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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading down 5% to $4,901bn in 2017

Trading in emerging markets (EM) debt instruments reached $4,901bn in 2017, constituting a decline of 5.1% from $5,167bn in 2016, due to lower uncertainty and less volatility in global markets. Trading in EM debt instruments reached $1,323bn in the first quarter, $1,132bn in the second quarter, $1,299bn in the third quarter and $1,147bn in the fourth quarter of 2017. Also, trading increased by 1.3% in the fourth quarter of 2017 from $1,132bn in the fourth quarter of 2016. Turnover in local-currency instruments reached $2,747bn in 2017, down by 14.4% from $3,209bn in 2016. Further, trading in sovereign and corporate Eurobonds stood at $2,120bn in 2017, up by 9.7% from $1,932bn in 2016. The volume of traded sovereign Eurobonds reached $1,163bn and accounted for 54.9% of total Eurobonds traded last year, while the volume of traded corporate Eurobonds reached $801bn or 37.8% of the total. In addition, turnover in warrants and options stood at $32bn in 2017, while loan assignments reached $1bn. The most frequently traded instruments in 2017 were Mexican fixed-income assets with a turnover of $699bn, or 14.3% of the total, followed by securities from Brazil with $651bn (13.3%), instruments from China with $400bn (8.2%), and fixed-income securities from India and South Africa with $382bn each (7.8% each).
Source: EMTA

Institutional investors' commitments in PPIs at $1.9bn between 2011 and June 2017

Figures released by the World Bank show that investment commitments by institutional investors in infrastructure projects with private participation in developing economies, or public-private investments (PPIs), totaled $1.88bn between 2011 and June 2017, which represents 0.67% of global PPI investments. Overall, contributions by institutional investors totaled $76m in 2011, $225m in 2012, $65m in 2013, $333m in 2014, $791m in 2015, $357m in 2016, and $31m in the first half of 2017. Also, equity investments by institutional investors in PPIs accounted for 52.2% of their total investments in such projects between 2011 and June 2017, while debt investments represented the remaining 47.8%. Further, institutional investors financed 41 PPIs in developing economies, of which 33 were equity investments, six were debt financing and two were a combination of debt and equity financing. Also, institutional investors invested in 35 projects in the energy sector, or 85.4% of the total, followed by the transportation industry with four projects (9.8%), and the water and information & communication technology sectors with one project each (2.4% each). In addition, institutional investors financed 21 projected in Sub-Saharan Africa, or 51.2% of the total, followed by Latin America & the Caribbean with 12 projects (29.3%), East Asia & the Pacific with four projects (9.8%), Europe & Central Asia with three projects (7.3%) and the Middle East & North Africa with one project (2.4%).
Source: World Bank, Byblos Research

MENA

Tourism sector to account for 9% of GDP in 2018

The World Travel & Tourism Council (WTTC) expected the Middle East's tourism sector to account for 8.9% of the region's GDP in 2018 and to increase to 9.7% of GDP in 2028. It forecast the region's broad tourism & travel (T&T) economy to generate demand of $234bn in 2018 and to reach $365.7bn by 2028 in constant 2017 prices. It projected the sector's real growth rate at 4.3% in 2018 and 4.6% annually during the 2018-28 period. The WTTC forecast spending on leisure travel at $133.4bn in 2018 and to grow by a real rate of 4.3% annually to $202.6bn in constant prices by 2028. It also anticipated business travel spending to reach $35.4bn this year, and to grow by a real rate of 5.1% annually to $58.2bn in constant prices by 2028. It estimated capital investment in the T&T economy at $46.6bn in 2018 and at $85.1bn in constant 2017 prices within 10 years. Further, it forecast the export of tourism services at $96.3bn this year and at $162.1bn in constant 2017 prices by 2028, which would account for about 8.3% of the region's total exports in 2018 and for around 8.4% of exports in 2028. It said that the T&T industry will provide jobs to 5.7 million people, equivalent to 7.4% of the region's total employment in 2018, with the figure rising to 7.2 million jobs or 7.6% of employment by 2028.
Source: World Travel & Tourism Council

