500 ISSUES+
Issue 537 | May 24, 2018

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Trade momentum to slow in second quarter of 2018

The World Trade Outlook Indicator (WTOI) reached 101.8 points in March 2018, down from 102.3 points in December 2017, which anticipates slower growth in global trade activity in the second quarter of 2018. The WTOI, which is a composite of six key trade-related components, is a leading indicator that provides real-time information on the trajectory of world trade. The WTOI anticipates the trend of world merchandise trade volume, which means that the March 2018 figure is indicative of the trade trajectory in the second quarter of 2018. A score of more than 100 points indicates that growth in global trade is above the medium-term trend. The International Air Freight Index regressed from 103.2 points in December 2017 to 102.5 points in March 2018. Also, the Export Orders Index reached 98.1 points in March 2018, down from 102.8 points in December 2017, the Automobile Production & Sales Index decreased from 101 points previously to 97.9 points, and the Agricultural Raw Materials Index regressed from 100.8 points in December 2017 to 95.9 points in March 2018. In contrast, the Container Port Throughput Index increased from 104.3 points in December 2017 to 105.8 points in March 2018, and the Electronic Components Index improved from 94.1 points to 104.2 points in March 2018.

Source: World Trade Organization

UAE

Earnings of Abu Dhabi companies up 7%, profits of Dubai firms up 37% in first quarter of 2018

The net income of 66 companies listed on the Abu Dhabi stock exchange totaled AED10.5bn, or $2.9bn, in the first quarter of 2018, constituting an increase of 7% from AED9.8bn or $2.6bn in the same quarter of 2017. Listed banks generated net profits of $1.7bn and accounted for 58.1% of the total earnings of publicly-listed firms in the first quarter of 2018. Telecommunication companies followed with $718.6m (25.2%), then real estate companies with $191.6m (6.7%), insurers with $76.5m (2.7%), services firms with $66.2m (2.3%), energy companies with $44m (1.5%), industrial firms with $36.3m (1.3%), investment & financial services institutions with $33m (1.2%) and consumer goods firms with $31.1m (1.1%). In parallel, the cumulative net income of 63 companies listed on the Dubai Financial Market totaled AED10.25bn, or $2.8bn, in the first quarter of 2018, constituting an increase of 37.4% from AED7.5bn or $2bn in the same quarter of 2017. Listed banks generated net profits of $1.3bn, or 47.8% of total net earnings in the covered quarter. Real estate & construction companies followed with $1bn or 35.8% of the total, then telecom firms with $138.9m (5%), transportation companies with $120.2m (4.3%), investment & financial services institutions with $89.2m (3.2%), insurers with $77.1m (2.8%), industrial firms with $70.2m (2.5%) and services firms with $24.5m (0.9%).

Source: KAMCO

EMERGING MARKETS

Infrastructure projects with private participation up 37% to $93bn in 2017

Figures released by the World Bank show that investment commitments in infrastructure projects with private participation, or public-private investments (PPIs), in developing economies totaled $93.3bn in 2017, constituting an increase of 37% from 2016. PPIs in the energy sector reached $51.9bn in 2017, or 55.6% of the total, followed by those in the transportation industry with $36.5bn (39.1%), investments in the information and communications technology sector (ICT) with $3bn (3.2%), and those in the water & sewage industry with $1.9bn (2%). On a regional basis, the East Asia & Pacific region attracted 52.5% of total PPIs last year, followed by Latin America & the Caribbean (20.8%), South Asia (12.5%), the Middle East & North Africa (6.3%), Europe & Central Asia (5.7%) and Sub-Saharan Africa (2.3%). In parallel, there were 304 infrastructure projects financed through PPIs in 2017, of which 203 projects were in the energy sector, 66 in transportation, 30 projects in the water sector and five projects were in ICT. As such, the average investment commitment per project was $307m last year compared to $244m in 2016. Further, 52 developing economies received PPIs in 2017, up from 37 economies in 2016, and relative to an average of 41 countries in the previous five years. China attracted $17.5bn across 73 projects, followed by Indonesia with $15.4bn (11 projects), Mexico with $8.6bn (20 projects), Brazil with $7.3bn (24 projects) and Pakistan with $5.9bn (four projects). The five countries attracted $54.5bn in PPIs, or 58% of the total, in 2017.

