

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

G-20 economies increase trade restrictive measures

The World Trade Organization indicated that the Group of 20 major economies put in place 39 new trade-restrictive measures between mid-October 2017 and mid-May 2018, up from 16 new restrictive measures applied between mid-May 2017 and mid-October 2017. It noted that the increase in such measures has come at a time of rising global trade tensions. It said that the G-20 members introduced on average almost six trade-restrictive measures per month during the covered period, compared to three measures per month between mid-May 2017 and mid-October 2017. The distribution of these measures shows that import-related restrictions and export-related obstacles accounted for 84.6% and 10.3% of total measures, respectively, during the seven-month period, while other restrictions represented the remaining 5.1%. The WTO estimated that the new trade-restrictive measures cover around 0.5% of world merchandise imports and about 0.6% of the G-20 imports. In parallel, it indicated that the G-20 members introduced 47 new trade liberalizing or facilitating measures during the covered period, equivalent to almost seven measures per month. It added that import-related procedures accounted for 85.1% of total trade-facilitating measures, while export-related actions represented the remaining 14.9% of trade-facilitating measures. It noted that import-facilitating procedures covered an estimated \$82.7bn of trade merchandise, while import-restrictive measures covered \$74.1bn of global trade.

Source: World Trade Organization

Sovereign downgrades outpace upgrades in 2017

Fitch Ratings indicated that it downgraded 15 sovereigns in 2017, down from 21 downgrades in 2016, while it upgraded 10 sovereigns, similar to the preceding year. As such, it noted that sovereign downgrades outpaced upgrades by a 1.5-to-1 ratio in 2017, relative to a 2.1-to-1 ratio in 2016. It downgraded 13 emerging market (EM) sovereigns in 2017 relative to 16 downgrades in 2016, while it upgraded four EM sovereigns last year compared to five upgrades in 2016. Also, it downgraded two developed market (DM) sovereigns last year relative to five downgrades in 2016, while it upgraded the ratings of six DM sovereigns in 2017 compared to five upgrades in the preceding year. It pointed out that upgrades in DMs outpaced downgrades for the first time since 2014, mainly due to a recovery in economic activity and a decline in government debt levels in sovereigns that were deeply affected by the global financial crisis. The agency noted that it lowered the ratings of eight sovereigns in the Middle East & Africa region, equivalent to 53.3% of total downgrades, while it downgraded five sovereigns in Latin America (33.3%) and two in Europe (13.3%). It also upgraded the ratings of eight sovereigns in Europe and two in the Asia-Pacific region. Fitch indicated that its average annual sovereign default rate was 0.72% for the 1995-2017 period. It added that Venezuela and the Republic of Congo were the only sovereigns that defaulted on their debt in 2017.

Source: Fitch Ratings

MENA

Insurance premiums up 4% to \$39bn in 2017, penetration rate at 1.9% of GDP

Swiss Re's annual survey of the global insurance market indicated that insurance premiums generated in 11 Arab markets included in the survey totaled \$35.9bn in 2017, constituting an increase of 3.9% from \$34.5bn in 2016. The region's aggregate premiums accounted for 0.7% of global premiums and for 6.8% of premiums in emerging markets excluding China in 2017. Insurance firms in the UAE accounted for 37.7% of aggregate premiums in Arab markets last year, followed by Saudi Arabia (27.1%), Morocco (10.4%), Lebanon (4.6%), Egypt (4.4%), Algeria and Oman (3.4% each), Jordan (2.4%), Kuwait and Tunisia (2.3% each), and Bahrain (2.1%). Further, Arab markets generated \$28.8bn in non-life premiums in 2017, up by 4.9% from \$27.5bn in 2016. Non-life premiums produced in the Arab world accounted for 1.3% of global non-life premiums and for 11.5% of non-life premiums in emerging markets excluding China last year. Also, aggregate life premiums generated in Arab markets stood at \$7.05bn in 2017, nearly unchanged from 2016, and accounted for 0.3% of global life premiums and for 2.5% of life premiums in emerging markets excluding China. In parallel, insurance penetration in Arab markets, or premiums relative to the size of the economy, stood at 1.9% of aggregate GDP in 2017 compared to penetration rates of 6.1% of GDP for global markets and 2.6% of GDP for emerging markets excluding China. Further, insurance density in Arab markets, or premiums per capita, reached \$141.2 in 2017 compared to \$649.8 and \$104.8, respectively, for global and emerging markets excluding China.