Quality of living varies across Arab world

The 2018 Mercer survey on the quality of living in 231 cities around the world shows that Dubai is the city with the highest living standards in the Arab region and ranked in 74th place globally. Abu Dhabi followed in 77th place, then Muscat (105th), Doha (110th) and Tunis (114th) as the best cities for overall quality of living among 22 Arab cities; while Nouakchott (221st), Damascus (225th), Khartoum (227th), Sana'a (229th) and Baghdad (231st) are the least appealing Arab cities in terms of living conditions. The study evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to healthcare & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the natural environment. Based on the 22 Arab cities that were included in both the 2010 and 2018 surveys, the rankings of 12 cities in the region improved, seven declined and three were unchanged during this timeframe. Amman's rank rose by nine spots and constituted the best improvement regionally. In contrast, the ranks of Cairo and Damascus fell by 42 spots each, representing the steepest declines globally. Also, 12 cities in the Arab world ranked in the bottom third globally in 2018 and six cities came among the bottom 20 cities worldwide. The survey is conducted annually to help multinational companies assess international hardship allowances and incentives for their expatriate workers.
Source: Mercer, Byblos Research

OUTLOOK

ARMENIA

Favorable outlook amid effective macroeconomic and fiscal policies

Moody's Investors Service projected Armenia's real GDP growth at 5% in 2018 and 5.1% in 2019, supported by the recovery in household consumption, strong export growth, higher domestic demand and the expected production from the country's new and largest gold mine. It forecast the inflation rate to average 3.5% in 2018, due in part to the accommodative monetary policy, but to be below the Central Bank of Armenia's target of 4%. It noted that the government's effective macroeconomic policies and ongoing reforms of the fiscal framework support the growth outlook. It anticipated the partnership between Armenia and the European Union under the Comprehensive and Enhanced Partnership Agreement to improve the country's institutional strength and its economic potential in coming years. However, it noted that the government's high debt burden that is vulnerable to sharp currency depreciation, the country's high exposure to external developments, as well as heightened geopolitical tensions constitute significant downside risks to the growth outlook.

In parallel, Moody's forecast the fiscal deficit to narrow from 4.7% of GDP in 2017 to 2.6% of GDP in 2018 and 2.5% of GDP in 2019, mainly due to the new fiscal rule and ongoing reforms to improve the quality of spending, as well as by stronger fiscal flexibility amid cyclical shocks. Also, it anticipated government revenues to increase by one percentage point of GDP this year as a result of the tax reform that came into effect in January 2018. Further, the agency projected the public debt level to regress from 58.6% of GDP at end-2017 to 56.5% of GDP at the end of 2018 and 54.2% of GDP at end-2019. It said that the country's debt burden is vulnerable to currency depreciation, given that 80% of the public debt stock is denominated in foreign currency. In addition, it forecast Armenia's interest payments to be equivalent to 7.5% of government revenues in 2018, which reflects the country's high debt affordability given its large stock of concessional multilateral and bilateral loans that have long maturities. In parallel, it projected Armenia's current account deficit to narrow from 2.8% of GDP in 2017 to 2.4% of GDP this year and 2.3% of GDP in 2019 amid stronger export growth, and to be mainly financed by foreign direct investments.

Source: Moody's Investors Service

ANGOLA

Increase in capital levels insufficient to address banks' weaknesses

Fitch Ratings expected Angola's banking sector to remain weak and fragmented in coming years, despite the Banco Nacional de Angola's (BNA) recent efforts to increase the banks' capital requirements. It said that eight out of the 29 banks operating in Angola will have to increase their paid-in capital this year in order to comply with the BNA's latest capital requirements. It noted that Angolan banks will be required to have at least AOA7.5bn, or $35m, in paid-in capital by the end of 2018, which is three times the current minimum requirement. However, it considered that the new capital requirement is still low by international standards, and is insufficient to address fundamental weaknesses in the banking sector. Also, it anticipated that increasing capital internally could be difficult for some banks unless they cut dividends, while the new minimum requirement could force some smaller banks to close. It considered that bank closures could be positive for the credit quality of the banking sector, as it would reduce the prevailing competitive pressure on the banks.