Source: World Bank, Byblos Research

Bank lending conditions slightly deteriorate in first quarter of 2018

The Emerging Markets (EMs) Lending Conditions Index reached 50.4 points in the first quarter of 2018 relative to 51.1 in the preceding quarter. The Trade Finance Index expanded to 54.3 in the first quarter of 2018 from 53.6 in the previous quarter, while the Demand for Loans Index regressed to 51.9 in the covered quarter from 53.7 in the fourth quarter of 2017, as overall demand for corporate and commercial real estate loans decreased. Further, the Non-Performing Loans (NPLs) Index regressed to 51.9 in the first quarter of 2018 from 53.2 in the previous quarter. Also, the Credit Standards Index regressed marginally to 48.8 in the covered quarter from 49.1 in the fourth quarter of 2017, while the Funding Conditions Index decreased to 45.7 in the first quarter of 2018 from 46.6 in the preceding quarter, as domestic and international funding conditions tightened. In parallel, the Lending Conditions Index in Sub-Saharan Africa improved to 51.4 in the covered quarter from 48.3 in the fourth quarter last year, while the Index in Emerging Asia was nearly unchanged at 51 in the first quarter of the year. In contrast, the Lending Conditions Index in Emerging Europe regressed to 51.2 in the first quarter of 2018 from 53.6 in the fourth quarter of 2017, while it declined in Latin America to 51 in the first quarter of 2018 from 52.6 in the preceding quarter. Also, the Index in the Middle East and North Africa region regressed to 46.4 in the covered quarter from 46.7 in the fourth quarter of 2017.

Source: Institute of International Finance

OUTLOOK

MENA

Growth prospects improve for oil exporters

The Institute of International Finance indicated that the economic prospects of the nine oil-exporting economies in the Middle East & North Africa (MENA) region improved, mainly due to higher global oil prices and stronger non-hydrocarbon sector activity. It projected growth in the region's non-hydrocarbon sector to accelerate from 2.3% in 2017 to 2.8% in 2018, supported by fiscal easing following three years of consolidation, but to remain well below the average growth rate of 6.2% during the 2001-14 period. It expected growth to rebound modestly in Saudi Arabia this year on the back of higher public spending, while it anticipated non-hydrocarbon sector activity in Iran to decelerate from 3.6% last year to 2% in 2018, due to the adverse impact of renewed U.S. sanctions on the economy. Further, it noted that upside risks to the growth outlook of MENA oil exporters include higher-than-expected oil prices that would support activity and improve the external positions of GCC countries. However, it said that downside risks to the outlook include lower-than-anticipated oil prices, an escalation of regional tensions, and further equity sell-offs in emerging markets amid elevated U.S. yields, which could reduce investor appetite for GCC securities.

In parallel, the IIF indicated that the fiscal positions of MENA oil exporters, except for Bahrain and Oman, are improving given the authorities' implementation of serious fiscal adjustment in recent years. It expected the consolidated fiscal deficit of MENA oil exporters, excluding investment income, to narrow from 7.5% of GDP in 2017 to 3% of GDP in 2018, as higher oil and non-oil revenues would offset the anticipated increase in public spending. Further, it projected the aggregate current account surplus of MENA oil exporters to improve from $56bn, or 2.5% of GDP, in 2017 to $233bn, or 9.6% of GDP, in 2018, amid higher oil export receipts. It expected the gross public foreign assets of MENA oil exporters to reach $2.9 trillion, or 110% of aggregate GDP, at the end of 2018. It forecast the region's net public external assets position at $2.6 trillion, or 108% of aggregate GDP, at end-2018, given the countries' low public external debt levels.

