

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Private equity funds raise \$85bn in second quarter of 2018

Research provider Preqin indicated that 230 private equity (PE) funds raised a total of \$84.7bn in capital commitments worldwide in the second quarter of 2018, compared to 246 PE funds that raised \$88.4bn in the previous quarter and 377 PE funds that secured \$151bn in the second quarter of 2017. It noted that the amount of capital commitments raised in the second quarter of 2018 was the lowest quarterly figure since 2012. Also, it said that 38 buyout funds raised \$41.7bn in the second quarter of 2018, or 49.2% of total capital commitments, followed by 136 venture capital funds with \$21.9bn in raised capital (26%), 26 growth funds with \$11.9bn (14%), eight secondaries funds with \$2.5bn in raised capital (3%) and 12 funds of funds with \$2.1bn in capital commitments (2.4%). On a regional basis, 122 PE funds with a primary focus on North America secured \$36.9bn in the second quarter of 2018, followed by 46 Asian-focused PE funds (\$22bn) and 42 European-focused funds (\$21bn). The survey indicated that there were 3,037 PE funds seeking to raise an aggregate of \$948bn in capital at the start of the third quarter of 2018, compared to 1,998 PE funds that were seeking to raise an aggregate of \$676bn in capital at the start of the third quarter of 2017.

Source: Preqin

### EMERGING MARKETS

#### Investors concerned about trade war

The Emerging Markets (EMs) Fixed Income survey conducted by Citi Research indicated that concerns about a U.S.-China trade war are increasing, as 37% of investors included in the survey considered that a potential U.S.-China trade war constitutes their biggest concern in the third quarter of 2018, up from 22% of investors who shared a similar opinion in the previous quarter. Also, 21% of surveyed investors cited capital outflows from EMs, 11% mentioned fears over a slowdown in the Chinese economy, 11% named an increase in U.S. interest rates, 10% cited higher inflation rates, 8% mentioned a U.S. recession, and 3% named fluctuation of commodity prices as their biggest concern in the third quarter. The quarterly EM Fixed Income survey is based on responses from investors managing about \$380bn in assets. Citi noted that the majority of surveyed investors in the second quarter considered that U.S. President Donald Trump's threats of imposing tariffs on Chinese goods are a negotiation tactic, while 50% of investors in the current survey believe that the U.S.-China tensions will escalate into a trade war. In addition, the survey indicated that 45% of investors expect EM external sovereign credit to outperform all EM asset classes in 2018, followed by local fixed-income instruments (23% of investors), EM external corporate credit (20% of investors), and EM equities (13% of investors). In parallel, the survey showed that expectations of capital outflows from EMs are increasing, as 55% of investors anticipated moderate capital outflows in the next six months compared to 33% in the previous quarter.

Source: Citi Research

### MENA

#### Arab economies trail global trends in terms of innovation

The 2018 Global Innovation Index rated the UAE as the most innovative Arab country and the 38th most innovative globally. Qatar followed in 51st place, then Kuwait (60th), Saudi Arabia (61st), Tunisia (66th), Oman (69th), Bahrain (72nd), Morocco (76th), Jordan (79th), Lebanon (90th), Egypt (95th), Algeria (110th) and Yemen (126th). The index is a composite of 80 variables that are grouped in the Innovation Input and the Innovation Output Sub-Indexes. The Innovation Input Sub-Index consists of an economy's institutions, human capital & research, infrastructure, and market and business sophistication; while the Innovation Output Sub-Index reflects the results of innovative activities within the economy such as technology, knowledge and creativity. The index rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The average score of the 13 Arab countries included in the survey reached 30.9 points and was below the global average of 36.7 points. The average score of Gulf Cooperation Council (GCC) countries was 35.4 points, while that of non-GCC Arab countries stood at 27 points. Also, the Arab region's average score was higher than that of Latin America & the Caribbean (30 points), Central & South Asia (28 points) and Sub-Saharan Africa (25 points); but came lower than all other regions. The UAE ranked first regionally on the Innovation Input Sub-Index, while Kuwait came first on the Innovation Output Sub-Index.