In parallel, Fitch pointed out that the banking sector's capital adequacy ratio reached 23.2% at the end of 2017. But it noted that the banks' exposure to country risk is high, given that they operate almost exclusively in the domestic market and have a high proportion of their assets invested in domestic government securities. Further, it said that the sector's asset quality is weak, volatile and closely linked to local economic cycles. It also indicated that the banks' single-name loan and deposit concentrations are elevated, which would expose the banks to significant default risks in case of a loan impairment, as well as to substantial liquidity risks in case of sudden deposit withdrawals. In addition, it noted that Angolan banks face difficulties in managing foreign currency liquidity and rely instead on BNA auctions. Overall, the agency considered that the outlook for Angolan banks is negative amid a decrease in lending, difficulties in accessing foreign currency and outflows of deposits.

Source: Fitch Ratings

MOROCCO

Growth projected at 4.5% over the medium term

The International Monetary Fund projected Morocco's real GDP growth to decelerate from 4.4% in 2017 to 3.1% in 2018, as agricultural production returns to its normal level following high output last year. But it expected growth to accelerate gradually to about 4.5% in the medium term and to remain favorable in case of improved external conditions and sustained reform implementation. Further, it forecast the inflation rate to average 1.3% in 2018 and to stabilize at about 2% in the medium term. It anticipated that the authorities' plan to move to a more flexible exchange rate regime and to adopt a new monetary policy framework would help the economy absorb external shocks and remain competitive. But it considered that the growth outlook is subject to significant risks, including delays in implementing key fiscal and structural reforms, weaker-than-anticipated growth in the Eurozone, heightened geopolitical risks, as well as tighter global financial conditions.

In parallel, the IMF projected Morocco's fiscal deficit to narrow from 3.5% of GDP in 2017 to 3% of GDP in 2018, and to stabilize at about 2.5% of GDP in the medium term, in case authorities broaden the tax base, continue to contain current spending below budgeted levels, and put in place contingency measures to weather the potential shortfalls in grants. In this context, it projected the public debt level to regress from 64% of GDP in 2018 to 60% of GDP in 2021, as the government continues to maintain growth-friendly expenditures. In parallel, the Fund forecast the current account deficit to narrow from 3.7% of GDP in 2018 to about 3.1% of GDP in the medium term, mainly supported by sustained export growth, as well as higher tourism receipts and remittances, which would offset the decline in official grants, mostly from GCC countries. Also, it projected foreign currency reserves to remain at comfortable levels and to average $33.6bn over the medium term.

Source: International Monetary Fund

ECONOMY & TRADE

AFRICA

Free trade deal to improve Africa's credit profile, trade finance gap at $90bn

Moody's Investors Service indicated that the African Continental Free Trade Area (ACFTA) agreement, which aims to create a single market for goods & services in Africa, will support intra-regional trade and improve the continent's credit profile. Also, it expected that higher intra-regional trade could help reduce growth volatility and develop the region's local economies, which would increase demand and investment in trade-related sectors. It noted that the volume of intra-African trade remains low despite increasing from 11% of the region's total trade activity in 2008 to 15% in recent years. It said that African exports to the rest of the world are largely undiversified and heavily oriented toward raw materials, while intra-regional exports in Africa have more value-added products. It indicated that manufactured goods accounted for 43% of intra-African exports between 2012 and 2016, compared to 20% of the region's exports to the rest of the world. It said that countries with larger manufacturing bases and better infrastructure, such as Côte d'Ivoire, Egypt, Ethiopia, Kenya, Morocco, Namibia, South Africa and Tunisia, would benefit the most from increased trade integration. However, it noted that Africa's underdeveloped infrastructure, non-tariff barriers and finance constraints will limit the potential benefits of the ACFTA. It added that Africa's trade finance gap exceeds $90bn annually, and that the lack of financing limits the region's trade potential.

