

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Healthcare expenditures at \$8.7 trillion by 2020

Deloitte projected global healthcare spending at \$8.73 trillion in 2020, which would reflect a compound annual growth rate (CAGR) of 4.3% from \$7.08 trillion in 2015. It attributed the rise in expenditures to improving treatments in therapeutic areas, rising labor costs, increased life expectancy, as well as to growing prevalence of chronic diseases. It estimated that about 50% of global healthcare expenditures would be spent on cardiovascular, cancer and respiratory diseases by 2020. It forecast global healthcare spending at 10.5% of GDP by 2020, nearly unchanged from 10.4% of GDP in 2015. Further, Deloitte forecast healthcare spending in North America at \$4.1 trillion in 2020, or 46.8% of global healthcare expenditures, followed by Western Europe at \$2 trillion (23%), Asia & Australasia at \$1.96 trillion (22.5%), Latin America at \$400.5bn (4.6%), transition economies at \$246.1bn (2.8%) and the Middle East & Africa at \$139bn (1.6%). Also, it expected healthcare expenditures in transition economies to grow at a CAGR of 7.5%, followed by Asia & Australasia (+5%), North America (+4.3%), the Middle East & Africa (+4.2%), Western Europe (+4%) and Latin America (+2.4%). In parallel, Deloitte noted that it could be difficult for public healthcare systems to sustain the current levels of services and affordability due to infrastructure challenges. It added that countries have resorted to cost-containment measures, which include leveraging private health plans to improve healthcare provision, reducing the burden on public healthcare systems, and the consolidation of hospitals.

Source: Deloitte

Trade indicator signals moderate trade momentum in first quarter of 2017

The World Trade Outlook Indicator (WTOI) reached 102 points in November 2016, up from 100.9 points in August 2016, which points to a strengthening of trade activity in the first quarter of 2017. The WTOI, which is a composite of six key trade-related components, is a leading indicator that provides real time information on the trajectory of world trade relative to recent trends. The WTOI anticipates the trend of world merchandise trade volume, which means that the November 2016 figure is indicative of the trade trajectory in the first quarter of 2017. A score of more than 100 points indicate that growth in global trade is above the medium-term trend. Most of the WTOI components improved in November 2016 and posted above trend growth. The International Air Freight Index rose from 103.2 points to 105.8 points in November 2016, the Automobile Production & Sales Index increased from 99.6 points previously to 103.1 points, the Export Orders Index reached 102.2 points in November 2016, up from 101.8 points in August 2016, and the Container Port Throughput recovered from 99.3 points to 101 points in November. Also, the Agricultural Raw Materials Index regressed from 103.1 points to 99.2 points in November 2016, and the Electronic Components Index decreased from 100.4 points to 99 points in November 2016, reflecting below trend growth for the two sectors.

Source: World Trade Organization

Corporate debt of \$9.6 trillion maturing in 2017-21

S&P Global Ratings estimated that \$9,594bn in corporate debt worldwide would mature between 2017 and 2021, constituting a 1% increase from \$9.5 trillion that would mature between 2016 and 2020. It noted that the strength of the US dollar against major currencies has prevented a more pronounced increase in maturing debt. It added that \$1,800bn in corporate debt is due in 2017, \$1,811bn in 2018, \$1,974bn in 2019, \$1,992bn in 2020 and \$2,016bn in 2021. The U.S. has \$4,207bn in maturing debt during the 2017-21 period or 43.8% of the total; followed by Europe with \$3,684bn (38.4%), other developed countries with \$1,036bn (10.8%) and emerging markets with \$667bn (7%). Further, investment grade corporate debt that matures during the 2017-21 period totals \$7,418bn or 77.3% of maturing corporate debt. In parallel, non-financial corporate debt that matures during the 2017-21 period totals \$5,655bn and accounts for 58.9% of the debt that matures during the covered period. Maturing corporate debt in consumer products totals \$586bn and accounts for 10.4% of total non-financial maturing corporate debt, followed by the telecommunications sector with \$522bn (9.2%), utilities with \$493bn (8.7%), high tech with \$482bn (8.5%) and the healthcare sector with \$464bn (8.2%). S&P expected current credit conditions and issuance levels to be sufficient for companies to manage corporate debt maturities through 2021.

