to several factors, including a stronger US dollar and increased volatility in global financial markets, as well as a sustained increase in U.S. crude oil production and inventories. Oil prices remained volatile during the covered month, trading at a low of \$62.6 p/b and a high of \$69.7 p/b. More recently, oil prices retreated by 1.3% day-to-day to close at \$65.8 p/b on February 28, 2018, on signs of an economic slowdown in China, Japan and India, as well as a larger-than-expected increase in US crude oil inventories. The weaker Chinese and Japanese industrial data have triggered speculations that the slowdown could reduce oil demand. The oil market has been focusing more on rising U.S. oil output since late January 2018, despite the efforts of OPEC and non-OPEC members to reduce oil production. However, a poll of 15 investment banks indicated that the banks raised their forecasts for oil prices for the fifth month in a row in February, due to OPEC's commitment to production cuts, which will help the oil market rebalance in 2018. The banks forecast Brent and WTI oil prices to average \$62 p/b and \$58 p/b, respectively, in 2018. Potential supply disruptions in Angola and Venezuela present some upside risks to oil prices. *Source: Wall Street Journal, Thomson Reuters, Byblos Research*

Nigeria's oil output up 9% in fourth quarter

Nigeria's oil production averaged 1.91 million barrels per day (b/d) in the fourth quarter of 2017, up by 8.5% from 1.76 million b/d in the same period of 2016. Nigeria has been exempted from oil output cuts stipulated by the OPEC agreement since November 2016, given the frequent disruption to its oil production because of attacks on pipelines and oil facilities in the Niger Delta. However, increased stability in the Nigeria Delta throughout 2017 reduced output disruptions and helped output recover. *Source: Nigeria's National Bureau of Statistics*

OPEC compliance at 149% in February

Oil output by members of the Organization of Petroleum Exporting Countries (OPEC) fell to a 10-month low of 32.28 million b/d in February 2018, after declining from 32.35 b/d in January. The February production reflects a record high compliance rate of 149% to the output cuts under the OPEC agreement compared to a 144% rate in January. The UAE lowered its oil output by 50,000 b/d in February, while Libya reduced its output by 30,000 b/d due to the closure of the El Feel oilfield. Also, Venezuela's output declined due to challenging liquidity conditions in the oil sector. Overall, OPEC pumped 450,000 b/d below its target in February. *Source: Zawya, Byblos Research*

Angola's oil production at 1.63 million b/d in 2017

Oil production in Angola reached 1.63 million barrels per day (b/d) in 2017 relative to 1.72 million b/d in 2016. Angola, which is the second largest oil producer in Africa, has been constrained by the production limits set under the OPEC agreement. Angola expects oil production to average about 1.6 million b/d this year. In parallel, Angola's state owned oil company, Sonangol, announced profits of \$224m for 2017, up from \$81m in 2016. *Source: Thomson Reuters, OPEC, Byblos Research*

Source: Thomson Reuters, OPEC, Byblos Research
COUNTRY RISK WEEKLY BULLETIN

Base Metals: Zinc prices to rise by 15% in 2018

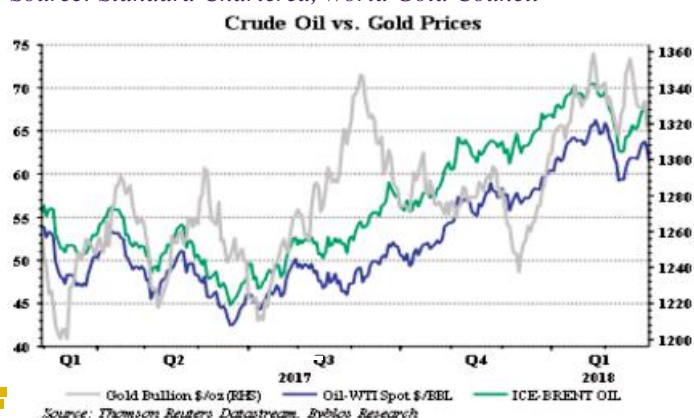
LME zinc 3-month future prices averaged \$3,448 per ton in the first two months of 2018, up by 24% from \$2,782 a ton in the same period of 2017. Prices reached their highest level in more than 10 years to close at \$3,575 on February 16, 2018, driven by news of a jump in China's metal imports, including zinc, in January. Also, the rally in zinc prices is supported by higher global demand for the metal amid constrained supply conditions. In fact, China's supply side reforms, which are in line with its environmental initiatives to tackle pollution, have supported the metal's price since the last quarter of 2017. In addition, higher Chinese imports are leading to drawdowns of inventories of the refined metal worldwide, amid worries about supply shortages. Prices are projected to increase from an average of \$2,888 a ton in 2017 to an average of \$3,325 a ton in 2018, as the zinc market is expected to post a deficit of 335,000 tons this year. However, prices are expected to average \$2,575 a ton over the 2019-20 period in case the market shifts to a surplus over the covered period. Downside risks to the price outlook include a rebound to full production potential at existing facilities, new capacity that is expected to come online, as well as slower demand from the Chinese property and infrastructure sectors that account for over 50% of global demand.

Source: Citi Research, Thomson Reuters

Precious Metals: Gold prices to average \$1,324 an ounce in 2018

Gold prices averaged \$1,331 per troy ounce in the first two months of 2018, compared to an average of \$1,258.5 an ounce in 2017. The metals' price is forecast to average \$1,324 an ounce in 2018, supported by increased gold demand amid strong global economic growth. First, a rise in personal income would support global demand for jewelry and gold-containing technology, such as smartphones and tablets and, in turn, the metal's prices. Second, favorable global economic conditions would spur savings and support gold demand for bars and coins. Third, market sentiment-driven factors, such as investors' fear of potential financial shocks, would underpin demand for the safe-haven metal. In addition, the favorable outlook for gold prices reflects more transparent and efficient financial markets that make access to gold easier and more affordable. In fact, the Indian government has recently stepped up efforts to formalize and modernize its financial markets. However, the U.S. Federal Reserve's recent announcement of four potential U.S. interest rate hikes this year, up from three hikes previously, represents downside risks to the metal's price outlook this year.

Source: Standard Chartered, World Gold Council



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	27-Feb-18	No change	12-Apr-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	28-Feb-18	No change	30-Mar-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-Mar-18	No change	30-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	12-Apr-18
Russia	Refi Rate	7.50	09-Feb-18	Cut 25bps	03-Mar-18



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