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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Active correspondents down 3% in first half of 2017

The Financial Stability Board (FSB) indicated that the number of active correspondents, or banks that have sent or received transfers through the SWIFT system, declined by 2.8% year-on-year in the first half of 2017, as well as by 8% between the end of 2011 and June 2017. It said that the SWIFT messaging system is used by more than 11,000 financial institutions in over 200 countries and territories worldwide. Further, it pointed out that the number of active corridors, which it defines as two countries that processed at least one transaction, declined by 1.2% year-on-year in the first half of 2017, as well as by 7.9% between the end of 2011 and June 2017. On a regional basis, the average number of corridors in North America grew by 0.4% year-on-year in the first half of 2017, and that in Eastern Europe was nearly unchanged year-on-year. In contrast, the average number of corridors in the Americas excluding North America decreased by 6% year-on-year in the first half of 2017, followed by Europe excluding Eastern Europe (-3.9%), Africa (-2.9%), Asia (-2%) and Oceania (-1.7%). In addition, the average number of corridors for Oceania decreased by 22.2% between 2011 and mid-June 2017, followed by the Americas excluding North America (-15.7%), Europe excluding Eastern Europe (-10.6%), Africa (-10.2%), Asia (-6.7%), North America (-1.9%) and Eastern Europe (-0.5%).

Source: Financial Stability Board

Healthcare spending projected at $8.7 trillion in 2020

Deloitte projected global healthcare spending to reach $8.7 trillion in 2020 compared to $7.1 trillion in 2015, which would constitute a compound annual growth rate (CAGR) of 4.3% between 2015 and 2020 relative to a CAGR of 1.3% between 2013 and 2016. Healthcare spending would be equivalent to 9.3% of GDP in 2020 relative to 9.6% of GDP in 2015. Deloitte mainly attributed the anticipated rise in nominal healthcare expenditures during the 2015-20 period to aging and growing populations, developing medical treatments and increasing labor costs. On a regional basis, it forecast healthcare spending in North America to reach $4.1 trillion in 2020, or 46.8% of the total, followed by Western Europe with $2 trillion (23%), Asia & Australasia with $1.96 trillion (22.5%), Latin America with $400.5bn (4.6%) and the Middle East & North Africa (MENA) with $138.9bn (1.6%). It also projected healthcare expenditures in North America to be equivalent to 17.3% of GDP in 2020, followed by Western Europe (10% of GDP), Asia & Australasia (8.7% of GDP), the MENA region (4% of GDP) and Latin America (0.6% of GDP). Also, it expected healthcare spending in Asia & Australasia to grow by a CAGR of 5% between 2015 and 2020, followed by North America (+4.3%), the MENA region (+4.2%), Western Europe (+4%) and Latin America (+2.4%). Further, it estimated healthcare expenditures in the United States to be equivalent to 16.9% of GDP in 2016, the highest such ratio globally, followed by Switzerland (11.5% of GDP), Japan (11.2% of GDP), Germany and Sweden (11.1% of GDP each), France (11% of GDP), the Netherlands (10.8% of GDP) and Denmark (10.6% of GDP).

Source: Deloitte, Byblos Research

MENA

Initial public offerings at $2.5bn in fourth quarter of 2017

Figures released by EY indicated that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $2.5bn in the fourth quarter of 2017, up by 10 times from about $218m in the same quarter of 2016, and accounted for 1.3% of total capital raised through IPOs worldwide. There were eight IPOs in the MENA region in the fourth quarter of 2017, relative to five IPOs in the same period of 2016, and represented 0.5% of the global volume. In addition, six IPOs in the GCC region raised a total of $2.4bn in the fourth quarter of 2017. On a country basis, two IPOs in the UAE raised $2.2bn in the fourth quarter of 2017, which is equivalent to 88% of the MENA region's total, followed by three IPOs in Oman that raised $81.9m, or 3.3% of the total. In parallel, IPOs in the real estate sector raised $1.4bn, or 58.8% of the GCC region's total, followed by the energy sector with $851m (35.5%). EY expected IPO activity in the MENA region to expand in 2018, supported by economic reforms and privatization efforts in some MENA countries, such as Saudi Arabia and Egypt. It added that IPOs this year would consist of a mix of local and international offerings. Further, EY pointed out that a number of family-owned, owner-managed and private equity-backed businesses in the region intend to go public this year with a combination of local and international offerings of different sizes.

