

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Sovereign creditworthiness remains above 'BBB-'

S&P Global Ratings indicated that the average sovereign rating of 131 rated sovereigns was slightly above 'BBB-' at the end of March 2018, unchanged from the end of 2017, but slightly lower than the average rating at end-March 2017. It noted that the average sovereign rating becomes slightly below 'A+' at the end of March 2018 when the ratings are weighted by nominal GDP, which is also slightly lower than the average rating of 'A+' at the end of March 2017. Also, S&P pointed out that 53.4% of the covered sovereigns had an investment-grade rating of 'BBB-' or above at end-March 2018, up from 52.3% at the end of 2016. In contrast, it said that 32.1% of the ratings were in the 'B' category or below at the end of March 2018, up from 30.8% at end-2016, reflecting a slight deterioration in the credit quality of sovereigns that are rated at the lower end of the group's range. Also, the agency noted that the outlooks on the rated sovereign ratings were nearly balanced at the end of March 2018, with 12 sovereigns, which include Qatar, Turkey and the United Kingdom, carrying a 'negative' outlook, and 11 countries, which include Cyprus, Egypt and Ghana, having a 'positive' outlook. In parallel, it pointed out that 14 countries had a 'positive' outlook, while 11 sovereigns had a 'negative' outlook at end-2017. In addition, S&P indicated that it upgraded the ratings of 20 sovereigns during the 12 months that ended in March 2018, while it downgraded the ratings of 22 countries in the covered period.

Source: S&P Global Ratings

### KUWAIT

#### Profits of listed companies up 8% to \$6bn in 2017

The cumulative net income of 139 companies listed on Boursa Kuwait totaled KD1.8bn, or \$6bn, in 2017, constituting an increase of 7.7% from KD1.7bn in 2016. Listed banks generated net profits of \$3.3bn and accounted for 54.4% of aggregate net earnings last year. Telecommunication firms followed with \$771.6m (12.8%), then industrial companies with \$590.3m (9.8%), financial services firms with \$550m (9.1%), real estate development companies with \$374m (6.2%), consumer goods firms with \$217.7m (3.6%), insurers with \$104.1m (1.7%), consumer services corporates with \$70.6m (1.2%), basic material firms with \$37.5m (0.6%), oil & gas companies with \$29.6m (0.5%), and technology firms with \$9.1m (0.2%). Further, the net earnings of basic material firms rose by 4.1 times year-on-year in 2017, followed by consumer services corporates (+38.4%), financial services companies (+29.3%), insurers (+28.6%), industrial firms (+7.1%), and banks (+6.3%). In contrast, profits of technology firms listed on Boursa Kuwait regressed by 39.9%, followed by consumer goods firms (-3.8%) and telecommunications companies (-2.3%), while the net income of real estate corporates was nearly unchanged year-on-year. Further, oil & gas companies shifted from losses of \$9.71m in 2016 to profits of \$8.93m in 2017, while healthcare firms shifted from profits of \$6.26m in 2016 to losses of \$1.44m last year.

Source: KAMCO

### MENA

#### Stock markets up 9% in first four months of 2018

Arab stock markets improved by 9.1% and Gulf Cooperation Council equity markets rose by 8.8% in the first four months of 2018, relative to decreases of 1.5% and 1.9%, respectively, in the same period of 2017. In comparison, global equities declined by 0.6%, while emerging market equities regressed by 1.6% in the covered period. Activity on the Egyptian Exchange jumped by 21.8% in the first four months of 2018, the Tunis Bourse surged by 14%, the Saudi Stock Exchange improved by 13.6%, the Khartoum Stock Exchange increased by 9.1%, the Qatar Stock Exchange appreciated by 6.9%, the Abu Dhabi Securities Exchange expanded by 6.2%, the Casablanca Stock Exchange grew by 5.2%, the Iraq Stock Exchange increased by 4.6%, the Amman Stock Exchange improved by 3%, and the Beirut Stock Exchange expanded by 1.4%, while the Damascus Securities Exchange was nearly unchanged in the covered period. In contrast, activity on the Dubai Financial Market dropped by 9%, the Muscat Securities Market declined by 7.3%, the Palestine Exchange decreased by 6.4% and the Bahrain Bourse regressed by 5.5% in the covered period. In parallel, activity on the Tehran Stock Exchange dropped by 2.1% in the first four months of 2018.

