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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereigns to borrow $7.4 trillion from commercial sources in 2018

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by 130 rated countries at $7.39 trillion in 2018, which would constitute a decrease of 1% from $7.46 trillion in 2017. It expected the Asia-Pacific region to account for 39.4% of total commercial long-term borrowing in 2018, followed by North America (34.3%), Europe (18.3%), Latin America (4.8%), the Middle East & North Africa (MENA) region (2.4%) and Sub-Saharan Africa (SSA) (0.8%). It forecast the U.S. gross sovereign commercial borrowing to account for 32.5% of the total, followed by Japan with 23% and China with 9.4%. It said that $5.35 trillion, or about 72.4% of total sovereign borrowing, would go towards refinancing maturing long-term debt, which would result in net borrowing requirements of $2 trillion in 2018. In parallel, S&P forecast the total sovereign commercial debt stock of the 130 countries at $47.3 trillion at the end of 2018 relative to $46.1 trillion at end-2017, which would consist of $4.8 trillion in short-term debt and $42.5 trillion in medium- and long-term debt. The Asia-Pacific region would account for 33.2% of the commercial debt stock at the end of 2018, followed by North America (33.1%), Europe (26.4%), Latin America (4.8%), the MENA region (1.6%) and SSA (0.8%). Further, gross long-term sovereign commercial borrowing would be equivalent to 9% of the aggregate GDP of the 130 economies this year, relative to 9.6% of GDP in 2017, while the total commercial debt stock would be equivalent to 57.4% of aggregate GDP, up from 59.1% of GDP last year.
Source: S&P Global Ratings

Private equity funds raise $80bn in first quarter of 2018

Research provider Preqin indicated that 180 private equity (PE) funds raised a total of $80.4bn in capital commitments worldwide in the first quarter of 2018, compared to 252 PE funds that raised $101.9bn in the previous quarter and 295 PE funds that secured $120.4bn in the first quarter of 2017. It added that the amount of capital commitments raised in the covered quarter was the lowest quarterly figure since 2015. Also, it pointed out that 39 buyout funds raised $51.9bn during the first quarter of 2018, or 64.6% of total capital commitments, followed by 92 venture capital funds with $10.5bn in raised capital (13.1%), 22 growth funds with $6.7bn (8.4%), six secondaries funds with $5.3bn in raised capital (6.5%) and 12 funds of funds with $4.6bn in capital commitments (5.7%). On a regional basis, it noted that 98 PE funds with a primary focus on North America secured $31.7bn in the first quarter of 2018, followed by 38 European-focused funds ($42.9bn) and 35 Asian-focused PE funds ($4.8bn). Further, the survey pointed out that there are 2,575 PE funds seeking to raise an aggregate of $844bn in capital as at the start of the second quarter of 2018, which constitutes annual increases of 35% in the number of funds raising capital, and of 33% in aggregate capital sought.
Source: Preqin

GCC

Majority of companies in the region do not plan significant salary raises in 2018

A survey of human resource (HR) executives in Gulf Cooperation Council (GCC) countries conducted by the HR Observer, a platform for HR professionals in the Middle East, indicated that the majority of GCC companies do not plan to significantly raise their employees' salaries in 2018. The results show that 21% of companies intend to increase their employees' salaries by up to 3.5% in 2018 relative to 56% of firms in 2017. Also, 17% of GCC companies aim to raise salaries by 5% or higher, while around 20% of them are unsure but would most likely increase salaries in 2018. In contrast, 10.5% of GCC companies expect to implement salary freezes, while 3.4% of them plan to actively reduce the salaries of their employees. The survey was compiled from the responses of 513 HR professionals at companies from a wide range of industries in the GCC, such as energy, healthcare, retail, banking, construction and real estate. Also, the survey pointed out that 35.4% of GCC firms are uncertain about the amount of bonus payments they would allocate this year. 26.4% of firms said that they would pay the same level of bonuses in 2018 as they did last year, 12% of them plan to reduce their bonus allocation, while 9.2% of corporates would raise bonus payments to staff. In addition, 19% of GCC firms expected an employee turnover rate of 10% or higher in 2018 compared to 15% of companies last year. The survey concluded that the increase of the employee turnover rate and the GCC companies' uncertainty about paying bonuses to their employees reflect mainly the impact of the introduction of the value-added tax and volatile global oil prices on GCC economies.
Source: The HR Observer

