

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### Technology IPOs down 68% to \$8.8bn in 2016

PwC indicated that there were 53 initial public offerings (IPOs) in the technology industry worldwide in 2016, down by 42.4% from 92 IPOs in 2015. Further, the amount of capital raised through tech IPOs totaled \$8.75bn in 2016, down by 67.7% from \$27.1bn in 2015, constituting the lowest annual level in 10 years. Technology companies raised \$2.3bn through 24 IPOs during the first half and \$6.5bn through 29 IPOs during the second half of 2016. PwC noted that the decline in technology IPOs was due to macroeconomic and geopolitical uncertainties in Europe and the U.S. that led companies to delay their IPOs to 2017, as they expected a more favorable market environment to emerge. The average deal size of technology IPOs reached \$165m in 2016, down by 44.1% from an average of \$295m in 2015. In parallel, European technology companies raised \$3.7bn through 10 IPOs, followed by Asian technology firms, excluding those in China, with \$1.8bn (nine IPOs), U.S. technology corporates with \$1.8bn (16 IPOs), and Chinese technology firms with \$1.4bn (18 IPOs). Overall, the internet software & services sub-sector raised \$4.7bn in 2016, followed by the information technology consulting & services sub-industry with \$3bn, the semiconductors sub-sector with \$517m, the electronics segment with \$293m, the communications equipment sub-industry with \$239m, and the computer storage & peripherals sub-sector with \$41m. PwC anticipated the prospects of higher economic growth to support global technology IPO activity in 2017.

Source: PwC

##### Majority of institutional investors satisfied with their real estate investment

A survey of institutional investors in alternative assets, conducted by research provider Preqin, indicated that 93% of investors said that they have met or exceeded their expectations about their real estate investments in 2016, compared to 90% of respondents who had similar views in 2015. Also, 50% of surveyed investors had a positive perception of the real estate asset class in 2016, while only 7% of participants had a negative perception. Further, the survey shows that 48% of investors are below their target allocation to real estate funds, while only 22% of respondents considered that they have over-allocated funds in this asset class. It added that 36% of respondents plan to increase their real estate investments in the long term and 10% of participants intend to allocate less capital to real estate funds. In parallel, the survey pointed out that 52% of real estate fund managers consider the valuation of assets to be their biggest concern currently, while 37% of respondents believe that the ongoing volatility and uncertainty in global markets is their second biggest concern. Finally, the survey indicated that private equity real estate firms invested a total of \$202bn through 3,136 deals in 2016, constituting a decrease of 6.4% from 3,349 deals worth \$241bn in 2015. It attributed the slowdown in investment activity to financial market volatility, the Brexit vote, concerns about the Chinese economy and uncertainty in the run up to the U.S. presidential election.

Source: Preqin

##### Global debt issuance up 14% to \$6.5 trillion in 2016

S&P Global Ratings indicated that bond issuance worldwide totaled \$6.5 trillion in 2016, up by 14.3% from \$5.7 trillion in 2015. It said that non-financial institutions issued \$2.07 trillion in bonds, or 31.7% of total debt issuance, in 2016. Financial institutions followed with \$1.86 trillion (28.4%), then structured finance issuance with \$854.4bn (13.1%), international public finance issuance with \$747bn (11.4%), rated-sovereigns with \$561.5bn (8.6%), and U.S. public finance issuance with \$444.8bn (6.8%). It also indicated that international public finance issuance grew by 82.3% in 2016, followed by sovereign rated debt with a rise of 54.8%, U.S. public finance issues (+11.8%), issuance by financial institutions (+8.9%) and debt issued by corporates (+7.1%). In contrast, global structured finance bonds decreased by 6.1% in 2016. S&P forecast new debt issuance to grow by 2.9% in 2017, mainly driven by the European Central Bank's decision to extend its quantitative easing policies, as well as by increased Chinese issuance and expectations of higher GDP growth in the U.S. It anticipated international public finance and sovereign debt issuance to grow by 5% each in 2017, corporate bond issues to increase by 4.3%, new structured finance debt to rise by 3% and issuance by financial institutions to grow by 2.1% year-on-year, while it estimated U.S. public finance issuance to contract by 7% in 2017.

