

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Real estate investment funds raise \$24bn in third quarter of 2018

Research provider Preqin indicated that 53 closed-end private equity (PE) real estate investment funds raised \$24.2bn in capital commitments in the third quarter of 2018, compared to 74 PE real estate investment funds that raised \$31.9bn in the previous quarter and to 72 funds that secured \$21.1bn in the third quarter of 2017. It pointed out that 13 funds with a primary focus on opportunistic investments raised \$9bn during the third quarter of 2018, or 37.3% of total capital commitments, followed by 20 value-added funds with \$8.9bn in raised capital (36.7%), 11 debt funds with \$3.3bn in commitments (13.8%), one secondary fund with \$2.3bn (9.6%), four core-plus funds with \$0.4bn (1.8%), and two core funds with \$0.2bn (0.7%). Also, the survey indicated that 634 closed-end PE real estate funds are currently seeking to raise an all-time high of \$219bn at the start of the fourth quarter of 2018, up by 7.8% from \$203.1bn in capital targeted in the previous quarter. It added that 388 out of the 634 funds, or 61.2% of the total, are seeking to raise \$130.1bn in capital at the start of the fourth quarter of the year that will be invested in North America, while 156 funds (24.6%) are seeking to raise \$52.9bn to be invested in Europe and 64 funds (10.1%) are trying to raise \$25.7bn to be invested in Asia.

Source: Preqin

### EMERGING MARKETS

#### Downgrades surpass upgrades in third quarter of 2018

S&P Global Ratings indicated that it downgraded 29 corporate and sovereign issuers in emerging markets (EMs) that represent \$40.1bn in rated debt in the third quarter of 2018, while it upgraded nine EM issuers with \$38.6bn in rated debt. It said that a large number of negative rating actions on EM corporates was tied to similar actions on the sovereign ratings, mainly in Argentina and Turkey. It noted that the downgrade ratio, which is the proportion of downgrades to total rating actions, stood at 76% in the third quarter of 2018, higher than the historical average of 55% since 1995. It said that the negative bias in EMs increased slightly from 14% in the second quarter of 2018 to 15% in the third quarter of 2018, and remained below the historical average of 20%. S&P defines negative bias as the proportion of issuers that either have a 'negative' outlook or whose ratings are on CreditWatch Negative. Further, it said that the downgrade ratio for EM corporates reached 81% in the third quarter, while the same ratio for EM sovereigns stood at 57%. In parallel, S&P noted that it downgraded four sovereigns with \$3.3bn in rated debt in the third quarter of 2018, and upgraded three sovereigns with \$29bn in rated debt. Also, it said that 25 downgrades of corporate issuers represented \$36.8bn in debt, while six upgraded corporate issuers had \$9.6bn in rated debt in the third quarter of 2018. Emerging Asia had 14 corporate downgrades with total debt of \$23.9bn and three upgrades for an aggregate \$6.5bn in the covered period, the Eastern Europe, the Middle East & Africa region had eight downgrades (\$8.5bn) and two upgrades (\$0.9bn), while Latin America had three downgrades (\$4.4bn) and one upgrade (\$2.3bn).

Source: S&P Global Ratings

### MENA

#### Stock markets up 7% in first 10 months of 2018

Arab stock markets improved by 7.3% and Gulf Cooperation Council equity markets increased by 8.9% in the first 10 months of 2018, relative to increases of 1.3% and 0.4%, respectively, in the same period of 2017. In comparison, global equities regressed by 6.2%, and emerging market equities declined by 17.1% in the covered period. Activity on the Khartoum Stock Exchange jumped by 211.7% in the first 10 months of 2018, the Qatar Stock Exchange grew by 21%, the Tunis Bourse surged by 17.8%, the Abu Dhabi Securities Exchange expanded by 11.4%, the Saudi Stock Exchange increased by 9.4%, and the Damascus Securities Exchange improved by 4.9%. In contrast, activity on the Beirut Stock Exchange declined by 26.4% in the first 10 months of 2018, the Dubai Financial Market dropped by 17.4%, the Muscat Securities Market regressed by 13.3%, the Iraq Stock Exchange retreated by 12.8%, the Casablanca Stock Exchange decreased by 11.9%, the Egyptian Exchange regressed by 11.8%, the Palestine Exchange declined by 9%, the Amman Stock Exchange dropped by 7.9%, the Boursa Kuwait retreated by 2.8%, and the Bahrain Bourse contracted by 1.3% in the covered period. In parallel, activity on the Tehran Stock Exchange increased by 92% in the first 10 months of 2018.