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

#### Remittance inflows up 10% to \$53bn in 2017

The World Bank estimated remittance inflows to Arab countries at \$53.1bn in 2017, constituting an increase of 9.9% from \$48.3bn in 2016, compared to contractions of 6% in 2015 and 4.9% in 2016. It attributed the rise in remittances to the Arab region mainly to the rebound in remittance inflows to Egypt after authorities floated the Egyptian pound. Further, it said that inflows to Arab countries accounted for 8.7% of global remittance flows and for 11.4% of remittances to developing economies in 2017. The Arab region ranked as the third smallest recipient in developing markets, ahead of only Europe & Central Asia (10.3%) and Sub-Saharan Africa (8.2%). Also, the Bank estimated the increase in remittance inflows to Arab countries in 2017 to be the third highest among developing economies, after Europe & Central Asia (+21%) and Sub-Saharan Africa (+11.4%). In parallel, it indicated that Egypt was the largest Arab recipient of remittances with \$20bn or 37.6% of the total in 2017, followed by Lebanon with \$7.95bn (15%), Morocco with \$7.5bn (14.1%), Jordan with \$4.4bn (8.3%), Yemen with \$3.3bn (6.3%), Algeria with \$2.1bn (3.9%), the West Bank & Gaza with \$2.03bn (3.8%) and Tunisia with \$1.9bn (3.6%), while the remaining eight Arab countries were the recipients of \$3.9bn in remittances, or 7.3% of the total. Remittance inflows to Yemen were equivalent to 20.3% of GDP in 2017, the highest in the region, followed by Lebanon at 15.5% of GDP, the West Bank & Gaza at 14.2% of GDP, Jordan at 10.9% of GDP and Egypt at 8.4% of GDP. When excluding Syria, remittance inflows to Arab countries were equivalent to about 2.6% of the region's GDP last year.

Source: World Bank, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### Growth projected at 4.9% for 2018, prospects diverge across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.9% in 2018, unchanged from its January 2018 forecast, and compared to growth rates of 2.5% for advanced economies and 3.9% for the global economy. It expected activity to be mainly driven by continued strong growth in Emerging Asia, as well as by a significant recovery in economic activity in Emerging Europe and in large commodity exporters. It projected economic growth in emerging markets to stabilize at 5% over the medium term, which would mainly reflect a gradual acceleration in India's economic growth amid structural reforms, continued strong growth in other commodity importing markets, as well as a steady deceleration in China's real GDP growth.

The IMF projected economic growth in Emerging & Developing Asia at 6.5% in 2018, unchanged from its January forecast. It expected Sub-Saharan Africa's real GDP growth at 3.4%, slightly up from its previous forecast of 3.3%. Also, it forecast the Middle East & North Africa (MENA) region's growth to accelerate from 2.2% in 2017 to 3.2% in 2018, driven by a recovery in the domestic demand of oil-exporting countries. But it expected further fiscal adjustment to weigh on the region's growth prospects. In parallel, it raised its growth forecast for Emerging & Developing Europe to 4.3% in 2018 from 4% previously, due to easing financial conditions and stronger export demand from the euro area. Also, the Fund anticipated economic activity in the Commonwealth of Independent States at 2.2% in 2018, unchanged from its previous forecast, supported by a recovery in Russia's economic growth amid higher oil export receipts, stronger business confidence, and an expansionary monetary policy. In parallel, it projected real GDP growth in Latin America & the Caribbean at 2% this year, relative to its January forecast of 1.9%, supported by stronger private consumption and investment.

*Source: International Monetary Fund*

## MENA

### Cumulative fiscal deficit of oil exporters at \$294bn in 2018-22 period

The International Monetary Fund forecast real GDP growth in oil-exporting economies of the Middle East & North Africa (MENA) region to accelerate from 1.7% in 2017 to 2.8% in 2018, mainly due to a recovery in non-hydrocarbon sector activity as the pace of fiscal consolidation eases compared to previous years. It projected non-hydrocarbon sector activity in MENA oil exporters to increase from 2.6% last year to 3.2% in 2018. It forecast growth in Gulf Cooperation Council (GCC) economies at 1.9% in 2018 relative to a contraction of 0.2% in 2017, while it anticipated the region's non-oil sector activity to accelerate from 1.8% last year to 2.7% in 2018. Further, the IMF considered that downside risks to the MENA oil exporters' growth outlook consist of lower-than-anticipated oil prices, faster-than-expected tightening of global financial conditions, rising global trade tensions, and heightened geopolitical risks and regional conflicts.

