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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

SWFs' AUM at $7.5 trillion at end-March 2018

Research provider Preqin indicated that 78 sovereign wealth funds (SWFs) had $7.45 trillion in assets under management (AUM) at the end of March 2018, constituting an increase of 13% from $6.59 trillion at end-March 2017, and compared to $6.51 trillion at end-March 2016 and $3.59 trillion at end-2010. It said that the assets of SWFs rose by about $866bn in the 12 months ending in March 2018 despite low interest rates and global oil prices, along with the volatility in global markets. The growth in AUM, which is significantly above the year-on-year rise of $80bn at end-March 2017, was mainly due to an increase in the assets of Norway's Government Pension Fund Global that accounted for 20% of total AUM growth, as well as to an expansion in the assets of the China Investment Corporation and the Turkey Wealth Fund. Further, the survey said that 71% of SWFs posted an annual increase in their AUM at the end of March 2018, 19% of SWFs registered a decline in their AUM, while the AUM of 10% of SWFs were unchanged. In parallel, it indicated that the 10 largest SWFs in the world had $5.5 trillion in AUMs at end-March 2018, which accounted for 74% of the total. Further, 82% of SWFs have invested in public equities so far this year, while 78% invested in fixed income, 64% in infrastructure, 62% in real estate, 60% in private equity, 58% in natural resources, 38% in private debt and 35% in hedge funds. In addition, the assets of hydrocarbon-funded SWFs, which include the Kuwait Investment Authority and the Abu Dhabi Investment Authority, accounted for 51% of total AUM, while those of non-commodity SWFs represented 48% of the total.

Source: Preqin

EMERGING MARKETS

Sovereign creditworthiness remains below 'BBB-'

S&P Global Ratings indicated that the average sovereign rating of the 20 emerging markets (EMs) with the highest level of outstanding commercial debt was at slightly below 'BBB-' at the end of the first quarter of 2018, unchanged from the end of 2017 and slightly lower than the average rating at end-March 2017. It said that it upgraded Russia's sovereign ratings from 'BB+' to 'BBB-', while it revised the outlooks on the latter's sovereign ratings from 'positive' to 'stable' and on the ratings of Brazil from 'negative' to 'stable' in the covered quarter. S&P noted that 65% of the covered sovereigns had an investment-grade rating of 'BBB-' or above in the first quarter of 2018, up from 60% at end-2017. It added that 20% of the ratings were in the 'B' category or below in the covered period, up from 15% over the 2008-10 period, reflecting a deterioration in the credit quality of EM sovereigns that are rated at the lower end of the group's range. Further, the agency said that the average sovereign rating becomes slightly above 'BBB+' when the ratings are weighted by nominal GDP at end-March 2018, nearly unchanged from end-2017. Also, it said that the outlooks on the sovereign ratings of EMs were balanced at end-March 2018, with Egypt and Hungary carrying 'positive' outlooks on their sovereign ratings at the end of the first quarter of 2018, Qatar and Turkey having 'negative' outlooks, and the remaining sovereigns carrying 'stable' outlooks.

Source: S&P Global Ratings

MENA

Debt issuance to decline by 18% to $56.6bn in 2018

JPMorgan Chase estimated debt issuance in the Middle East & North Africa (MENA) region at $14.5bn in the first quarter of 2018, which represents 25.6% of the projected debt issuance in full year 2018. It noted that Oman issued $6.5bn in the first quarter of 2018, constituting 44.8% of the region's total, followed by Egypt with $4bn (27.6%), Israel with $2bn (13.8%) and Bahrain and the UAE with $1bn each (6.9% each). Further, it projected debt issuance in the region to decrease by 18.1% to $56.6bn in full year 2018, mainly due to a decline in bond issuances in Saudi Arabia. It forecast bond issues in Saudi Arabia at $15bn, or 26.5% of the total in 2018, followed by Egypt at $10.85bn (19.2%), Qatar at $9bn (15.9%), Oman at $6.5bn (11.5%) and Lebanon at $4bn (7.1%). In parallel, it indicated that debt issuance in the MENA region reached $69.1bn in 2017, constituting an increase of 36.8% from $50.5bn in 2016. The rise in debt issuance last year was mainly due to higher bond issues in the Egypt, Lebanon, Saudi Arabia and the UAE. Also, it pointed out that debt issuance in Saudi Arabia totaled $21.5bn, or 31.1% of the region's bond issues in 2017. The UAE followed with $10bn, or 14.5% of the total, then Kuwait with $8bn (11.6%), and Egypt and Oman with $7bn each (10.1% each).