Source: Swiss Re, Byblos Research

GCC

Fixed income issuance at \$68bn in first half of 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$67.9bn in the first half of 2018, compared to \$122.6bn in full year 2017. Aggregate fixed income in the first half of 2018 included \$34.5bn in sovereign bonds, or 50.8% of the total, followed by corporate bond issuance at \$20.5bn (30.2%), sovereign sukuk at \$7.3bn (10.8%) and corporate sukuk at \$5.6bn (8.2%). Overall, bonds and sukuk issued by GCC sovereigns totaled \$48.1bn, or 61.6% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$26.1bn or 34.8% of the total. On a monthly basis, GCC sovereigns issued \$10.3bn in bonds and sukuk in January, \$300m in February, \$1.6bn in March, \$25.3bn in April, \$800m in May and \$3.5bn in June 2018. In parallel, corporates in the GCC issued \$2.2bn in bonds and sukuk in January, \$7.7bn in February, \$6.4bn in March, \$5.7bn in April and \$3.3m in May and \$800m in June 2018.

Source: KAMCO

OUTLOOK

GCC

Economic activity to recover amid higher oil prices

The Institute of International Finance projected real GDP in the economies of the Gulf Cooperation Council (GCC) to grow by 2.6% in 2018 and 2.9% in 2019 following a contraction of 0.3% in 2017, mainly due to a recovery in global oil prices, the increase in oil production and improved private sector confidence. It indicated that the recent agreement between OPEC and Russia to raise oil output as of July 2018 has partially offset the upside risk to oil prices that resulted from lower production in Venezuela and Iran. It projected Brent oil prices to average \$72 p/b in 2018, but to decline to \$65 p/b in 2019 due to higher output in Saudi Arabia and Russia, as well as to sustained oil production in the U.S. and Canada. As such, it forecast the GCC region's aggregate hydrocarbon output to increase by 2.2% this year and by 3.2% next year compared to a contraction of 3.4% last year. Also, it projected growth in the non-hydrocarbon sector at 2.9% in 2018 and 2.7% in 2019 compared to 2.1% in 2017, supported by higher public spending.

In parallel, the IIF expected the GCC's aggregate fiscal deficit to narrow from 5.8% of GDP in 2017 to 1.3% of GDP in 2018 and 2.5% of GDP in 2019, based on its oil price projections for 2018 and 2019. It expected that higher oil receipts in 2018 would more than offset the 13% increase in public spending. It projected the public debt level to reach 37.7% of GDP at the end of 2018 and 40.2% of GDP at end-2019 relative to 40.1% of GDP at end-2017. Further, the IIF expected the GCC's aggregate current account surplus to increase from \$47bn or 3.2% of GDP in 2017, to \$182bn or 10.9% of GDP this year, and \$137bn or 8.1% of GDP in 2019. In parallel, it expected GCC bond issuance to decline this year, as higher oil prices will reduce the region's borrowing needs. As such, it forecast the GCC's aggregate official reserves, excluding gold, to increase from \$656bn at end-2017 to \$710bn at end-2018 and \$751bn at end-2019. It forecast the aggregate assets of sovereign wealth funds and other public foreign assets in GCC countries at \$2 trillion in 2018 and \$2.1 trillion in 2019.

Source: Institute of International Finance

OMAN

Ongoing reforms and recovery in oil prices to reduce fiscal and external deficits

The International Monetary Fund projected Oman's real GDP to grow by 2.1% in 2018 and by 5.7% in 2019 relative to a contraction of 0.3% in 2017, due to improved hydrocarbon and non-hydrocarbon sector activity. It forecast hydrocarbon real GDP to grow by 1% this year and by 8.2% next year compared to a contraction of 2.8% in 2017. It anticipated growth in the non-oil economy to accelerate from 2% in 2017 to 3% in 2018 and 3.5% in 2019, and to average 4% annually in the medium term, supported by the government's diversification efforts and the planned completion of major infrastructure projects. It said that risks to the growth outlook include fiscal slippages, tighter global financing conditions and heightened geopolitical uncertainty.