Source: S&P Global Ratings

#### MENA

##### Logistics environment varies in Arab region

Transport International's 2017 Agility Emerging Markets Logistics Index indicated that the UAE has the third most attractive market for the logistics industry among 50 emerging countries and ranks in first place among 13 Arab countries. Saudi Arabia followed in fifth place, then Qatar (12th) and Oman (13th). In contrast, Tunisia (42nd), Libya (46th) and Lebanon (47th) have the least favorable market conditions for the logistics industry in the Arab region. The Index ranks emerging markets based on the size of their economy, business conditions, infrastructure and other factors that make them attractive to logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution firms. The index is a weighted average of three sub-indices that are Market Size & Growth Attractiveness, Market Compatibility, and Market Connectedness. The Arab region's average score stood at 5.06 points, unchanged from the 2016 Index, and above the emerging markets' average of 5 points. Also, GCC and non-GCC Arab countries had average scores of 5.85 points and 4.38 points, respectively. The scores of seven Arab countries regressed, while those of six countries improved from the previous survey. Egypt (10th), Saudi Arabia (14th) and the UAE (18th) were the top ranked Arab countries on the Market Size & Growth Attractiveness. Further, the UAE (1st), Qatar (2nd) and Oman (3rd) led emerging markets on the Market Compatibility Sub-Index; while the UAE (1st), Saudi Arabia (5th) and Oman (6th) were the top ranked Arab countries on the Market Connectedness Sub-Index.

Source: Transport International, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### Net private capital inflows to reach \$679bn in 2017

The Institute of International Finance projected non-resident private capital inflows to emerging markets (EMs) at \$679bn in 2017, nearly unchanged from \$678bn in 2016, due to heightened global uncertainties and rising political and policy risks. It noted that its current projections for 2017 are \$90bn below its November 2016 forecast of \$769bn as a result of weaker FDI inflows to EMs. It considered that the main risks to the outlook are related to the uncertainty about the possible protectionist measures by the U.S. Administration and the outcome of the French presidential elections.

In parallel, the IIF revised downward its November forecast for inflows to Emerging Asia by \$17bn to \$331bn, those to Latin America by \$50bn to \$192bn, inflows to the Middle East & Africa by \$9bn to \$108bn and those to Emerging Europe by \$14bn to \$48bn. Also, the IIF forecast net direct investment in EMs at \$386bn in 2017, down from \$406bn in 2016, which would constitute its lowest level since the global financial crisis in 2008. It expected net portfolio inflows to increase slightly from \$73bn in 2016 to \$74bn in 2017. Also, it forecast net inflows from commercial bank lending to increase from \$119bn last year to \$125bn in 2017, which would constitute their highest level since 2014, mainly due to the stabilization of banking flows to China. In parallel, it projected net inflows from non-bank private lending to grow from \$80bn in 2016 to \$94bn this year. It revised its projection downward by \$55bn for net direct investment in 2017, by \$27bn its net portfolio investment forecast and by \$14bn its projection for non-bank private lending.

In parallel, the IIF projected resident capital outflows from EMs to increase from \$658bn in 2016 to \$724bn in 2017. As such, it forecast net capital flows from EMs at \$238bn in 2017 relative to \$373bn in 2016, and at \$489bn this year compared to \$616bn last year when including errors and omissions.

Source: *Institute of International Finance*

## UAE

### Non-hydrocarbon growth at 2.9% in 2017, fiscal deficit at 1.1% of GDP

The Institute of International Finance projected the UAE's real GDP growth to decelerate from 2.2% in 2016 to 1.9% in 2017, mainly due to a drop in oil production following the OPEC agreement. It forecast hydrocarbon output to contract by 0.3% in 2017 compared to a growth rate of 2% in 2016, with oil production declining from 3.06 million barrels per day (b/d) last year to 3 million b/d this year. It projected non-hydrocarbon sector activity to pick up from 2.3% in 2016 to 2.9% in 2017, driven by the easing of fiscal consolidation, a rebound in consumption spending ahead of the introduction of the value-added tax (VAT) in 2018, as well as by increased investment spending to finance Dubai's World Expo 2020 and other key projects. It expected growth in the non-hydrocarbon sector at between 3% and 4% over the medium term amid the low oil price environment that would prevent a significant increase in public spending. It projected Dubai's real GDP growth at about 3% in 2017, driven by the emirate's diversified economy and growth engines, while it anticipated Abu Dhabi's

real GDP growth at 1.5% this year as a result of reduced oil production and higher investment spending. In addition, it forecast the inflation rate to rise from 1.8% in 2016 to 3.5% in 2017 as a result of subsidy cuts, and to further increase to 4.6% in 2018 with the introduction of the VAT. It said that downside risks to the UAE's outlook include lower-than-anticipated oil prices, higher interest rates that could increase debt servicing costs and worsen credit quality.

The IIF projected the UAE's fiscal deficit to narrow from 3.3% of GDP in 2016 to 1.1% of GDP in 2017 as a result of the fiscal adjustment and modest increase in oil prices. As such, it anticipated the UAE's fiscal breakeven oil price to decline from \$76 p/b in 2014 to \$55 p/b in 2017. The IIF considered that the UAE would finance its fiscal deficits by tapping its substantial foreign assets and through external borrowing. It forecast the UAE's net external assets to decline from 192% of GDP in 2016 to 181% of GDP this year, and for the public debt level to increase from 49.8% of GDP last year to 51.3% of GDP in 2017.