Source: Local stock markets, Dow Jones Indices, Byblos Research

#### Country risk level unchanged in third quarter of 2018

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was stable in the third quarter of 2018, as the average score of 19 Arab economies was unchanged quarter-on-quarter at 39.2 points. A higher score represents a lower country risk level. The region's risk level was higher than the global risk level of 43.2 points in the covered quarter. It was also higher than the risk levels of North America (79.1 points), Western Europe (73.1 points), Central & Eastern Europe (49.2 points), Latin America (45.5 points), and Asia (43 points). In contrast, it was lower than the risk levels of the Caribbean (36.5 points), Sub-Saharan Africa (30.5 points), and Australasia (27.8 points). The average scores of GCC countries and non-GCC Arab countries were also unchanged from the preceding quarter at 58.8 points and 30.1 points, respectively. The Arab world's Political Risks score of 11.64 points was lower than the global average of 13.73 points, while its Economic Performance score of 12.74 points was below the global average of 13.43 points. Further, the region's Credit Ratings score averaged 2.47 points relative to the global average of 3.06 points; while the Access to Bank Finance & Capital Markets score was 4.41 points, higher than the global average of 4.25 points. Qatar had the lowest country risk level in the Arab world and the 29th lowest globally, followed by Kuwait (33rd), the UAE (38th), Saudi Arabia (48th) and Oman (50th).

Source: Euromoney Group, Byblos Research

# OUTLOOK

## ARMENIA

### **Favorable macroeconomic prospects, risks persist**

The World Bank indicated that Armenia's economic outlook is broadly positive, as it anticipated that prudent macroeconomic policies, low inflation rates, and favorable terms of trade will continue to support economic activity. It added that the exchange rate has been broadly stable so far this year, while spillovers from the turmoil in Russia and Turkey have been contained. It projected real GDP growth at 5.3% in 2018, driven by robust external demand, favorable metal prices, higher investment and increased private consumption. It forecast growth to average 4.5% annually in the 2019-20 period in case authorities continue to implement structural reforms. It expected the average inflation rate to reach 2.9% in 2018, relative to 1% in 2017, mainly due to higher food and transportation costs, but to remain below the Central Bank of Armenia's target range of 4%.

In parallel, the Bank anticipated the fiscal deficit to narrow from 4.8% of GDP in 2017 to 2.6% of GDP in 2018 and to 2.2% of GDP in 2020, driven by the government's commitment to fiscal prudence, especially the fiscal rule that caps the public debt level at 60% of GDP. It projected the primary deficit to decline from 2.6% of GDP in 2017 to 0.2% of GDP in 2018 and to shift to a primary surplus of 0.2% of GDP in 2019 and 0.5% of GDP in 2020. In this context, it forecast the public debt level to regress from 58.9% of GDP in 2017 to 56.6% of GDP in 2018 and 55% of GDP by 2020. Further, it expected the current account deficit to widen from 2.8% of GDP in 2017 to 3.8% of GDP in 2018, as a higher import bill will more than offset strong exports and remittance inflows. It anticipated the deficit to remain around its current levels in 2019 and 2020. It noted that foreign currency reserves stood at more than \$2bn at end-July 2018, unchanged from a year earlier, and covered about 3.5 months of imports. The World Bank pointed out that risks to the outlook include a steeper-than-anticipated economic slowdown in Armenia's key trading partners, specifically Russia and Iran, as well as a decline in global copper prices, and elevated domestic political risks.