Source: JPMorgan Chase

SAUDI ARABIA

Profits of listed companies up 9% to $28bn in 2017

The cumulative net income of 171 companies listed on the Saudi Arabia Stock Exchange, or Saudi Tadawul, totaled SAR105bn, or $28bn, in 2017, constituting an increase of 8.8% from SAR96.5bn, or $25.7bn in 2016. Net profits of the listed companies totaled $8.2bn in the first quarter of the year, $6.8bn in the second quarter, $8.8bn in the third quarter, and $4.2bn in the fourth quarter of 2017. Listed banks generated net profits of $12bn and accounted for 42.8% of total net earnings last year. Basic materials companies followed with $7.7bn (27.6%), then telecom firms with $2.5bn (8.9%), utilities with $1.9bn (6.7%), the food & beverage industry with $933.1m (3.3%), energy companies with $611.7m (2.2%), and insurance firms with $405.1m and retailers with $383.8m (1.4% each). Further, the net earnings of capital goods corporates increased by 504% in 2017, followed by utilities (+50%), the food & beverage industry (+47.2%), energy firms (+24.8%), telecommunication companies (+23.2%), healthcare equipment & services firms (+17%), food & staples retailers (+13.5%), financial services institutions (+9.6%), banks (+8.7%) and basic materials firms (+7.2%). In contrast, the profits of real estate management & development corporates fell by 61% in 2017, followed by insurers (-37.7%), consumer services companies (-35.3%), pharmaceuticals, biotechnology & life science firms (-28.7%), transportation firms (-22.2%), commercial & professional services companies (-14.8%) and retailers (-14.6%). Also, the losses of consumer goods corporates increased by 469.4% in 2017, while those of media firms rose by 14.2% year-on-year.

Source: KAMCO

OUTLOOK

MENA

Economic growth at 3.2% in 2018

The International Monetary Fund projected economic growth in the Middle East & North Africa (MENA) region at 3.2% in 2018, slightly down from its January forecast of 3.4%. In comparison, it forecast real GDP growth at 4.9% for emerging and developing economies and at 3.9% for the global economy this year. It anticipated economic activity in the MENA region to be supported by a recovery in the domestic demand of oil-exporting countries, especially in Saudi Arabia, amid higher oil prices. But it expected further fiscal adjustment of oil-exporters to weigh on the region's growth prospects. Also, it projected the average inflation rate in MENA economies at 8.7% in 2018 compared to 6.6% in 2017.

The IMF forecast real GDP growth in the oil-exporting economies of the MENA region to accelerate from 1.7% in 2017 to 2.8% in 2018. It projected the aggregate current account surplus of oil-exporters to increase from 1.2% of GDP in 2017 to 3% of GDP in 2018. Also, it expected the inflation rate of oil-exporters to average 6.3% in 2018 compared to 3.4% in 2017. In parallel, it projected real GDP growth in oil-importing economies to accelerate from 4.2% in 2017 to 4.7% in 2018. It expected the aggregate current account deficit of oil importers to slightly narrow from 6.5% of GDP in 2017 to 6.2% of GDP in 2018. It forecast the inflation rate in oil-importers to average 12.2% in 2018 compared to 12.4% in 2017.