Source: Moody's Investors Service

JORDAN

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B+/B' Jordan's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It said that the ratings are mainly constrained by an elevated public debt level, large financing needs as a result of wide current account deficits, and by ongoing regional conflicts. But it noted that the ratings are supported by stronger fiscal consolidation efforts, measures to reduce losses at state-owned enterprises, and international support. The agency forecast real GDP growth to slightly accelerate from 2.1% in 2017 to 2.5% in 2018 and to 2.8% by 2021 amid higher exports and investment projects, especially in the energy sector. Further, it expected risks to Jordan's public finances to persist amid a challenging environment, but it anticipated fiscal reforms under the IMF program to improve public finances by 2021. It projected the public debt level to regress gradually from 95% of GDP at the end of 2017 to 89% of GDP at end-2021. It anticipated the government to increasingly issue foreign currency commercial debt in order to meet its funding needs and extend its debt maturity profile, amid decreasing grants and funding from the U.S. and GCC. In parallel, it projected the current account deficit to slowly narrow from 2018 onward due to higher exports, but to remain elevated at an average of 9.6% of GDP annually during the 2018-21 period. It anticipated the current account deficit to be mainly financed by foreign direct investments, debt inflows and grants. Also, it expected Jordan's external financing needs to average 162% of current account receipts and usable reserves during the 2018-21 period.

Source: S&P Global Ratings

GHANA

Weak public finances constrain ratings

S&P Global Ratings affirmed at 'B-/B' Ghana's long- and short-term foreign and local currency sovereign credit ratings, with a 'positive' outlook. It said that the ratings are constrained by Ghana's very weak public finances, but it expected robust economic growth in coming years to support authorities in addressing fiscal imbalances. It projected the fiscal deficit to narrow from an average of 8% of GDP annually during the 2014-17 period to an average of 4.6% of GDP during the 2018-21 period, supported by favorable growth prospects and ongoing fiscal consolidation efforts. But it considered that the government could face challenges in implementing much-needed fiscal consolidation, as well as in establishing a clear set of fiscal rules and introducing expansive economic reforms. Further, S&P forecast Ghana's government debt level to gradually decline from 69.5% of GDP in 2017 to 65% of GDP by 2021. But it noted that the debt stock is vulnerable to a depreciation of the cedi and a change in investor sentiment. Further, it pointed out that the high debt stock of state-owned enterprises, especially in the energy sector, could pose contingent liability risks for the government. In parallel, Moody's Investors Service indicated that Ghana's credit profile balances the country's high debt ratio, very low debt affordability and elevated liquidity risks against its strong growth outlook, reduced external vulnerability risks and relatively strong institutions. It said that Ghana's susceptibility to event risk is 'moderate' mainly due to large gross borrowing requirements amid tight domestic and external funding conditions.

Source: S&P Global Ratings, Moody's Investors Service

MAURITANIA

Favorable growth outlook, challenges remain

The International Monetary Fund indicated that Mauritania's growth outlook is favorable amid higher global commodity prices and ongoing economic policy efforts. It projected the country's real GDP growth at about 3% to 3.5% in 2018. It noted that Mauritania's economy has been recovering in recent years, with a moderating inflation rate, increasing foreign currency reserves, narrowing current account deficit and a slowdown in external borrowing. It noted that the authorities' economic and financial program, supported by the Fund, is on track, and that its implementation has been satisfactory. It indicated that the government has approved the Customs Code, submitted the new Organic Budget Law to Parliament and introduced new monetary policy instruments. However, it considered that the government continues to face significant challenges to maintain macroeconomic stability and achieve inclusive growth. Further, the IMF pointed out that the 2018 budget shortfall resulting from higher oil prices will be partially offset by additional revenues from extractive industries. It noted that authorities plan to undertake all the measures required during the year to achieve the IMF program's objectives, mainly those related to the fiscal balance, priority social spending and foreign currency reserves. It said that the government will continue to adopt a prudent borrowing policy, mainly by avoiding non-concessional loans, in order to maintain debt sustainability. It added that authorities will proceed with reforms aimed at improving the business environment and strengthening governance.