In parallel, the Fund pointed out that the Omani government is undertaking further reforms to increase non-hydrocarbon revenues, such as the introduction of the value-added tax and excise

taxes, as well as restraining spending. It expected that the government's ongoing reforms and the recovery in oil prices would significantly reduce Oman's fiscal and external deficits in coming years. It forecast the fiscal deficit to narrow from 12.7% of GDP in 2017 to 5% of GDP in 2018 and 3.5% of GDP in 2019, while it anticipated the current account deficit to narrow from 15.5% of GDP last year to 6.9% of GDP this year and 5.9% of GDP next year. The Fund called on authorities to accelerate reforms in order to improve fiscal and external sustainability, maintain confidence and support the exchange rate peg. It encouraged the government to develop a medium-term fiscal framework, along with improvements to budget planning and expenditure controls, in order to address current spending rigidities, streamline capital outlays and enhance spending efficiency. In parallel, it said that the persistent fiscal and external deficits would lead to further increases in government and external debt over the medium term. As such, it projected the public debt level to increase from 46% of GDP at the end of 2017 to 49.5% of GDP at end-2019.

Source: International Monetary Fund

ARMENIA

Growth to be supported by external and domestic demand

Fitch Ratings indicated that the outlook on Armenia's economy is positive, due to the country's stronger growth relative to similarly-rated peers, the start of a fiscal consolidation process that is expected to gradually reduce the government debt level over the medium term, as well as moderate current account deficits. It added that Armenia's credible monetary policy framework has helped maintain macroeconomic and financial stability during the political crisis in April 2018. It projected real GDP growth to moderate from 7.5% in 2017 to 4.7% in 2018 and 4.1% in 2019, but to outperform the median of similarly-rated sovereigns. It expected growth to be supported by strong external and domestic demand due to a recovery in consumption and investment, favorable export prices, as well as sustained growth in remittance and tourism inflows. Also, it expected the inflation rate to remain well below the Central Bank of Armenia's medium-term target of 4%.

In parallel, Fitch indicated that the 2018 budget targets a deficit of 2.7% of GDP, but that this target depends on the priorities of the new government. It noted that the implementation of the 2014 pension reform is incorporated in the current budget projections, while it expected revenues to benefit from the introduction of the new tax code in January 2018 and from improved tax collection. In this context, it projected the fiscal deficit to narrow from 4.8% of GDP in 2017 to 3.5% of GDP in 2018 and 3% in 2019. It expected the public debt level to regress from 59% of GDP at the end of 2017 to 58.4% of GDP at end-2018 and to gradually decline afterwards. It considered that the main risks to debt sustainability are exchange-rate volatility, the failure to reduce the primary budget deficit and subdued growth rates. It indicated that the government will introduce a fiscal plan in the second half of 2018 to outline the pace of fiscal consolidation that is consistent with reducing the public debt level to below 50% of GDP in the medium term. In parallel, it forecast the current account deficit to reach 3.8% of GDP in 2018 and 3.7% of GDP in 2019, but to remain much narrower than the country's average annual deficit of 9.5% during the 2010-14 period.

Source: Fitch Ratings

ECONOMY & TRADE

SAUDI ARABIA

Expatriates lose 700,000 jobs in five quarters

Regional investment bank EFG Hermes indicated that Saudi Arabia's expatriate labor force lost 234,000 jobs in the first quarter of 2018, following a record high of 277,000 job losses in the fourth quarter of 2017. It added that expatriates have lost a total of 700,000 jobs in the five quarters ending in March 2018. It noted that job losses were concentrated in the construction, trade and manufacturing sectors, and were in both the public and private sectors. Further, it said that 811,000 expatriates, excluding family members and unregistered workers, left the Kingdom in the previous 18 months. In addition, it indicated that nationals lost about 13,000 jobs in the first quarter of 2018. As such, it said that unemployment among nationals increased slightly to 12.9% in the first quarter of 2018, reflecting the economy's slow job creation for nationals. EFG expected expatriate job losses to remain elevated during 2018, driven by the further nationalization of jobs and subdued macroeconomic fundamentals, mainly in the construction and trade sectors. In parallel, it indicated that non-oil real GDP growth decelerated from 1.8% in the fourth quarter of 2017 to 1.6% in the first quarter of 2018, as the economy started to absorb the impact of fiscal measures implemented earlier this year. Still, it expected growth to gradually recover in coming quarters, and noted that the pace of recovery will depend on the speed at which the government deploys its ambitious investment spending. As such, it maintained its real non-oil GDP growth forecast at 2.2% for 2018.