UAE

Net earnings of Abu Dhabi listed companies up 178%, profits of Dubai firms up 6.5% in 2017

The net income of 66 companies listed on the Abu Dhabi stock exchange totaled AED37.2bn, or $10bn in 2017, constituting an increase of 178.1% from AED13.4bn or $3.6bn in 2016. Listed banks generated net profits of $5.3bn and accounted for 53% of the total earnings of publicly-listed firms. They were followed by telecommunication companies with $2.9bn (28.6%), services firms with $604.6m (6%), real estate companies with $552.7m (5.5%), industrial firms with $197.8m (2%), insurers with $152m (1.5%), investment & financial services firms with $128.2m and energy corporates with $125.5m (1.3% each), and consumer goods firms with $86.4m (0.9%). In parallel, the cumulative net income of 62 companies listed on the Dubai Financial Market totaled AED31.4bn, or $8.5bn, in 2017, constituting an increase of 6.5% from AED29.5bn or $8bn in 2016. Listed banks generated net profits of $4.6bn, or 53.7% of total net earnings last year. Real estate & construction companies followed with $2.7bn or 32.1% of the total, then transportation companies with $523.8m (6.2%), telecom firms with $439.7m (5.2%), investment & financial services institutions with $291m (3.4%), insurers with $203.4m (2.4%), and services firms with $117m (1.4%).
Source: KAMCO

OUTLOOK

MENA

Economic growth to accelerate to 3.2% by 2020

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to accelerate from 2% in 2017 to 3.1% in 2018 and 3.2% by 2020, in case the global economic environment is stable and global oil prices increase. It forecast growth in MENA oil-exporters to expand from 1.6% in 2017 to 2.9% in each of 2018 and 2020, supported by an acceleration in real GDP growth at GCC economies from 0.4% in 2017 to 2.1% in 2018 and to 2.7% by 2020. Further, it anticipated that the possible reversal of OPEC-mandated production cuts after 2018, a moderate rise in oil prices, increased hydrocarbon supply capacity, as well as macroeconomic stabilization policies and reforms would further contribute to a recovery in MENA oil-exporters' economic activity. In parallel, it forecast real GDP growth in oil-importing economies to pick up from 3.5% last year to 3.7% in 2018 and 4.4% by 2020, mainly driven by a significant recovery in Egypt's growth. Further, it said that a potential loss of momentum in implementing economic reforms and a deterioration in regional security conditions could weigh on economic activity. It added that high and unsustainable debt levels in MENA countries could adversely impact their growth outlook.

In parallel, the Bank expected fiscal consolidation efforts in MENA countries, in addition to higher remittance inflows, as well as tourism and export receipts, to significantly narrow the region's fiscal and current account deficits this year. As such, it projected the aggregate fiscal deficit to narrow from 6.2% of GDP in 2017 to 5.4% of GDP this year, and for the current account deficit to narrow from 1.4% of GDP last year to 1% of GDP in 2018. In addition, it expected GCC economies' fiscal deficit to narrow from 6.3% of GDP in 2017 to 5% of GDP in 2018 due to capital and current spending cuts, the introduction of revenue-raising measures, as well as energy subsidy reforms. It forecast the fiscal deficit of oil importers to narrow from 8.2% of GDP last year to 7.6% of GDP in 2018.

Source: World Bank

SAUDI ARABIA

Growth to average 2.1% in 2018-20 period

The Institute of International Finance projected Saudi Arabia's real GDP to grow by 1.9% in 2018 following a contraction of 0.7% in 2017, as authorities ease fiscal consolidation and oil production stabilizes amid a recovery in global oil prices. It forecast hydrocarbon output to grow by 0.6% this year relative to a contraction of 2.7% in 2017, and to accelerate to 1.6% by 2020 in case the OPEC production agreement is not extended beyond 2018. Also, it expected non-oil real GDP growth at 2.7% in 2018 relative to 1% last year, mainly due to higher public spending and increased consumption and investment in response to the government's fiscal stimulus.