Further, the IMF projected real GDP growth in the Maghreb countries, which consist of Algeria, Libya, Mauritania, Morocco and Tunisia, to decelerate from 6.4% in 2017 to 3.8% in 2018, while it forecast their current account deficit to narrow from 8.2% of GDP in 2017 to 7.8% of GDP in 2018. It expected growth in the Mashreq countries that comprise Egypt, Jordan and Lebanon to accelerate from 3.9% in 2017 to 4.8% in 2018, and for their current account deficit to narrow from 9.7% of GDP in 2017 to 8.2% of GDP in 2018.

Source: International Monetary Fund

UAE

Non-hydrocarbon growth at 2.7% in 2018, improved fiscal and external outlooks

The Institute of International Finance projected the UAE's real GDP growth to accelerate from 0.9% in 2017 to 2.1% in 2018 and 2.6% in 2019, due to higher consumer and business confidence amid a recovery in global oil prices, as well as to the easing of fiscal consolidation and improved global trade activity. It forecast hydrocarbon output to grow by 0.8% in 2018 and 1.9% in 2019 compared to a contraction of 1.5% in 2017. It anticipated non-hydrocarbon sector activity to increase from 2% in 2017 to 2.7% this year and 3% next year, supported by higher private consumption, investments and non-hydrocarbon exports. It indicated that the UAE has been resilient to the impact of lower oil prices, given its relatively diversified economy, excellent infrastructure, political stability and large financial buffers. It noted that non-hydrocarbon sector activity in Abu Dhabi is improving, as key projects, such as the construction of nuclear plants and the airport expansion, continue to progress. It anticipated growth in Dubai to be slightly above 3% this year, supported by the tourism, retail and transportation sectors. Further, it said that downside risks to the UAE's outlook include lower-than-anticipated oil prices and a faster-than-expected U.S. monetary tightening. It added that renewed U.S. sanctions on Iran could lead to a deterioration in the trade ties between the UAE and Iran, given the strong trade linkages between the two countries.

In parallel, the IIF projected the UAE's fiscal balance to shift from a deficit of 3.7% of GDP in 2017 to surpluses of 0.1% of GDP in 2018 and 0.2% of GDP in 2019 due to the fiscal adjustment in Abu Dhabi, as well as due to higher oil export receipts and non-oil revenues. As such, it anticipated the UAE's fiscal breakeven oil price to decline from $61 p/b in 2017 to $59 p/b in 2018. It considered that the country could afford a more gradual pace of fiscal adjustment, given its sizeable financial buffers. Further, it forecast the UAE's current account surplus at 8.7% of GDP in 2018 and 8.3% of GDP in 2019 compared to 7.4% of GDP last year, due to higher oil export receipts. It projected the country's official foreign assets to remain substantial at about $841bn or 209% of GDP this year.

Source: Institute of International Finance

TURKEY

Outlook affected by high inflation and currency volatility

Goldman Sachs indicated that the Turkish economy is overheating amid a positive output gap and a widening current account deficit. As a result, it expected the inflation rate to remain elevated and the quality of external financing to deteriorate, which would increase pressure on the Turkish lira. It forecast the average inflation rate at 10.2% in 2018 compared to 11.1% in 2017. Further, it noted that the lira has depreciated by 8% against the US dollar so far this year. It considered that the Central Bank of the Republic of Turkey (CBT) will have to increase its policy rate by at least 150 basis points in 2018. But it said that the timing of the increase remains uncertain given that the hike tends to be triggered by exchange rate weakness. It considered that the lira has not weakened sufficiently in order to push the CBT to hike rates. Also, it noted that the CBT appears to be more willing to tolerate high inflation than in previous years. As such, it anticipated that the CBT could be more reluctant to tighten monetary policy and increase interest rates as a means to address the currency volatility and the high inflation.