In parallel, the Fund anticipated the slower but sustained fiscal consolidation efforts to ease the pressure on the fiscal balances

of the region's oil-exporting economies this year, as it expected their fiscal deficit to narrow from 5.2% of GDP in 2017 to 3.8% of GDP in 2018. It forecast the GCC's aggregate fiscal deficit to narrow from 5.5% of GDP in 2017 to 3.4% of GDP in 2018. Further, it expected the aggregate public debt level of the region's oil exporters to increase from 33.4% of GDP at end-2017 to 36.9% of GDP at end-2018. It noted that the public debt of most MENA oil exporters has increased by an average of 10 percentage points of GDP annually since 2013, with countries financing large fiscal deficits through a combination of drawdowns of buffers and increased domestic and foreign borrowing. It said that several factors would continue to drive upward the debt level of MENA oil exporters, including the slower pace of fiscal consolidation, subdued growth prospects and the possibility of higher financing costs, given the expected monetary policy tightening in advanced economies. It projected the MENA oil exporters' cumulative fiscal deficits to reach \$294bn in the 2018-22 period, while it forecast their government debt amortization at \$71bn. It considered that countries are vulnerable to a sudden tightening of global financial conditions, given that the latter could add to interest payments and increase existing fiscal challenges.

*Source: International Monetary Fund*

## SUDAN

### Real GDP growth to average 3.6% in 2018-19 period

The International Monetary Fund projected Sudan's real GDP growth to accelerate from 3.2% in 2017 to 3.7% in 2018, compared to a growth rate of 4.3% for oil importers in the MENA region this year, supported by the lifting of U.S. trade and financial sanctions in October 2017, stronger domestic demand and higher foreign investment flows. However, it forecast economic growth to decelerate to 3.5% in 2019 amid ongoing fiscal and external challenges. Also, it expected Sudan's inflation rate to average 43.5% in 2018 and 39.5% in 2019 compared to 32.4% last year.

In parallel, the Fund projected the fiscal deficit to widen from 1.4% of GDP in 2017 to 3.1% of GDP in 2018, but to narrow to 2.9% of GDP in 2019. It forecast government revenues, excluding grants, to decline from 8.4% of GDP in 2017 to 7.7% of GDP in 2018 and 6.4% of GDP in 2019; and for total expenditures to reach 11.2% of GDP this year and 9.4% of GDP in 2019 compared to 9.9% of GDP in 2017. Further, it expected the government's gross debt level to rise from 126% of GDP at the end of 2017 to 176.5% of GDP at end-2018 and to 176% of GDP at end-2019. It also forecast the gross external debt to increase from 92.6% of GDP in 2017 to 133% of GDP in 2018 and 2019.

Further, the IMF anticipated Sudan's exports of goods & services to expand from \$5.8bn in 2017 to \$6bn this year and \$6.6bn in 2019; and for its imports of goods & services to reach \$7.4bn in 2018 and \$8.4bn in 2019, relative to \$7.8bn in 2017. It projected the country's current account to post deficits of \$2.6bn, or 6.2% of GDP, in 2018, and of \$2.9bn, or 6.8% of GDP, in 2019, compared to a deficit of \$3.2bn, or 5.5% of GDP, last year. It expected Sudan's gross foreign currency reserves to rise from \$0.9bn at the end of 2017 to \$1bn at end-2018 and \$1.1bn at end-2019.

*Source: International Monetary Fund*



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# ECONOMY & TRADE

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## AFRICA

### Public debt level vulnerable to refinancing risks

Fitch Ratings indicated that the sovereign debt levels of Sub-Saharan African (SSA) economies are stabilizing following their sharp increase in recent years. It noted that the median general government debt level of SSA economies rose by over 20 percentage points of GDP during the previous six years, and expected it to stabilize at 52.6% of GDP in 2018 on the back of higher commodity prices and fiscal consolidation in some SSA countries. However, it considered that the increased exposure to international financial markets could lead to higher refinancing risks for SSA countries as the amount of near-term maturing debt rises. It noted that tapping global capital markets for debt financing could be positive for SSA sovereigns where liquidity in local funding markets is tight. However, it anticipated that borrowing in foreign currency from international markets could expose sovereigns to foreign exchange refinancing risks, as well as to higher servicing costs of local currency-denominated debt in case of a depreciation of the local currency. In parallel, Fitch considered that the weak public financial management (PFM) of SSA countries would challenge their efforts to transition from concessional to commercial funding. It added that the region's weak PFM would make Eurobond repayments and rollovers challenging in case market conditions deteriorate. It expected weak PFM in SSA to weigh on government debt levels, as it would limit the authorities' ability to implement proper fiscal consolidation measures, rationalize spending and mobilize the domestic revenue base.