Source: EFG Hermes

ETHIOPIA

Sovereign rating affirmed, outlook 'stable'

Fitch Ratings affirmed Ethiopia's long-term foreign-currency issuer default rating (IDR) at 'B', with a 'stable' outlook. It noted that the rating balances the country's strong economic activity against its wide current account deficit, low external buffers, increasing public debt level, as well as weak development and governance indicators. It said that the domestic political situation has improved significantly following the appointment of a new Prime Minister in April 2018. It expected real GDP growth to average 8.5% annually between FY2017/18 and FY2019/20, supported by large-scale investments, strong FDI inflows and higher exports. Further, it indicated that the current account deficit narrowed from 8.7% of GDP in FY2015/16 to 8.1% of GDP in FY2016/17, due to a slowdown in drought-related food imports and import-intensive public investment. It projected the deficit to narrow to 6.9% of GDP in FY2019/20 on higher industrial and agricultural exports. In addition, it expected the deficit to be mostly financed by FDI inflows, which it forecast to average 5.3% of GDP annually between FY2017/18 and FY2019/20. In parallel, it noted that the general government deficit widened from 2.4% of GDP in FY2015/16 to 3.6% of GDP in FY2016/17, but projected it to narrow to 3.1% of GDP in FY2019/20, as authorities gradually accelerate public finance reforms. It anticipated the public debt level to rise from 56% of GDP in FY2016/17 to 60% of GDP in FY2017/18 due to the devaluation of the Ethiopian birr. But it expected the debt level to decline to 57.5% of GDP in FY2019/20, in case the government continues to limit external borrowing.

Source: Fitch Ratings

TUNISIA

Weak fiscal position and limited budget flexibility are key challenges

Moody's Investors Service indicated that Tunisia's credit challenges include the structural deterioration in its fiscal deficit, limited budget flexibility and worsening current account dynamics. It noted that the public debt level increased significantly from 50.8% of GDP at the end of 2014 to 70% of GDP at end-2017, mainly due to the country's wide fiscal deficit and adverse foreign-exchange rate dynamics, given that more than 68% of government debt is denominated in foreign currency. It added that higher-than-anticipated spending pressures and a large public-sector wage bill limit Tunisia's budget flexibility. It projected the public debt level to reach 73% of GDP at end-2019, amid a steady currency depreciation, a sustained primary deficit and an increasing debt servicing burden. Further, it said that Tunisia's institutional effectiveness is constrained by a track record of recurring delays in the implementation of structural reforms. In parallel, the International Monetary Fund indicated that economic activity has picked up and confidence has improved since early 2018. But it noted that macroeconomic imbalances persist, with a high unemployment rate, an elevated inflation rate, wide fiscal and current account deficits, as well as low foreign currency reserves. It noted that authorities remain committed to a socially-balanced approach to macroeconomic adjustment under the IMF-supported program. It considered that policy priorities for 2018 include improving revenue collection, increasing energy prices, no wage increases, and pension reforms. It added that a flexible exchange rate is critical to improve the current account position and rebuild foreign currency reserves.