Further, Goldman Sachs projected Turkey's real GDP growth to decelerate from 7.4% in 2017 to 4% in 2018. It considered that the government should step up efforts to promote a sustainable strong growth rate, mainly through structural reforms and institutional improvements. It said that political pressures to maintain a pro-growth agenda remain high, as prospects of an early presidential election increase. It anticipated that the government would have to sustain an overheated economy for a longer period of time. In parallel, it indicated that geopolitical risks continue to increase, which would add to Turkey's external vulnerabilities. It said that Turkey's proposed procurement of Russian S-400 missiles could expose the country to U.S. sanctions, including restrictions on raising external funding, which would increase concerns about the funding of Turkey's large external financing needs.

Source: Goldman Sachs

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed Saudi Arabia's long-term issuer and senior unsecured ratings at 'A1', with a 'stable' outlook. It attributed its decision to the government's sustained fiscal consolidation that will stabilize the public debt level at below 30% of GDP in the medium term, as well as to the ambitious structural reform agenda that will gradually reduce the exposure of the Kingdom and its public sector balance sheet to the hydrocarbon sector. It noted that Saudi Arabia's public debt level reached 17.3% of GDP at the end of 2017, compared to its previous forecast of about 28% of GDP, mainly due to better-than-expected fiscal performance and the government's use of its sizeable financial assets to cover a portion of its borrowing needs. It said that the government's decision to postpone by three years its deadline to reach a balanced budget would make the fiscal reforms momentum more sustainable, realistic and credible. It considered that a more relaxed fiscal consolidation will allow for smoother absorption of energy and water price increases by consumers and businesses, and would create room to support non-oil economic growth. It projected the fiscal deficit to continue to narrow over the medium term, and for the country to maintain strong fiscal and external buffers, including high foreign currency reserves that it forecast to rise above $550bn in coming years. In parallel, it pointed out that execution risks of structural reforms are high, given the large scale of the tasks at hand and the potentially negative short-term economic and social impact of some of the related measures.

Source: Moody's Investors Service

ETHIOPIA

Ratings affirmed on moderate fiscal deficits and strong growth prospects

S&P Global Ratings affirmed Ethiopia's foreign and local currency sovereign ratings at 'B', with a 'stable' outlook. It indicated that the ratings balance the country's moderate fiscal deficits and stronger-than-peers growth prospects, with its low GDP per capita, weak external liquidity position and limited monetary policy flexibility. It forecast real GDP growth to average 8.6% annually during the 2018-21 period, supported by large-scale public investments and returns from key infrastructure projects that are completed or near completion. Further, S&P projected the budget deficit to narrow marginally from 3% of GDP in 2017 to an average of 2.7% of GDP annually during the 2018-21 period, supported by tax reforms and the rationalization of public investments. It expected the general government debt level, excluding the debt of state-owned enterprises, to stabilize at about 34% of GDP during the 2018-21 period. In parallel, S&P anticipated the current account deficit to narrow from about 9.2% of GDP in 2017 to an average of 7.1% of GDP annually during the 2018-21 period, mainly due to higher exports. But it forecast the country's gross external financing needs to remain high and to average 146% of current account receipts and usable reserves during the 2018-21 period, as a result of low foreign currency reserves and large current account payments. Also, it expected usable reserves to cover less than two months of current account payments by 2021, which would limit the authorities' ability to mitigate external shocks.