Source: INSEAD, Cornell University, WIPO, Byblos Research

### AFRICA

#### Credit quality in Sub-Saharan Africa broadly stable

S&P Global Ratings indicated that the overall sovereign creditworthiness in Sub-Saharan Africa (SSA) has been stable since January 2018. It revised the outlook on the ratings of Senegal in the first half of 2018 from 'stable' to 'positive' on strong growth prospects. In addition, it noted that 15 out of the 18 rated SSA countries carry a 'stable' outlook on their sovereign ratings; two have a 'positive' outlook; while Mozambique is in 'Selective Default'. In parallel, S&P indicated that the rated SSA sovereigns issued a record \$13.7bn in Eurobonds in the first half of 2018, relative to \$8.4bn in 2017. It said that Angola issued \$3bn in Eurobonds, followed by Nigeria (\$2.5bn), Senegal (\$2.2bn) and Ghana, Kenya and South Africa (\$2bn each). It said that the average rating of SSA sovereigns stood at just above 'B' in June 2018, compared to just below 'B+' in June 2015. It added that the average sovereign rating becomes slightly lower than 'B+' when the ratings are weighted by nominal GDP, largely due to South Africa, which is rated 'BB' and accounted for 29% of the aggregate GDP of the rated sovereigns in 2017. S&P noted that 17 out of the 18 rated sovereigns have a speculative-grade rating, while Botswana is rated 'A-'. S&P expected the modest economic recovery in SSA economies to continue for the rest of 2018, due to higher global oil and copper prices.

Source: S&P Global Ratings

# OUTLOOK

## MENA

### Higher oil prices to weigh on oil importers in 2018

The Institute of International Finance expected that the increase in global oil prices will raise inflationary pressure and weigh on the fiscal and current account balances of oil-importing economies in the Middle East & North Africa (MENA) region in 2018. Also, it anticipated the lack of deeper reforms and heightened domestic socioeconomic tensions and geopolitical risks to weigh on economic activity in the region. It added that the disruption of trade routes due to the Syrian and Iraqi conflicts has reduced the potential output of Jordan and Lebanon. It said that the elevated government debt level in these economies constrains the ability of authorities to pursue countercyclical fiscal policies and to finance priority spending, such as infrastructure.

First, the IIF indicated that the increase in oil prices would raise inflationary pressure in MENA oil-importing countries, given the elevated weight of fuel and energy in their CPI baskets. It added that higher oil prices could lead to a rise in the cost of production of goods and services due to higher prices of energy inputs. Second, it said that higher oil prices will widen the current account deficits of MENA oil importers, as it would increase their import bills. It expected that an increase in average oil prices from \$54 p/b in 2017 to \$72 p/b in 2018 would widen the current account deficit by 2.9 percentage points of GDP in Lebanon, by 2.7 percentage points of GDP in Jordan, by 2.6 percentage points of GDP in Morocco, by 1.7 percentage points of GDP in Egypt and by 1.5 percentage points of GDP in Tunisia. Third, it pointed out that higher oil prices would widen the fiscal deficits of MENA oil-importing economies due to higher energy subsidies.

However, the IIF anticipated that higher oil prices could indirectly increase growth in MENA oil-importing economies beyond the near term. It considered that this would support economic activity in Gulf Cooperation Council (GCC) countries, which would benefit oil importers through bilateral trade, tourism, remittance inflows, grants and FDI inflows from these economies. But it said that higher oil prices would need to persist in order to significantly increase growth in the GCC region and have potential positive spillovers to oil importers.

*Source: Institute of International Finance*

## SAUDI ARABIA

### Growth to improve on higher oil prices and sustained reform implementation

The International Monetary Fund expected Saudi Arabia's real GDP to grow by 1.9% in each of 2018 and 2019, compared to a contraction of 0.9% in 2017, as authorities ease fiscal consolidation and oil production increases amid higher global oil prices. Further, it projected the inflation rate to average 3% this year relative to -0.9% in 2017 due to the introduction of the value-added tax and higher utility prices, and to stabilize at about 2% in the medium term. It noted that authorities are proceeding with their fiscal and structural reforms, and stressed that a sustained commitment to implementing the reforms will help the Kingdom achieve its fiscal objectives and promote non-oil growth. It said that the government has stepped up efforts to develop the small- and medium-enterprises sector, increase the involvement of

women in the economy and develop new industries with high potential for growth and job creation.