Source: EY

Almost two-thirds of Arab countries' energy systems lag global trends

The World Economic Forum ranked Morocco in 47th place among 114 countries globally and in first place among 13 Arab countries on its 2018 Energy Transition Index. The UAE followed in 59th place, then Qatar (64th), Jordan (65th), Tunisia (74th), Oman (77th), Algeria (79th), Egypt (81st), Saudi Arabia (83rd), Yemen (91st), Bahrain (95th), Kuwait (96th) and Lebanon (103rd place). The index evaluates the performance of energy systems worldwide, as well as the countries' readiness for a transition towards a future energy system that is more secure, affordable, inclusive and reliable. The WEF scores a country on a scale from of zero to 100%, with 100% representing the best possible performance. The Arab countries' average score stood at 49.3%, which is lower than the global average score of 54.5%. In comparison, the average score among Gulf Cooperation Council (GCC) countries' was 49.2%, while it was 49.4% among of non-GCC Arab countries. In addition, Morocco came in first place on the System Performance Sub-Index, while Jordan ranked first on the Transition Readiness Sub-Index. Further, the WEF placed Bahrain, Egypt, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and Tunisia in the "Emerging" energy system category, which means that the performance of their energy systems and their readiness to transition towards a secure, affordable, inclusive and reliable energy system are below global mean levels.

Source: World Economic Forum, Byblos Research

OUTLOOK

SAUDI ARABIA

Growth to average 4% over the medium-term

Samba Financial Group projected Saudi Arabia's real GDP to grow by 1.6% in 2018 following a contraction of 0.7% in 2017, as authorities ease fiscal consolidation amid a recovery in global oil prices. It noted that the structural adjustment under "Vision 2030", as well as the ongoing improvements to the business environment, are critical for attracting foreign direct investment and, in turn, for paving the way for a sustainable economic transformation. It expected growth to average 3.9% annually during the 2019-22 period, in case foreign investment flows recover, public spending continues to be strong and real consumption further improves. In addition, it forecast the inflation rate to average 2.9% in 2018 and 3.6% annually during the 2019-22 period amid stronger domestic demand and the introduction of the value-added tax (VAT). It expected the net gains from the introduction of the VAT to be insignificant, as the rollout of cash payments to lower-income households would offset the increase in VAT receipts and the cuts in subsidies.

In parallel, Samba forecast Saudi Arabia's fiscal deficit to narrow from 9% of GDP in 2017 to 8.2% of GDP in 2018 and to average 4.7% of GDP annually over the 2019-22 period, mainly due to higher oil export receipts. It considered that authorities are well-placed to issue additional external debt in 2018 following successful Eurobond issuances during the past two years, which would improve the fiscal financing outlook. In parallel, Samba projected the current account surplus to increase from 1.4% of GDP in 2017 to 1.6% of GDP in 2018 and to 4.4% of GDP by 2022, in part due to higher export receipts. In addition, it forecast the net foreign assets at the Saudi Arabian Monetary Authority to decline from 72% of GDP in 2017 to 69% of GDP this year and to 65% of GDP in 2019, but to increase gradually to 68% of GDP by 2022 in case of higher FDI and portfolio inflows.