Source: Moody's Investors Service, International Monetary Fund

PAKISTAN

Limited window to address external risks

Fitch Ratings indicated that Pakistan's declining foreign currency reserves and widening current account deficit are adding to the country's external financing risks. It noted that monetary authorities have taken several steps to address the deterioration in the external position. It said that the State Bank of Pakistan has increased its policy rate by a cumulative 75 basis points since mid-January 2018 and has allowed for greater exchange rate flexibility through a cumulative 13% depreciation of the Pakistani rupee since mid-December 2017. It said that these measures have eased some pressure on foreign currency reserves and could lead to a narrowing of the current account deficit, but that further policy efforts are required to stabilize the external position. However, it indicated that external debt obligations will pick up rapidly in 2019. It noted that the government's reliance on external borrowing and the cost of external financing have increased in recent months. It said that the steep decline in foreign currency reserves leaves a limited buffer in case of difficulties in accessing international markets or bilateral lending. Fitch estimated the current account deficit at 5.3% of GDP in the fiscal year that ended in June 2018. Also, it estimated the fiscal deficit to have widened to 6% of GDP in FY2017/18. Further, it revised downward its real GDP growth projection to 5% in FY2018/19 from 5.5% previously, mainly due to the potential impact of further tightening measures related to reducing external imbalances.

Source: Fitch Ratings



BANKING

MENA

Tier One capital of banks at \$322bn at end-2017

The Banker magazine's annual survey of the Top 1000 Banks in the world by Tier One capital indicated that the aggregate Tier One capital of Middle Eastern banks included in the survey stood at \$322.4bn at the end of 2017 compared to \$313bn at end-2016. It noted that the Tier One capital of the region's banks included in the survey accounted for 4% of the aggregate Tier One capital of the world's Top 1000 banks, which is lower than the share of banks in Asia (44.3%), Western Europe (26.8%) and North America (19.6%), but higher than that of banks in Latin America & the Caribbean (2.4%), Central & Eastern Europe (1.9%) and Africa (0.9%). Also, the total assets of Middle Eastern banks in the survey reached \$2,842bn at end-2017 and accounted for 2.3% of the aggregate assets of the world's top 1000 banks. As such, the Tier One capital-to-assets ratio (CAR) of Middle Eastern banks was 11.7% at end-2017, higher than the Top 1000 banks' CAR of 6.66%, as well as of banks in Central & Eastern Europe (10.9%), Africa (8.1%), North America (7.5%), Latin America & the Caribbean (7.5%), Asia (6.6%) and Western Europe (5.5%). First Abu Dhabi Bank ranked in first place regionally and in 81st place globally with a Tier One capital of \$20.5bn, followed by Qatar National Bank with \$20.1bn (82nd place), the National Commercial Bank of Saudi Arabia with \$17bn (94th place), Saudi Arabia's Al Rajhi Bank with \$14.9bn (104th place) and Emirates NBD with \$14bn (109th place). The Middle Eastern banks' return on capital (ROC) stood at 13.03% in 2017 relative to the Top 1000 banks' ROC of 13.5%, and their return on assets was 1.52% compared to 0.9% globally.

Source: *The Banker*; Byblos Research

BAHRAIN

Slower growth and reduced spending keep negative outlook on banking sector

Moody's Investors Service maintained its negative outlook on Bahrain's banking sector, as slower economic activity and reduced government spending would continue to weigh on the banks' asset quality and profitability. It noted that lower public spending in the context of the government's fiscal consolidation could weaken growth in the non-oil economy. Also, it anticipated higher borrowing costs and reduced subsidies to weigh on corporate and household disposable income and purchasing power, which would eventually put further pressure on the banks' asset quality. In parallel, it said that the rising government debt level is reducing the government's capacity to support the banks in case of need. The agency expected credit growth to decelerate slightly from 8% in 2017 to about 5% to 7% in 2018 due to a slowdown in economic activity. Further, it projected the banks' return on average assets to regress from 1.4% in 2017 to about 1.3% in 2018, mainly due to higher loan-loss provisions as problem loans increase. It forecast the sector's pre-provisioning profits-to-average-assets ratio to reach about 1.9% this year, as it expected the banks' profits to benefit from cost-cutting initiatives. Further, it expected the banking sector's capitalization to remain strong and stable in 2018. It forecast the banks' average tangible common equity at 12.3% of their risk-weighted assets, as moderate loan growth is balanced by the banks' strong profit retention.