In parallel, the IMF forecast the fiscal deficit to narrow from 9.3% of GDP in 2017 to 4.6% of GDP in 2018 and 1.7% of GDP in 2019 on the back of higher oil output and prices. It anticipated the government to continue to finance the deficit through a mix of domestic and external debt issuance, as well as drawdowns of foreign assets from the Saudi Arabia Monetary Authority (SAMA). As such, it anticipated the public debt level to grow from 17.2% of GDP at end-2017 to 19.1% of GDP at end-2018 and 20.3% of GDP at end-2019. The Fund welcomed the government's ongoing fiscal consolidation efforts and its plans to achieve a balanced budget by 2023. Further, it projected the current account surplus to increase from 2.2% of GDP in 2017 to 9.3% of GDP in 2018 and 8.8% of GDP in 2019, due to higher oil export receipts and subdued remittance outflows. Also, it forecast foreign currency reserves at SAMA to increase from 28.4 months of import cover at end-2017 to 29.2 months of import cover at end-2018 and 30.2 months of import cover at end-2019.

*Source: International Monetary Fund*

## IRAN

### Growth to decelerate in coming years amid reimposition of U.S. sanctions

Research and analytics provider IHS Markit projected Iran's real GDP growth to decelerate from 3.8% in the fiscal year that ended in March 2018 to 2% in FY2018/19 and 0.9% in FY2019/20, due to lower oil exports following the U.S. withdrawal from the nuclear deal with Iran and the re-imposition of U.S. sanctions on the country. It expected that Iran's oil exports could potentially decline by 700,000 b/d to 800,000 b/d by 2020. It projected growth in the non-hydrocarbon sector to decelerate from 4.6% in FY2017/18 to between 2.6% and 2.7% in FY2018/19, and to 2% in FY2019/20, as the reimposition of U.S. secondary sanctions could weigh heavily on investment activity in Iran. In addition, it anticipated FDI inflows from European countries to decline in the absence of large-scale political developments that would exempt certain European sectors and companies from U.S. secondary sanctions. In parallel, it indicated that risks to the outlook are tilted to the downside and include future political developments in the U.S. and Iran, which could increase uncertainty about the enforcement of U.S. sanctions in the medium term, as well as further currency weakness, increased inflationary pressure, as well as the ongoing challenges in the financial sector.

Further, IHS pointed out that inflationary pressure and the significant depreciation of the Iranian rial would weigh heavily on private consumption and business confidence in FY2018/19 and FY2019/20. It noted that growth in private consumption decelerated from 3.8% in FY2016/17 to 2.5% in FY 2017/18, as currency volatility began to accelerate. It expected the purchasing power of consumers to come under further pressure in FY2018/19 due to higher inflation amid persistent currency weakness. Also, it forecast the average inflation rate to increase from 10% in 2017/18 to 12.2% in FY2018/19. In addition, it indicated that the lack of transparency and confidence in the new unified fixed exchange rate could further weigh on business sentiment and increase inflationary pressure.

*Source: IHS Markit*



# ECONOMY & TRADE

## MENA

### Social and political pressures impede fiscal consolidation in several sovereigns

Fitch Ratings indicated that 10 out of the 13 sovereigns that it rates in the Middle East and North Africa (MENA) region have a 'stable' outlook, while Egypt has a 'positive' outlook, reflecting the significant progress the country has made in its fiscal and monetary reforms. It added that Oman and Tunisia have 'negative' outlooks, as both governments are struggling to implement fiscal consolidation amid social and political pressures. It noted that it revised Qatar's outlook from 'negative' to 'stable' in June 2018 to reflect the stabilization of the country's external balance sheet and the authorities' successful management of the boycott's repercussions. In parallel, the agency expected higher oil prices and production to significantly improve the fiscal and external balances of oil exporters in the MENA region. It projected Kuwait, Abu Dhabi and Qatar to post fiscal surpluses this year, for Saudi Arabia to register a small fiscal deficit, and for Bahrain and Oman to post single-digit fiscal deficits in 2018. Further, it noted that the positive fiscal outlooks in Abu Dhabi and Saudi Arabia are leading to a shift from austerity measures towards a more growth-supportive fiscal policy. In addition, Fitch indicated that political risks remain elevated in the region, as tensions between Saudi Arabia and Iran intensify, the Syrian conflict persists and Qatar's dispute with its neighbors remains unresolved. It added that rising social tensions and high youth unemployment are impeding fiscal consolidation in several MENA countries.