Source: S&P Global Ratings

MOROCCO

Agencies affirm sovereign ratings

S&P Global Ratings affirmed Morocco's short- and long-term sovereign ratings at 'BBB-/A-3', with a 'stable' outlook. It said that the ratings are supported by the country's manageable fiscal deficits, ongoing fiscal consolidation, moderate public debt levels and narrowing current account deficit. But it said that the ratings are constrained by Morocco's low GDP per capita, high reliance on the volatile agricultural sector and high social needs. It projected real GDP growth to average 4% annually during the 2018-21 period, in case of sustained growth in agricultural production and a gradual pick up in non-agricultural output. It forecast the fiscal deficit to narrow from 3.2% of GDP in 2018 to 2.8% of GDP by 2021, and for the current account deficit to narrow from 3.6% of GDP in 2018 to 2.4% of GDP by 2021. In parallel, Fitch Ratings affirmed Morocco's long-term Issuer Default Rating at 'BBB-', with a 'stable' outlook. It noted that skilled labor shortages, long payment delays in the public and private sectors, the large size of the informal sector and barriers to competition constitute key structural challenges to non-agricultural sector activity. It expected Moroccan authorities to gradually broaden the Moroccan dirham's floating bands in coming years. Further, Moody's Investors Service indicated that Morocco's 'Ba1' rating is supported by the country's improved fiscal balance and structural shift towards industries that have higher value-added exports, which could lead to higher non-agricultural growth and a gradual decline in the public debt level.

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

CÔTE d'IVOIRE

Favorable outlook amid robust growth

The International Monetary Fund indicated that Côte d'Ivoire's real GDP grew by 7.8% in 2017 despite lower cocoa prices. It added that the country's economic performance under the IMF-supported program was satisfactory in 2017. Further, it said that the growth outlook is favorable, as it projected economic activity to remain strong in the medium term. It expected the inflation rate to remain subdued and the fiscal deficit to be contained at 3.8% of GDP this year, in line with the program's objectives. In parallel, the IMF welcomed the authorities' efforts to narrow the fiscal deficit to about 3% of GDP by 2019, in line with the convergence criteria of the West African Economic and Monetary Union countries. It considered that continued fiscal consolidation, solid debt management and supply-side reforms will support high growth. However, it noted that risks to the growth outlook include slower progress in revenue mobilization, unfavorable terms-of-trade shocks and tighter global financial conditions. In parallel, Moody's Investors Service affirmed the long-term issuer and senior unsecured bond ratings of Côte d'Ivoire at 'Ba3', with a 'stable' outlook. It attributed its decision to the country's strengthened economic resilience amid a rise in the value-added content of exports and strong real GDP growth. Further, it said that prudent fiscal management and ongoing fiscal consolidation efforts would help stabilize the government debt level at about 40% to 45% of GDP. But it considered that renewed political tensions in the run-up to the 2020 presidential elections could constrain the ratings.

Source: Moody's Investors Service, International Monetary Fund

GCC

Banks' profits rise on lower expenses and loan-loss reserves

Figures issued by the Boston Consulting Group (BCG) show that the aggregate profits of banks in Gulf Cooperation Council (GCC) countries reached $30.4bn in 2017, constituting an increase of 6% from $28.7bn in 2016, due to lower operating expenses and loan-loss provisions. The operating expenditures of GCC banks declined by 1% to $22.4bn in 2017, while their loan-loss provisions decreased by 2.7% to $9.9bn. Further, the aggregate net profits of Saudi banks totaled $10.7bn, or 35.2% of the aggregate net earnings of GCC banks last year, followed by those of UAE banks with $9.8bn (32.2%), Qatari banks with $5.2bn (17.1%), Kuwaiti banks with $2.5bn (8.2%), Bahraini banks with $1.5bn (4.9%) and Omani banks with $0.7bn (2.3%). Also, the aggregate net profits of Kuwaiti banks grew by 15% last year, followed by those of Qatari banks (+7.6%), Saudi banks (+6.1%), UAE banks (+4.6%) and Bahraini banks (+1.1%), while the net profits of Omani banks declined by 3.1% year-on-year. In addition, the total revenues of the GCC banking sector increased by 2.3% to $63.4bn in 2017. Also, revenues from retail banking services expanded by 3% in 2017, supported mainly by a 12% rise in Qatari retail banking revenues, while those from corporate banking services grew by 5% last year. Further, the total revenues of Kuwaiti banks increased by 6.6% in 2017, those of Saudi banks rose by 3%, receipts of Qatari banks expanded by 2.6%, those of Omani banks grew by 2.1%, revenues of Bahraini banks increased by 0.9% and those of UAE banks rose by 0.5% in 2017.