Source: S&P Global Ratings

MENA

Economic freedom deteriorates in Arab countries

The Heritage Foundation/Wall Street Journal Index of Economic Freedom for 2017, a broad indicator of economic freedom in 180 countries, shows that economic freedom in 15 Arab countries deteriorated from the 2016 survey. The region's level of economic freedom stood at 59.8% in 2017 compared to the global average level of 60.9%. The Arab average level of economic freedom decreased by 2.5 percentage points from 62.3% on the 2016 index, mainly due to the inclusion of Sudan in the 2017 index. The region's economic freedom level becomes 60.5% in 2017 when excluding Sudan, reflecting a drop of 1.8 percentage points from the 2016 index. The GCC countries had an average score of 68.4% on the 2017 index, while non-GCC Arab countries posted an average of 54%. The index evaluates individual economies on the basis of 12 equally-weighted broad factors of economic freedom. The rankings of four Arab countries improved and 10 declined, while the level of economic freedom improved in five countries and regressed in nine Arab economies. The UAE is the eighth freest economy in the world and is the only Arab country to rank among the top 20 worldwide. Qatar followed in 29th place, then Bahrain (44th) and Jordan (53rd). In contrast, Sudan (164th), Djibouti (171st) and Algeria (172nd) are the lowest ranked regional economies. Two Arab economies came in the "mostly free" category, six countries had economies that were "moderately free", four were "mostly unfree" and three were "repressed" economies. The economy of Bahrain was downgraded to the "moderately free" category from the "mostly free", while the economies of Algeria and Djibouti were downgraded to the "repressed" category from the "mostly unfree" category.

Source: Heritage Foundation, Byblos Research

OUTLOOK

AFRICA

Favorable medium-term economic prospects

The International Monetary Fund indicated that the member countries of the West African Economic and Monetary Union (WAEMU) have a favorable medium-term outlook, as it projected real GDP growth to average about 6% annually in coming years. But it pointed out that downside risks to the outlook are significant and include global uncertainties, slippage in fiscal consolidation plans, slow implementation of structural reforms, as well as a sustained decline in global cocoa prices. It said that local authorities have repeatedly postponed planned fiscal consolidation in recent years and that most member countries are still increasing public investments. It anticipated that continued delays in fiscal reforms would further raise the public debt level, which would increase risks of debt distress and reduce foreign currency reserves. Also, it noted that the slow implementation of key structural reforms would weigh on private sector activity and, in turn, on overall economic activity. In this context, the Fund called on WAEMU economies to stick to their planned fiscal consolidation, which includes narrowing their respective fiscal deficits to 3% of GDP by 2019, in line with the WAEMU convergence criteria. The Fund indicated that reserve coverage declined to 3.7 months of imports at the end of 2016 and that authorities would need to further tighten monetary policy in case external reserves continue to deteriorate.

In parallel, the IMF considered that the decision of the Central Bank of West African States to increase its credit facility rate by 100 basis points and to tighten access to the refinancing window would encourage banks to reconsider their risk policy and to strengthen their capital. Further, it welcomed the WAEMU council of ministers' decision to adopt an ambitious set of regulatory reforms to modernize the financial sector, including the introduction of Basel II and III capital standards, and of consolidated supervision of cross-border banks.

Source: International Monetary Fund

MENA

Real GDP growth of oil importers to accelerate on improved confidence and investment

The Institute of International Finance projected real GDP growth in the Arab oil-importing economies to accelerate from 2.8% in 2016 to 3.3% in 2017 and 4% in 2018. It attributed the acceleration to the expected de-escalation of regional conflicts, increased demand from advanced economies and progress in the implementation of reforms, which would improve private sector confidence and increase investments and exports. But it considered that the region's growth rates in coming years would be too low to effectively address the persistently high unemployment rates and socioeconomic disparities. It anticipated that a return to a growth rate of about 5% to 6% over the medium term would be contingent on the implementation of deeper structural reforms that would help strengthen private investment. The IIF expected Egypt's real GDP growth to decelerate from 3.7% in the fiscal year that ended in June 2016 to 3.3% in FY2016/17, due to the adverse impact on the economy of the liberalization of the Egyptian pound and of tighter monetary and fiscal policies. It projected growth to rebound to 4.6% in FY2017/18 due to the recovery in