Source: Samba Financial Group

ALGERIA

Growth outlook dependent on oil prices and appetite for reforms

The Institute of International Finance assessed the impact of changes in global oil prices on the outlook of the Algerian economy during the 2019-23 period through three different scenarios. Under its base case scenario, the IIF projected global oil prices to increase from $60 p/b in 2018 to $61.2 p/b in 2019 and to reach $66.2 p/b by 2023. It expected the government to continue to avoid external borrowing and to make limited progress on reforms. In this context, it projected real GDP growth to decelerate from 2.9% this year to 2.4% in 2019 and to 2.1% by 2023. Also, it forecast the fiscal deficit to narrow from 8% of GDP in 2018 to 7.5% of GDP next year and to reach 3.7% of GDP by 2023, and for the government debt level to rise from 30.3% of GDP at the end of 2018 to 35.3% of GDP at end-2019 and 56.7% of GDP by the end of 2023. Further, it projected the current account deficit at 6.5% of GDP in 2019, unchanged from 2018, and to narrow afterwards to 4.3% of GDP in 2023. It expected foreign currency reserves to decline from $90bn at end-2018 to $81.4bn at end-2019 and $56.7bn by the end of 2023.

The IIF's second and third scenarios assume that oil prices will drop from $60 p/b in 2018 to $51.2 p/b in 2019 and will slightly rise to $55.4 p/b by 2023. Under the second scenario, the IIF assumes that authorities would implement policy adjustments, such as floating the exchange rate, liberalizing the economy and tapping global capital markets. In this context, it projected real GDP growth to decelerate to 1.3% in 2019 and to recover to 3.7% by 2023. It forecast the fiscal deficit to narrow to 7.1% of GDP next year and to reach 2.1% of GDP by 2023, and for the current account deficit to widen to 9.4% of GDP in 2019 but to narrow to 6.6% of GDP in 2023. It anticipated the current account deficit to be partly offset by non-resident capital inflows, which would maintain foreign currency reserves at above $60bn by 2023.

Under the third scenario, the IIF anticipated that the government would not deviate from its current policies until 2023. In this context, it projected growth to decelerate to 2.2% in 2019 and to 1.8% by 2023. It forecast the fiscal deficit at 4.6% of GDP by 2023, and the current account deficit at 9.1% of GDP in 2023. It anticipated the government debt level to rise to over 60% of GDP by 2023, and for foreign currency reserves to decline to $17.2bn by the end of 2023.

Source: Institute of International Finance

ANGOLA

Economy to recover slightly in 2018, downside risks persist

The International Monetary Fund indicated that the Angolan economy is slightly recovering amid the government's focus on restoring macroeconomic stability and improving governance. It projected real GDP growth to accelerate from 1% in 2017 to 2.3% in 2018, supported by a more efficient foreign exchange allocation system, increased availability of foreign currency, higher liquefied natural gas production and improved business confidence. It anticipated economic activity to continue to recover in the medium term, but it considered that there are downside risks to the outlook, including a decline in oil prices and slippages in the implementation of the needed structural reforms for economic diversification. Further, it forecast the inflation rate to reach 24.8% at end-2018, mainly due to the depreciation of the Angolan kwanza.

In parallel, the IMF indicated that Angolan authorities plan to reduce the fiscal deficit from about 6% of GDP in 2017 to 3.5% of GDP in 2018, based on a conservative oil price assumption. It considered that additional revenues from higher-than-budgeted oil prices should be used to clear domestic payment arrears and/or retire part of the public debt. It said that Angola's gross financing requirements in 2018 are large, but are manageable amid a favorable external environment. It added that a gradual fiscal consolidation over the medium term would help reduce the public debt level. Further, the Fund considered that the government's objective of reducing the public debt level to below 60% of GDP over the medium term would provide an adequate fiscal anchor, and could be achieved through ongoing efforts to increase the tax base and reduce public spending. It added that fiscal consolidation efforts should be complemented by containing contingent liability risks, improving the quality of public investment and liberalizing domestic fuel prices.