Source: *Institute of International Finance*

## SAUDI ARABIA

### Non-oil growth at 1% in 2017 on supportive fiscal policy

Jadwa Investment expected Saudi Arabia's real GDP growth to decelerate from 1.4% in 2016 to 0.2% in 2017 due to a contraction in hydrocarbon sector activity. It forecast hydrocarbon real GDP to shrink by 0.3% in 2017 relative to a growth rate of 3.4% in 2016, due to the drop in crude oil production under the OPEC agreement. It projected growth in the non-oil private sector to accelerate from 0.1% in 2016 to 1% this year, driven by improved sentiment, the government's supportive fiscal policy, as well as by corporate lending and, to a lesser extent, by domestic consumption. It projected growth in wholesale & retail trade, which accounts for 16.1% of non-oil GDP, at 0.4% in 2017; followed by non-oil manufacturing (14.9% of non-oil GDP) at 2.4%; transport & communication (14% of non-oil GDP) at 2.4%; residential real estate (9% of non-oil GDP) at 7.5%; construction (8.5% of GDP) at 0.8%; and finance, insurance & business services (6.3% of GDP) at 2.9% in 2017. Further, it considered that downside risks to Saudi Arabia's outlook include concerns about global economic and political risks, a prolonged period of low oil prices, continued volatility and tightening of global financing conditions, as well as delays in the implementation of planned reforms.

In parallel, Jadwa indicated that the recovery in oil prices in 2017 would ease the pressure on the Kingdom's fiscal and external balances. It projected the current account deficit to narrow from 8% of GDP in 2016 to 1.7% of GDP in 2017. Further, it forecast the fiscal deficit to narrow from 16.8% of GDP in 2016 to 6.1% of GDP in 2017, due to higher oil prices and prudent fiscal spending. It expected authorities to finance the 2017 deficit through drawing down the stock of foreign assets at the Saudi Arabian Monetary Agency (SAMA) and via local and foreign debt issuance. As such, it expected the Kingdom's public debt level to rise from SAR317bn, or 13.2% of GDP, in 2016, to SAR433bn, or 16.4% of GDP, in 2017. It forecast SAMA's foreign reserves to decline from \$523bn at the end of 2016 to \$463bn at end-2017.

Source: *Jadwa Investment*



# ECONOMY & TRADE

## EGYPT

### Economy in transition following key measures

Regional investment bank EFG Hermes considered the current fiscal year that ends in June 2017 to be an adjustment phase for the Egyptian economy following major structural changes, such as subsidy reforms and the liberalization of the Egyptian pound. It estimated domestic demand to grow by 2.8% in FY2016/17, the lowest growth rate in 10 years as a result of inflationary pressures. It added that a positive net exports position, due to a contraction in imports and to higher exports, would support activity this year. In addition, it reduced its growth forecast to 4.4% in FY2017/18 from 4.8% previously, due to the weaker currency. Still, it attributed the expected year-on-year acceleration in activity from 3.8% in FY2016/17 to a pick-up in domestic and foreign investment and to the anticipated increase in gas production. Further, it revised upward its forecast for the average inflation rate to 23.5% in FY2016/17 from 19.8% previously and to 13.9% in FY2017/18 from an earlier projection of 11.2%, as it did not expect the currency to significantly appreciate in 2017. It anticipated the pound to trade at between EGP17 and EGP18 against the US dollar during 2017. In parallel, EFG said that authorities would meet their fiscal targets for the second loan tranche of the IMF program of \$1.25bn due in March 2017. But it considered the fiscal targets for the rest of the program to be very ambitious, given the extent of the pound's weakness. It noted that the government has to increase fuel prices in the coming month in order to meet its June 2017 fuel subsidy target, which could be challenging on the social and economic fronts after the 30% rise in November 2016. EFG projected the fiscal deficit to narrow from 10.7% of GDP in FY2016/17 to 8.1% of GDP in FY2017/18.

Source: EFG Hermes

## UAE

### Abu Dhabi ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'AA/A-1+' Abu Dhabi's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It noted that Abu Dhabi's ratings are supported by its strong fiscal and external positions, and by its high GDP per capita. It indicated that Abu Dhabi's large net asset position provides a buffer to offset the negative impact of low oil prices on economic activity, public revenues and the external account. It projected Abu Dhabi's net fiscal assets to remain above 200% of GDP annually over the 2017-20 period, one of the highest levels among rated sovereigns. It said the 'stable' outlook on Abu Dhabi's ratings reflects the emirate's resilient economy and strong fiscal position, despite continued structural and institutional weaknesses. It projected Abu Dhabi's real GDP growth to average 2.7% during the 2017-20 period, supported by a gradual rise in oil prices and higher public investments. Further, the agency expected the fiscal balance to shift from a deficit of 3.6% of GDP in 2016 to a surplus of 0.7% of GDP in 2017, as authorities continue to implement fiscal adjustment measures at a moderate pace. It anticipated Abu Dhabi to finance its 2017 deficit by drawing down assets at the Abu Dhabi Investment Authority (ADIA), and via local and foreign bond issuance. As such, it expected Abu Dhabi's government debt level to nearly double from an average of 2.6% of GDP during the 2013-16 period to 6.7% of GDP in the 2017-20 period.