investment and exports. Further, it forecast Tunisia's economic growth to accelerate from 1.2% in 2016 to 3.6% in 2017 as agricultural production recovers and non-agricultural growth improves slightly from stronger external demand. In addition, it anticipated Morocco's economic activity to accelerate from 1.2% in 2016 to 3.6% in 2017, due to a strong rebound in agricultural production. It forecast Jordan's real GDP growth rate to increase from 2.7% last year to 3.2% this year, supported by investments and solid private consumption. Also, it projected Lebanon's economic growth at 3% in 2017 compared to 1.4% last year, as the recent positive political developments would improve confidence and support private investment and exports.

Further, the IIF indicated that the fiscal deficits and public debt levels remain wide and elevated in Egypt, Jordan and Lebanon. It expected the aggregate foreign currency reserves of the Arab oil-importing economies, excluding Egypt, to increase from \$87.9bn at the end of 2016 to \$91.6bn at end-2017.

In parallel, the IIF pointed out that the risks to the outlook of Arab oil-importing economies include worsening security conditions and a slower implementation of reforms, which could weigh on tourism activity, private investment and macroeconomic stability.

Source: Institute of International Finance

IRAN

Growth dependent on deeper reforms

The Institute of International Finance projected Iran's real GDP to grow by 5.2% in the fiscal year that ends in March 2017, following a contraction of 0.9% in FY2015/16, supported by a surge in hydrocarbon exports and private investments following the lifting of economic sanctions in early 2016. It expected economic growth to decelerate to 3% in FY2017/18 as oil production would reach its maximum capacity and non-oil growth would remain modest in the absence of a significant recovery in foreign investment. It forecast non-hydrocarbon activity to grow by 2.5% in FY2016/17 and 2.4% in FY2017/18 following a contraction of 1.7% in FY2015/16; while it expected hydrocarbon output to expand by 23% in FY2016/17 and by 6% in FY2017/18 relative to a growth rate of 3.8% in FY2015/16. Further, it indicated that the spread between the official and the black market exchange rates has widened to 25% since last November.

In parallel, the IIF projected the public debt level to increase from 21% of GDP in FY2016/17 to 24.6% of GDP in FY2017/18, as the government clears its liabilities and recapitalizes banks. Further, it forecast the current account surplus to improve from 2.7% of GDP in FY2016/17 and 3.2% of GDP in FY2017/18 due to rising exports and a gradual recovery in global oil prices. It expected official reserves to rise from \$116bn at the end of March 2017 to \$122bn at end-March 2018.

The IIF pointed out that authorities need to implement deeper reforms, such as improving the business environment and reducing corruption, in order to achieve sustained higher annual growth rates of between 5% and 6%, and to reduce the elevated unemployment rate of about 15%. It noted that the energy sector requires at least \$100bn in investments over the next five years in order to make up for under-investments during the past decade.

Source: Institute of International Finance



ECONOMY & TRADE

GCC

Agencies take action on sovereign ratings

Capital Intelligence Ratings (CI) downgraded Oman's long-term foreign and local currency ratings from 'A-' to 'BBB+', and revised the outlook from 'negative' to 'stable'. It attributed the downgrade to the continued deterioration in the country's fiscal and external balances, the rapid increase of the public debt level, as well as to declining fiscal buffers. Also, it said that the downgrade reflects its expectations of delays in the implementation of fiscal consolidation measures and reforms. CI projected Oman's fiscal deficit to average about 9% of GDP annually during the 2017-18 period in case global oil prices recover and authorities commit to fiscal consolidation, such as cutting subsidies and raising corporate tax rates. It said that risks to the fiscal outlook are considerable, and include risks of slippage on some reforms and lower-than-expected oil prices. It estimated the government's financing needs at 25% of GDP in 2016, up from 2% of GDP in 2014, and expected them to remain significantly high over the short-to-medium term. In addition, it estimated the public debt level to have increased from 14.5% of GDP in 2015 to 30% of GDP in 2016, and expected it to exceed 33% of GDP by 2018. Further, CI estimated Oman's current account deficit at 17.6% of GDP in 2016 and anticipated it to remain in double digits in the short-to-medium term. However, it pointed out that Oman continues to be a net external creditor, with official foreign assets at around 49% of GDP and exceeding the stock of external debt. In parallel, Fitch Ratings affirmed at 'BB+' Bahrain's long-term foreign and local currency Issuer Default Rating, with a 'stable' outlook. It indicated that the ratings are constrained by widening fiscal deficits, a high debt level, high dependence on hydrocarbon revenues, and domestic political tensions.