The IIF considered that risks to the growth outlook include lower-than-projected oil prices and slower implementation of structural and fiscal reforms, which would weigh on private investment and macroeconomic stability. It expected the inflation rate to average 3% annually over the 2018-20 period. In addition, the IIF forecast the Kingdom's fiscal deficit to narrow from 9% of GDP in 2017 to 7.7% of GDP in 2018 and 5.1% of GDP by 2020, as higher oil export receipts, combined with a significant rise in non-hydrocarbon revenues, will more than offset the anticipated increase in public spending. It added that authorities would continue to finance the fiscal deficit through debt issuance, and noted that the Kingdom has raised a total of $50bn, equivalent to 7% of GDP, in debt issuance since January 2016. As such, it projected the public debt level to increase from 24.1% of GDP at the end of 2018 to 33.5% of GDP at end-2020. In parallel, the IIF forecast the current account surplus to widen from 2.2% of GDP in 2017 to 4.7% of GDP in 2018, supported by higher oil export receipts, subdued import growth and a gradual decline in remittance outflows. It projected foreign currency reserves to decrease from $495bn at end-2017 to $484bn at the end of 2018, as the current account surplus would be more than offset by net capital outflows. But it expected foreign currency reserves to recover to $506bn at the end of 2020, supported by a significant rise in foreign direct investment and equity portfolio inflows.

Source: Institute of International Finance

AFRICA

Medium-term growth outlook subject to significant downside risks

The International Monetary Fund projected real GDP growth in the economies of the West African Economic & Monetary Union (WAEMU), which consist of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo, at 6.4% in 2018 and to average 6.3% annually during the 2019-22 period. It noted that the region's economic growth has been supported by strong domestic demand, despite lower terms of trade, social tensions and security challenges within the region. Further, it projected growth in 2018 to be the highest in Côte d'Ivoire at 7.4% and the lowest in each of Guinea-Bissau, Mali and Togo at 5%. It expected the inflation rate to average 1.7% in 2018 and to remain subdued at about 2% in the 2019-22 period. The Fund indicated that the region's medium-term growth outlook is subject to significant downside risks that include persistent regional security issues, delays in implementing fiscal consolidation and structural reforms, higher global oil prices, a slowdown in global economic activity and tighter international financing conditions.

Further, the Fund expected all WAEMU countries, except Niger, to remain committed to lowering their fiscal deficits to 3% of GDP by 2019, in line with the WAEMU convergence criteria. It projected the aggregate fiscal deficit of WAEMU economies to narrow from 4% of GDP in 2018 to 2.9% of GDP in 2019 and to 2.4% of GDP by 2022. As such, it anticipated the region's public debt level to decline from 49% of GDP at the end of 2018 to 45.8% of GDP by 2022. The Fund called on WAEMU economies to implement growth-friendly fiscal measures in order to further reduce the public debt level, lift pressure on foreign currency reserves and preserve external stability in the medium term.

In parallel, the IMF expected the aggregate current account deficit of WAEMU economies to narrow from 6.3% of GDP in 2018 to 5% of GDP by 2022. It projected FDI inflows to increase in the medium term as commodity prices recover and structural reforms to promote the private sector materialize. It forecast the region's foreign currency reserves to rise from 4.2 months of imports at the end of 2018 to 4.6 months of imports by end-2022.

Source: International Monetary Fund

ANGOLA

Outlook revised to 'stable' on policy adjustments

Fitch Ratings affirmed at 'B' Angola's long-term foreign-currency issuer default rating, and revised the outlook on the rating from 'negative' to 'stable'. It attributed the outlook revision to monetary, fiscal, structural and exchange rate adjustments that aim to support Angola's external position and public finances. It forecast real GDP growth to accelerate from 1.4% in 2017 to 2.3% in 2018, due to higher oil export receipts and a more favorable operating environment in the non-oil sector. Still, it expected Angola's medium-term growth to underperform its growth rate of 10.2% during the 2005-15 period. Further, it noted that the spread between the parallel and official exchange rates, which stood at 150% in 2017, narrowed to around 90% as at April 2018 but remains wide, which indicates that the Angolan kwanza would continue to depreciate. As such, it projected the kwanza to depreciate from AOA219 against the US dollar on April 22, 2018 to AOA230 against the dollar at end-2018. Also, Fitch projected the fiscal deficit to narrow from 6.8% of GDP in 2017 to 5.4% of GDP in 2018 due to higher public revenues from the planned implementation of the value-added tax. In addition, it forecast the public debt level to increase from 66.6% of GDP at end-2017 to 67.3% of GDP at the end of 2018 but to fall by end-2019 due to anticipated fiscal adjustments and a higher inflation rate. It projected foreign currency reserves to increase from $18bn at the end of 2017 to $20.5bn at end-2018, which would reflect the exchange rate adjustment and higher oil exports.