*Source: World Bank*

## MOROCCO

### **Growth to average 3% in 2018-19, structural challenges preventing stronger recovery**

BNP Paribas projected Morocco's real GDP rate to decelerate from 4.1% in 2017 to 3% in 2018 and 2.9% in 2019, due to a contraction in agricultural output and a slow recovery in the non-agricultural sectors. It forecast non-agricultural sector activity to grow by 3.3% annually over the 2018-19 period, while it expected agricultural output to contract by 0.5%. It said that authorities are stepping up their reform efforts, such as the liberalization of the exchange rate in January of this year. However, it noted that structural constraints continue to prevent a stronger recovery in activity, including a small manufacturing sector, a shortage of highly skilled labor, as well as low investment levels and a business environment that needs improvement.

In parallel, BNP Paribas forecast the central government's fiscal deficit to slightly widen from 3.5% of GDP in 2017 to 3.7% of GDP in 2018, due to lower-than expected fiscal revenues and challenges in further reducing spending. It projected the deficit

to narrow to 3.4% of GDP in 2019. It expected the government debt level to increase from 65.1% of GDP at the end of 2017 to 65.7% of GDP at end-2018 and 66.5% of GDP at the end of 2019. It added that the government's debt is sustainable, given that less than 25% of the debt stock is denominated in foreign currency and amid favorable domestic financing conditions. But it considered that the limited fiscal space and rising social demands will weigh on the authorities' efforts to control debt dynamics.

Further, BNP Paribas expected the current account deficit to widen from 3.4% of GDP in 2017 to 4% of GDP in 2018 and 4.3% of GDP in 2019, due to rising oil and capital imports, and despite higher tourist receipts and higher automobile exports. It pointed out that the current account is highly vulnerable to the volatility of commodity prices. It considered that the coverage of external financing needs is manageable, with net foreign investments at between 1.5% to 2% of GDP per year. It added that Morocco can tap international markets under favorable conditions. It projected Morocco's foreign currency reserves at \$24.7bn at the end of 2018 and \$25.2bn at end-2019, slightly above five months of import cover.

*Source: BNP Paribas*

## TURKEY

### **Public debt could reach 57% of GDP in case of a banking crisis**

Goldman Sachs indicated that the significant depreciation of the Turkish lira, the rapid surge in inflation, the increase in domestic interest rates and the slowdown in growth have raised market concerns about Turkey's public-sector balance sheet and fiscal position. But it noted that the market's fiscal concerns are mainly focused on Turkey's contingent liabilities in the financial system and in infrastructure investments, given the country's low public debt level and credible track record of maintaining tight fiscal controls. As such, it conducted a stress test of Turkey's sovereign balance sheet by estimating the potential fiscal costs of an adverse banking event through different scenarios. It indicated that the stress test shows risks of a sizeable increase in the public debt-to-GDP ratio in case contingent liabilities materialize.

Under its base case scenario, Goldman Sachs indicated that the year-to-date depreciation of the lira will raise Turkey's public debt level through the portion that is denominated in foreign currency. As such, it projected that the public debt level could increase from 28% of GDP at the end of 2017 to about 33% of GDP. Further, it said that its scenario of restrictive contingent liabilities assumes the partial materialization of such liabilities. In this case, it anticipated that the public debt level could increase to 39% of GDP. In parallel, it noted that its scenario of extensive contingent liabilities includes the costs of a partial bailout of the Credit Guarantee Fund, as well as the debt assumption for the stock of public-private partnership investment commitments. In this context, it expected that the public debt level could rise to 42% of GDP. Finally, it indicated that Turkey's public debt level could reach 57% of GDP in case of a significantly adverse banking event. Overall, Goldman Sachs expected risks to the solvency of the sovereign to remain contained, given the authorities' track record of strong fiscal control and commitment to responsible deficit policies. It anticipated challenges in the banking sector to persist given the banks' substantial foreign currency liabilities.