Source: Institute of International Finance

ANGOLA

Growth to improve on better economic conditions

The International Monetary Fund projected Angola's real GDP growth to accelerate from 1% in 2017 to 2.2% in 2018 and 2.5% in 2019. It forecast the country's hydrocarbon output at 2.3% this year and 0.1% next year relative to 0.5% in 2017, while it anticipated non-oil real GDP growth to accelerate from 1.2% last year to 2.1% in 2018 and 3.5% in 2019. The Fund welcomed the recent improvement in economic conditions, and called on the government to accelerate its macroeconomic stabilization program that aims to address the country's economic imbalances and improve the business environment. It noted that the program focuses mainly on implementing upfront fiscal consolidation, greater exchange rate flexibility, reducing the public debt level to 60% of GDP over the medium term, improving the public debt profile and settling domestic payments arrears. Further, it indicated that the recovery in global oil prices provides an opportunity to address the country's macroeconomic imbalances, including the erosion of fiscal and external buffers.

In parallel, the Fund projected Angola's average inflation rate at 27.8% in 2018 and 17.1% in 2019 compared to 31.7% in 2017. It welcomed the authorities' transition to greater exchange rate flexibility and the new monetary policy framework that aims to reduce the inflation rate. Also, it called on authorities to gradually phase out direct foreign currency sales by the Banco Nacional de Angola, and to set a clear strategy and timetable for eliminating restrictions on foreign exchange and multiple currency practices.

Further, the IMF projected the government's fiscal deficit to narrow from 6% of GDP to 2% of GDP in 2018 and 2.4% of GDP in 2019, while it anticipated the government's debt level to increase from 64.1% of GDP at the end of 2017 to 73% of GDP at end-2018 and to reach 70% of GDP at end-2019. It welcomed the authorities' fiscal deficit reduction targets outlined in the 2018 budget, and noted that any additional revenues should be used to clear domestic arrears and reduce the public debt level. It stressed the need for fiscal consolidation measures, such as mobilizing additional non-oil fiscal revenues, improving tax compliance and the planned introduction of a value-added tax, as well as rationalizing public spending.

Source: International Monetary Fund

TURKEY

External vulnerabilities on the rise

Barclays Capital indicated that heightened geopolitical risks, rising external funding costs and growing concerns about capital outflows from emerging markets, have increased Turkey's external vulnerabilities and intensified the pressure on Turkish assets. It added that Turkey's large external refinancing needs leave the country vulnerable to sudden shifts in capital flows. Also, it expected that increased vulnerabilities, higher exposure of corporate balance sheets to currency depreciation, as well as reduced household confidence in the Turkish lira, would force the Central Bank of Turkey (CBT) to defend the currency. It noted that Turkey's external imbalances are among the highest in emerging markets, with a negative net international investment position of over 50% of GDP. It estimated Turkey's external financing needs at $237bn, including $182bn in external debt maturing in the next 12 months and $55bn to finance the current account deficit. It said that the private sector holds about $176bn or 97% of the debt that is due in the coming 12 months. But it considered that risks related to Turkey's large external financing needs are associated with the re-pricing of debt rather than with the rollover of debt.

In parallel, Barclays indicated that the CBT's net foreign currency reserves are low at about $34bn, which limits its ability to use its reserves to ease depreciation pressures on the lira. It added that the corporate sector's open foreign currency position exposes the companies' balance sheets to foreign currency risks. But it noted that most of the corporate debt has long-term maturities, which would mitigate liquidity pressure. In addition, it pointed out that currency depreciation increases the foreign currency exposure of the banking sector, given that the corporate sector receives the bulk of its foreign currency loans from domestic banks. It considered that sustained currency weakening could lead some corporates to delay repayments or default on their foreign-currency loans, which could weigh on the banks' capital ratios and lead to a tightening in lending conditions.