Source: S&P Global Ratings

## ANGOLA

### Sovereign ratings affirmed, outlook 'negative'

S&P Global Ratings affirmed at 'B/B' Angola's long- and short-term foreign and local currency sovereign credit ratings, and maintained the 'negative' outlook on the ratings due to risks of wider-than-expected current and fiscal deficits. It attributed the ratings' affirmation to its expectation that global oil prices will rise in the coming two years, which would stabilize the current account deficit and help narrow the fiscal deficit in case public spending does not pick up. Still, it considered that Angola's economy remains weak and that the external and fiscal deficits continue to be relatively wide. It forecast real GDP growth to accelerate from 0.5% in 2016 to 1.4% in 2017 and to average 3.3% annually during the 2017-20 period, in case oil production and prices increase and positively affect the non-oil economy. Further, it projected the current account deficit to narrow from an average of 9% of GDP annually during the 2015-16 period to 7.7% of GDP annually between 2017 and 2018, while it anticipated Angola's gross external borrowing requirements to exceed 100% of current account receipts plus usable reserves per year over the 2017-20 period. Further, S&P forecast Angola's fiscal deficit at 5.2% of GDP in 2017 and expected it to gradually narrow to 2% of GDP in 2020, in case oil prices and export receipts increase. In addition, it said that the Angolan Kwanza depreciated by more than 60% against the US dollar since 2014, which has increased the public debt burden, given that 50% of the debt stock is denominated in foreign currency. As such, it noted that the public debt level grew from 30% of GDP in 2014 to 55% of GDP in 2016, and expected it to reach 57% of GDP in 2017.

Source: S&P Global Ratings

## GHANA

### Fiscal reforms crucial for fiscal sustainability

The International Monetary Fund indicated that Ghana continues to face a challenging economic environment in the context of a large fiscal slippage, an elevated public debt level, a wide external deficit, persistent inflationary pressure and subdued economic growth. It estimated Ghana's real GDP growth at 3.6% in 2016, and noted that the decline in the inflation rate in 2016 has been slower than expected. Further, it estimated the fiscal deficit to have widened to 9% of GDP last year and to have missed the fiscal target of 5.25% of GDP for 2016 under the current IMF-supported program. It attributed the fiscal slippage to weak public revenues and higher-than-anticipated spending. As such, it noted that the public debt level increased to about 74% of GDP at the end of 2016. Further, it estimated the current account deficit to have narrowed to 6.5% of GDP in 2016, which has helped accumulate foreign currency reserves. The IMF indicated that the large fiscal slippage in 2016 requires strong fiscal consolidation measures to restore debt sustainability. In this context, it welcomed the government's plan to reduce tax exemptions and improve tax compliance, among other measures. In addition, it welcomed the government's plan to conduct a full audit of outstanding obligations, as well as its readiness to take strong remedial action to ensure the integrity of public finance management. Further, the Fund called on authorities to address the large financial imbalances of state-owned enterprises in the energy sector to avoid the build-up of contingent liabilities.

Source: International Monetary Fund



# BANKING

## AFRICA

### Macroeconomic challenges to weigh on banks' asset quality and profitability

Fitch Ratings maintained its negative outlook on Sub-Saharan Africa's (SSA) banking sector due to elevated risks to the banks' asset quality, foreign-currency liquidity and capital, given the subdued economic growth and low commodity price environment. It noted that the negative outlook also reflects the fluctuation of currencies and interest rates in the region. It indicated that reduced foreign currency liquidity constitutes a major concern for SSA banks, as it exposes them to refinancing risks and weaker asset quality. It noted that foreign currency reserves have significantly decreased in SSA countries that are highly dependent on hydrocarbon exports, such as Nigeria, Angola and Ghana, which raises concerns about the authorities' ability to support the banks' foreign obligations in case of need. It added that capital inflows are limited, as foreign investors remain cautious about these economies. Further, Fitch expected macroeconomic challenges, especially in Ghana and Nigeria, to further weigh on the banks' asset quality and to result in higher non-performing loans in 2017. It noted that the stabilization of commodity prices could ease credit losses, but it cautioned about the banks' exposure to the oil sector. In parallel, it anticipated lending growth to decelerate in 2017 due to subdued economic activity and to the banks' reduced appetite for lending, which would weigh on their profitability and capitalization. Overall, the agency anticipated SSA banks to face increased uncertainty and additional pressure on their financial profiles in 2017. It noted that 34% of rated banks in the region are on 'negative' outlook compared to zero banks a year earlier.