*Source: Goldman Sachs*

## ECONOMY & TRADE

### EGYPT

#### Reforms drive higher economic activity

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 5.3% in FY2017/18. It indicated that the authorities' strong implementation of reforms under the IMF-supported program have helped improve economic activity despite less favorable global conditions, and reduced the unemployment rate to below 10% in FY2017/18. Further, it considered that the Central Bank of Egypt's prudent monetary policy has helped the inflation rate regress from 33% in July 2017 to 11.4% in May 2018. But it noted that higher energy prices in June and a stronger-than-expected rise in food prices have increased the inflation rate to 16% in September 2018. It added that the authorities' commitment to a flexible exchange rate regime, amid tighter global financing conditions for emerging markets, will improve the country's competitiveness, increase foreign currency reserves and create a buffer against external shocks. In parallel, the Fund said that the government debt level declined from 103% of GDP in FY2016/17 to about 93% of GDP in FY2017/18, supported by fiscal consolidation and higher nominal GDP. It noted that the government's fiscal policy starting in FY2018/19 will target lower debt levels and aim to achieve a primary surplus of 2% of GDP. Also, it estimated the current account deficit to have narrowed from 5.6% of GDP in FY2016/17 to 2.4% of GDP in FY2017/18, mainly driven by strong remittance inflows and a recovery in tourist receipts. In parallel, the IMF indicated that it reached a staff-level agreement with Egypt on the fourth review of the country's economic program, bringing total disbursements under the program to about \$10bn.

Source: *International Monetary Fund*

### IRAN

#### Economic activity slows down following re-imposition of sanctions

The Central Bank of Iran estimated Iran's real GDP growth at 1.8% year-on-year in the first quarter of the fiscal year ending in March 2019 relative to a growth rate of 4.6% in the first quarter of FY2017/18. It noted that hydrocarbon output expanded by 5.2% in the first quarter of FY2018/19 relative to a growth rate of 5.9% in the same quarter of the FY2017/18, while non-hydrocarbon activity grew by 0.7% in the first quarter of FY2018/19 following an expansion of 4.3% in the first quarter of FY2017/18. The services sector grew by 1.1% in the first quarter of FY2018/19, followed by the agricultural sector (+0.3%) and the construction sector (+0.1%), while activity in the manufacturing & mining sector contracted by 1.1% in the covered quarter. In comparison, most non-hydrocarbon sectors expanded in real terms in the first quarter of the FY2017/18, with growth rates ranging between 2.2% for the agricultural sector and 5% for the manufacturing & mining sector, while the construction sector contracted by 3.5%. Further, the non-oil economy accounted for 80.4% of nominal GDP in the first quarter of the FY2018/19, while the oil sector represented the balance of 19.6%. In parallel, the Institute of International Finance projected Iran's real GDP to shift from a growth rate of 4.1% in the fiscal year that ended in March 2018 to a contraction of 2.8% in FY2018/19, mostly due to the re-imposition of sanctions.

Source: *Central Bank of Iran, Institute of International Finance*

### SAUDI ARABIA

#### Fiscal balance to shift to surplus from 2018 onwards

Global investment bank JPMorgan Chase expected Saudi Arabia's fiscal balance to shift from a deficit of 8.9% of GDP in 2017 to a surplus of 1% of GDP in 2018. It indicated that the deficit reached 3% of GDP in the first half of 2018, significantly narrower than its previous deficit forecast of 5.2% of GDP. It added that the Kingdom remains committed to its Fiscal Balance Program despite higher oil prices. It expected the fiscal surplus to reach 3.3% of GDP in 2019 and 2.6% of GDP in 2020, reflecting fiscal discipline and higher oil revenues. It expected the government's oil receipts to reach \$190bn in 2018, \$200bn in 2019 and \$167bn in 2020, assuming that Saudi Arabia raises its production capacity in the medium term. It anticipated non-oil revenues at \$78bn in 2018, \$93bn in 2019 and \$133bn in 2020. It projected the government's expenditures at \$261bn in 2018, \$268bn in 2019 and \$280bn in 2020. It pointed out that higher oil revenues have allowed authorities to increase planned capital spending to \$61bn by 2020, compared to \$48bn in 2017. It considered that higher capital spending would help develop the oil and non-oil sectors in coming years, which would yield higher revenues for the government. In parallel, it expected the fiscal breakeven oil price to decline from \$73.7 p/b in 2018 to \$53 p/b by 2020 in case Saudi authorities achieve their targeted non-oil revenues.