Source: Fitch Ratings

## CÔTE D'IVOIRE

### Economic activity improves amid stabilizing domestic and external conditions

The World Bank indicated that Côte d'Ivoire's real GDP growth reached about 8% in 2017 and was mainly driven by stronger activity in the agricultural sector amid favorable weather conditions and higher commodity prices. But it said that private investment and consumption have slowed down in 2017, reflecting the lack of improvement in the business climate and uncertainties stemming from social and political unrest. Further, the Bank indicated that the current account deficit widened from 1% of GDP in 2016 to 2% of GDP in 2017, and expected it to widen slightly in coming years due to higher imports related to large-scale public works. In parallel, it noted that the fiscal deficit stood at 4.2% of GDP last year, as the increase in security expenditures was largely offset by contained investment spending. But it anticipated the deficit to narrow to 3% of GDP in 2019 amid fiscal consolidation efforts. It added that the government improved its public finance management last year in terms of revenue collection, clearance of government arrears and payments, as well as public debt management. Further, the Bank indicated that Côte d'Ivoire's economic activity has improved, and that its domestic and external conditions have stabilized so far in 2018. It expected the country's medium-term outlook to be positive, with real GDP growing by about 7% to 7.5% annually in coming years. However, it said that risks to the outlook include lower-than-expected commodity prices and heightened political tensions ahead of the 2020 presidential elections.

Source: World Bank

## IRAQ

### Profits of listed companies up 9% to \$104m in first quarter of 2018

The cumulative unaudited pre-tax profits of 78 out of 122 companies listed on the Iraq Stock Exchange totaled IQD129.4bn in the first quarter of 2018, constituting an increase of 5.6% from IQD122.5bn in the same quarter of 2017. In US dollar terms, the profits of listed companies reached \$104.3m in the first quarter of 2018 and increased by 9.4% from \$95.3m in the same quarter of 2017. The dollar figures reflect the prevailing official exchange rate that appreciated from an average of IQD1,285 per US dollar in the first quarter of 2017 to an average of IQD1,241 per US dollar in the first quarter of 2018. Listed telecommunication firms generated profits of \$70.4m and accounted for 67.5% of total earnings in the covered period. Banks followed with \$22.2m (21.3%), then industrial firms \$7m (6.7%), companies in the hotel & tourism sector with \$3.5m (3.3%), services firms with \$741,255 (0.7%), insurers with \$0.4m (0.4%) and money transfer operators with \$0.2m (0.2%). Further, the earnings of telecommunication companies rose by 4.6 times year-on-year in the first quarter of 2018, followed by profits of firms operating in the hotel & tourism sector (+61.3%), the earnings of insurers (+28.2%), companies in the industrial sector (+24.6%) and firms in the services sector (+15.4%), while the profits of money transfer operators decreased by 69.2% annually in the first quarter of 2018, followed by banks (-68.7%).

Source: Rabee Securities, Iraq Stock Exchange

## UAE

### Agencies affirm sovereign ratings

Capital Intelligence Ratings affirmed the United Arab Emirates' long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook. It noted that the ratings and outlook reflect the country's strong external position, stable domestic political situation, diversified base of current account receipts, and high real GDP per capita. It added that higher hydrocarbon prices, moderate fiscal consolidation measures, as well as Abu Dhabi's financial support to the federation underpin the ratings. Also, it noted that the government's refinancing risks are limited. But it said that Dubai's government-related entities could face higher refinancing costs amid continued increases in U.S. interest rates and in geopolitical risks, given their relatively large maturities of \$35.9bn, or 34.5% of Dubai's GDP. In parallel, S&P Global Ratings affirmed the ratings of the Emirate of Ras Al Khaimah (RAK) at 'A/A-1', and revised the outlook from 'stable' to 'negative', while it affirmed the ratings of the Emirate of Sharjah at 'BBB+/A-2', with a 'stable' outlook. It indicated that the ratings of the two Emirates are supported by their strong fiscal positions and by the advantages that they derive from being part of the federation. It said that Sharjah's 'stable' outlook reflects an expected average growth rate of 2% annually over the 2018-20 period, and a continued reduction of its fiscal deficit. In contrast, it attributed the negative outlook on Ras Al Khaimah's ratings to the risk of a weakening in the Emirate's fiscal position and an increase in government debt servicing.