Source: International Monetary Fund

SAUDI ARABIA

Stable outlook on the banking sector amid recovery in economic activity

Moody's Investors Service indicated that the outlook for Saudi Arabia's banking system is 'stable' amid improving domestic economic activity. It expected the Kingdom's real GDP to grow by 1.3% in 2018 following a contraction of 0.7% in 2017, mainly due to an increase in public spending. In this context, it forecast lending to expand by 4% in 2018. It projected credit demand in 2018 and 2019 to be supported by the recovery in global oil prices, higher public spending and the government's efforts to protect households from the impact of economic reforms. Further, it anticipated a gradual recovery in lending to corporates, mainly in the construction, manufacturing and transportation sectors, while it projected retail lending to be supported by solid growth in mortgages. In parallel, Moody's expected the profitability metrics of Saudi banks to remain the highest among Gulf Cooperation Council members despite rising provisions, and to be mainly supported by higher interest rates, credit growth and fee income, as well as by lower operating costs. It expected the banks' stable profitability and moderate lending growth to further improve their already strong capital adequacy. As such, it projected the banks' average tangible common equity ratio to increase from 16.8% in September 2017 to about 17.8% by the end of 2019. In parallel, Moody's expected the banks' non-performing loans ratio to increase from 1.8% at the end of 2017 to about 2.5% in the next 12 to 18 months. It considered that fiscal consolidation measures and subdued economic growth have affected the banks' asset quality.

Source: Moody's Investors Service

ETHIOPIA

Progress in the implementation of AML 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 it continues to identify Ethiopia as a jurisdiction with strategic AML/CFT deficiencies. However, it noted that Ethiopia, through its high-level political commitment to work with the FATF and the FATF-style regional body ESAAMLG, has made progress towards improving its AML/CFT regime since February 2017 by conducting awareness-raising trainings for designated non-financial businesses or professions (DNFBP), as well as for regulatory and investigative bodies. It added that authorities made progress in distributing the United Nations Security Council sanctions list to the necessary local entities without delay. Overall, the FATF welcomed Ethiopia's commitment to its action plan. However, it said that authorities should continue to take additional steps to implement the action plan in order to address strategic AML/CFT deficiencies. As such, it called on authorities to fully implement the results of the national risk assessment, to completely integrate DNFBP into the country's AML/CFT regime, to ensure that the proceeds and instrumentalities of crime are confiscated, to fully apply terrorism-related targeted financial sanctions, to supervise non-profit organizations in line with a risk-based approach, and to implement terrorism-related targeted financial sanctions.

Source: Financial Action Task Force

OMAN

Rating agency takes action on seven banks

Moody's Investors Service downgraded the long-term local and foreign currency deposit ratings of Bank Muscat and HSBC Bank Oman (HBON) from 'Baa2' to 'Baa3', those of Oman Arab Bank (OAB) and Bank Sohar from 'Baa3' to 'Ba1', and the ratings of Bank Nizwa from 'Ba1' to 'Ba2'. It also affirmed at 'Baa3' the long-term local and foreign currency deposit ratings of Bank Dhofar and National Bank of Oman (NBO). The agency attributed the rating actions on the seven banks to the one-notch downgrade of Oman's sovereign ratings to 'Baa3', which reflects the country's deteriorating fiscal and external positions, as well as subdued economic growth that may undermine the economy's ability to absorb shocks. It also indicated that the downgrades of the banks' ratings reflect the government's reduced capacity to provide support to the banks in case of need. It kept the 'negative' outlook on the long-term ratings of all seven banks, in line with the outlook on the sovereign. In parallel, Moody's downgraded the baseline credit assessment (BCA) of Bank Muscat from 'baa2' to 'baa3', those of Bank Dhofar, NBO and OAB from 'ba1' to 'ba2', and that of Bank Sohar from 'ba2' to 'ba3'. Also, it affirmed the BCA and the adjusted BCA of HBON at 'ba1' and at 'baa2' respectively, while it affirmed at 'ba1' the BCA and the adjusted BCA of Bank Nizwa. It indicated that the BCA downgrades reflect the sensitivity of the five banks' standalone profiles to the weakening operating environment, which is captured by the agency's lowering of its macro profile for Oman from "Moderate" to "Moderate-".