Source: Barclays Capital

ECONOMY & TRADE

SYRIA

Real GDP contracts by 6% in 2015 and 4% in 2016

Figures issued by the Central Bureau of Statistics in Syria show that Syria's nominal GDP stood at SYP5,697.5bn, or $12.38bn, in 2016 compared to SYP4,525bn, or $19.1bn, in 2015 and to SYP3,563bn, or $23.1bn, in 2014. Also, Syria's real GDP contracted by 4% in 2016, compared to retreats of 6.1% in 2015 and of 14.7% in 2014. On a sectoral basis, activity in the mining, quarrying & manufacturing sector grew by 18.3% in real terms in 2016, followed by activity of non-profit institutions (+16%) and of the transportation, storage & communications sector (+6.4%). In contrast, activity in the wholesale, retail trade & repair sector contracted by 22.8% in 2016, followed by social services (-11%), finance, insurance & real estate services (-9.1%), government services (-8.6%), building & construction (-2.3%) and agriculture, forests & livestock (-0.8%). Also, output from the country's agriculture, forests & livestock sector reached $4.6bn in 2016 and accounted for 37% of the country's nominal GDP, followed by mining, quarrying & manufacturing output with $2bn (16.4%), the wholesale, retail trade & repair sector with $1.64bn (13.3%), government services with $1.56bn (12.6%), the transportation, storage & communication sectors with $1.26bn (10.2%), social services with $735.1m (5.9%), finance, insurance & real estate services with $416.4m (3.4%), the building & construction sector with $140.6m (1.1%) and non-profit institutions with $12m (0.1%).

Source: Central Bureau of Statistics

NIGERIA

Agencies take rating actions on sovereign

Fitch Ratings affirmed Nigeria's long-term foreign-currency Issuer Default Rating (IDR) at 'B+' with a 'negative' outlook. It noted that the rating balances Nigeria's position as Africa's largest economy, its net external creditor position and well-developed domestic debt market, with its high reliance on the hydrocarbon sector and its low level of domestic revenue mobilization. It forecast real GDP growth at 2.4% in 2018 and 3% in 2019 due to the recovery in global oil prices. It pointed out that the current account surplus reached 2.2% of GDP in 2017, supported by higher oil export receipts and lower imports, while it expected it to narrow in 2018 due to a projected increase in imports. In parallel, Fitch expected Nigeria's general government fiscal deficit to slightly narrow from an estimated 4.6% of GDP in 2017 to 4.2% of GDP in 2018. It said that the government's fiscal consolidation efforts have been constrained by the low level of tax compliance, rigidities in Nigeria's budgeting framework and consistent delays in approving budgets. In parallel, IHS Markit upgraded Nigeria's medium-term sovereign credit risk rating from 55 to 50, equivalent to 'BB-' on the generic scale, and its short-term sovereign credit risk ratings from 30 to 20, equivalent to 'A' on the generic scale. It said that higher oil export receipts, the increase in foreign direct investment and the sizeable external financial inflows have supported Nigeria's external liquidity profile in 2017. It added that foreign currency reserves are currently at their highest level in four years and stood at $47.8bn in early May 2018, up from a low of about $31.7bn in September 2017.

Source: Fitch Ratings, IHS Markit

EGYPT

Growth prospects improve on successful reform implementation

The International Monetary Fund estimated real GDP growth in Egypt to have accelerated from 4.2% in the fiscal year that ended in June 2017 to 5.2% in the first half of FY2017/18. It noted that ongoing reforms under the IMF-supported program have stabilized economic activity and improved the country's medium-term growth prospects. In parallel, it said that the current account deficit has significantly narrowed on the back of a recovery in the tourism sector as well as the strong growth in remittance flows, while improved investor confidence has supported higher portfolio inflows. It estimated Egypt's foreign currency reserves to have reached $44bn, or seven months of import coverage, at end-April 2018. Also, the Fund indicated that the annual inflation rate declined from 33% in mid-2017 to about 13% in April 2018, supported by the Central Bank of Egypt's (CBE) monetary policy. It noted that the CBE remains committed to reducing the inflation rate to single digits over the medium term through a flexible exchange rate regime that would help maintain the country's competitiveness and mitigate external shocks. Further, it welcomed the government's efforts in reforming energy subsidies and the tax policy, which would create the necessary fiscal space to finance key infrastructure projects, targeted social protection measures and essential spending on healthcare and education.