Source: Capital Intelligence Ratings, S&P Global Ratings





# BANKING

## WORLD

### Cryptocurrencies pose regulatory challenges

The Bank for International Settlements (BIS) indicated that the rise of cryptocurrencies and related technology poses several regulatory challenges. It said that cryptocurrencies are a form of digital money that enables digital peer-to-peer exchange. It noted that despite being created privately, such currencies cannot be redeemed. It added that cryptocurrencies rely on a computer code, known as the Protocol, that specifies how users can transact, as well as on a ledger that stores the history of transactions and on a decentralized network of participants that operate under the Protocol. First, it said that anti-money laundering and combating the financing of terrorism measures could be evaded through the usage of cryptocurrencies. It noted that such currencies could be used to avoid capital controls or taxes, or to engage in illegal transactions. Second, it pointed out that protecting consumers and investors who deal with cryptocurrencies is challenging, especially in terms of digital security. It cited digital theft as a common problem that results from using these currencies, as most users access their cryptocurrency holdings through third parties that have proved to be fraudulent or that have suffered from hacking attacks. It added that fraud is common in initial coin offerings that auction an initial set of cryptocurrency coins to the public. Third, it said that the widespread usage of cryptocurrencies could pose a challenge to the stability of the financial system over the long term. As such, the BIS called for regulating cryptocurrencies through a global coordinated initiative that is adapted to the global nature of these currencies, among other measures.

*Source: Bank for International Settlements*

## TURKEY

### Agency downgrades ratings of 24 banks

Fitch Ratings downgraded the long-term foreign currency Issuer Default Ratings (IDRs) of 24 Turkish banks and their subsidiaries, removed the banks' IDRs from rating watch negative (RWN), and assigned a 'negative' outlook to the ratings. Specifically, it downgraded the foreign currency IDRs of foreign-owned banks by two notches from 'BBB-' to 'BB', and the IDRs of most state-owned banks from 'BB+' to 'BB-'. The agency noted that it downgraded most of the banks' ratings by two notches to reflect its earlier downgrade of Turkey's sovereign rating, and because it considered that it is no longer appropriate to rate banks above the Turkish sovereign. In parallel, Fitch downgraded the Viability Ratings (VRs) of 12 banks to reflect increased risks to the banks' profitability, asset quality, capitalization, liquidity and funding profiles. It pointed out that all the banks' VRs reflect their solid franchises, moderate non-performing loans, as well as adequate capitalization and liquidity buffers. It said that all the banks' risk profiles have deteriorated significantly over the past few quarters, mainly due to the steep depreciation of the Turkish lira, which weighed on the banks' asset quality, profit margins and capitalization. It added that risks of limited access to foreign funding have increased, which has raised refinancing and liquidity pressures. Further, it said that financial stability risks are significant, given Turkey's unpredictable policy framework and large external financing requirements. The agency expected the banks' profitability to weaken in the second half of 2018 and in 2019.

*Source: Fitch Ratings*

## TUNISIA

### Additional measures required to address strategic AML/CFT deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), stated that it continues to consider Tunisia as a jurisdiction with strategic AML/CFT deficiencies. However, it noted that Tunisian authorities have made a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF. It indicated that Tunisia has taken several fundamental steps since November 2017 in order to strengthen the effectiveness of its AML/CFT, such as adopting AML/CFT supervisory manuals, initiating a risk-based supervision for the securities and insurance sectors, as well as issuing the by-laws for the designated non-financial businesses or professions (DNFBP), and applying a risk-based approach to suspicious transaction reporting analysis. The FATF said that authorities should continue to take additional steps to implement the action plan in order to address strategic AML/CFT deficiencies. As such, it called on authorities to fully integrate DNFBP into the country's AML/CFT regime, to maintain comprehensive and updated commercial registries, to strengthen the system of sanctions for violations of transparency obligations, and to demonstrate increasing efficiency with regard to suspicious transaction report processing. It also encouraged authorities to demonstrate that their terrorism-related targeted financial sanctions (TFS) regime is fully functional and that they continue to establish and implement terrorism-related targeted financial sanctions.