Source: Moody's Investors Service

PAKISTAN

NPLs ratio at 8.4% at end-2017, capital adequacy ratio at 16%

The International Monetary Fund indicated that the banking system in Pakistan has been resilient, due to the banks' strong capitalization and sound asset quality, despite moderating profitability. The banks' risk-weighted capital adequacy ratio reached 15.8% at the end of 2017, slightly down from 16.2% at end-2016, but was well above the regulatory minimum of 11.275%. The IMF noted that two Pakistani banks are undercapitalized, but are being considered for privatization or a merger with larger banks. The sector's liquid assets represented 54% of total assets at the end of 2017, relative to 53.7% a year earlier, while they were equivalent to 76.1% of total deposits at end-2017 compared to 72.1% at end-2016. Also, the loans-to-deposits ratio increased to 50.1% at the end of 2017 from 46.6% at end-2016. Further, the banks' non-performing loans (NPLs) ratio stood at 8.4% at the end of 2017 relative to 10.1% at end-2016, due to strong credit growth, while the provisions to NPLs increased from 85% to 87.2% at end-2017. In addition, the banks' return on average assets reached 0.9% in 2017 relative to 1.3% in 2016, while their return on equity decreased from 14.4% in 2016 to 11.5% in 2017. The IMF encouraged the authorities to strengthen the legal framework, to implement the AML/CFL measures to meet international requirements, and to conduct the necessary reforms that would develop a faster resolution of NPLs, strengthen the bankruptcy framework and support the sector's resilience.

Source: International Monetary Fund, State Bank of Pakistan

ENERGY / COMMODITIES

Oil prices increase on higher geopolitical concerns

ICE Brent crude oil front-month prices averaged $67.2 per barrel (p/b) in the first quarter of 2018, constituting an increase of 9.2% from $61.5 p/b in the preceding quarter and of 23% from $54.6 p/b in the same quarter of 2017. The surge in oil prices was mainly driven by the OPEC and non-OPEC members' production cut agreement that was extended to the end of 2018, despite sustained pressure from the rise in U.S. shale oil production. Also, Brent oil prices averaged $66.4 p/b in March 2018, up by 1.2% month-on-month, and were mainly supported by heightened geopolitical risks, including the trade stand-off between the U.S. and China, tensions between Saudi Arabia and Iran, and speculations about ending Iran's nuclear deal. In this context, Brent oil prices traded around $70 p/b towards the end of March 2018, their highest level in two months. An unexpected rise in U.S. crude oil inventories and a stronger US dollar limited the increase in oil prices and offset the positive impact of a potential extension of the output cut into 2019. Overall, Brent oil prices are forecast to average $62 p/b in the second quarter of 2018, $56 p/b in the third quarter and $57 p/b in the fourth quarter of the year; while WTI oil prices are projected to average $58 p/b in the second quarter and $51 p/b in each of the third and fourth quarters of 2018. Downside risks to prices include a sustained increase in U.S. shale oil production and non-compliance with output cuts.
Source: Barclays Capital, Thomson Reuters, Byblos Research

Committed investments in MENA energy projects at $345bn between 2018 and 2022

Total committed investments in the MENA region's energy sector are estimated at $345.2bn during the 2018-22 period. The oil sector accounts for $131bn, or 37.9% of total upcoming energy investments, followed by the gas sector with $106bn (30.7%), the power sector with $95bn (27.5%) and the chemical sector with $14bn (4.1%). In parallel, Iran is expected to lead the region with $67bn in committed investments, or 19.4% of the total, followed by Iraq with $47bn (13.6%) and the UAE with $45bn (13%).
Source: APICORP Energy Research, Byblos Research

Algeria's energy export receipts up 18% in 2017

Algeria's hydrocarbon export revenues reached $33.1bn in 2017, up by 18.4% from $27.9bn in 2016, due to higher oil prices that offset lower exported volumes. In fact, oil & gas export volumes dropped by 2.9% to 108.48 million tons of oil equivalent last year. Algeria's hydrocarbon export receipts accounted for 95% of its total export revenues in 2017 relative to 85.3% of export receipts in 2016, as well as for 60% of public revenues. The government plans to build new refineries and upgrade existing ones to meet domestic oil & gas demand and increase hydrocarbon exports.
Source: Banque d'Algérie, Zawya