Source: International Monetary Fund

SAUDI ARABIA

Growth to pick up in 2018 on further economic and social reforms

The International Monetary Fund indicated that Saudi Arabia is committed to implementing economic and social reforms in order to reduce the economy's reliance on the hydrocarbon sector and promote private sector involvement. As a result, it expected the Kingdom's growth to pick up in 2018. It welcomed the authorities' target to balance the budget by 2023 and encouraged them to meet their medium-term fiscal objectives through limiting government spending amid higher global oil prices. It added that authorities have made progress in implementing new revenue-raising measures. For instance, the IMF considered that the implementation of the value-added tax is important to strengthen the country's tax administration. Still, it called on authorities to periodically review the recently adopted Citizen's Account program, in order to ensure that low- and middle-income households are being compensated for the lifting of energy subsidies and the imposition of the value-added tax. Further, it welcomed the government's efforts in implementing reforms to strengthen the fiscal framework and improve fiscal transparency. In addition, the Fund encouraged the authorities to assess the role of the public and private sectors in the development of the non-hydrocarbon economy. It also called on the government to create room for private sector growth by reducing public sector involvement in the development of the non-oil economy. It added that the government should adopt policies that limit the prospects of public employment, ease restrictions on expatriate workers' mobility, strengthen education and promote female participation.

Source: International Monetary Fund

AFRICA

Decline in correspondent banking relations weighing on growth prospects

The International Monetary Fund indicated that the decline in global correspondent banking relationships (CBRs) has disproportionally affected banks and money transfer operators (MTOs) in Sub-Saharan Africa (SSA). It said that the limited ability of some banks and MTOs in small and fragile SSA countries to access the global payments system has negatively impacted trade and remittance flows, and weighed on the growth prospects of these countries. The Fund defines correspondent banking as the provision of banking services by one bank, which is the correspondent bank, to another bank, which is the respondent bank. It added that correspondent banking is an essential mechanism that enables customers and businesses to conduct payment transactions and send money across borders, as well as for banks to access foreign financial systems. Further, the IMF reiterated the need for coordinated efforts to address the challenges facing the SSA region, while stressing that building trust is a key factor to mitigate the risks associated with CBR withdrawal. It encouraged SSA authorities to strengthen communication channels with global banks, including by providing policy statements, and called on respondent banks to provide any requested information in a timely manner. It stressed the need for sustained technical assistance and training by relevant public and private institutions to improve anti-money laundering and the combating the financing of terrorism frameworks, as well as to strengthen respondent banks' capacity to manage any associated risks. Finally, the Fund noted the importance of developing regional responses, including better coordination among oversight entities, and the potential expansion of regional clearing and payment systems.

Source: International Monetary Fund

KUWAIT

Banks' earnings up 18% in first quarter of 2018

Regional investment bank EFG Hermes indicated that the aggregate net income of four of the five largest banks in Kuwait, which are the National Bank of Kuwait, Burgan Bank, Kuwait Finance House and the Commercial Bank of Kuwait, reached KD168.1m, equivalent to $556.3m, in the first quarter of 2018, constituting an increase of 17.9% from net earnings of KD142.6m in the first quarter of 2017. It attributed the year-on-year growth in profits mainly to a 20.7% year-on-year increase in the banks' net interest income amid strong credit growth. It added that the banks' aggregate net interest spread rose by 35 basis points (bps) annually to 277 bps in the first quarter of 2018, mainly due to higher interest rates. It expected the banks' net interest income to post strong growth in the second quarter of 2018 following the interest rate hike in March 2018. In addition, EFG pointed out that the banks' aggregate lending reached KD30.8bn, or $101.9bn, at the end of March 2018, up by 6.2% from KD29bn at end-March 2017, supported by strong credit growth at NBK and KFH. In parallel, it indicated that the four banks' aggregate deposits grew by 6.3% year-on-year to KD32.2bn, or $106.6bn, at the end of March 2018, which is in line with the banks' lending growth. As such, it said that the loans-to-deposits ratio was nearly unchanged annually at 96% at end-March 2018.