*Source: Financial Action Task Force*

## QATAR

### Bank ratings affirmed, outlook revised to 'stable'

Moody's Investors Service affirmed the long-term deposit ratings of Qatar National Bank at 'Aa3', those of Qatar Islamic Bank at 'A1', the deposit ratings of the Commercial Bank, Doha Bank, Barwa Bank, Ahli Bank and International Bank of Qatar at 'A2', and those of Al Khalij Commercial Bank at 'A3'. Also, it maintained the long-term issuer ratings of Masraf Al Rayan at 'A1' and those of Qatar International Islamic Bank at 'A2'. Further, the agency revised the outlook on the long-term deposit, issuer and senior unsecured debt ratings of all the banks from 'negative' to 'stable'. The agency indicated that the ratings are supported by the 10 banks resilient financial performance despite the country's ongoing rift with Arab peers. It noted that the banks continue to maintain strong asset quality and capital buffers as well as solid liquidity metrics. It added that the banks' average non-performing loan ratio stood at 1.8% at the end of 2017, while the tangible common equity-to-risk-weighted assets ratio reached 15.5%. Also, Moody's indicated that the outlook revision reflects the resilience of the operating environment, and expectations that the government of Qatar will continue to support the country's banks in case of financial stress. Further, it pointed out that the impact of the regional dispute on the banking sector was limited to funding outflows mostly from the countries that have imposed the blockade, while the banks' overall market access was unaffected.

*Source: Moody's Investors Service*



# ENERGY / COMMODITIES

## Oil prices rise on renewed supply concerns

ICE Brent crude oil front-month prices have been recovering from the three-month low of \$71.8 per barrel (p/b) reached on July 16, 2018 to close at \$73.9 p/b on July 25, mainly driven by renewed geopolitical risks and supply concerns. Oil prices were mainly supported by higher-than-expected declines in U.S. crude oil inventories, which eased concerns about oversupply in the oil market. The decrease in U.S. crude oil and gasoline inventories is due to increased demand during the summer driving season. In parallel, Saudi Arabia, the world's biggest oil exporter, temporarily halted oil shipments through the Red Sea shipping lane of Bab al-Mandeb in response to a recent Yemeni-Houthi attack on two oil tankers. As such, the heightened geopolitical risks in the region and increased supply risks would further support oil prices. Further, a stronger recession in Venezuela's economic activity could limit its ability to boost oil output and further ease oversupply concerns. On the demand side, concerns about lower global economic growth that could weigh on energy consumption have been mitigated by China's plans of higher fiscal spending and softer regulatory measures. Overall, Brent oil prices are forecast to average \$68 p/b in 2018, amid uncertainties about trade tensions, OPEC's rising supply and a potential decision by the U.S. to release crude oil from its Strategic Petroleum Reserve in order to reduce gasoline prices.

Source: Jadwa Investment, Bloomberg, Thomson Reuters

## Investments in energy sector down 2% in 2017

The International Energy Agency indicated that global investments in the energy sector totaled \$1.8 trillion in 2017, constituting a decrease of 2% from 2016, and were equivalent to 1.9% of global GDP. It attributed the decline in investments to a stagnation in spending on fossil fuel and to lower investments in power generation. Investments in electricity generation totaled \$750bn and accounted for 41.7% of total investments in the energy sector in 2017, followed by investments in the oil & gas sector with \$716bn (40%), those in energy efficiency with \$236bn (13%), investments in coal supply with \$79bn (4.4%), and those in the renewable transport and heat sector with \$20bn (1%).

Source: International Energy Agency, Byblos Research

## Libya's oil receipts at LYD16bn in first half of 2018

Libya's total oil receipts reached LYD15.6bn in the first half of 2018, more than double the LYD6.8bn generated in the same period of 2017, and accounted for 93% of public revenues. Oil revenues were supported by higher oil output and prices. Libya's oil production reached about 708,000 barrels per day (b/d) in June 2018, down from 962,000 b/d in May due to the closure of major oil ports during the month.

Source: Thomson Reuters

## Steel output up 5% in first half of 2018

Global steel production reached 881.5 million tons in the first half of 2018, constituting an increase of 4.6% from 842.4 million tons in the same period of 2017. Chinese steel production totaled 451.2 million tons in the covered period and accounted for 51.2% of global output. Japan followed with 53 million tons, or 6.01% of the total, then India with 52.8 million tons (5.99%) and the United States with 41.8 million tons (4.8%).