Source: Fitch Ratings

QATAR

Growth revised upward to 2.8% for 2018

Qatar National Bank (QNB) revised upward its real GDP growth forecast for Qatar to 2.8% in 2018 from 2.5% previously, relative to a growth rate of 1.6% in 2017. QNB attributed the upward revision to its higher oil price assumptions, an anticipated rebound in Qatar’s hydrocarbon output and a lower-than-expected impact of the political rift with other GCC countries on economic activity. First, QNB raised its 2018 oil price forecast to an average of $63 p/b from $58 p/b previously. It expected higher oil prices to increase the country’s hydrocarbon export receipts and give the authorities wider fiscal space for investments, which would support activity in the non-hydrocarbon sector. In this context, it projected non-hydrocarbon sector growth to accelerate from 4.2% in 2017 to 5% this year. Second, it pointed out that hydrocarbon output contracted by 1.1% in 2017 due to the shutdown of liquefied natural gas (LNG) facilities for maintenance. However, it projected hydrocarbon output to grow by 0.5% in 2018, as LNG facilities restart and production normalizes. Third, it considered that the repercussions of the political rift were less pronounced than expected and did not have a significant impact on economic growth in 2017. Overall, it anticipated Qatar's economic activity to continue to accelerate in the medium term, as the economy would benefit from a number of recently-implemented measures, such as projects related to the expansion of LNG supply and those aiming at improving self-sufficiency and sustainability, as well as from an expected new law that allows 100% foreign ownership of new firms.

Source: Qatar National Bank

UAE

Improved governance and higher oil revenues support credit profile

Moody's Investors Service indicated that Abu Dhabi's credit profile is supported by its strong government balance sheet, high income per capita and large hydrocarbon reserves. But it said that the Emirate's main challenges consist of the lack of institutional transparency, persistent regional geopolitical tensions and high reliance on the hydrocarbon sector. It attributed the ‘stable’ outlook on the sovereign rating to improvements in governance and progress in fiscal reforms, which would improve Abu Dhabi's fiscal balance and help contain event risks. It noted that the Emirate's very high economic strength reflects its large hydrocarbon wealth and improved non-hydrocarbon sector activity. It expected that Abu Dhabi's commitment to the diversification agenda and its large resources would reduce its reliance on the hydrocarbon sector in coming years, despite fiscal constraints. It added that income from the Emirate's large stock of foreign assets mitigates the impact of low oil prices. As such, Moody's forecast Abu Dhabi's real GDP growth at 1.2% in 2018, with the non-hydrocarbon sector activity expanding by 1.9% amid higher infrastructure investment and improved competitiveness. Further, it anticipated the fiscal deficit to narrow this year, due to higher oil export receipts and new non-hydrocarbon tax revenues. It considered that Abu Dhabi's large net asset position allows the government to finance its fiscal deficits and sustain federal transfers for many years. In parallel, the agency considered that the limited availability and frequency of official economic data, as well as the absence of public figures on budgets, continue to weigh on the Emirate's ratings.

Source: Moody's Investors Service

OMAN

Non-oil growth to pick up to 4% in medium term

The International Monetary Fund estimated Oman's real GDP to have contracted by 0.3% in 2017, mainly due to a 3% decline in oil production under the OPEC agreement. But it said that growth in the non-hydrocarbon sector accelerated from 1.5% in 2016 to 2% last year due to improved confidence following the recovery in global oil prices, which has offset the impact of fiscal consolidation on economic activity. It noted that the Omani government has strengthened its fiscal position and enhanced private sector-led growth in response to the drop in oil prices. It anticipated that the government's diversification efforts and the planned completion of major infrastructure projects would raise non-oil growth to 4% in the medium term. In parallel, the Fund noted that Oman's fiscal deficit narrowed from 21% of GDP in 2016 to about 12.8% of GDP in 2017, due to higher oil export receipts and reduced current and capital spending. It said that the government has implemented additional reforms to increase non-oil revenues, such as the introduction of the value-added tax and excise taxes, which, along with limited spending growth, would allow the fiscal deficit to narrow to below 4% of GDP in the medium term. Further, the Fund called on authorities to implement further fiscal adjustment, which includes introducing new taxes in the medium term. In addition, it said that the government's external assets in Oman's sovereign wealth fund are substantial and provide significant external buffers.