Source: Capital Intelligence Ratings, Fitch Ratings

ALGERIA

Social considerations limit scope for reforms

Citi indicated that the Algerian government has started to outline a new economic policy in 2016 in order to prevent foreign currency reserves from falling significantly below the \$100bn level. It noted that Algeria has been able to partially delay fiscal measures since June 2014 by drawing down from savings held in the oil stabilization fund and from foreign currency reserves. It added that authorities plan to diversify the economy and increase non-hydrocarbon revenues. It considered that Algeria has plenty of scope to remove some of its subsidies, given their high level. Further, it pointed out that public investment in Algeria is very high, but it noted that capital spending is among the most inefficient in the world, with limited impact on economic growth. As such, it indicated that authorities could cut capital spending without an adverse impact on economic activity, and could make it more focused and targeted to support economic sectors. Also, it noted that the country has significant agricultural potential, which means that additional reforms that target the sector could support economic activity. However, Citi said that the prospects of more rapid economic reforms, especially to reduce the public-sector wage bill, are limited, as authorities aim to preserve political and social stability. Further, Citi considered that Algeria could tap international markets in coming years, given that its external debt level stood at 3% of GDP at end-2016.

Source: Citi

GHANA

Fiscal slippage intensifies downside risks

Fitch Ratings indicated that Ghana's disclosure of unreported expenditures and the resulting inability to reach the 2016 fiscal deficit target constitute a substantial downside risk to the country's public finances. It attributed the fiscal slippage to weak public revenues and higher-than-anticipated spending. It noted that the budget deficit has widened beyond the set target due to newly discovered expenditures and undisclosed arrears of about GHS7bn, or \$1.6bn, at government ministries. It added that technical difficulties at Ghana's Jubilee oil field have also contributed to lower fiscal receipts. As such, it noted that the public debt level increased to about 74% of GDP at the end of 2016 compared to its previous estimate of 69% of GDP. It said that measures such as increased value added tax, a petroleum tax, and stronger payroll controls have caused the country's fiscal deficit to narrow from 10.2% of GDP in 2014 to 6.3% of GDP in 2015. It expected the newly-formed government to re-launch fiscal consolidation efforts that would reduce the budget deficit in 2017. But it considered that the government's main challenges include the enforcement of spending controls at the ministries and improving revenue collection. It indicated that authorities announced plans to rationalize public spending, strengthen contract management and realign statutory funds to priority projects. In parallel, it expected the IMF's Extended Credit Facility to act as a policy anchor for Ghana and to support the country's sovereign ratings.

Source: Fitch Ratings

UAE

Insurance sector faces intermediate industry and country risks

S&P Global Ratings assessed as "intermediate" the industry and country risk levels for the property and casualty (P/C) insurance sector in the UAE. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P indicated that the country risk assessment reflects economic, political and financial system risks, as well as the payment culture and rule of law. It noted that the UAE's wealthy and diverse economy has been a strong driver behind the development of the P/C insurance market. It expected the financial stability of the banking sector and of insurers to improve, supported by the UAE Central Bank's plans to phase in Basel III capital and liquidity standards, and the implementation of new insurance regulations. Also, it considered the payment culture and rule of law in the UAE to be "adequate". In parallel, it said that the industry risk assessment takes into account several insurance-specific factors, such as the sector's profitability, barriers to entry and market growth prospects. It expected the insurance sector's earnings to improve modestly in 2017 and 2018, as new risk-based regulations are introduced with a greater focus on actuarial pricing. Further, it considered as "low" the potential for product risks to trigger extreme earnings volatility, reflecting the sector's low exposure to P/C natural catastrophe claims and unpredictable settlement risks. In parallel, it said that the UAE's P/C market growth prospects are "positive", and expected premiums to grow by about 10% over the next two years. Finally, it assessed the development of the sector's institutional framework as "weak".