*Source: Fitch Ratings*

## TURKEY

### Sovereign ratings downgraded on deteriorating fiscal and external positions

S&P Global Ratings downgraded Turkey's long-term foreign currency sovereign credit ratings from 'BB' to 'BB-', and its local currency sovereign credit rating from 'BB+' to 'BB', with a 'stable' outlook. It attributed the downgrades to macroeconomic imbalances, a deterioration in the country's fiscal and external positions, rising vulnerabilities in the private sector, high inflation and the continued weakness of the Turkish lira. It indicated that the Turkish economy is overheating as a result of government measures that stimulate the domestic economy, and of a favorable external environment. It noted that real GDP grew by 7.4% in 2017 and projected it to expand by 4.4% in 2018. It added that the government recently introduced a new TRY135bn incentives package that includes tax cuts to corporates in certain sectors, such as defense, automotive, agriculture and healthcare, in order to boost economic growth. Further, S&P projected Turkey's fiscal deficit to widen from 2% of GDP in 2017 to 2.4% of GDP in 2018 as a result of the recent incentives package. Still, it forecast the public debt level to remain low at 28.2% of GDP at end-2018. Further, it expected the current account deficit to widen from 5.6% of GDP in 2017 to 6% of GDP in 2018 due to increased fuel imports amid higher global oil prices. It said that the tourism sector remains vulnerable to a volatile geopolitical environment and an uncertain domestic security situation. S&P's new rating is one notch below the rating of Moody's Investors Service that was downgraded on March 7, and two notches below that of Fitch Ratings, which was affirmed on January 19.

*Source: S&P Global Ratings*

## ANGOLA

### Ratings downgraded on high liquidity risks

Moody's Investors Service downgraded Angola's foreign and local currency long-term issuer ratings from 'B2' to 'B3', with a 'stable' outlook. It attributed the downgrade to Angola's high domestic and external liquidity risks, as well as to its weaker fiscal metrics and higher debt burden relative to similarly-rated peers. It expected the country's liquidity risks to remain elevated in coming years, driven by high government gross borrowing requirements that it projects at an average of 20% of GDP in the 2018-19 period. It forecast the cost of servicing the external debt to increase from 3.1% of GDP in 2017 to 5.9% of GDP in 2018. It said that the government remains reliant on external bilateral and commercial investors to refinance its foreign currency debt. Also, it indicated that external vulnerabilities have increased despite higher global oil prices, mainly due to the sustained decline in foreign currency reserves and persistent foreign currency shortages. But it expected that the depreciation of the Angolan kwanza would help reduce the pressure on foreign currency reserves. In parallel, Moody's pointed out that Angola's government debt level reached 66% of GDP at the end of 2017, which is significantly higher than the median for 'B2'-rated sovereigns of 43% of GDP, due to the bailout of Sonangol, Angola's national oil company, as well as to fiscal easing in the run-up to the presidential elections last year. It projected the government debt level to exceed 70% of GDP at end-2018 due to the depreciation of the kwanza. It considered that the government's balance sheet remains vulnerable to further currency depreciation, given the high share of the government's debt stock that is denominated in foreign currency.