Source: International Monetary Fund

BANKING

GCC

Funding pressure eases for banks

Moody's Investors Service considered that banks in the Gulf Cooperation Council (GCC) would benefit from a sustained growth in deposits in coming quarters, especially in government deposits, following three years of intense funding pressure. It expected government deposits to expand during the remainder of 2018 due to higher hydrocarbon receipts amid a recovery in global oil prices, and as GCC governments tap international markets in order to finance their fiscal deficits. Also, the agency forecast the GCC banks' average lending growth at 5% in coming quarters, which would support the GCC banks' liquidity. It added that the increase in government deposits would limit pressure on the banks' loans-to-deposits ratio. Further, it said that benchmark interest rates in the GCC have been rising over the past four years, in line with the hikes in U.S. interest rates and the increase in the GCC banks' funding costs. It anticipated the funding costs of GCC banks to continue to rise in line with higher U.S. interest rates, despite improved liquidity in the banking sector. Moody's expected higher interest rates to increase the banks' net interest margins, and to benefit GCC banking systems with the highest proportion of current account and saving accounts, especially Saudi banks. It also anticipated GCC banks to be able to raise interest rates on their corporate loans, and expected banks to benefit from a wider spread on their current and saving accounts.

Source: Moody's Investors Service

IRAN

Authorities unify dual exchange rates to address currency weakening

Research and analytics provider IHS Markit indicated that Iranian authorities unified the official exchange rate and the semi-official market rate to form a new fixed rate. It said that the unification of rates aims to address the significant weakening of the Iranian rial since January 2018 amid heightened geopolitical and domestic risks. It noted that the unified fixed exchange rate of IRR42,000 against the US dollar constitutes a 20% appreciation from the semi-official market rate of IRR52,500 per dollar, as well as an 11% devaluation from the official exchange rate of IRR37,830 against the dollar. It indicated that the government introduced remedial measures in February 2018, such as raising interest rates on local-currency deposits, which had temporarily eased pressures on the rial. However, it noted that the US dollar premium on the parallel market widened significantly in March. It pointed out that the semi-official rate depreciated by 14% to IRR52,500 against the dollar between March 1 and April 9, 2018, while the black market rate traded at a high of IRR60,000 against the dollar on April 9. Further, IHS indicated that the lack of transparency and confidence in the new unified fixed exchange rate could lead to increased pressure on the currency. It added that maintaining the fixed exchange rate would be difficult amid ongoing geopolitical, domestic and financial risks. As such, it considered that the Central Bank of Iran would need to supply enough foreign currency to allow currency exchanges to operate normally, to strengthen confidence in the new exchange rate system and to reduce transactions on the black market.

Source: IHS Markit

OMAN

Agency affirms ratings of four banks

Capital Intelligence Ratings (CI) affirmed at 'BBB' the long-term foreign currency rating (FCR) of Bank Muscat and of National Bank of Oman (NBO), and at 'BBB-' the FCR of Bank Sohar and of Oman Arab Bank (OAB). It also affirmed at 'A3' the short-term FCRs of the four banks, and maintained the 'stable' outlook on all the banks' long-term FCRs. It noted that the banks' ratings are in line with Oman's sovereign rating and reflect the government's high likelihood of support to the banks in case of need. In parallel, the agency affirmed at 'BBB+' the financial strength rating (FSR) of Bank Muscat, that of NBO at 'BBB' and the FSRs of Bank Sohar and of OAB at 'BBB-', with a 'stable' outlook. It indicated that the operating environment in the banking sector remains challenging due to the negative impact of low oil prices on the economy and public finances. It added that the banks are at risk of adverse changes in economic conditions, given the relatively small size of the Omani market. It anticipated credit risk in the sector to remain elevated, which would weaken the banks' profitability metrics. It indicated that the FSR of Bank Muscat is supported by the bank's strong capital metrics, sound asset quality, solid customer deposit base and higher profitability metrics among peers. But it said that the bank's FSR is constrained by high deposit concentration and weakening asset quality. Also, it noted that NBO's FSR is supported by the bank's solid capital metrics, sound profitability and well-established franchise, but is constrained by a high loans to deposits ratio, as well as a high concentration in both the bank's loan book and deposit base.