Source: Fitch Ratings

## MENA

### Brand value of Arab banks at \$36.2bn

The Banker magazine's 2017 survey of the Top 500 Banking Brands in the world indicated that the aggregate brand value of Arab banks is at \$36.2bn and accounts for 3.4% of the brand value of the Top 500 banks. It estimated the total brand value of banks in the UAE at \$15.4bn, the highest in the Arab region, and accounting for 42.6% of the aggregate brand value of banks in the Arab world. Banks in Saudi Arabia followed with \$9.5bn, or 26.1% of the total brand value of Arab banks, then Qatari banks with \$5.8bn (16%), banks in Kuwait with \$3bn (8.2%), banks in Morocco with \$802m and those in Egypt with \$798m (2.2% each), those in Lebanon with \$368m (1%) and in Oman with \$299m and Bahrain with \$296m (0.8% each). On a country basis, Qatar National Bank has the highest brand value in Qatar with \$3.8bn in 2017, followed by Emirates NBD in the UAE with \$3.4bn, Al Rajhi Bank in Saudi Arabia with \$2.1bn, National Bank of Kuwait with \$1.6bn, Commercial International Bank of Egypt with \$449m, Attijariwafa Bank in Morocco with \$323m, BankMuscat in Oman with \$299m and Ahli United Bank in Bahrain with \$296m. In addition, Qatar National Bank has the highest brand value in the Arab region, followed by Emirates NBD, National Bank of Abu Dhabi (\$2.5bn), Abu Dhabi Commercial Bank (\$2.2bn) and Al Rajhi Bank. The Industrial and Commercial Bank of China has the highest brand value worldwide at \$47.8bn among the Top 500 banks.

Source: The Banker, Byblos Research

## JORDAN

### Stable outlook on the banking sector for 2017

Fitch Ratings indicated that it has a stable outlook on the Jordanian banking sector, as it expected the banks' financial metrics to be broadly unchanged amid a stable but very challenging and vulnerable operating environment. It said that Jordanian banks have high exposure to the domestic market through holdings of government bonds, local funding sources and lending to the public sector. It noted that the growth rate in lending decelerated from 9.6% in 2015 to 6.4% in the first 11 months of 2016, and projected demand for credit to be moderate in 2017. Also, it pointed out that the banking sector is adequately capitalized with an average capital adequacy ratio of 19.1% at the end of 2015, well-above the 12% minimum regulatory requirement. It did not expect pressure on the banks' capitalization in 2017 due to the moderate growth in lending and to the stable operating environment. It indicated that the banks' asset quality is sound and that banks continue to clean up their balance sheet from legacy impaired loans. But it said that the banks' loan books are concentrated, especially to the public sector, and expected banks to compete for lending opportunities given the limited availability of strong corporates. Still, it noted that banks have healthy pre-impairment operating profits that provide an extra cushion against an increase in impaired loans without a negative impact on capital. Fitch expected the banks' profitability to remain stable in 2017 despite continuous pressure on their net interest margins.

Source: Fitch Ratings

## TURKEY

### Banks face elevated credit risks

The International Monetary Fund indicated that the Turkish banking sector's capitalization is high, supported by elevated profitability and a slowdown in lending growth. It also said that the Central Bank of Turkey relaxed its prudential norms in 2016 in an attempt to support lending and output growth, which led to the release of provisions, lowered regulatory risk weights on consumer loans and supported capitalization. It noted that the sector's average capital adequacy ratio reached 16% at end-September 2016 compared to 15.6% at end-2015, while the Tier-One capital ratio stood at 13.7% at end-September 2016 relative to 13.2% at the end of 2015. Further, the Fund pointed out that credit growth has slowed down significantly in 2016 due to the depreciation of the Turkish lira, heightened political uncertainties, and to the banks' tight credit standards. It indicated that Turkish banks face high credit risks, and called on authorities to strengthen macro-prudential policy in order to address foreign currency and other systemic risks, rather than to use such policy for credit demand management. In addition, the Fund indicated that the non-performing loans ratio increased from 3.1% at end-2015 to 3.3% at the end of September 2016, as authorities broadened the definition of impaired loans to include restructured credits. It added that the reclassification of loans showed a deterioration in the bank's asset quality, especially in the household and small- and medium-sized sector. The Fund considered that Turkish banks can withstand severe stress, provided it is short-lived, but that capital shortfalls can become significant in case stress persists, and systemic risks and spillovers become high.