Source: S&P Global Ratings

BANKING

JORDAN

Resident private sector lending up 10% in 2016

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD48.4bn or \$68.2bn at the end of 2016, constituting an increase of 2.7% from the end of 2015. Resident private sector claims grew by 10.1% from end-2015 to JD20.6bn, while credit facilities to the non-resident private sector expanded by 0.6% to JD479.8m, leading to an increase of 9.9% in overall private sector credit facilities in 2016. Lending to the resident private sector accounted for 42.5% of total assets at end-2016 compared to 39.6% a year earlier. In parallel, resident private sector deposits reached JD27bn at the end of 2016, up by 4.5% from JD25.8bn at end-2015; while non-resident private sector deposits fell by 15% from end-2015 to JD3.1bn. The government's deposits totaled JD1.13bn, down by 12.6% from end-2015, and those of public non-financial institutions decreased by 8.3% to JD323m. In parallel, claims on the public sector accounted for 22.9% of total assets at end-2016 compared to 24.4% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD6bn or \$8.5bn, down by 18% from JD7.4bn at end-2015; while capital accounts and allowances rose by 2.2% year-on-year to JD7.3bn at the end of 2016. Also, deposits with foreign banks reached JD3.9bn, or \$5.55bn, at the end-2016, up by 20.8% from end-2015; while the sector's foreign liabilities decreased by 3.6% year-on-year to JD6.4bn at the end of 2016.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Egyptian pound to stabilize in 2017

Regional investment bank EFG Hermes indicated that the Egyptian pound is slowly stabilizing following the Central Bank of Egypt's decision to float the currency in November 2016, due to increased capital inflows and a gradual clearing of foreign currency backlogs. It said that the banking sector attracted \$9bn in inflows between November 2016 and January 2017, driven by de-dollarization and the migration of foreign currency liquidity to official channels. In addition, it pointed out that the successful Eurobond issue in January reassured investors of the positive outlook on the pound, and increased foreigners' holdings of government debt to more than \$2bn by mid-February from nearly zero over the past years. The pound has been appreciating from EGP18.8 against the US dollar at the start of February 2017 to EGP15.8 on February 21, 2017, relative to a peak of EGP19.3 on December 20, 2016, supported by the positive developments. EFG anticipated the pound to continue to appreciate during the remainder of 2017. However, it estimated that the currency appreciation could have been stronger if portfolio inflows entered directly to the market rather than through the repatriation mechanism to the CBE's account. Further, it expected the pound to trade largely at between EGP17 and EGP18 per dollar throughout 2017, as the appreciation of the pound would be balanced by the remaining dollar backlogs, higher demand for foreign currency, as well as by the lifting of prevailing capital controls in June 2017. In contrast, it said a recovery in tourism activity and higher portfolio inflows and outside of the CBE's repatriation mechanism would lead to the further appreciation of the pound.

Source: EFG Hermes, Byblos Research

NIGERIA

Agency affirms ratings of 10 banks and revises outlook on four banks

Fitch Ratings affirmed at 'B+' the long-term Issuer Default Ratings (IDRs) of Guaranty Trust Bank (GTB) and Zenith Bank (Zenith), at 'B' the long-term IDRs of Access Bank and United Bank for Africa, and at 'B-' the long-term IDRs of Diamond Bank (Diamond), Fidelity Bank, First Bank of Nigeria (FBN) and its holding company FBN Holdings (FBNH), First City Monument Bank, Union Bank and Wema Bank. It revised the outlook from 'stable' to 'negative' on the long-term IDRs of Zenith and GTB due to a similar action on Nigeria's sovereign ratings. It also changed from 'stable' to 'negative' the outlook on the long-term IDRs of Diamond, FBN and FBNH due to their weaker financial profiles. It kept the outlook at 'stable' on the remaining banks' ratings. It indicated that all IDRs are in the 'B' range, which reflects weaker credit profiles due to the challenging macroeconomic environment and market volatility. It said that banks face a low oil price environment, subdued economic activity, uncertainty in policy-making, pressure on the Nigerian naira and shortages of foreign currency. Further, it indicated that tight foreign currency liquidity conditions, a deterioration in the banks' asset quality and the banks' limited capital buffers continue to weigh on the stand-alone creditworthiness of Nigerian banks. It estimated that additional depreciation of the currency would negatively affect the banks' capital ratios.