Source: Capital Intelligence Ratings

TURKEY

Currency depreciation to weigh on asset quality, profitability and capitalization of banks

Moody's Investors Service considered that the depreciation of the Turkish lira is credit negative for Turkish banks, as the ongoing currency weakness, along with high inflation, would weigh on the banks' asset quality, profitability, capitalization and access to foreign funding. It indicated that the lira depreciated by 12% year-on-year and by 8% month-on-month to a record-low of TRY4.15 against the US dollar on April 11, 2018. First, the agency noted that a sustained depreciation of the lira would reduce the repayment ability of corporate borrowers that do not generate revenues in foreign currency and, in turn, would increase problem loans. Second, it anticipated the currency depreciation to raise inflation and erode the profitability of corporates and the purchasing power of consumers. It projected the inflation rate to reach 8% at end-2018 relative to the Central Bank of Turkey's target of 5%. Third, Moody's anticipated the depreciation of the lira to reduce the banks' capital ratios, as it expected the value of foreign-currency denominated risk-weighted assets to increase when converted to local currency, and for the lira-denominated regulatory capital to be unchanged. It considered that a deterioration in the banks' capital ratio would reduce their ability to lend and would weigh on economic growth. Fourth, the agency said that the banks' access to foreign currency funding could decline due to investors' concerns about the solvency of Turkish banks, which constitutes a significant challenge for the banks given their large foreign-currency refinancing needs.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices rise on expectations of tightening market

ICE Brent crude oil front-month prices continued to increase and have traded above $70 per barrel (p/b) so far in April 2018, supported by persistent geopolitical tensions in the Middle East region, a decline in output in Venezuela, as well as ongoing strong demand, mainly from China. Oil prices increased by 10.7% from the end of 2017 to close at $74 p/b on April 25, 2018. Also, crude oil prices were driven by expectations of a tightening market amid sustained OPEC and non-OPEC oil production cuts, and by other supply risks related to U.S. strict measures on Iran, Russia and Venezuela. In contrast, oil prices are still constrained by rising U.S. oil output, which is benefiting from the OPEC cuts to gain market share, mainly in Europe. In fact, U.S. exports to Europe are expected to reach an all-time high of about 550,000 b/d in April. In this context, the Brent-WTI spread reached its highest level so far in 2018 at $7.1 p/b on April 23. Overall, upward pressures on oil prices are expected to last until May 12, as traders remain focused on possible U.S. sanctions on Iran. Overall, Brent oil prices are expected to average $65 p/b in the second quarter of 2018, $63 p/b in the third quarter and $62 p/b in the fourth quarter of the year, while WTI prices are projected to average $61 p/b in the second quarter, $59 p/b in the third quarter and $58 p/b in the fourth quarter of 2018.
Source: Bank of America Merrill Lynch, Thomson Reuters

Investments in renewable energy up 2% in 2017

The United Nations Environment Programme and Bloomberg New Energy Finance, the energy analytics arm of Bloomberg, indicated that new investments in renewable energy worldwide reached $279.8bn in 2017, up by 2% from $274bn in 2016, mainly due to a decline in the cost of wind and solar electricity. It noted that investments in China's renewable energy sector reached $126.6bn, or 45.2% of global investments, followed by the U.S. with $40.5bn (14.5%) and Japan with $13.4bn (4.8%). It said that new installed renewable energy capacity rose from 143 gigawatts (GW) in 2016 to record-high of 157 GW in 2017.
Source: Bloomberg New Energy Finance, UNEP

Global steel output up 4% in first quarter of 2018

Global steel production reached 426.6 million tons in the first quarter of 2018, constituting an increase of 4.1% from 409.8 million tons in the same quarter of 2017. Chinese steel production totaled 212.2 million tons in the covered quarter and accounted for 49.7% of global production. India followed with 26.7 million tons, or 6.3% of the total, then Japan with 26.4 million tons (6.2%) and the United States with 20.7 million tons (4.9%)
Source: World Steel Association, Byblos Research