Source: Boston Consulting Group

NIGERIA

Lower inflation to ease monetary tightening

Goldman Sachs expected Nigeria's inflation rate to slow down from 14% currently to between 11% and 12% in coming months, which would enable the Central Bank of Nigeria (CBN) to ease liquidity conditions and reduce the monetary policy rate. However, it noted that the CBN's monetary stance depends on its management of liquidity rather than on its policy rate, and is based on ongoing open market operations that target monetary aggregates instead of monetary policy rates. It added that the CBN conducts open market operations in order to absorb or provide liquidity by setting short-term interest rates that diverge from the monetary policy rates. Further, it pointed out that Nigeria's foreign currency reserves surged from $24bn at end-October 2016 to between $46bn and $48bn currently, due to higher oil prices and production, as well as increased external borrowing. It projected reserves to increase by $1bn to $2bn per month amid the current oil prices and capital inflow environment, and to exceed $60bn at the end of 2018. However, it considered that the policy of reserve accumulation at a rapid pace, along with sterilized foreign currency interventions by the CBN, would be costly and unsustainable. In this context, Goldman Sachs indicated that the CBN would either have to stop the sterilized interventions by easing short-term rates and monetary conditions, or resort to foreign currency appreciation by revaluing the naira, given the reserve accumulation dynamics, the financial cost of sterilization and the economic cost of keeping the monetary policy tight.

Source: Goldman Sachs

QATAR

Agencies affirm banks' ratings

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency ratings (FCR) of Qatar National Bank (QNB) at 'AA-', those of Doha Bank (DB) and Qatar Islamic Bank (QIB) at 'A+' and the FCR of Commercial Bank (CB) at 'A-'. It also maintained the 'negative' outlook on the banks' long-term FCRs, in line with that on Qatar's sovereign ratings. Further, CI affirmed the financial strength rating (FSR) of QNB at 'AA-', those of DB and QIB at 'A', and the FSR of CB at 'BBB+'. It maintained the 'negative' outlook on QNB's FSR and a 'stable' outlook on the FSRs of the three remaining banks. The agency noted that QNB's FSR is supported by its very good asset quality, strong capitalization and good profitability, but is constrained by tight liquidity and by the bank's limited opportunities to increase domestic lending. In parallel, Fitch Ratings affirmed at 'A+' the long-term issuer default ratings (IDRs) of QNB, and at 'A' the IDRs of Ahli Bank (AB), CB, DB, Al Khalij Commercial Bank (AKB), Qatar International Islamic Bank (QIIB), International Bank of Qatar (IBQ), and Barwa Bank. It maintained the 'negative' outlook on the IDRs of all eight banks. It noted that the ratings reflect the very high probability of support from the Qatari government for domestic banks in case of need. Also, it downgraded the viability rating (VR) of DB from 'bbb-' to 'bb+' and that of AKB from 'bb+' to 'bb'. In parallel, it affirmed the VRs of QNB at 'bbb+', those of AB and CB at 'bbb-', and the VRs of QIIB, IBQ and Barwa Bank at 'bb+'.

Source: Capital Intelligence Ratings, Fitch Ratings

UAE

Higher interest rates to support banks' profits

Moody's Investors Service indicated that the decision of the Central Bank of the United Arab Emirates to raise by 25 basis points the interest rates on its certificates of deposit and on its repo rate is credit positive for UAE banks. It said that the increase in interest rates will support the banks' net interest income, which accounted for 69% of net revenues in 2017 and, in turn, improve their profitability. Also, it noted that rising U.S. interest rates have historically translated into higher local currency rates in the UAE, given the currency peg of the UAE dirham to the US dollar. Further, the agency indicated that funding costs at UAE banks have increased in recent years due to lower global oil prices and higher U.S. rates, and have weighed on the banks' net interest margins. But it said that higher oil prices and international bond issuances have helped stabilize funding conditions in recent quarters. It noted that the interest margins of UAE banks declined from 2.7% in 2015 to 2.5% in 2016 and to 2.4% in the first half of 2017. Further, Moody's expected that rising interest rates would support the banks' interest margins through higher gross yields, as banks reprice their loan books, and as wholesale funding costs stabilize amid higher global oil prices. Still, it anticipated that the increase in net interest income would vary across UAE banks, with banks that hold the largest proportion of corporate loans, and current account and saving account (CASA) deposits benefitting the most. It considered that corporate loans tend to be easier to reprice given their floating rates, while CASA deposits are less price sensitive, given their transactional and operational nature.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices increase on geopolitical and supply risks