*Source: Moody's Investors Service*

## IRAN

### Outlook on ratings revised to 'negative' on rising external political risks

Capital Intelligence Ratings affirmed Iran's long- and short-term foreign and local currency ratings at 'BB-/B', and revised the outlook from 'stable' to 'negative' on the long-term ratings. It attributed its outlook revision to rising external political risks from the possible re-imposition of U.S. sanctions on Iran, including secondary sanctions that target foreign companies that conduct business with Iran. First, it noted that the renewal of U.S. sanctions would weigh on business confidence and weaken FDI inflows, which would adversely impact growth prospects and complicate the implementation of the government's economic reform agenda. It added that Iran's growth potential continues to be constrained by large structural problems such as extensive government regulations, a lack of competition in certain sectors and a weak financial sector. Second, it said that the re-imposition of U.S. secondary sanctions could curtail Iran's oil exports and escalate tensions between Iran and countries that oppose the nuclear agreement. Third, it expected that renewed U.S. sanctions would weigh on Iran's external liquidity position, as rising political risks would challenge Iran's efforts to re-integrate its international payments into the global banking system. It said that this would impede the country's ability to repatriate export earnings from trading partners and to access its large foreign external assets. As such, it did not anticipate a substantial expansion of Iran's international banking relationships in coming months.

*Source: Capital Intelligence Ratings*





# BANKING

## AFRICA

### Stable banking sectors despite vulnerabilities

The International Monetary Fund indicated that the banking systems of the countries that form the West African Economic and Monetary Union (WAEMU) are stable and profitable, but that they are vulnerable to weak asset quality and funding structure. It said that the banks' overall risk-weighted capital adequacy ratio reached 11.4% at the end of June 2017, which is slightly below the regulatory minimum of 11.5%. It noted that several banks remain under-capitalized, and that authorities have asked the banks to comply with the capital requirements by end-June 2018. In parallel, the Fund indicated that the aggregate liquid assets of the region's banks represented 26.7% of their total assets at the end of June 2017, down from 27.6% at end-June 2016, while they were equivalent to 40.8% of total deposits at end-June 2017 compared to 41% at the end of June 2016. Also, it pointed out that the loans-to-deposits ratio at banks in the region slightly increased to 89.1% at the end of June 2017 from 86.4% at end-June 2016. In addition, it noted that the banks' non-performing loans (NPLs) ratio stood at 14.6% at end-June 2017 relative to 15.2% at end-June 2016, while the provisions to NPLs ratio was 63.4% at end-June 2017 compared to 63.9% at the end of June 2016. Further, it said that banking sectors of the WAEMU are vulnerable to high concentration risks, as the ratio of loans extended to the five largest borrowers stood at 89.6% of equity as at end-June 2017. The IMF called on WAEMU authorities to encourage banks to deleverage and strengthen their capital and liquidity buffers, and to diversify their bond portfolios in order to contain risk concentration.

*Source: International Monetary Fund*

## KUWAIT

### Capital adequacy ratio at 18.2% at end-2017

The Institute of International Finance indicated that the Kuwaiti banking sector was resilient in 2017, with rising profitability and comfortable capitalization levels. It said that the sector's risk-weighted capital adequacy ratio (CAR) reached 18.2% at the end of 2017, slightly down from 18.6% at end-2016, and compared to an average CAR of 18.7% at banks in the GCC region. It noted that Kuwaiti banks have already met the Basel III capital requirements that are expected to be implemented in 2019. It noted that the banks' net interest margins in 2017 were mainly supported by the increase in the discount rate used by the Central Bank of Kuwait to price retail and corporate loans. Further, it pointed out that the sector's liquid assets represented 31.5% of total assets at end-2017, up from 30.1% a year earlier, well above the regional average of 22.7%. Also, it said that the sector's loans-to-deposits ratio reached 108% at end-2017 compared to 109% at end-2016. Further, it noted that the banks' non-performing loans (NPLs) ratio stood at 2.5% at end-2017 relative to 2.2% at end-2016. In addition, it said that the banks' return on assets was unchanged at 1.1% in 2017, while their return on equity reached 8.8% last year relative to 8.7% in 2016. The IIF indicated that delays in government spending on development and capital projects have resulted in weak loan demand in 2017. However, it expected personal loans to increase at a strong pace in 2018, supported by improved consumer confidence, while it anticipated that lending to corporates will depend on the successful implementation of planned infrastructure projects.