Source: International Monetary Fund

OMAN

Rating downgraded on deteriorating macroeconomic fundamentals, outlook 'negative'

Moody's Investors Service downgraded Oman's long-term issuer and senior unsecured bond ratings from 'Baa2' to 'Baa3', one notch above speculative grade. It kept the 'negative' outlook on the ratings. It attributed the downgrade to the continued deterioration in the country's fiscal and external balances, as well as to expectations of subdued growth in coming years. It projected the fiscal deficit to remain wide at between 5% and 7% of the GDP in the next five years, despite the planned expenditure cuts and revenue-raising measures. Also, it expected the public debt level to grow from 40.5% of GDP at the end of 2017 to 60% of GDP by end-2021. It considered that Oman's public-sector wage bill, which is equivalent to 12% of GDP and 27% of total expenditures, as well as continued social spending to support political stability, constitute significant risks to the pace of fiscal consolidation. Further, it expected Oman's current account deficit to remain wide at around 9% of the GDP in the coming few years. It noted that the country's current account deficits have weighed on its net external asset position, which was equivalent to 10% of GDP at the end of 2017 relative to 55% of GDP at end-2014. It anticipated the net external asset position to be negative by end-2019 in the absence of new policy measures that could limit imports. In addition, Moody's expected Oman's real GDP growth to remain subdued in the medium term, mainly due to broadly stable oil production and slow growth in the non-hydrocarbon sector.

Source: Moody's Investors Service

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B' Nigeria's short- and long-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It noted that the ratings are supported by Nigeria's moderate external indebtedness and relatively low government debt level, but are mainly constrained by weak institutional capacity, lower-than-peers real GDP per capita growth, low monetary policy credibility and high debt-servicing costs. It indicated that real GDP grew by 0.8% in 2017 following a contraction of 1.6% in 2016, supported by rising oil prices, increasing foreign currency inflows and higher agricultural production. It expected growth to average 2.8% annually during the 2018-21 period driven by a rebound in the non-oil economy. In parallel, the agency projected the fiscal deficit to gradually narrow from 5.8% of GDP in 2017 to 4% of GDP in 2018 and to 2.3% of GDP by 2021, mainly due to higher oil revenues. It forecast the government debt level to average 27.8% of GDP annually during the 2018-21 period, which compares favorably to similarly-rated peers. But it expected debt servicing to absorb more than 20% of revenues during the 2018-21 period compared to 10% in 2014. Also, it noted that the government's plans to clear arrears to contractors, to suppliers and to local governments through the issuance of naira-denominated debt securities would increase the public debt and fiscal deficit by 2% to 3% of GDP. It anticipated gross external financing needs at about 100% of current account receipts plus usable reserves during the 2018-21 period, and expected them to be funded by multilateral partners and international capital markets.

Source: S&P Global Ratings

TUNISIA

Sovereign rating downgraded on fiscal and external imbalances

Moody's Investors Service downgraded Tunisia's long-term issuer rating from 'B1' to 'B2', which is five notches below investment grade, constituting the second downgrade in seven months. It also revised the outlook from 'negative' to 'stable' on the long-term rating. It attributed the downgrade to a sustained deterioration in Tunisia's fiscal strength and its persistent wide external imbalances. It considered that the gradually rising debt burden, weakening debt affordability, persistent contingent liability risks and the country's vulnerability to shifts in foreign creditors' willingness to finance its borrowing needs, are weakening Tunisia's fiscal strength. It projected the fiscal deficit to narrow from 6.1% of GDP in 2017 to 4.9% of GDP in 2018 and 4.6% of GDP in 2019. It said that fiscal consolidation measures include a reduction in the public wage bill from 14.7% of GDP in 2017 to 14.2% of GDP in 2018, and a one percentage point increase in the value-added tax rate, among others. Still, it expected the government debt level to increase from an estimated 70.2% of GDP at the end of 2017 to 73% of GDP at end-2019. Further, it estimated contingent liabilities from state-owned enterprises (SOEs) at around 13% of GDP, and added that SOEs are reliant on budgetary transfers of between 2% and 2.5% of GDP annually. In addition, it pointed out that 65% of Tunisia's public debt is denominated in foreign currency, which makes it vulnerable to a significant depreciation of the Tunisian dinar. Further, Moody's expected the current account deficit to narrow gradually from 10.4% of GDP in 2017 to 9.5% of GDP in 2018 and to 8.3% of GDP in 2019.