Source: *JPMorgan Chase*

### KUWAIT

#### Fiscal deficit to narrow to 1% of GDP in fiscal year 2018/19

The National Bank of Kuwait (NBK) indicated that Kuwait's fiscal deficit narrowed from 14% of GDP in the fiscal year that ended in March 2017 to 9% of GDP in FY2017/18, mainly due to a surge in government revenues that totaled KD16bn in FY2017/18. It attributed the increase in public receipts to a 22% rise in global oil prices and higher gas production, despite lower oil output under the OPEC and non-OPEC production cut agreement. It added that non-oil revenues grew by 22% year-on-year to KD1.7bn, or 11% of total revenues, in FY2017/18. Further, it said that government spending stood at KD19.2bn in FY2017/18, up by 8.7% year-on-year, due to an increase in expenditures on goods and services, a rise in public-sector wages and salaries, as well as higher construction-related capital expenditures. It added that the expansion in government spending followed a cumulative cut of 17% in FY2015/16 and FY2016/17 in response to lower oil prices. In parallel, NBK projected government revenues to grow by 25.3% to KD20bn in FY2018/19, driven by expected rises of 27% in oil receipts and of 10.8% in non-oil revenues. Also, it anticipated government expenditures to grow by 6.3% to KD20.5bn in FY2018/19, with a 10% rise in capital spending and an increase of about 6% in current spending. As such, it forecast the fiscal deficit to narrow to 1% of GDP in FY2018/19. Further, NBK pointed out that the fiscal figures exclude investment income earned on foreign assets of the Kuwait Investment Authority, estimated at between 11% and 12% of GDP. Consequently, it indicated that the fiscal balance would shift to a large surplus when including such investment income.

Source: *National Bank of Kuwait*



# BANKING

## MENA

### Reforms needed to promote financial inclusion

The Institute of International Finance considered that the Middle East & North Africa region has made major advances in financial inclusion in recent years, despite social, political and security challenges. Still, it pointed out that financial inclusion in the MENA region lags most regions globally, given the MENA countries' uncertain regulatory environment, burdensome legislation, underdeveloped financial infrastructure and weak competition among banks, among other factors. It pointed out that under 50% of the MENA population have an account at a financial institution compared to 60% of the population in developing and emerging economies. However, it noted that financial inclusion varies across the region. In fact, it said that Gulf Cooperation Council countries are characterized by their residents' stronger participation in financial services, while oil-importing economies in the region that have lower per capita income have less dynamic banking systems and a higher exposure to the public sector, which reflects their track-record of crowding out the private sector. But the IIF noted that MENA countries are increasingly recognizing the societal and economic importance of incorporating financial inclusion into their development frameworks. In this context, it said that MENA countries are promoting fintech startups, as well as resorting to Islamic finance and microfinance as tools to reach new target audiences, but considered that these projects are limited in scope. Further, the IIF highlighted the importance of the implementation of deeper reforms, including improving the business climate, governance, and the accountability of public institutions, in order to enable financial inclusion.

*Source: Institute of International Finance*

## BAHRAIN

### Ratings on six banks affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of Gulf International Bank (GIB) and Ahli United Bank UK (AUB UK) at 'BBB+', those of Ahli United Bank (AUB) and Arab Banking Corporation (ABC) at 'BBB-', the ratings of Investcorp Bank at 'BB', and the IDRs of the Bank of Bahrain and Kuwait (BBK) and the National Bank of Bahrain (NBB) at 'BB-'. Also, it revised Investcorp Bank's outlook from 'positive' to 'stable', while it maintained the 'stable' outlook on the remaining banks. It noted that the long-term IDRs of ABC, BBK and NBB reflect the banks' standalone creditworthiness and potential sovereign support, while those of AUB, GIB and AUB UK show the probability of support from their shareholders. It attributed the outlook revision on Investcorp Bank's ratings mostly to the limited progress on its strategic partnership with Mubadala Development. In parallel, the agency affirmed at 'bbb-' the Viability Ratings (VRs) of ABC, GIB and AUB UK, at 'bb+' the VR of AUB, at 'bb' the VR of Investcorp Bank, and at 'bb-' the VRs of BBK and NBB. Fitch noted that AUB's VR reflects the bank's strong geographical diversification, sound asset quality, solid profitability and comfortable liquidity levels. Also, it considered that ABC's VR is mainly supported by the bank's higher-than-peers capitalization, sound liquidity and stable funding. Further, it said that GIB has a conservative risk appetite, adequate asset quality, as well as a diversified geographical operating environment, which supports its capitalization, liquidity and funding.