*Source: Institute of International Finance*

## GHANA

### Shift to longer-term government bonds to ease pressure on banks' income

Moody's Investors Service indicated that Ghanaian banks have increased the duration of their investment portfolios by shifting their exposure to government securities from short-term Treasury bills to longer-term government bonds. It noted that their exposure to longer-dated bonds increased by 154% to GHS8.38bn between October 2016 and January 2018, while their holdings of Treasury bills decreased by 84% to GHS1.26bn. It considered that the increase in the maturity profile of the banks' investment portfolios, amid declining short-term interest rates, would allow the banks to lock in higher yields on longer-dated securities, and would ease the pressure on the banks' interest income. It said that investment securities accounted for 31% of the banks' aggregate assets at end-2017, with income from such securities representing 38% of the banks' total income. Further, it noted that the banks' interest income rose by 17.3% in 2017 relative to a growth of 29.2% in 2016, as a result of the decline in short-term interest rates in 2017. However, it indicated that banks could incur revaluation losses on their longer-term bond holdings in case interest rates significantly increase, because the prices of securities would drop. It added that banks would forgo higher interest income, as they would have locked in their investments at lower yields, which would hurt their net interest margins and earnings.

*Source: Moody's Investors Service*

## QATAR

### Banks' capital metrics to remain adequate

Fitch Ratings indicated that the Qatari banking sector's funding costs have increased in 2017, mainly due to rising interest rates following the political rift with neighboring Arab countries in June last year, which weighed on the banking sector's profitability metrics. But it said that banks have re-priced their loan books and kept their net interest margins flat, and have well-managed their costs, which helped them maintain their operating profit metrics. Further, it indicated that the banks' asset quality remained strong in 2017 despite pressure in the hospitality, contracting and real estate sectors, and that the banks' impaired loans ratios are still lower than at most banks in other Gulf Council Cooperation countries. It added that the banks' loan-loss reserves are adequate at above 100% of impaired loans, but that they are low as a percentage of gross loans. Further, the agency pointed out that funding pressure stabilized in the third quarter of 2017, as deposits by the government and the Qatar Central Bank at banks have offset the outflows of Saudi and UAE deposits. In parallel, it said that the banks' capital ratios increased in 2017 due to slower lending growth and modest internal capital generation. It expected the banks' capital metrics to remain adequate and in line with Basel III capital requirements despite the banks' high concentration risks. Also, it anticipated banks to deduct expected credit losses from their retained earnings or risk reserves when reporting under the IFRS 9 accounting standard in the first quarter of 2018. Further, it expected the banks' asset quality to remain under pressure amid the challenging operating environment, and anticipated loan growth to be in the mid-single digits in 2018.

*Source: Fitch Ratings*



## ENERGY / COMMODITIES

### Oil prices reach their highest level in April on heightened global and regional risks

ICE Brent crude oil front-month prices averaged \$68.4 per barrel (p/b) in the first four months of 2018, constituting an increase of 25.6% from \$54.4 p/b in the same period of 2017. Also, oil prices rose by 7.3% month-on-month and by 33.1% year-on-year to an average of \$71.8 p/b in April 2018, posting their highest monthly level since December 2014. In parallel, the World Bank indicated that the increase in oil prices so far this year has been driven by several factors, including heightened geopolitical risks in the Middle East, supply disruptions in several countries, stronger demand amid improved global economic activity, persistent oil supply cuts from OPEC and non-OPEC members, as well as the possible reinstatement of U.S. sanctions on Iran and additional ones on Venezuela. It said that all of these factors were partly offset by increases in U.S. oil output. Overall, it projected crude oil prices to average \$65 p/b in 2018, supported by sustained production cuts under the OPEC agreement. It considered that further upside risks to oil prices are significant and include a decrease in U.S. shale oil output due to transport constraints and slowing investment, continued or further escalation of geopolitical risks, the reimposition of U.S. sanctions on Iran on May 12, as well as an extension of the OPEC oil deal.

Source: World Bank, Thomson Reuters, Byblos Research

### MENA's natural gas output to rise by 3.3% in 2018

The production of natural gas in the Middle East & North Africa region is forecast to average 16.09 million barrels of oil equivalent per day (boe/d) in 2018, which would constitute an increase of 3.3% from 15.58 million boe/d in 2017. Iran's natural gas production is projected at 5.32 million boe/d in 2018, equivalent to 33.1% of the region's total, followed by Qatar with 4.24 million boe/d (26.4%) and Saudi Arabia with 2.25 million boe/d (14%). The Gulf Cooperation Council countries would account for 55.3% of the region's gas production in 2018.