Source: EFG Hermes

SAUDI ARABIA

Lower interest expenses raise banks' profits

Moody's Investors Service indicated that the aggregate net earnings of the 12 listed banks in Saudi Arabia increased by 7.5% year-on-year in the first quarter of 2018, mainly due to lower interest expenses and provisioning costs. It considered that banks' profitability metrics improved despite subdued economic activity that weighed on credit demand and on the banks' revenues. It said that the banks' interest expenses declined by 12.5% year-on-year in the first quarter of 2018, reflecting improving funding conditions in Saudi Arabia. Further, it pointed out that the Saudi Arabian Interbank Offered Rate (SAIBOR) reached about 2.4% in April 2018, its highest level since 2009, following a decision by the Saudi Arabian Monetary Authority to increase its repo rate. But it did not expect the increase in SAIBOR to result in higher interest expenses, given the limited credit growth and the banks' favorable funding profile. In parallel, the agency noted that the banks' net interest income declined by 1% in the first quarter of 2018 from the preceding quarter due to a contraction in net loans. It anticipated interest income generation to remain constrained by subdued lending activity, but to be partly offset by higher returns on investment portfolios and the gradual re-pricing of variable-rate assets. In addition, it said that net impairment charges declined by 21% year-on-year in the covered quarter, but expected these charges to increase and to be more volatile this year, amid subdued economic activity and a more conservative provisioning policy under international accounting standard IFRS9.

Source: Moody's Investors Service

JORDAN

Construction and trade account for 44% of overall lending at end-March 2018

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD25.2bn, or $35.5bn, at the end of March 2018, constituting an increase of 1.9% from JD24.7bn at end-2017 and a rise of 7.6% from JD23.4bn at end-March 2017. Credit in foreign currency accounted for 10.7% of the total at the end of March 2018 relative to 11.5% a year earlier. The resident private sector accounted for 88% of total credit at end-March 2018 relative to 87.2% a year earlier; followed by the central government with 8.2%, down from 9% at end-March 2017; the non-resident private sector with 2.1%, unchanged from a year earlier; and public entities with 1.6%. The distribution of credit by sector shows that construction represented JD6.7bn or 26.5% of the total at end-March 2018; while general trade accounted for JD4.3bn or 17.2% of the total, unchanged from end-March 2017. Public services & utilities followed with JD3.7bn or 14.7% of the total; then industry with JD2.9bn (11.4%); financial services with JD657.5m (2.6%); tourism, hotels & restaurants with JD624.3m (2.5%); transportation with JD357.5m (1.4%); agriculture with JD325.1m (1.3%), and mining with JD284.7m (1.1%). Further, other sectors accounted for JD5.4bn, or 21.3% of total credit, of which JD156.4m were extended to buy shares. In parallel, loans & advances reached JD16.6bn at end-March 2018, followed by Islamic banks' receivables with JD5.4bn, overdrafts with JD2.9bn, discounted bills with JD191.8m and credit cards with JD166.5m.

Source: Central Bank of Jordan, Byblos Research

ENERGY / COMMODITIES

Oil prices to average $70 p/b in 2018

ICE Brent crude oil front-month prices continued to trade above $78 per barrel (p/b) since mid-May 2018, and closed at $79.8 p/b on May 23, 2018, their highest level since November 2014. In fact, heightened geopolitical risks in the Middle East region, in addition to other supply-side factors, have recently supported oil prices. Investors have factored in several drivers that could lead to a tightening in the oil market, including the sustained production cuts by OPEC and non-OPEC members, declining output in Venezuela, supply disruption in Nigeria, and expectations of lower Iranian production and exports due to the U.S. sanctions on Iran. In contrast, the persistent increase in U.S. oil output has partially offset the contraction in global supply so far in 2018. In parallel, Barclays Capital revised upwards its forecast for Brent oil prices from $63 p/b to $70 p/b in 2018 and from $60 p/b to $65 p/b in 2019, due to the prevailing supply-side risks and strong growth in global demand. Further, it did not expect the Gulf Co-operation Council countries to be able to fill any production gap coming from other OPEC suppliers, such as Iran, because of their reduced production spare capacity. In parallel, downside risks to the price outlook include the potential easing of OPEC's output cuts in June 2018, in order to curb supply concerns related to Iran and Venezuela.