Source: World Steel Association, Byblos Research

## Base Metals: Copper prices drop amid prolonged trade tensions

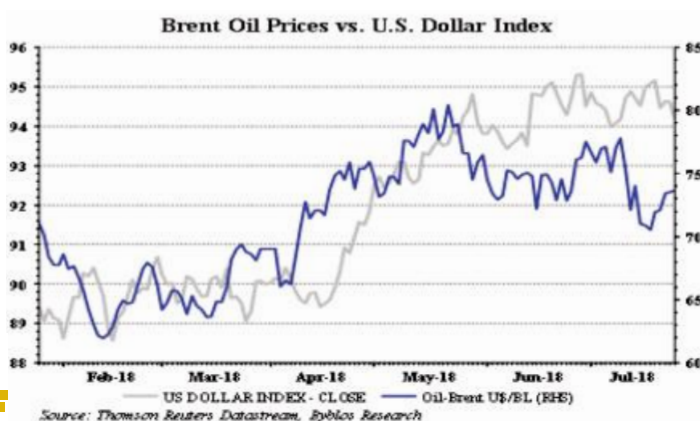
LME copper three-month future prices averaged \$6,266 per metric ton so far in July 2018, constituting a drop of 10% from \$6,968 per ton in June of this year, due to higher concerns about the escalating trade tensions between the U.S. and China and a stronger US dollar. In addition, recent customs data revealed a sharp decrease in Chinese imports of raw materials, which increased fears over a weakening in the demand for copper. In parallel, the latest available figures show that global demand for refined copper was 7.7 million tons in the first four months of 2018, up by 0.8% from 7.6 million tons in the same period of 2017, as Chinese demand grew by 3%, while demand in the rest of the world declined by 1.5% in the covered period. On the supply side, global refined copper production was 7.8 million tons in the first four months of 2018, up by 1.5% from 7.6 million tons in the same period of 2017, mainly driven by a growth of 6.8% in Chilean production, which was partly offset by a decline in the outputs of India, Peru, Poland and the U.S. On a regional basis, refined output grew by 10% in Africa and by 2% in Asia, while it was nearly unchanged in the Americas and in Europe.

Source: International Copper Study Group, Thomson Reuters

## Precious Metals: Gold prices to recover to \$1,250 an ounce by end-2018

Gold prices declined from an average of \$1,282 an ounce in June 2018 to an average of \$1,241 per troy ounce so far in July 2018, and closed at \$1,229 an ounce on July 25, 2018. The drop in prices this month was mainly due to weaker physical demand for gold, the continued strengthening of the US dollar, and expectations of higher U.S. interest rates amid a stronger U.S. economy. In addition, the U.S.-China trade war failed to support the safe haven metal's price, as investors discounted the impact that the dispute between the two countries may have on long-term economic growth prospects. Also, demand for gold is expected to recover in coming months, as the metal's low prices are likely to encourage physical buying, especially of jewelry, and due to expectations of stronger economic growth in China and India, the world's largest gold consumers. Further, the U.S. dollar is forecast to weaken as a result of the trade war in coming months, which would also support gold prices. In addition, rising U.S. inflation is expected to support demand for the metal, as investors historically resort to gold to hedge against inflation. As such, gold prices are projected to recover to \$1,250 an ounce at the end of 2018 and to \$1,400 an ounce by end-2019.

Source: World Gold Council, ABN AMRO, Thomson Reuters



# 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-Stable	B3 Stable	B Stable	-	B-Stable	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
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	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	-	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	-	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+ Stable	B3 Negative	-	-	CCC Stable	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB- Stable	Ba1 Positive	BBB- Stable	-	BBB Stable	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
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+ Stable	B1 Negative	BB- Stable	BB Stable	BB+ Negative	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
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	Stable	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								
<b>Asia</b>													
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
<b>Central &amp; Eastern Europe</b>													
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	Negative	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	26-Jul-18	No change	13-Sep-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	07-Aug-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
<b>Emerging Markets</b>					
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	24-Jul-18	No change	25-Sep-18
South Africa	Repo rate	6.50	19-Jul-18	No change	20-Sep-18
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	24-Jul-18	No change	25-Sep-18
Ghana	Prime Rate	17.00	23-Jul-18	Cut 100bps	24-Sep-18
Angola	Base rate	16.50	17-Jul-18	Cut 150bps	24-Sep-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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