Source: International Monetary Fund, Byblos Research

### Iraq's oil exports down 6% in April 2018

Iraq's crude oil exports totaled 100.2 million barrels in April 2018, constituting a decrease of 6.4% from 107.1 million barrels in March. The country's oil exports reached 3.34 million barrels per day (b/d) in April 2018 relative to 3.45 million b/d in the previous month. All exports in the covered month originated from the country's central and southern fields, as there were no shipments from the northern Kirkuk fields. Iraq's oil export receipts reached \$6.5bn in April 2018, up by 0.6% from \$6.4bn in March.

Source: Iraq Ministry of Oil, Byblos Research

### MENA's oil exports to remain almost unchanged in 2018

The Middle East & North Africa region's crude oil exports are forecast to average 20.38 million barrels per day (b/d) in 2018, almost unchanged from 20.41 b/d in 2017. The Gulf Cooperation Council (GCC) countries' crude oil exports would account for 61.6% of the region's oil exports in 2018, while non-GCC oil exporters would represent the remaining 38.5%. Saudi Arabia's crude oil exports are projected at 7.06 million b/d in 2018, equivalent to 34.6% of the region's oil exports, followed by Iraq at 3.89 million b/d (19.1%) and Iran at 2.66 million b/d (13.1%).

Source: International Monetary Fund, Byblos Research

### Base Metals: Copper prices up 20% in first four months of 2018

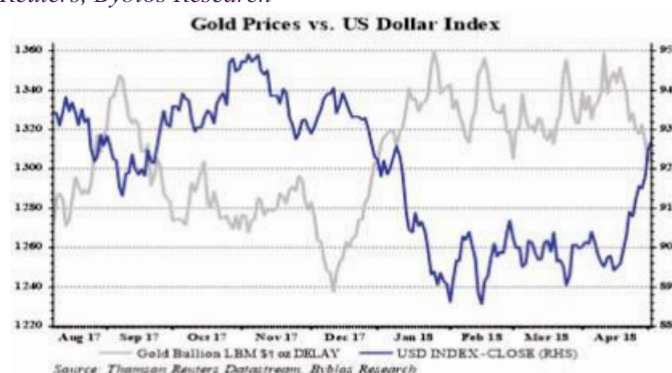
LME copper cash prices averaged \$6,968 per metric ton in the first four months of 2018, up by 19.8% from an average of \$5,818 per ton in the same period of 2017. Prices recovered by 3.5% from the lowest level they reached on March 26, 2018 to close at \$6,784.5 a ton on May 2, amid a pick-up in China's manufacturing sector and a pause in the rally of the US dollar. In parallel, the latest available figures show that global demand for refined copper is expected to reach 24.5 million tons in 2018, up by 3% from 23.8 million tons in 2017, as Chinese demand is projected to grow by 3.5% this year and demand in the rest of the world to rise by 2.5%. On the supply side, global refined copper production is forecast to expand by 4.3% from 23.5 million tons in 2017 to 24.5 million tons in 2018, as electrolytic refined production is projected to recover from last year. Also, while China is anticipated to remain the world's largest producer of the refined metal this year, output in the rest of the world is expected to recover significantly in 2018. As such, the world's refined copper balance is projected to shift from a deficit of 254,000 tons in 2017 to a surplus of about 43,000 tons this year. Still, copper prices are expected to increase from an average of \$6,171.8 per ton in 2017 to an average of \$6,800 per ton this year.

Source: International Copper Study Group, World Bank, Thomson Reuters

### Precious Metals: Gold continues to trade at above \$1,300 an ounce

Gold prices averaged \$1,330 an ounce in the first four months of 2018 relative to \$1,231 in the same period last year, trading at a low of \$1,303 an ounce and a high of \$1,359 per ounce, compared to an average of \$1,258 an ounce in 2017. The rise in the metal's price was partly driven by concerns that the US dollar could strengthen in coming months, which has raised investors' demand for gold. Also, the metal's price has continued to trend higher in recent months despite two hikes in U.S. interest rate in December 2017 and March 2018. The rise in prices can be explained by the metal's prevailing supply and demand fundamentals, which include higher physical demand for gold, especially in China, as well as subdued growth in mine production. Further, gold prices are forecast to remain strong and to average \$1,300 an ounce in 2018. Downside risks to gold prices include easing tensions between North Korea and South Korea, and between North Korea and the U.S., as well as weaker jewelry demand in India. In parallel, upside risks to the price outlook include expectations of rising inflationary pressures in the United States.