ICE Brent crude oil front-month prices have been trading above $70 per barrel (p/b) so far in April 2018, reaching a three-year high of $73.5 p/b on April 18, mainly due to heightened geopolitical risks in the Middle East region and a decline in U.S. crude oil inventories. Also, the economic crisis in Venezuela has escalated amid massive resignations in the oil sector, which led to an output decline that exceeded the country's agreed cuts level by 400%, further supporting oil prices. In parallel, Jadwa Investment expected oil prices in the second quarter of 2018 to be mainly influenced by the possibility of the renewal of U.S. sanctions on Iran by May 12, 2018. It projected oil prices to reach $80 p/b in case the U.S. sanctions are renewed. Further, it anticipated OPEC and non-OPEC members to extend the production cut agreement into 2019 in order to support oil prices. In parallel, Deutsche Bank forecast Brent crude oil prices to average $67 p/b in the second quarter of 2018 and $65 p/b in each of the third and fourth quarters of the year. Also, it projected WTI crude oil prices at $62 p/b in the second quarter of 2018 and at $60 p/b in each of the third and fourth quarters of the year.

Source: Jadwa Investment, Deutsche Bank, Thomson Reuters, Byblos Research

OPEC's oil output decreases in March 2018

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 31.96 million barrels per day (b/d) in March 2018, consisting a marginal decrease of 0.6% from 32.16 million b/d in the preceding month. Saudi Arabia produced 9.9 million b/d in March 2018, equivalent to 31.1% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.8%), Iran with 3.8 million b/d (11.9%) and the UAE with 2.8 million b/d (9%).

Source: OPEC, Byblos Research

GCC economies to invest $89bn in power generation during 2018-22

APICORP Energy Research expected member countries of the Gulf Cooperation Council (GCC) to invest $89bn in the power sector during the 2018-22 period, in order to meet the region's growing demand for electricity. It anticipated GCC economies to invest $55bn in the power sector to generate an additional 43 gigawatts during the covered period, and $34bn in transmission and distribution over the next five years. In parallel, it forecast the required investments in the UAE at $33bn, or 36.7% of total investments, in Saudi Arabia at $21bn (23.3%), in Kuwait at $15bn (16.7%), in Oman and Qatar at $9bn each (10%), and in Bahrain at $3bn (3.3%).

Source: APICORP Energy Research

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 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.13 million b/d in 2018, which would reflect an increase of 1% from 3.1 million b/d in 2017.