Source: Moody's Investors Service

GHANA

Macroeconomic fundamentals improve

The International Monetary Fund indicated that Ghana's macroeconomic performance has improved in 2017, with real GDP growth accelerating to 7.9% in 2017 after several years of economic slowdown, supported by higher oil production. It noted that the inflation rate regressed to 10.3% in January 2018, while the exchange rate was relatively stable. Also, it considered that the country's external imbalances have receded, with a narrowing of the current account deficit and the large accumulation of foreign currency reserves. In addition, it pointed out that authorities were able to successfully meet their 2017 fiscal target, with the fiscal deficit narrowing to 5.9% of GDP in 2017, which helped reduce the public debt level. It added that the government financed the 2017 deficit through domestic borrowing without resorting to borrowing from the Bank of Ghana. Further, the Fund welcomed the authorities' efforts to strengthen governance and ensure macroeconomic stability in coming years, and encouraged the implementation of continued fiscal and structural reforms. In this context, it called on the government to preserve fiscal discipline in order to reduce the public debt level and eliminate the risk of debt distress. As such, it encouraged authorities to implement revenue-based fiscal consolidation measures such as broadening the tax base. Further, it called on authorities to maintain price stability and to continue to implement a prudent fiscal policy in order to contain inflation.

Source: International Monetary Fund

EGYPT

Outlook revised to 'positive' on ratings of eight banks

Capital Intelligence Ratings affirmed at 'B' the long-term foreign currency ratings (FCRs) of National Bank of Egypt, Banque du Caire, Commercial International Bank, QNB Al Ahli Bank, Bank of Alexandria, Arab African International Bank, Arab International Bank and the Export Development Bank of Egypt. It revised the outlook on all the banks' ratings from 'stable' to 'positive'. It also affirmed the short-term FCRs of all the banks at 'B'. It attributed the outlook revision on the banks' FCRs to its similar action on Egypt's sovereign ratings, reflecting the strong correlation between the FCRs and the sovereign's creditworthiness. Also, it attributed the outlook revision on the sovereign ratings to Egypt's increasing foreign currency reserves, declining public debt level, lower short-term financing risks and improved macroeconomic management. It added that these factors increased investor confidence and raised the country's medium-term growth prospects, which would consequently support the banking sector. In parallel, the agency affirmed the Financial Strength Ratings (FSRs) of Commercial International Bank and QNB Al Ahli Bank at 'BBB-', those of the Arab African International Bank, Arab International Bank and Bank of Alexandria at 'BB', and the FSRs of National Bank of Egypt, Banque du Caire and Export Development Bank of Egypt at 'BB-'. It maintained a 'stable' outlook on all the banks' FSRs.