Source: World Bank, Bank of America Merrill Lynch, 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-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-Stable	B3 Stable	B Positive	B Positive	B-Stable	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
	B-Stable	B1 Stable	B Stable	-	B-Stable								
Ghana	B-	B3	B	-	B+	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
	Positive	B3 Stable	B Stable	-	B-Negative								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Ba3 Stable	B+ Stable	-	B-Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	B Stable	-	B-Negative								
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 Stable	B2 Stable	B+ Negative	-	B+ Negative	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	B-Negative								
Tunisia	-	B2	B+	-	BB-	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	B2 Stable	B+ Stable	-	B-Negative								
Burkina Faso	B-Stable	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B Stable	B2 Stable	B Positive	-	B+ Stable	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
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	-
	B-Stable	Caa1 Stable	B- Stable	-	CC+ Stable								
Jordan	B+ Stable	B1 Stable	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	AA- Stable	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B- Stable	B3 Stable	B- Stable	B Negative	B- Stable	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB Stable	Baa3 Negative	BBB- Negative	BBB Stable	BBB Negative	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA- Negative	Aa2 Negative	AA- Negative	AA- Negative	AA- Stable	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	B-Negative								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Aa2 Negative	-	AA- Stable	AA- Stable								
Yemen	-	-	-	-	CCC	-6.0	77.4	20.3	-	-	-	-4.2	
	-	-	-	-	B-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	Stable	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	AA-	Aa3	A+	-	A								
	Stable	Negative	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Positive	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-								
	Negative	Negative	Stable	-	Negative	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Positive	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BB+	Ba1	BBB-	-	BB+								
	Negative	CWN***	Negative	-	Negative	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	BB-	Ba2	BB+	BB+	BB-								
	Stable	Stable	Stable	Stable	Negative	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	CCC	Caa3	CCC	-	B-								
	Negative	Stable	-	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

\* including grants for Sub-Saharan African countries

\*\* to official creditors

\*\*\*Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2017



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.50-1.75	02-May-18	Raised 25bps	13-Jun-18
Eurozone	Refi Rate	0.00	26-Apr-18	No change	14-Jun-18
UK	Bank Rate	0.50	22-Mar-18	No change	08-May-18
Japan	O/N Call Rate	-0.10	26-Apr-18	No change	15-Jun-18
Australia	Cash Rate	1.50	01-May-18	No change	05-Jun-18
New Zealand	Cash Rate	1.75	21-Mar-18	No change	09-May-18
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Mar-18	No change	21-Jun-18
Canada	Overnight rate	1.25	18-Apr-18	No change	30-May-18
<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	22-Mar-18	No change	21-Jun-18
South Korea	Base Rate	1.50	12-Apr-18	No change	24-May-18
Malaysia	O/N Policy Rate	3.25	07-Mar-18	No change	10-May-18
Thailand	1D Repo	1.50	28-Mar-18	No change	16-May-18
India	Reverse repo rate	6.00	05-Apr-18	No change	06-Jun-18
UAE	Repo rate	2.00	22-Mar-18	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	2.25	15-Mar-18	Raised 75bps	N/A
Egypt	Overnight Deposit	16.75	29-Mar-18	Cut 100bps	17-May-18
Turkey	Base Rate	8.00	25-Apr-18	No change	07-Jun-18
South Africa	Repo rate	6.50	28-Mar-18	Cut 25bps	24-May-18
Kenya	Central Bank Rate	9.50	19-Mar-18	Cut 50bps	28-May-18
Nigeria	Monetary Policy Rate	14.00	04-Apr-18	No change	22-May-18
Ghana	Prime Rate	18.00	26-Mar-18	Cut 200bps	21-May-18
Angola	Base rate	18.00	30-Apr-18	No change	28-May-18
Mexico	Target Rate	7.50	12-Apr-18	No change	17-May-18
Brazil	Selic Rate	6.50	21-Mar-18	Cut 25bps	16-May-18
Armenia	Refi Rate	6.00	28-Mar-18	No change	16-May-18
Romania	Policy Rate	2.25	04-Apr-18	No change	07-May-18
Bulgaria	Base Interest	0.00	30-Mar-18	No change	30-Apr-18
Kazakhstan	Repo Rate	9.25	16-Apr-18	Cut 25bps	04-Jun-18
Ukraine	Discount Rate	17.00	12-Apr-18	No change	24-May-18
Russia	Refi Rate	7.25	27-Apr-18	Cut 25bps	15-Jun-18





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