*Source: Fitch Ratings*

## NIGERIA

### Sufficient levels of foreign currency reserves to preserve naira stability

Citi anticipated that the Central Bank of Nigeria (CBN) will be able to maintain the stability of the exchange rate until at least the middle of 2019. It noted that the CBN's foreign currency reserves, which stood at \$44.3bn at the end of September, are enough to preserve currency stability even if foreign investors sell all of their \$5bn holdings of Nigerian sovereign debt. It expected high global oil prices and stable oil production to allow the CBN to accumulate more foreign currency reserves or to maintain them around their current levels. It added that the CBN is keen to maintain currency stability, even if other emerging market currencies come under renewed pressure. However, it indicated that the naira is not entirely immune, especially to a wider emerging market sell-off and a pickup in portfolio investor outflows from the domestic debt market, as well as to a drop in domestic oil production and global oil prices. It considered that the CBN would maintain the naira's stability if oil production falls, but could provide less foreign currency to the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) market in this case. It noted that this would translate into a deterioration of liquidity in the market and lead to a potential reemergence of currency convertibility issues. It considered that the CBN could respond to lower oil production or prices by supplying foreign currency for the purchase of priority imports, while allowing the NAFEX to weaken. It expected the CBN to seek to maintain the official exchange rate at about NGN305 against the US dollar.

*Source: Citi*

## SAUDI ARABIA

### Tier One capital of top 12 banks at \$95bn

In its 2018 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included 12 banks from Saudi Arabia on the list, with eight banks ranked among the top 25 banks in the Middle East. The rankings are based on the banks' Tier One capital at end-2017, as defined by the Basel Bank of International Settlements. The aggregate Tier One capital of Saudi banks totaled \$95.1bn at the end of 2017 relative to about \$90.1bn a year earlier, and accounted for 28.6% of the Tier One capital of banks in the Middle East. Also, the aggregate assets of the 12 banks reached \$593bn at the end of 2017 and accounted for 21% of the aggregate assets of banks in the region. As such, Saudi banks' combined Tier One capital-to-assets ratio was 16% at end-2017, higher than the ratio of 11.7% of banks in the Middle East and the Top 1000 banks' ratio of 6.7%. Also, the cumulative pre-tax profits of the 12 banks reached \$12bn in 2017. The ratio of pre-tax profits-to-Tier One capital of Saudi banks reached 12.6% in 2017, compared to the Top 1000 banks' ratio of 13.5%. The 12 banks operating in Saudi Arabia accounted for 1.2% of the Tier One capital of the Top 1000 banks, for 0.48% of their total assets and for 1.1% of their pre-tax profits at end-2017.

*Source: The Banker*



## ENERGY / COMMODITIES

### Brent oil prices to average \$80 p/b in fourth quarter of 2018

ICE Brent crude oil front-month prices averaged \$80.6 per barrel (p/b) in October 2018, constituting an increase of 1.9% from the previous month and a rise of 40% from an average of \$57.6 p/b in October 2017. Further, oil prices averaged \$73.5 p/b in the first 10 months of 2018, up by 38.6% from \$53.1 p/b in the same period of 2017, and were mainly driven by the OPEC and non-OPEC production cut agreement and heightened geopolitical risks in the Middle East & North Africa region. However, oil prices reached \$75.5 p/b on October 30, 2018, their lowest level since late August 2018, amid rising global oil output. In this context, the 12 OPEC members that are bound to the supply cut agreement lowered their compliance rate to the cuts from 122% in September to 107% in October 2018. Further, the production of all OPEC members reached in October its highest level since December 2016 at 33.3 million barrels per day (b/d). In addition, U.S. crude oil inventories rose by 3.2 million barrels in the week-to-October 26, and sustained their increase for the sixth consecutive week, which weighed on oil prices. Also, Russia's oil output reached 11.41 million b/d in October 2018, its highest level since the collapse of the Soviet Union in 1991. In contrast, supply concerns about renewed U.S. sanctions on Iranian oil exports, as well as supply disruptions in Venezuela, Angola, Libya and Nigeria, have prevented prices from falling to lower levels. Overall, Brent oil prices are expected to average \$79.9 p/b in the fourth quarter of 2018 and \$78.9 p/b in the first quarter of 2019.