Source: OPEC, Byblos Research

Base Metals: Aluminum prices reach seven-year high on U.S. measures

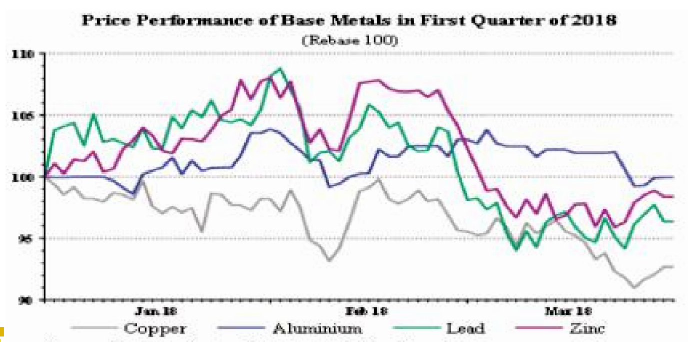
The LME aluminum 3-month future averaged $2,159 per ton in the first quarter of 2018, constituting an increase of 16.4% from an average of $1,856 per ton in the first quarter of 2017 and a growth of 1.7% from an average of $2,124 per ton in the fourth quarter of 2017. Prices reached a seven-year high to close at $2,537 per ton on April 18, 2018 amid concerns over subdued global supply following news that the U.S. Administration will impose new sanctions on several Russian entities, including Russian aluminum producers. In fact, the imposition of U.S. sanctions on the Russian company Rusal, the world's second largest aluminum producer, would lead to a significant deficit in the aluminum market and support the metal's price. Also, the 10% increase in tariffs on imported aluminum to the U.S. supported aluminum prices so far this year. In parallel, the aluminum market is expected to post production deficits of 280,000 tons in 2018 and 500,000 tons in 2019, amid limited supply. Further, China's environmental initiatives in tackling pollution constitute a key upside risk to power costs for the smelting industry. As such, aluminum prices are forecast to average $2,075 per ton in the second quarter of 2018, $2,150 per ton in the third quarter and $2,200 per ton in the fourth quarter of the year.

Source: Citi, Deutsche Bank, Thomson Reuters

Precious Metals: Production surplus in platinum market to widen in 2018

Platinum prices averaged $976.4 per troy ounce in the first quarter of 2018, nearly unchanged from the same quarter of 2017. Also, the metal's price declined from an average of $988 an ounce in January and February 2018 to $953 an ounce in March, reflecting lower autocatalyst demand for the metal following Germany's ban of diesel-powered cars at end-February. Further, global platinum demand is projected to reach 7.2 million ounces in 2018, which would constitute a decrease of 2% from 7.3 million ounces in 2017, mainly due to lower autocatalyst demand. The global autocatalyst sector is projected to account for 46% of total demand in 2018, followed by the jewelry industry (21.6%), the chemicals sector (8.3%) and the glass industry (5%). In parallel, global platinum production is projected to reach 7.4 million ounces in 2018, which would reflect a marginal decrease of 0.4% from 2017, as the drop in Russian and South African supply would be mostly offset by a rise in North American output. As such, the production surplus in the platinum market is forecast to widen from 118,000 ounces in 2017 to 238,000 ounces in 2018. Still, prices are projected to increase from an average of $950 an ounce in 2017 to $1,008 an ounce in 2018.

Source: Deutsche Bank, Byblos Research



COUNTRY RISK METRICS

Countries	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 (%)
	LT Foreign currency rating												
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	-	Negative	-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	Stable	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: 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 (%)
Asia													
Armenia	-	B1	B+	-	B-								
	-	Positive	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	Ba2	BB+	BB+	BB-								
	Negative	Stable	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	1.50-1.75	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	1.50	03-Apr-18	No change	01-May-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	18-Apr-18	No change	30-May-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	12-Apr-18	No change	24-May-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	05-Apr-18	No change	06-Jun-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	16.75	29-Mar-18	Cut 100bps	17-May-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	28-May-18
Nigeria	Monetary Policy Rate	14.00	04-Apr-18	No change	22-May-18
Ghana	Prime Rate	18.00	26-Mar-18	Cut 200bps	21-May-18
Angola	Base rate	18.00	29-Mar-18	No change	30-Apr-18
Mexico	Target Rate	7.50	12-Apr-18	No change	17-May-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	04-Apr-18	No change	07-May-18
Bulgaria	Base Interest	0.00	30-Mar-18	No change	30-Apr-18
Kazakhstan	Repo Rate	9.25	16-Apr-18	Cut 25bps	04-Jun-18
Ukraine	Discount Rate	17.00	12-Apr-18	No change	24-May-18
Russia	Refi Rate	7.25	23-Mar-18	Cut 25bps	27-Apr-18

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