Source: International Monetary Fund



# ENERGY / COMMODITIES

## Crude oil prices to gradually increase in 2017

ICE Brent crude oil prices have traded at a narrow range around the \$55 per barrel (p/b) level since OPEC and non-OPEC members agreed in November 2016 to cut their oil production in order to reduce the excess supply in the market. The global oil market remains oversupplied and oil prices failed to increase above \$60 p/b mainly due to a stronger US dollar and to concerns that rising U.S. crude oil inventories and an increase in U.S. shale oil production would offset the OPEC and non-OPEC members' coordinated efforts to reduce oil production. The US dollar has strengthened after the U.S. Federal Reserve said that it would probably increase interest rates during its upcoming meeting on March 15, 2017. In parallel, oil prices dropped by 2% from the end of 2016 to close at \$55.8 p/b on February 15, 2017, amid rising concerns that OPEC producers would not be able to maintain their high compliance with the 2016 deal. In fact, Iraq's weak compliance could prove problematic to the deal, as other members will have to further reduce their production in order to meet the overall goal for the first half of 2017. Brent oil prices are projected to average \$55.2 p/b in the first quarter, \$57.34 p/b in the second quarter, \$59 p/b in the third quarter and \$60.1 p/b in the fourth quarter of 2017. Overall, oil prices are expected to average \$58.01 p/b this year relative to an average of \$45.1 p/b in 2016.

Source: Thomson Reuters, CNBC, Byblos Research

## Middle East's demand for gold bars and coins down 71% in 2016

The Middle East region's demand for gold bars and coins totaled 18.1 tons in 2016, constituting a drop of 71% from 62.2 tons in 2015. Demand for gold bars and coins from Saudi Arabia reached 10.8 tons in 2016 and represented a drop of 27.5% from the preceding year. It was followed by demand from the UAE with 6 tons (-31%), from Egypt with 2.7 tons (-45.1%) and from Kuwait with 0.7 tons (-18%).

Source: World Gold Council, Byblos Research

## Egypt's arrears to IOCs at \$3.5bn

The Egyptian Ministry of Petroleum expects to put in place a schedule in the near term to repay arrears due to international oil and gas companies (IOCs). It said that the state-owned Egyptian General Petroleum Company's arrears to IOCs stood at \$3.5bn at the end of 2016, compared to \$3.6bn at end-September 2016 and to around \$6bn at the end of 2014. Also, the Egyptian General Petroleum Company plans to avoid the accumulation of new arrears, and has pledged to pay the arrears owed to IOCs by the end of June 2019.

Source: Egyptian General Petroleum Company

## OPEC's oil basket price up 1.4% in January 2017

The oil reference basket price of the Organization of the Petroleum Exporting Countries (OPEC) reached \$52.4 per barrel (p/b) in January 2017, up by 1.4% from \$51.67 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$55.97 p/b in January 2017, followed by Nigeria's Bonny Light at \$54.98 p/b and Algeria's Saharan Blend at \$54.84 p/b. One out of the 13 oil prices included in the OPEC reference basket posted a month-on-month decrease in January 2017, while the remaining prices showed monthly increases.

Source: OPEC, Byblos Research

COUNTRY RISK WEEKLY BULLETIN

## Base Metals: Aluminum Prices to rise in 2017

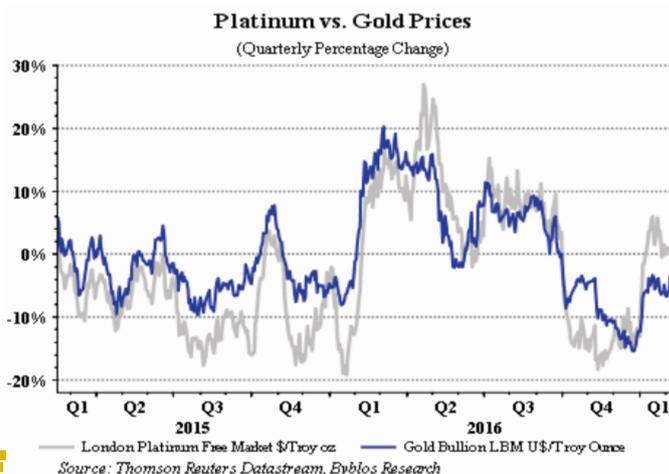
The London Metal Exchange Aluminum 3-month future prices closed at a 21-month high of \$1,913 a ton on February 15, 2017, constituting an increase of 5.2% from the end of January 2017 and of 13% from the end of 2016. The rise in prices reflects renewed concerns about potential closures of Chinese smelters in order to cut pollution, as protests continued against the construction of an aluminum processing plant in northeast China. The closure of the smelters would result in a 17% reduction in China's annual aluminum output. The higher aluminum prices have also been supported by a 2.6% year-on-year rise in China's exports of aluminum products in January 2017, as well as a 68.2% increase in U.S. aluminum imports, excluding those from Canada, in full year 2016. In addition, aluminum prices are projected to rise from an average \$1,610.7 a ton in 2016 to \$1,695 a ton in 2017, reflecting additional aluminum supply cuts in China as well as increased demand for the metal in the automotive and real estate sectors this year. In parallel, global aluminum production is expected to increase by 5% to 61 million tons in 2017, while global consumption for the metal is projected to increase by 4.2% to 61.5 million tons this year. The Bloomberg Industrial Metals Total Return Sub-Index declined by 6.9% in January 2017, while the Aluminum Sub-Index decreased by 6.8% from end-2016.