Source: Capital Intelligence Ratings

TUNISIA

Banks' ratings downgraded following similar action on the sovereign

Moody's Investors Service downgraded the long-term local currency deposit ratings of Arab Tunisian Bank (ATB), Banque Internationale Arabe de Tunisie (BIAT) and Banque de Tunisie (BdT) from 'B1' to 'B2', as well as the long-term local currency deposit ratings of Société Tunisienne de Banque (STB) from 'B2' to 'B3'. It also affirmed the long-term local currency deposit rating of Amen Bank at 'B2'. In parallel, Moody's downgraded the long-term foreign currency deposit ratings of all five banks from 'B2' to 'B3'. It also revised the outlook on the long-term deposit ratings of all the banks from 'negative' to 'stable'. It said that the downgrades follow its similar action on the sovereign ratings amid a deterioration in Tunisia's fiscal strength and foreign currency buffers. It indicated that the downgrades of BIAT, BdT and STB's long-term local currency ratings reflect the government's reduced capacity to provide support to the banks in case of need. In addition, it said that the downgrade of BdT's ratings takes into account a revision of its baseline credit assessment (BCA) from 'b2' to 'b3' because of the bank's increasing reliance on funding from Banque Centrale de Tunisie and the associated pressure on collateralized liquid assets. Also, it noted that the downgrade of ATB's ratings reflects the lowering of its BCA from 'b2' to 'b3', due to a gradual deterioration in the bank's asset quality since 2014 and a decline in its capital buffers. In parallel, the agency affirmed the BCAs of Amen Bank at 'caa1', of BIAT at 'b3' and of STB at 'caa3'.

Source: Moody's Investors Service

KUWAIT

Stable banking sector amid robust non-oil economy

Moody's Investors Service indicated that the outlook on Kuwait's banking sector is stable, as it expected the banks' credit standing to be supported by robust growth in the non-oil sector and solid financial fundamentals over the next 12 to 18 months. It forecast domestic credit to grow by 6% annually over the coming 12 to 18 months, driven by accelerating household credit amid improving economic sentiment and sustained employment. But it expected that the growth in corporate credit to be relatively weaker due to corporate repayments and a slowdown in development projects. Still, it anticipated banks to find opportunities for corporate credit and non-cash business from active projects. Further, it expected the banks' non-performing loans ratio to stabilize at about 2% over the next 12 to 18 months amid favorable domestic conditions. It added that banks have cleaned up their portfolios ahead of the implementation of international accounting standard IFRS9, which will help limit impairments going forward. However, it indicated that adverse domestic political and geopolitical developments, or a renewed drop in global oil prices, could weigh on business growth and on the sector's asset quality. Further, it noted that Kuwaiti banks maintain strong loss absorption buffers, with the sector's Tier One capital ratio reaching 15.8% at the end of 2017. It added that the banks' substantial general provisions will allow them to implement IFRS9 without a negative impact on their capital. In parallel, Moody's anticipated the banks' profitability to improve in coming months due to wider net interest margins and lower credit costs. It projected the net income to tangible assets ratio to increase from 1.1% in 2017 to 1.3% in the next 12 to 18 months.

Source: Moody's Investors Service

IRAQ

Progress in the implementation of anti-money laundering measures

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that, since October 2013, Iraq has significantly addressed its action plan to overcome the strategic deficiencies related to its AML/CFT regime. It added that Iraq made in October 2013 a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its strategic AML/CFT deficiencies. The FATF indicated that authorities criminalized money laundering and terrorist financing, introduced an adequate legal framework for identifying and freezing terrorist assets, requested all financial institutions to implement adequate customer due diligence, established a fully operational and effectively functioning Financial Intelligence Unit, subjected all financial institutions to adequate suspicious transaction reporting requirements, as well as established an adequate AML/CFT supervisory and oversight program for the financial sector. The FATF indicated that it will conduct an on-site visit to confirm that authorities started to implement these reforms and that they continue to implement them.

Source: Financial Action Task Force

ENERGY / COMMODITIES

Oil prices increase on higher geopolitical concerns

ICE Brent crude oil front-month prices rose to their highest level since early February 2018 to close at $69.5 per barrel (p/b) on March 21, 2018, mainly due to an unexpected decline in U.S. crude oil inventories, heightened geopolitical concerns, ongoing US dollar weakness, sustained OPEC compliance with the oil production cuts and mounting concerns about the Venezuelan crisis. Recent political developments have raised speculations that the U.S. would revoke the nuclear deal and renew the sanctions on Iran, which could affect the latter's oil industry and exports. In parallel, Moody's Investors Service raised its medium-term price band for oil from $40-$60p/b to $45-$65p/b, as sustained OPEC-led production cuts and strong global demand growth are contributing to declining global inventories, and are offsetting the rapid increase in U.S. shale production. However, it noted that trading at the upper price band would encourage the increase of U.S. oil output and stimulate countries to reduce compliance to the oil production quotas, which would weigh on oil prices. In comparison, Fitch Ratings raised its average price for Brent crude oil to $57.5 p/b in 2018 from $52.5 p/b previously.