Source: Thomson Reuters, Byblos Research

### Libya's oil & gas receipts at \$1.6bn in August 2018

Libya's total oil and gas receipts reached \$1.57bn in August 2018, down by 22.5% from \$2bn in July. Crude oil revenues decreased by 23.7% month-on-month in August to \$1.4bn, while gas revenues fell by 7.8% to \$148.9m. The drop in revenues was due to the closure of oil ports located in the Gulf of Sirte following attacks in June and to security challenges in the Sharara oil field.

Source: National Oil Corporation, Thomson Reuters

### UAE to develop world's first hybrid landfill gas-solar agro power plant

The UAE plans to develop the world's first and largest integrated hybrid landfill "Gas-Solar-Agro" project in Ras Al Khaimah. The completely green and sustainable project will require an investment outlay of \$100m and will generate up to 16 megawatts in power supply to households in Ras Al Khaimah. The project is in line with the UAE's energy strategy, which aims to increase the contribution of clean energy to 50% of its total energy mix and thus save \$191bn by 2050.

Source: Zawya, Byblos Research

### Middle East's jewelry demand down 12% in third quarter of 2018

Demand for jewelry in the Middle East totaled 37.7 tons in the third quarter of 2018, constituting a decline of 12.1% from 42.9 tons in the same quarter last year, and accounting for 7% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 11.9 tons, equivalent to 31.5% of the region's demand. Egypt followed with 7.4 tons (19.6%), then the UAE with 6 tons (16%), Iran with 4.6 tons (12.2%) and Kuwait with 2.6 tons (7%).

Source: World Gold Council, Byblos Research

### Base Metals: Copper prices to average \$6,600 per ton in 2018

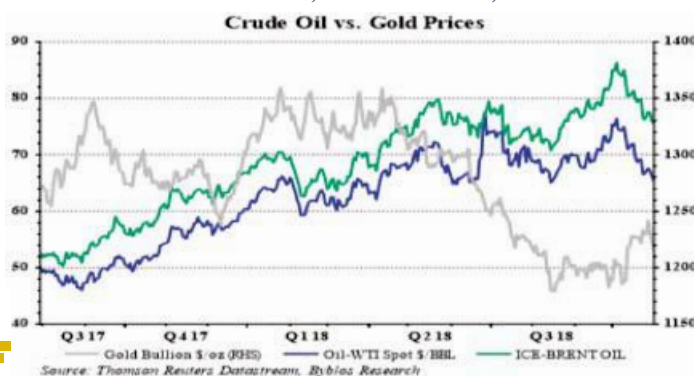
LME copper three-month future prices averaged \$6,209 per metric ton in October 2018, constituting an increase of 2.4% from an average of \$6,064 per ton in September 2018. The rise in prices was mainly due to a 60% decrease in inventories from a peak of about 390,000 tons in January 2018 to 143,125 tons in October 2018. In addition, prices were supported by the increase in China's imports of copper in September and by the Chinese government's pledge to implement measures to boost growth and support firms facing liquidity problems. However, price gains were capped by concerns about growth and demand following reports claiming that the U.S. is planning potential tariffs on an additional \$257bn of Chinese goods, while official data indicated that China's manufacturing sector grew at its weakest pace in more than two years. In parallel, Fitch Ratings reduced its forecast for copper prices from \$6,700 per ton to \$6,600 per ton in 2018, and from \$6,700 per ton to \$6,500 per ton in 2019. It noted that global trade tensions will continue to drive price volatility.