Source: Thomson Reuters, Bloomberg Indexes, Byblos Research

## Precious Metals: Weaker demand in automotive sector to weigh on platinum demand

Platinum prices closed at \$992 a troy ounce on February 15, 2017, constituting a rise of 10.5% from \$898 an ounce at the end of 2016, supported by heightened geopolitical uncertainties about the U.S. Administration's protectionist policies. Further, prices are projected to increase from an average of \$987.7 an ounce in 2016 to \$1,008 an ounce in 2017 and to \$1,050 an ounce in 2018, due to expectations of a deterioration in supply from South Africa, the world's largest producer of platinum. In parallel, the metal's global consumption is expected to decline by 2020 due to subdued demand for platinum jewelry and auto catalysts. In fact, demand for diesel-powered vehicles, which account for around 50% of the world's platinum demand, is forecast to decline by 46% by 2020. In turn, this would lead to decreases of 152,000 ounces in platinum demand in 2018 and of 163,000 ounces in the metal's consumption in 2020. As a result, the platinum market is forecast to remain oversupplied in coming years.

Source: Standard Chartered, Thomson Reuters



February 16, 2017

# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
<b>Africa</b>													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B	-	B+	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B	B1	B+	-	B+	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	B+	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
<b>Middle East</b>													
Bahrain	BB-	Ba2	BB+	BB+	BBB-	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB-	BB-	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B-	(P)Caa1	B-	-	CC+	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB-	B1	-	BB-	BB+	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B-	B2	B-	B	B-	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB	Baa1	BBB	A-	BBB	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A-	A1	AA-	A+	AA-	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC	-10.0	67.3	17.3	-	-	197.2	-7.0	-0.2

# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	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-	-4.1	48.5	78.6	168.2	23.6	612.8	-4.3	3.8
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.2	47.5	22.4	111.9	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-4.0	22.1	151.2	325.8	33.6	824.6	-4.0	3.5
	Negative	CWN***	Stable	-	Negative								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa2	BBB-	-	BBB	-1.5	33.5	88.9	117.6	28.0	236.3	3.4	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.9	42.9	53.0	121.9	14.4	224.0	1.1	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.1	13.6	37.9	114.5	19.6	150.3	4.9	-1.7
	Negative	CWN***	Negative	-	Negative								
Turkey	BB	Ba1	BB+	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Negative	Stable	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-4.2	69.9	127.1	235.3	22.4	663.6	0.4	1.1
	Negative	Negative	-	-	Stable								

\*to official creditors

\*\* external debt/current account receipts

\*\*\*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 2016



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.50-0.75	01-Feb-17	No change	15-Mar-17
Eurozone	Refi Rate	0.00	01-Feb-17	No change	09-Mar-17
UK	Bank Rate	0.25	02-Feb-17	No change	16-Mar-17
Japan	O/N Call Rate	-0.10	31-Jan-17	No change	16-Mar-17
Australia	Cash Rate	1.5	07-Feb-17	No change	07-Mar-17
New Zealand	Cash Rate	1.75	09-Feb-17	No change	23-Mar-17
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Dec-16	No change	17-Mar-17
Canada	Overnight rate	0.50	20-Jan-17	No change	01-Mar-17
<b>Emerging Markets</b>					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.00	01-Feb-17	No change	15-Mar-17
Taiwan	Discount Rate	1.375	22-Dec-16	No change	24-Mar-17
South Korea	Base Rate	1.25	14-Jan-17	No change	23-Feb-17
Malaysia	O/N Policy Rate	3.00	19-Jan-17	No change	02-Mar-17
Thailand	1D Repo	1.50	08-Feb-17	No change	29-Mar-17
India	Reverse repo rate	6.25	08-Feb-17	No change	06-Apr-17
UAE	Overnight repo rate	1.25	17-Dec-15	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	0.75	15-Dec-16	Raised 25bps	N/A
Egypt	Overnight Deposit	14.75	27-Jan-17	No change	16-Feb-17
Turkey	Base Rate	8.00	24-Jan-17	No change	16-Mar-17
South Africa	Repo rate	7.00	24-Jan-17	No change	30-Mar-17
Kenya	Central Bank Rate	10.00	30-Jan-17	No change	21-Mar-17
Nigeria	Monetary Policy Rate	14.00	24-Jan-17	No change	21-Mar-17
Ghana	Prime Rate	25.50	20-Jan-17	No change	27-Mar-17
Angola	Base rate	16.00	31-Jan-17	No change	27-Feb-17
Mexico	Target Rate	6.25	09-Feb-17	Raised 50bps	30-Mar-17
Brazil	Selic Rate	13.00	20-Jan-17	Cut 75bps	22-Feb-17
Armenia	Refi Rate	6.00	14-Feb-17	Cut 25bps	28-Mar-17
Romania	Policy Rate	1.75	07-Feb-17	No change	31-Mar-17
Bulgaria	Base Interest	0.00	01-Feb-17	No change	01-Mar-17
Kazakhstan	Repo Rate	12.00	09-Jan-16	No change	20-Feb-17
Ukraine	Discount Rate	14.00	26-Jan-17	No change	02-Mar-17
Russia	Refi Rate	10.00	03-Feb-17	No change	24-Mar-17