Egypt to attract $10bn in FDI to oil & gas sector in FY2018/19

Egypt expects foreign direct investments (FDI) in its oil & gas sector to reach $10bn in the fiscal year that ends in June 2018, which would constitute a rise of 25% from FY2016/17, driven by investments in major gas projects in the Mediterranean. Also, the country seeks to attract another $10bn in FDI in FY2018/19, driven by efforts to increase hydrocarbon supply from newly discovered fields, which include the Zohr field that Italian company Eni S.p.A discovered in 2015. Egypt plans to halt hydrocarbon imports in 2019 once it becomes a gas-exporter.
Source: Thomson Reuters

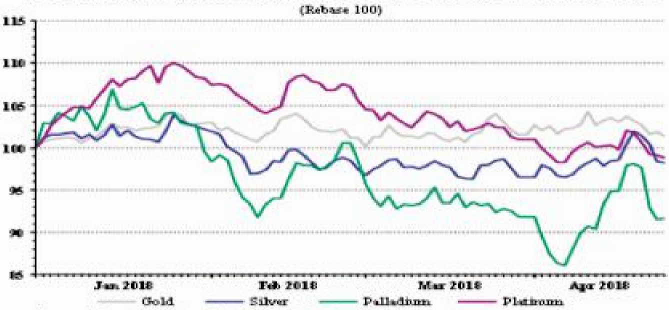
Base Metals: Zinc prices to drop throughout 2018

LME zinc cash price have recovered from a four-month low of $3,087 per ton on April 12, 2018 to reach $3,129 per ton on April 25. Zinc prices have been on a downward trend since Mid-February on news of a rise in inventories, amid subdued growth in the construction sector as well as a stronger US dollar. Zinc mine supply is forecast to rebound by 3.6% from 13 million tons in 2017 to 13.5 million tons in 2018, due primarily to a pick-up in production at existing mines and new projects coming online outside China. Also, refined output is expected to increase by 3.5% from 13.7 million tons in 2017 to 14.2 million tons in 2018. In comparison, refined consumption growth is projected at 1.8% in 2018 and demand is expected to reach 14.7 million tons this year, up from 14.4 million ton in 2017. As such, the market deficit is expected to narrow from 720,000 tons in 2017 to 490,000 tons in 2018. Further, the zinc market is expected to reach close to balance by 2019, as additional production gradually comes online. Overall, zinc prices are expected to decline throughout 2018, from an average of $3,411 per ton in the first quarter of the year to an average of $3,200 per ton in the second quarter, $3,000 per ton in the third quarter, and to $2,800 per ton in the fourth quarter of 2018.
Source: Deutsche Bank, Thomson Reuters, Byblos Research

Precious Metals: Palladium prices to peak in 2018 and to decline thereafter

Palladium prices averaged $1,021 per troy ounce year-to-April 25, 2018, constituting an increase of 32% from $773 an ounce in the first four months of 2017, mainly driven by strong autocatalyst demand. However, the metal's prices declined by 6.6% week-on-week on April 25, 2018, due to easing concerns that the U.S. Administration will impose sanctions on Russian entities that include Nornickel, the world's largest palladium producer. In parallel, global palladium demand is projected to reach 9.5 million ounces in 2018, which would constitute an increase of 0.6% from 9.4 million ounces in 2017. The global autocatalyst sector is projected to account for 85.7% of demand for palladium in 2018, followed by the chemicals and electronics sectors (4.7% each), the dental industry (4.5%) and the jewelry sector (1.4%). In parallel, global palladium production is projected to reach 8.9 million ounces in 2018, nearly unchanged from 2017, as an expected rise in North American supply would be offset by an anticipated decline in South African output. As such, the production deficit in the palladium market is forecast to widen from 577,000 ounces in 2017 to 631,000 ounces in 2018. In turn, palladium prices are projected to increase from an average of $871 an ounce in 2017 to a peak of $1,106 an ounce in 2018. But they are expected to decline thereafter on narrowing market deficits.
Source: Deutsche Bank, Thomson Reuters, Byblos Research

Price Performance of Precious Metals in First Four Months of 2018
(Rebase 100)



Source: Thomson Reuters Datastream, 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	Stable	-	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					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-								
	-	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	26-Apr-18	No change	14-Jun-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	25-Apr-18	No change	07-Jun-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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