Source: Barclays Capital, Thomson Reuters, Byblos Research

Middle East's jewelry demand down 15% in first quarter of 2018

Demand for jewelry in the Middle East region totaled 45.3 tons in the first quarter of 2018, constituting a decline of 15.1% from 53.3 tons in the same quarter last year, and accounting for 9.3% of global jewelry demand. Consumption of gold jewelry in Iran reached 10.7 tons in the first quarter of the year, equivalent to 23.7% of the region's total demand. The UAE followed with 10.5 tons (23.1%), then Saudi Arabia with 7.5 tons (16.6%), Egypt with six tons (13.3%) and Kuwait with 3.6 tons (8%).

Source: World Gold Council, Byblos Research

OPEC's oil output unchanged in April 2018

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 31.93 million barrels per day (b/d) in April 2018, nearly unchanged from 31.92 million b/d in the preceding month. Saudi Arabia produced 9.96 million b/d in April 2018, equivalent to 31.2% of OPEC's total oil production, followed by Iraq with 4.43 million b/d (13.9%), Iran with 3.83 million b/d (12%) and the UAE with 2.87 million b/d (9%).

Source: OPEC, Byblos Research

Nigeria's oil export receipts up 154% to $434m in January 2018

Nigeria's crude oil and condensate export receipts totaled $434.1m in January 2018, constituting an increase of 153.7% from $171.1m in January 2017. Export revenues in January 2018 consisted of $305.8m from crude oil exports (70.4%), $113.1m from gas exports (26.1%) and $15.2m in other receipts (3.5%). The authorities transferred $106.7m of total hydrocarbon revenues in January 2018 to the Federation Account, while they used $327.4m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Base Metals: Temporary trade truce supports copper prices

LME copper three-month future prices averaged $6,948.7 per metric ton so far this year and closed at $6,979 per ton on May 22, 2018, mainly due to prospects that a U.S.-China trade war, following the imposition of U.S. tariffs on steel and aluminum, would be put on hold. Also, copper prices were supported by news that the U.S. and China agreed to hold further talks to boost U.S. metal exports to China. However, prices dropped to $6,867 per ton the next day after the U.S. launched an investigation into the imports of auto parts that could lead to new tariffs, casting doubt on any potential trade deal. In parallel, the latest available figures show that global demand for refined copper was 3.77 million tons in the first two months of 2018, up by 3.8% from 3.63 million tons in the same period of 2017, as Chinese demand grew by 9.2% while demand in the rest of the word decreased by 1% in the covered period. On the supply side, global refined copper production was 3.88 million tons in the first two months of 2018, up by 3.3% from 3.76 million tons in the same period of 2017, mainly driven by a growth of 5.2% in Chilean production as well as by an increase of 3.5% in Chinese supply. On a regional basis, refined output grew by 7% in Africa and by 5% in Asia, while it was unchanged in the Americas and in Europe.

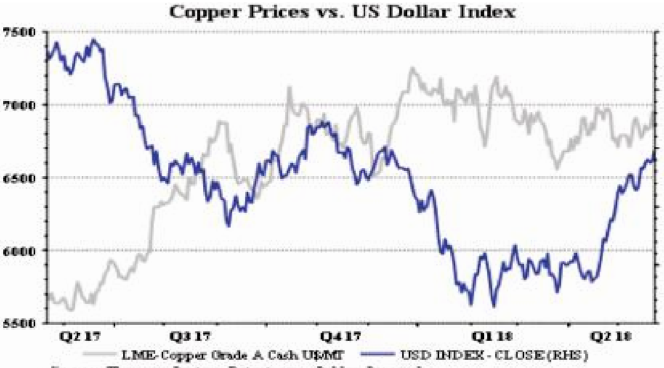
Source: International Copper Study Group, Thomson Reuters