Source: Thomson Reuters, Moody's Investors Service, Fitch Ratings, Byblos Research

Planned investments in MENA energy projects at $574bn between 2018 and 2022

Total planned investments in the MENA region's energy sector are estimated at $574bn during the 2018-22 period. The power sector would account for $187bn, or 32.6% of total upcoming energy investments, followed by the oil sector with $169bn (29.4%), the gas sector with $150bn (26.1%) and the petrochemicals sector with $68bn (11.8%). In parallel, Saudi Arabia is expected to lead the region with $149bn in planned investments, or 26% of the total, followed by the UAE and Egypt with $72bn each (12.5% each) and Kuwait with $59bn (10.3%).

Source: APICORP Energy Research, Byblos Research

Global copper mine capacity to rise by annual average of 2% in 2018-21 period

The global copper mine capacity is expected to increase by an annual average of 2% in the 2018-21 period. Copper concentrates are anticipated to account for 80% of global mine capacity growth in the covered period. On a country basis, China, the Democratic Republic of Congo, Iran, Panama, Peru, and the U.S. will be the largest contributors to global copper mine capacity growth in the 2018-21 period. In addition, the global copper refinery capacity is expected to grow by an annual average rate of around 3% in the 2018-21 period, mainly driven by an increase in Chinese refining capacity.

Source: International Copper Study Group

ME&A's oil demand to rise by 2% in 2018

Crude oil consumption in the Middle East & Africa region is forecast to average 12.5 million barrel per day (b/d) in 2018, which would constitute an increase of 1.9% from 12.3 million b/d in 2017. The region's demand for oil would represent 38.2% of demand in developing countries and 12.7% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.16 million b/d in 2018, which would reflect an increase of 1.9% from 3.1 million b/d in 2017.

Source: OPEC, Byblos Research

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

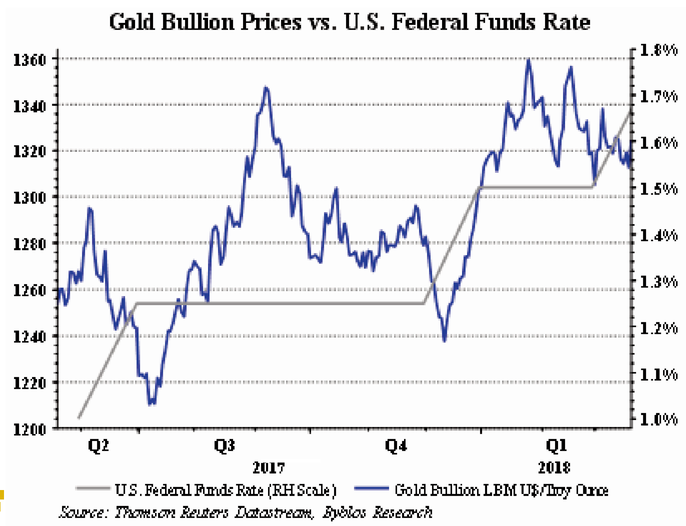
LME copper three-month future prices averaged $7,036 per metric ton so far this year and closed at $6,793 per ton on March 21, 2018. Prices reached their lowest level in over three months to close at $6,755 a ton on March 20, 2018, driven by expectations of higher interest rates ahead of the U.S. Federal Reserve meeting. However, copper prices partly recovered following news that the U.S. Federal Reserve plans to raise interest rates at a slower pace this year, which weighed on the US dollar and pushed up the metal's price. Copper prices are forecast to average $7,150 a ton in 2018 and $7,250 a ton in 2019 relative to an average of $6,199 a ton in 2017. In parallel, the latest available figures show that global demand for refined copper was 23.7 million tons in 2017, up by 0.7% from 23.5 million tons in 2016, as Chinese demand grew by 0.9% and demand in the rest of the word increased by 0.5% in 2017. On the supply side, global refined copper production was 23.5 million tons in 2017, up by 0.6% from 23.4 million tons in 2016. On a regional basis, refined output grew by 3.7% in Europe, by 3.5% in Asia and by 1.5% in Africa, while it dropped by 15% in Oceania and by 7.5% in the Americas.