DRC's mining revenues up 36% to $822m in 2017

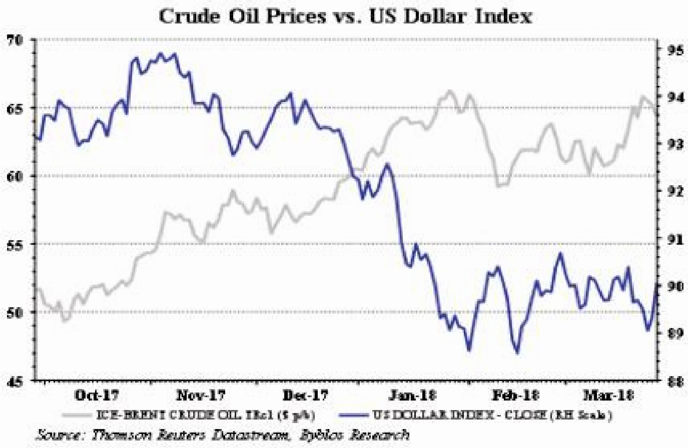
The revenues of the Democratic Republic of Congo's (DRC) mining sector grew by 35.6% to $822.2m in 2017, while receipts from the oil and gas sector rose by 103% to $203.9m. The increase in revenues last year was mainly due to higher commodity prices. The DRC currently produces about 22,500 barrels per day of oil but has significant potential. In this context, the government aims to issue new onshore licenses following the ratification of a new oil law in 2015.
Source: Bloomberg, Thomson Reuters

Base Metals: Zinc prices to average $3,325 per ton in 2018

LME zinc 3-month future prices averaged $3,391 per ton so far this year, up by 21.8% from $2,784 a ton in the same period of 2017. The rally in prices has been supported by a weaker US dollar and higher global demand for the metal amid constrained supply conditions. In fact, the production of refined zinc declined for the second consecutive year in 2017, which has led to drawdowns of inventories of the refined metal worldwide amid worries about supply shortages, and pushed prices higher so far this year. The metal's price is projected to increase from an average of $2,888 per ton in 2017 to an average of $3,325 a ton in 2018, as the zinc market is expected to remain in deficit despite a moderate rise in supply. Expectations of higher demand from European countries and an acceleration in demand from the United States would also support higher zinc prices. Downside risks to prices include subdued growth in zinc demand from China, which is projected at 2.1% in 2018, compared to 3.6% in 2017. Zinc prices are expected to average $2,400 a ton over the 2019-20 period in case production at existing facilities reaches full potential and if new capacity comes online.
Source: Standard Chartered, Thomson Reuters

Precious Metals: Palladium prices continue to rise in 2018 on production deficits

Palladium prices averaged $1,038 per troy ounce so far this year, trading at a low of $969 an ounce and at a high of $1,129 per ounce, and relative to an average of $870 an ounce in 2017. The increase in prices reflects higher demand for the metal so far this year amid solid global economic growth and the continued production deficits in the palladium market. Also, the increase in palladium demand is mainly due to higher autocatalyst consumption amid growing demand for catalytic converters. In fact, palladium-based catalytic converters are estimated to have posted the fastest growth in the catalytic converter market. Further, investment demand for palladium has contributed to overall demand growth, with several new palladium exchange-traded funds boosting the metal's market. Prices are forecast to rise to an average of $1,050 an ounce in the second quarter of 2018 and to $1,060 an ounce in the second half of the year, which would result in an average price of $1,038 an ounce in 2018. Downside risks to the price outlook include a weaker-than-anticipated growth in car sales, as well as the substitution of palladium with cheaper platinum in catalytic converters.
Source: Standard Chartered, 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+								
	-	-	-	-	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	28-Mar-18	No change	16-May-18
India	Reverse repo rate	6.00	07-Feb-18	Cut 25bps	05-Apr-18
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	6.50	28-Mar-18	Cut 25bps	24-May-18
Kenya	Central Bank Rate	9.50	19-Mar-18	Cut 50bps	N/A
Nigeria	Monetary Policy Rate	14.00	21-Mar-18	No change	04-Apr-18
Ghana	Prime Rate	18.00	26-Mar-18	Cut 200bps	21-May-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	28-Mar-18	No change	16-May-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	7.25	23-Mar-18	Cut 25bps	27-Apr-18

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