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

Platinum prices have been on a downward trend so far in 2018, as they declined from an average of $988 per troy ounce in January and February 2018 to $953 an ounce in March, $924 an ounce in April, and $903 an ounce so far in May 2018. The decline in the metal's price reflects lower demand for diesel cars, especially in Europe. Also, global demand for platinum is projected to remain unchanged at 7.8 million ounces this year, as the decline in automotive demand is offset by higher jewelry and industrial demand. The global automotive sector is expected to account for 42.1% of total platinum demand in 2018, followed by jewelry demand with 32.2%, industrial consumption with 22.5% and investment demand with 3.2%. In parallel, global mine supply is projected to decrease by 3% to six million ounces in 2018, equivalent to 75.4% of aggregate output, mainly due to a 9% decline in Russian mine supply. South Africa's mine production would account for 72.4% of global mine supply in 2018, followed by Russia (11%), Zimbabwe (7.6%) and North America (6.2%). As such, the production surplus in the platinum market is expected to narrow from 315,000 ounces in 2017 to 180,000 ounces this year.

Source: World Platinum Investment Council, Thomson Reuters

Copper Prices vs. US Dollar Index



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	IHS	Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	B3	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	Positive	-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	-	BB-								
	Positive	Stable	Stable	-	Stable	-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	-	Stable	-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+	-	BB-								
	Stable	Stable	Negative	-	Stable	-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	Stable	-	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-								
	-	-	-	Negative	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	Stable	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	Stable	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-	Aa3	AA-	AA-	A+								
	Negative	Negative	Negative	Negative	Negative	-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								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
Yemen	-	-	-	-	CC								
	-	-	-	-	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	Positive	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Negative	Stable	Stable	-	Stable	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Stable	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	-	Stable	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB-	Ba2	BB+	BB+	BB-								
	Stable	Stable	Stable	Negative	Stable	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	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	02-May-18	Raised 25bps	13-Jun-18
Eurozone	Refi Rate	0.00	26-Apr-18	No change	14-Jun-18
UK	Bank Rate	0.50	10-May-18	No change	21-Jun-18
Japan	O/N Call Rate	-0.10	26-Apr-18	No change	15-Jun-18
Australia	Cash Rate	1.50	01-May-18	No change	05-Jun-18
New Zealand	Cash Rate	1.75	10-May-18	No change	28-Jun-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	24-May-18	No change	12-Jul-18
Malaysia	O/N Policy Rate	3.25	10-May-18	No change	11-Jul-18
Thailand	1D Repo	1.50	16-May-18	No change	20-Jun-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	17-May-18	Cut 100bps	28-Jun-18
Turkey	Base Rate	8.00	25-Apr-18	No change	07-Jun-18
South Africa	Repo rate	6.50	24-May-18	Cut 25bps	19-Jul-18
Kenya	Central Bank Rate	9.50	19-Mar-18	Cut 50bps	28-May-18
Nigeria	Monetary Policy Rate	14.00	22-May-18	No change	24-Jul-18
Ghana	Prime Rate	17.00	21-May-18	Cut 100bps	23-Jul-18
Angola	Base rate	18.00	30-Apr-18	No change	28-May-18
Mexico	Target Rate	7.50	17-May-18	No change	30-May-18
Brazil	Selic Rate	6.50	17-May-18	No change	21-Jun-18
Armenia	Refi Rate	6.00	15-May-18	No change	27-Jun-18
Romania	Policy Rate	2.50	07-May-18	Raised 25bps	04-Jul-18
Bulgaria	Base Interest	0.00	30-Apr-18	No change	31-May-18
Kazakhstan	Repo Rate	9.25	16-Apr-18	Cut 25bps	04-Jun-18
Ukraine	Discount Rate	17.00	12-Apr-18	No change	12-Jul-18
Russia	Refi Rate	7.25	27-Apr-18	Cut 25bps	15-Jun-18

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