Source: *Moody's Investors Service*

NIGERIA

Mid-tier banks have sufficient liquidity to cover foreign currency obligations

Moody's Investors Service indicated that Nigeria's mid-tier banks, which consist of Fidelity Bank Plc, FCMB Ltd, Union Bank Plc, Sterling Bank Plc, and Diamond Bank Plc, will take a longer time than their top-tier counterparts to recover from the drop in global oil prices and from the 2016 economic recession. It noted that operating conditions remain challenging amid a slow economic recovery, which will continue to weigh on the credit profiles of the banks during the next 18 months. It said that mid-tier banks pay high interest rates to attract deposits and seek higher yields in order to cover their elevated funding costs. As such, it indicated that the banks are more exposed to weaker corporates and riskier asset classes, which could result in larger loan losses in the event of shocks. However, it considered that the banks' high asset risks are mitigated by their sound capital buffers. Further, it noted that problem loans at mid-tier banks have risen significantly in recent years, mainly due to the banks' high exposure to the volatile oil and gas sector and the depreciation of the Nigerian naira. But it expected the banks' loan quality to stabilize, as most oil and gas loans are being restructured. In parallel, it said that the banks' access to foreign currency is improving due to increasing oil revenues, more efficient foreign currency markets and the return of foreign capital inflows. As such, it noted that most banks have sufficient liquidity to cover any upcoming foreign currency obligations. In parallel, it anticipated the banks' profitability to remain subdued over the next 18 months, due to lower yields on government securities, muted loan growth and higher provisioning and funding costs.

Source: *Moody's Investors Service*

GHANA

Higher capital buffers are credit positive for banks

Moody's Investors Service indicated that the Bank of Ghana (BOG) introduced in June 2018 a new capital conservation buffer of 3% of risk-weighted assets and a new countercyclical buffer. It considered that the new measures are credit positive for Ghanaian banks, as they will improve the quality and quantity of their capital buffers, increase their loss-absorption capacity and enhance the banking sector's stability amid high asset risks. It said that the capital conservation buffer aims to force banks to build capital, in order to absorb any unexpected shocks in the future. It noted that the BOG requires banks to maintain a minimum Common Equity Tier 1 (CET1) capital ratio of 6.5%, and that the banks will build the conservation capital buffer using CET1 capital. As such, it said that the banks' CET1 ratio would increase to 9.5% after adding the capital conservation buffer, and that the regulatory minimum capital adequacy ratio would rise to 13%. In parallel, it noted that high capital buffers will strengthen the banks' resilience by providing them with room to restructure their balance sheets that are burdened by high levels of non-performing loans (NPLs). It added that the majority of large banks in Ghana reported high capital ratios of more than 20% at the end of 2017, but that this capital is exposed to potential losses from the high stock of NPLs. It considered that higher capital buffers will help restore depositors' confidence that was damaged by recent bank failures and the cancellation of the licenses of two banks in 2017.

Source: *Moody's Investors Service*



ENERGY / COMMODITIES

Oil prices to remain volatile in coming months

ICE Brent crude oil front-month prices have been volatile so far in July 2018, trading between \$73.4 per barrel (p/b) and \$79 p/b, due to several factors that are affecting investors' outlook for the global oil market. Oil prices have been mainly supported by increased supply disruptions and elevated tensions between the U.S. and Iran. However, Brent oil prices reached \$73.4 p/b on July 11, 2018 and dropped by 6.9% from the previous day, constituting their steepest daily decline since February 2016. Also, WTI crude oil prices dropped by 5% day-to-day to close at \$70.5 p/b on July 11, and marked their highest daily drop since June 2017. The decline in oil prices was due to several factors, including Libya's announcement that it has resumed its oil exports following supply disruptions in late June, rising U.S. shale oil production, the possibility of waivers on U.S. sanctions against Iran, a stronger US dollar, as well as escalating trade tensions between the U.S. and China. In fact, the U.S. threatened to impose tariffs on additional \$200bn of imports from China, which fueled fears over an escalating trade war that could weigh on global growth and, in turn, on demand for oil. In addition, the drop in oil prices came after OPEC members reported an increase in output in June 2018 in an effort to limit the recent price rally. Oil prices are expected to remain volatile in coming months, and to be determined by market-driven and political factors that are affecting supply and demand in the global oil market. Brent and WTI oil prices are forecast to average \$72.3 p/b and \$66.8 p/b, respectively, in 2018.