Economic Research & Analysis Department  
Byblos Bank Group  
P.O. Box 11-5605  
Beirut - Lebanon  
Tel: (+961) 1 338 100  
Fax: (+961) 1 217 774  
E-mail: [research@byblosbank.com.lb](mailto:research@byblosbank.com.lb)  
[www.byblosbank.com](http://www.byblosbank.com)

---

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



---

# BYBLOS BANK GROUP

---

## LEBANON

---

Byblos Bank S.A.L  
Achrafieh - Beirut  
Elias Sarkis Avenue - Byblos Bank Tower  
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon  
Phone: (+ 961) 1 335200  
Fax: (+ 961) 1 339436

## SYRIA

---

Byblos Bank Syria S.A.  
Damascus Head Office  
Al Chaalan - Amine Loutfi Hafez Street  
P.O.Box: 5424 Damascus - Syria  
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4  
Fax: (+ 963) 11 3348205  
E-mail: byblosbanksyria@byblosbank.com

## IRAQ

---

Erbil Branch, Kurdistan, Iraq  
Street 60, Near Sports Stadium  
P.O.Box: 34 - 0383 Erbil - Iraq  
Phone: (+ 964) 66 2233457/8/9 - 2560017/9  
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq  
Salem street, Kurdistan Mall - Sulaymaniyah  
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq  
Al Karrada - Salman Faeq Street  
Al Wahda District, No. 904/14, Facing Al Shuruk Building  
P.O.Box: 3085 Badalat Al Olwiya - Iraq  
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2  
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq  
Intersection of July 14th, Manawi Basha Street, Al Basra - Iraq  
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919  
E-mail: basrabranch@byblosbank.com.lb

## UNITED ARAB EMIRATES

---

Byblos Bank Abu Dhabi Representative Office  
Intersection of Muroor and Electra Streets  
P.O.Box: 73893 Abu Dhabi - UAE  
Phone: (+ 971) 2 6336050 - 2 6336400  
Fax: (+ 971) 2 6338400  
E-mail: abudhabirepoffice@byblosbank.com.lb

## ARMENIA

---

Byblos Bank Armenia CJSC  
18/3 Amiryan Street - Area 0002  
Yerevan - Republic of Armenia  
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296  
E-mail: infoarm@byblosbank.com

## CYPRUS

---

Limassol Branch  
1, Archbishop Kyprianou Street, Loucaides Building  
P.O.Box 50218  
3602 Limassol - Cyprus  
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139  
E-mail: byblosbankcyprus@byblosbank.com.lb

## BELGIUM

---

Byblos Bank Europe S.A.  
Brussels Head Office  
Rue Montoyer 10  
Bte. 3, 1000 Brussels - Belgium  
Phone: (+ 32) 2 551 00 20  
Fax: (+ 32) 2 513 05 26  
E-mail: byblos.europe@byblosbankeur.com

## UNITED KINGDOM

---

Byblos Bank Europe S.A., London Branch  
Berkeley Square House  
Berkeley Square  
GB - London W1J 6BS - United Kingdom  
Phone: (+ 44) 20 7518 8100  
Fax: (+ 44) 20 7518 8129  
E-mail: byblos.london@byblosbankeur.com

## FRANCE

---

Byblos Bank Europe S.A., Paris Branch  
15 Rue Lord Byron  
F- 75008 Paris - France  
Phone: (+33) 1 45 63 10 01  
Fax: (+33) 1 45 61 15 77  
E-mail: byblos.europe@byblosbankeur.com

## SUDAN

---

Byblos Bank Africa  
Khartoum Head Office  
Intersection of Mac Nimer and Baladiyya Streets  
P.O.Box: 8121 - Khartoum - Sudan  
Phone: (+ 249) 1 56 552 222  
Fax: (+ 249) 1 56 552 220  
E-mail: byblosbankafrica@byblosbank.com

## NIGERIA

---

Byblos Bank Nigeria Representative Office  
161C Rafu Taylor Close - Off Idejo Street  
Victoria Island, Lagos - Nigeria  
Phone: (+ 234) 706 112 5800  
(+ 234) 808 839 9122  
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

## DEMOCRATIC REPUBLIC OF CONGO

---

Byblos Bank RDC S.A.R.L  
Avenue du Marché No. 4  
Kinshasa-Gombe, Democratic Republic of Congo  
Phone: (+ 243) 81 7070701  
(+ 243) 99 1009001  
E-mail: byblosbankrdc@byblosbank.com

## ADIR INSURANCE

---

Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293