Source: Fitch Ratings, Thomson Reuters, Byblos Research

### Precious Metals: Gold prices up in October 2018 following five consecutive monthly declines

Gold prices averaged \$1,215 per troy ounce in October 2018, constituting an increase of 1.5% from an average of \$1,197 an ounce in September 2018 following five consecutive monthly declines. The increase in the metal's price incorporates uncertainties about U.S.-Saudi relations, which support demand for the safe haven asset, as well as higher physical demand for gold ahead of the largest gold-buying festival in India in November. Further, prices are expected to average \$1,300 an ounce in the next six months and \$1,350 an ounce in the coming 12 months, partly supported by prospects of higher central bank purchases and rising emerging market demand for the metal. Global gold demand decreased by 3.7% year-on-year to 2,936 tons in the first nine months of 2018, due mainly to a decline of 20.2% in investment demand, which was partly offset by an increase of 17% in net purchases by central banks, a rise of 2.5% in demand from the technology sector, and a growth of 1.6% in jewelry consumption. Gold jewelry accounted for 53.5% of total demand in the covered period, followed by investment demand with 26% of the total, net purchases by central banks (12%), and demand from the technology sector (8.5%). In parallel, global gold supply grew by 1% year-on-year to 3,347.7 tons in the first nine months of 2018, due to an increase of 2.4% in mine supply that was partly offset by a decline of 1.6% in recycled gold.

Source: World Gold Council, Goldman Sachs, 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-	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	Positive	Positive	Stable	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
	Stable	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+	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
	Negative	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
	-	Negative	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+	B2	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	Negative	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	B+	Ba3	BB	BB+	BB-								
	Stable	Negative	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	2.00-2.25	26-Sep-18	Raised 25bps	08-Nov-18
Eurozone	Refi Rate	0.00	25-Oct-18	No change	13-Dec-18
UK	Bank Rate	0.75	01-Nov-18	No change	20-Dec-18
Japan	O/N Call Rate	-0.10	31-Oct-18	No change	20-Dec-18
Australia	Cash Rate	1.50	02-Oct-18	No change	06-Nov-18
New Zealand	Cash Rate	1.75	26-Sep-18	No change	07-Nov-18
Switzerland	3 month Libor target	-1.25-(-0.25)	20-Sep-18	No change	13-Dec-18
Canada	Overnight rate	1.75	24-Oct-18	Raised 25bps	05-Dec-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	27-Sep-18	No change	20-Dec-18
South Korea	Base Rate	1.50	18-Oct-18	No change	30-Nov-18
Malaysia	O/N Policy Rate	3.25	05-Sep-18	No change	08-Nov-18
Thailand	1D Repo	1.50	19-Sep-18	No change	14-Nov-18
India	Reverse repo rate	6.50	05-Oct-18	No change	05-Dec-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	27-Sep-18	No change	15-Nov-18
Turkey	Repo Rate	24.0	25-Oct-18	No change	13-Dec-18
South Africa	Repo rate	6.50	20-Sep-18	No change	22-Nov-18
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	25-Sep-18	No change	20-Nov-18
Ghana	Prime Rate	17.00	24-Sep-18	No change	26-Nov-18
Angola	Base rate	16.50	21-Sep-18	No change	26-Nov-18
Mexico	Target Rate	7.75	04-Oct-18	No change	15-Nov-18
Brazil	Selic Rate	6.50	31-Oct-18	No change	12-Dec-18
Armenia	Refi Rate	6.00	25-Sep-18	No change	13-Nov-18
Romania	Policy Rate	2.50	03-Oct-18	No change	06-Nov-18
Bulgaria	Base Interest	0.00	01-Oct-18	No change	15-Nov-18
Kazakhstan	Repo Rate	9.25	15-Oct-18	Raised 25bps	03-Dec-18
Ukraine	Discount Rate	18.00	25-Oct-18	No change	13-Dec-18
Russia	Refi Rate	7.50	26-Oct-18	No change	14-Dec-18





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