Source: CNBC, Thomson Reuters, Byblos Research

OPEC's oil basket price down 1.2% in June 2018

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$73.22 per barrel (p/b) in June 2018, constituting a decrease of 1.2% from \$74.11 p/b in the preceding month. The UAE's Murban posted a price of \$76.18 p/b, followed by Nigeria's Bonny Light at \$74.86 p/b and Saudi Arabia's Arab Light at \$74.26 p/b. In parallel, 14 out of the 15 prices included in the OPEC reference basket posted monthly decreases between \$0.17 p/b and \$3.88 p/b in June 2018.

Source: OPEC, Byblos Research

Nigeria's oil receipts up 91% to \$1.4bn in first quarter of 2018

Nigeria's crude oil and condensate export receipts totaled \$1.42bn in the first quarter of 2018, constituting an increase of 91% from \$743.9m in the first quarter of 2017. Export revenues in the first quarter of 2018 consisted of \$1.01bn from crude oil exports (71.4%), \$338.5m from gas exports (23.8%) and \$67.6m in other receipts (4.8%). The authorities transferred \$128.8m of total hydrocarbon revenues in March 2018 to the Federation Account, while they used \$283.6m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Middle East accounts for 10% of world's oil consumption in 2017

BP estimated the Middle East region's crude oil consumption at 9.3 million barrels per day (b/d) in 2017, up by 1.4% from 9.2 million b/d in 2016, and equivalent to 9.5% of global oil demand. Saudi Arabia's oil consumption averaged 3.92 million b/d, or 42.2% of the region's total demand last year, followed by Iran with 1.82 million b/d (19.5%), the UAE with one million b/d (10.8%) and Iraq with 791,000 b/d (8.5%).

Source: BP, Byblos Research

Base Metals: Copper prices hit their lowest level in nearly a year

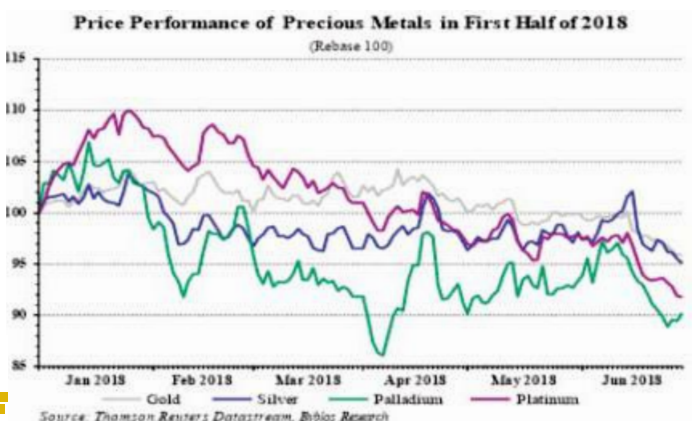
LME copper three-month future prices averaged \$6,362 per metric ton so far in July 2018, constituting a decrease of 8.7% from an average of \$6,968 per ton in June of this year. The drop in prices was driven by concerns about the escalating trade row between the U.S. and China, amid a seasonal slowdown in the metal's demand and a stronger dollar. The U.S. Administration imposed tariffs of 25% on \$34bn of imports from China at the end of last week, to which China responded with matching tariffs on the same amount of imports from the U.S. However, failure to reach an agreement led U.S. President Trump to threaten with tariffs of 10% on an additional \$200bn worth of Chinese imports. Fears over a trade war escalation, with its adverse impact on global growth, led to a broad sell-off of industrial metals. As such, copper prices dropped by 16.2% from \$7,332 per ton on June 7, 2018, their highest level since January 2014, to \$6,145 per ton on July 11, their lowest level in nearly a year. But prices are expected to recover, as unresolved labor-related supply disruptions at Escondida, the world's largest copper mine in Chile, continue to constrain global output of the metal. In this context, copper prices are expected to increase from an average of \$6,198.7 per ton in 2017 to an average of \$7,040 per ton in 2018.