Source: International Copper Study Group, Standard Chartered

Precious Metals: Gold prices continue to trade above $1,300 an ounce so far in 2018

Gold prices averaged $1,328 per troy ounce so far this year, trading at a low of $1,303 an ounce and a high of $1,359 per ounce, and compared to an average of $1,258 an ounce in 2017. The increase in the metal's prices so far this year reflects higher investor demand for the safe haven metal due to the U.S. Administration's trade protectionist policies, as well as to recent political tensions between Russia and the United Kingdom. Gold prices are forecast to average $1,280 an ounce in the second quarter of 2018 before recovering to $1,358 per ounce in the second half of the year, supported by a weaker US dollar and rising U.S. inflation expectations. Overall, prices are forecast to average $1,324 an ounce in 2018. Upside risks to the metal's price include the digitalization in India's gold market, which involves smartphones, e-wallets and flexible investment schemes, which would underpin the metal's physical demand. However, downside risks to the price outlook include stronger-than-expected U.S. economic growth and reduced political tensions between the U.S. and North Korea.

Source: Standard Chartered, 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	-	Stable	-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	Positive	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	-	B2	B+	-	BB+								
	-	Stable	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	Stable	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	Baa3	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 Positive	B+ Stable	- -	B- Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA- Stable	Aa3 Negative	A+ Stable	- -	A Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB- Stable	Baa3 Positive	BBB- Stable	- -	BBB Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB- Negative	Baa2 Negative	BBB+ Stable	- -	BBB- Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB Negative	Baa2 Stable	BBB- Stable	- -	BBB Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	BBB- Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+ Negative	Ba1 CWN***	BBB- Negative	- -	BB+ Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB Negative	Ba2 Stable	BB+ Stable	BB+ Stable	BB- Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC Negative	Caa3 Stable	CCC -	- -	B- 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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	1.50-1.75	21-Mar-18	Raised 25bps	02-May-18
Eurozone	Refi Rate	0.00	08-Mar-18	No change	26-Apr-18
UK	Bank Rate	0.50	22-Mar-18	No change	08-May-18
Japan	O/N Call Rate	-0.10	09-Mar-18	No change	27-Apr-18
Australia	Cash Rate	1.5	06-Mar-18	No change	03-Apr-18
New Zealand	Cash Rate	1.75	21-Mar-18	No change	09-May-18
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Mar-18	No change	21-Jun-18
Canada	Overnight rate	1.25	07-Mar-18	No change	18-Apr-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	22-Mar-18	No change	21-Jun-18
South Korea	Base Rate	1.50	27-Feb-18	No change	12-Apr-18
Malaysia	O/N Policy Rate	3.25	07-Mar-18	No change	10-May-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	2.00	22-Mar-18	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	2.25	15-Mar-18	Raised 75bps	N/A
Egypt	Overnight Deposit	17.75	15-Feb-18	Cut 100bps	29-Mar-18
Turkey	Base Rate	8.00	07-Mar-18	No change	25-Apr-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	6.50	21-Mar-18	Cut 25bps	16-May-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	9.50	05-Mar-18	Cut 50bps	16-Apr-18
Ukraine	Discount Rate	16.00	25-Jan-18	Raised 25bps	12-Apr-18
Russia	Refi Rate	7.50	09-Feb-18	Cut 25bps	23-Mar-18

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