Source: Fitch Ratings

GHANA

Sustained currency depreciation to weigh on banks' asset quality and capitalization

Moody's Investors Service indicated that the depreciation pressure on the Ghanaian cedi increased following the government's announcement of about \$1.6bn, or 3.9% of GDP, in undisclosed arrears for the 2014-16 period. The cedi traded at GHS4.39 against the US dollar on February 2nd, one day after the announcement, and reached GHS4.54 per dollar on February 21, 2016, the weakest rate in decades, compared to GHS4.37 per dollar at the end of January 2016 and GHS4.27 at end-2016. The agency considered that a sustained depreciation of the currency is credit negative for Ghanaian banks, as it would negatively affect their asset quality and capital ratios. It indicated that foreign currency loans accounted for 30% of total lending at the end of June 2016, and that some of these loans were extended to borrowers that do not generate revenues in foreign currency. As such, it noted that a weaker cedi would require higher revenues in local currency to meet the repayment of foreign currency-denominated loans. In addition, it said that importers would not be able to pass through the increased costs from a weaker cedi to their clients, which would negatively affect their cashflow and, in turn, their ability to meet their obligations to banks. It indicated that the banking sector's non-performing loans ratio reached 17.4% at the end of 2016. In parallel, Moody's estimated that a 10% depreciation of the cedi would reduce the banks' capital adequacy ratios, which reached 17.6% at the end of 2016, by 100 basis points.

Source: Moody's Investors Service, Byblos Research



ENERGY / COMMODITIES

Global oil market volatility to resurface in second quarter of 2017

ICE Brent crude oil front-month prices have averaged \$55.7 per barrel (p/b) so far in 2017 and WTI oil prices have averaged \$53 p/b in the covered period, reflecting price levels at about 2% below those reached at end-2016. Jadwa Investment indicated that oil prices have been more stable so far this year compared to the same period of 2016, with Brent oil prices trading at around \$55 p/b, mainly due to OPEC and non-OPEC members' coordinated efforts to reduce oil production by 1.8 million barrels per day, or 2% of global oil supply, during the first half of 2017. However, it anticipated oil price volatility to re-emerge during the second quarter of 2017, as oil markets continue to face increased risks related to the compliance of OPEC and non-OPEC members to production cuts, to policy initiatives of the new U.S. Administration, and to increases in U.S. oil production. It noted that the new U.S. Administration could significantly impact the oil market in the coming months, given that it is expected to take decisions on major global issues that could directly impact the global oil market. These issues include building and expanding two oil pipelines in the U.S., the implementation of border taxes on imported crude oil, as well as the risk of sanctions being re-imposed on Iran. Also, Jadwa considered that the uncertain outlook on the US dollar would add to oil price volatility in the near term, given the dollar's negative correlation to crude oil prices. Overall, Jadwa expected Brent oil prices to average \$55 p/b in 2017 relative to an average price of \$45.1 p/b in 2016.

Source: Jadwa Investment, Byblos Research

Nigeria's hydrocarbon receipts down 49% in 2016

Nigeria's crude oil and condensate export receipts totaled \$2.4bn in 2016, constituting a drop of 49.4% from \$4.74bn in 2015. Export revenues in the covered period consisted of \$1.4bn from crude oil exports (58.8%), \$837.7m from gas exports (34.9%) and \$150.2m in other receipts (6.3%). In parallel, hydrocarbon receipts reached \$175m in December 2016, up 7.8% from \$162.4m in November. The authorities used all of the hydrocarbon revenues to pay international oil companies and have not transferred any funds to the Federation Account in December 2016.

Source: Nigerian National Petroleum Corporation

Consumer demand for gold in the Middle East down 27% in 2016

The Middle East region's demand for gold, which includes demand for jewelry and bars & coins, totaled 211.2 tons in 2016, down by 27.4% from 291 tons in 2015, and equivalent to about 7% of global consumer demand for the precious metal. Demand for gold in Saudi Arabia was 67.2 tons in 2016 and represented 31.8% of the region's total demand. It was followed by the UAE with 49 tons (23.2%) and Iran with 36.6 tons (17.4%).