Source: ABN AMRO, Citi, Thomson Reuters, Byblos Research

Precious Metals: Silver prices to decline by 5% in 2018

Silver prices averaged \$16.6 per troy ounce in the first half of 2018, constituting a decline of 4% from an average of \$17.3 an ounce in the same period of 2017. The decline in prices reflects limited silver usage in the global electronic and photovoltaic sectors so far this year, which contributed to subdued growth in industrial demand for the metal. Also, prices declined from an average of \$16.7 an ounce in the first quarter of 2018 to \$16.5 an ounce in the second quarter of the year, mainly due to a stronger US dollar, and are forecast to decline further to an average of \$15.9 an ounce in the third quarter and \$15.8 an ounce in the fourth quarter of 2018. Overall, prices are projected to decline by 4.7% from an average of \$17 an ounce in 2017 to \$16.2 an ounce in 2018 due to expectations of a recovery in silver mine production, additional U.S. interest rate hikes in the remainder of 2018, as well as continued weak industrial demand. Upside risks to the price outlook include rising inflation in the U.S. and stronger-than-anticipated jewelry consumption, especially in China and India.

Source: ABN AMRO, Thomson Reuters, 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+	-2.5	17.3	2.5	-	-	-	-12.3	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
	Stable	Stable	Stable	-	Stable								
Egypt	B	B3	B	B	B+	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
		Stable	Stable	Positive	Positive								
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
		Stable	Stable	Stable	-								
Ghana	B-	B3	B	-	BB-	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
		Positive	Stable	Stable	-								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
	Stable	Positive	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
	Stable	Stable	Negative	-	Stable								
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	Stable	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B1	BB-	BB	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Stable	Negative	Stable	Stable	Negative								
Iran	-	-	-	BB-	BB-	0.7	29.2	2.0	-	-	-	5.3	-
	-	-	-	Negative	Positive								
Iraq	B-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Stable	Stable	Stable	Stable								
Oman	BB	Baa3	BBB-	BBB	BBB-	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Stable	Negative	Negative	Stable	Positive								
Qatar	AA-	Aa3	AA-	AA-	A+	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
	Negative	Negative	Stable	Negative	Negative								
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.0	77.4	20.3	-	-	-	-4.2	-
	-	-	-	-	Negative								



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	1.75-2.00	05-Jul-18	Raised 25bps	01-Aug-18
Eurozone	Refi Rate	0.00	14-Jun-18	No change	26-Jul-18
UK	Bank Rate	0.50	21-Jun-18	No change	02-Aug-18
Japan	O/N Call Rate	-0.10	15-Jun-18	No change	31-Jul-18
Australia	Cash Rate	1.50	03-Jul-18	No change	17-Jul-18
New Zealand	Cash Rate	1.75	28-Jun-18	No change	08-Aug-18
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Jun-18	No change	20-Sep-18
Canada	Overnight rate	1.50	11-Jul-18	Raised 25bps	05-Sep-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	21-Jun-18	No change	27-Sep-18
South Korea	Base Rate	1.50	12-Jul-18	No change	31-Aug-18
Malaysia	O/N Policy Rate	3.25	11-Jul-18	No change	05-Sep-18
Thailand	1D Repo	1.50	20-Jun-18	No change	08-Aug-18
India	Reverse repo rate	6.25	06-Jun-18	Raised 25bps	01-Aug-18
UAE	Repo rate	2.25	14-Jun-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	2.50	14-Jun-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	28-Jun-18	No change	16-Aug-18
Turkey	Repo Rate	17.75	07-Jun-18	Raised 125bps	24-Jul-18
South Africa	Repo rate	6.50	24-May-18	Cut 25bps	19-Jul-18
Kenya	Central Bank Rate	9.50	28-May-18	No Change	N/A
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	24-May-18	No change	20-Jul-18
Mexico	Target Rate	7.75	21-Jun-18	Raised 25bps	02-Aug-18
Brazil	Selic Rate	6.50	21-Jun-18	No change	01-Aug-18
Armenia	Refi Rate	6.00	26-Jun-18	No change	14-Aug-18
Romania	Policy Rate	2.50	04-Jul-18	No change	06-Aug-18
Bulgaria	Base Interest	0.00	29-Jun-18	No change	31-Jul-18
Kazakhstan	Repo Rate	9.00	09-Jul-18	No change	03-Sep-18
Ukraine	Discount Rate	17.50	12-Jul-18	Raised 50bps	06-Sep-18
Russia	Refi Rate	7.25	15-Jun-18	Cut 25bps	27-Jul-18



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