Source: World Gold Council, Byblos Research

OPEC's oil output down 3% in January 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 32.14 million b/d in January 2017, down by 2.7% from 33 million b/d in the previous month. Saudi Arabia produced 9.95 million b/d in January, or 31% of OPEC's total oil output, followed by Iraq with 4.48 million b/d (14%) and Iran with 3.78 million b/d (11.7%).

Source: OPEC, Byblos Research

Base Metals: Steel prices to rise in 2017 on higher U.S. demand

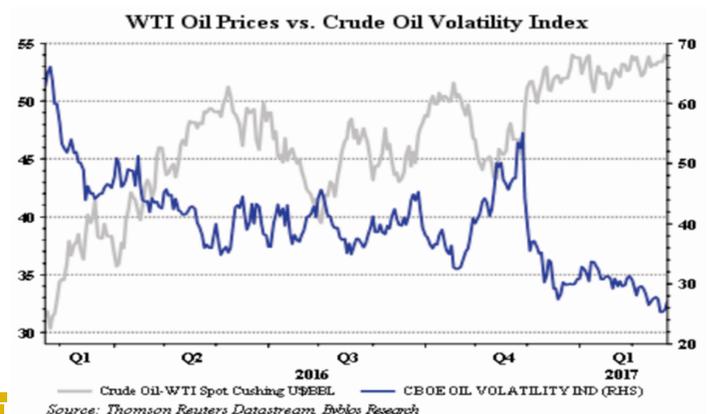
LME steel billet cash prices averaged \$235 per ton in 2016, down by 8% from \$255 a ton in 2015, and constituting the lowest annual average since 2013. Steel billet prices averaged \$312.5 a ton so far in 2017 and are expected to increase during the remainder of the year, due to higher demand for the metal in the U.S., given President Donald Trump's plan to invest in the country's infrastructure. The expected increase in steel prices would also reflect anticipated disruptions in the metal's supply in China, the world's top steel producer, as it continues to combat air pollution. In parallel, global crude steel output reached 136.5 million tons in January 2017, up by 7% from January 2016. China's crude steel production totaled 67.2 million tons in January 2017, or 49.2% of global steel output. It was followed by Japan with 9 million tons (6.6%), India with 8.4 million tons (6.2%) and the U.S. with 6.9 million tons (5%). On a regional level, steel output in Asia totaled 93.4 million tons and accounted for 68.4% of global production in the covered period, followed by the European Union with 13.8 million tons (10.1%) and North America with 9.4 million tons (6.9%). The figures are based on data of about 66 producing countries that account for 99% of global steel supply.

Source: World Steel Association, Byblos Research

Precious Metals: Gold prices to increase in 2017

Gold prices have traded within a range of around \$1,210 a troy ounce to \$1,240 a troy ounce since early February 2016, given the higher demand for the precious metal as a safe-haven asset amid uncertainty over the political outlook in the U.S. and Europe. The prospects of rising interest rates in the U.S. have limited the price increase. In parallel, the price of gold grew by more than 7% to \$1,247 an ounce in intra-day trading on February 23 after the minutes of the latest U.S. Federal Reserve policy meeting lowered expectations for an interest rate hike next month, which stalled the upward momentum in the US dollar. Gold prices are forecast to average \$1,259 per ounce in 2017 relative to an average of \$1,249 an ounce in 2016. Downside risks to the outlook include the planned infrastructure investment or tax cuts in the United States, which would likely result in a higher US dollar and U.S. asset prices and lower gold prices. As such, the US dollar is likely to remain a substantial challenge to further price increases in the first half of 2017. In parallel, the Bloomberg Precious Metals Total Return Sub-Index declined by 6% in January 2017, while the Gold Sub-Index decreased by 4.7% from end-2016.

Source: Thomson Reuters GFMS, Bloomberg Indexes



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								
Africa													
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
Middle East													
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	BBB+	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 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								
Asia													
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								
Central & Eastern Europe													
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
Emerging Markets					
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	23-Feb-17	No change	13-Apr-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	16-Feb-17	No change	17-Mar-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	12.25	22-Feb-17	Cut 75bps	12-Apr-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	11.00	20-Feb-17	Cut 100bps	10-Apr-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



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