

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### MENA

##### Private capital inflows to decline by 3% in 2017

The Institute of International Finance projected total non-resident private capital inflows to the Middle East & Africa (ME&A) region at \$108bn in 2017, which would constitute a drop of 2.7% from \$111bn in 2016 and a decrease of \$9bn from its November 2016 forecast. It attributed the estimated fall in capital inflows this year to lower financing needs in GCC economies as a result of fiscal consolidation and a slight increase in global oil prices, uncertainties surrounding the economic and political environment in South Africa and heightened concerns about the domestic stability in Turkey after the failed coup attempt in July 2016. It anticipated net private capital inflows to the ME&A region to account for 15.9% of total net private inflows to emerging markets in 2017, down from 16.4% last year. Further, it forecast net direct investment to grow from \$32bn in 2016 to \$36bn in 2017, while it projected inflows from portfolio investments to increase from \$4bn last year to \$6bn this year. Also, it expected net commercial bank lending to reach \$46bn this year relative to \$53bn in 2016, while it estimated net non-bank private lending to deteriorate from \$22bn in 2016 to \$20bn in 2017. In parallel, the IIF forecast resident private capital outflows from the ME&A region to regress from \$142bn in 2016 to \$111bn in 2017. Overall, it expected net capital flows to the ME&A region to shift from net outflows of \$21bn in 2016 to net inflows of \$9bn in 2017, and to shift from net outflows of \$39bn last year to net inflows of \$6bn this year when including errors and omissions.

*Source: Institute of International Finance*

##### Factors for sustained growth vary across Arab countries

KPMG International's 2016 Variables for Sustained Growth Index indicated that the UAE had the best labor and capital productivity in the Arab world and the 26th highest among 181 countries globally. Qatar (27th), Bahrain (42nd), Saudi Arabia (43rd) and Oman (48th) followed as the top five Arab countries on the index, while Yemen (171st), Libya (174th), Iraq (176th), Sudan (178th) and Syria (179th) were the lowest ranked regionally. The index is composed of 21 indicators that have a significant impact on the productivity of a country's labor and capital stock and, in turn, on its long-term economic growth and wealth. The indicators are grouped into five pillars, while scores range between zero and 10, with a higher score reflecting higher productivity. The Arab region's simple average score was 3.87 points on the index, lower than the global average of 4.39 points. The GCC countries had an average score of 5.37 points, while the average score at non-GCC Arab countries was 3.18 points. Saudi Arabia and Algeria had the best score on the Macroeconomic Stability category that assesses a government's deficit and debt, while the UAE ranked first on the Infrastructure Quality and Strength of Public Institutions categories. Also, Mauritania came in first place on the Openness to Catch Up category, while Qatar had the best score in the Human Capital Category.

*Source: KPMG, Byblos Research*

##### Stock markets up 2% in first two months of 2017

Arab stock markets grew by 1.8% and Gulf Cooperation Council (GCC) equity markets increased by a marginal 0.6% in the first two months of 2017, compared to decreases of 6.6% and 7.1%, respectively, in the same period of 2016. In comparison, global equities rose by 5.6%, while emerging market equities improved by 8.7% in the first two months of 2017. Activity on the Damascus Securities Exchange jumped by 68% in the first two months of 2017, while the Iraq Stock Exchange expanded by 18.3%, the Boursa Kuwait grew by 18%, the Bahrain Bourse increased by 10.6%, the Khartoum Stock Exchange rose by 10.3%, the Dubai Financial Market improved by 2.8%, the Qatar Stock Exchange appreciated by 2.5%, the Casablanca Stock Exchange expanded by 2.4%, the Tunis Bourse grew by 2.2% and the Amman Stock Exchange increased by 2%. In contrast, activity on the Saudi Stock Exchange and the Egyptian Exchange declined by 3.3% each, while activity on the Beirut Stock Exchange, the Abu Dhabi Securities Exchange, the Palestine Exchange and the Muscat Securities Market was nearly unchanged in the covered period. In parallel, activity on the Tehran Stock Exchange declined by 2.4% in the first two months of 2017.

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

##### Sovereign borrowing from commercial sources at \$136bn in 2017

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by the 13 rated countries in the Middle East & North Africa (MENA) region at \$135.7bn in 2017, which would reflect a decrease of 20% from \$169.6bn in 2016. It attributed the drop to an expected decline in borrowing by the Gulf Cooperation Council (GCC) countries due to a recovery in oil prices and the implementation of fiscal consolidation measures that will reduce financing needs. Saudi Arabia would account for 27% of total commercial long-term borrowing in 2017 compared to 33.9% last year, followed by Lebanon (14%), Egypt (10.9%) and Iraq (9.4%). S&P said that \$27.5bn, or 20.3% of total sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of \$108.1bn in 2017. In parallel, S&P forecast the total sovereign commercial debt stock of the 13 countries at \$720bn at the end of 2017 relative to \$605.5bn at end-2016, consisting of \$614bn in medium- and long-term debt and \$106bn in short-term debt. Egypt would account for the 25% of the commercial debt stock, excluding bilateral and multilateral debt, followed by Saudi Arabia (16.8%), Lebanon (10.6%), Iraq (10.4%) and Qatar (10.2%). It projected the total debt stock to reach \$821bn this year when including bilateral and multilateral debt, which would constitute a rise of \$135bn, or 20%, from end-2016. Further, gross long-term sovereign commercial borrowing would be equivalent to 7.2% of the aggregate GDP of the 13 economies at the end of 2017, while the total sovereign debt stock from commercial sources would be equivalent to 38.4% of their GDP.

*Source: S&P Global Ratings*

# OUTLOOK

## SAUDI ARABIA

### Planned fiscal measures to lead to \$97bn in government savings by 2020

Jadwa Investment expected the government's Fiscal Balance Program (FBP), which is a component of the Kingdom's Vision 2030, to result in government savings of about SR362bn, equivalent to \$96.5bn, by 2020. It said that the FBP consists of reforms that aim to achieve a balanced budget by 2020 and includes initiatives and roadmaps designed to enhance spending efficiency, reform energy prices and promote non-oil revenues. It noted that the savings in the FBP would lead the government to post a budget surplus of SR162bn, or \$43.2bn by 2020, compared to a deficit of SR200bn if reforms are not implemented. Jadwa forecast Saudi Arabia's oil revenues to reach SR586bn or \$156.3bn by 2020, slightly higher than the SR520bn that the government is expecting. It projected the FBP initiatives to result in SR100bn or \$26.67bn worth of gross savings in 2017, with the reduction in public sector worker allowances and the wage freeze contributing 55% of gross savings, followed by savings from energy price reforms that would contribute 29% of savings, new measures to enhance the efficiency of spending (12% of gross savings) and an increase in non-oil receipts (4% of gross savings).

Jadwa expected the Saudi government to increase its non-oil revenues from SR199bn, or 11.1% of non-oil GDP in 2016, to SR321bn (\$85.6bn) or 14.4% of non-oil GDP by 2020. It noted that the expected increase in non-oil receipts would have direct implications on the performance of the Kingdom's non-oil private sector, as additional costs are likely to impact growth. It indicated that a significant share of non-oil revenue growth would come from non-tax sources, mainly investment income, as the country's Public Investment Fund expands its portfolio to seek higher returns on non-oil investment.

Also, Jadwa forecast taxes and fees to rise from SR91bn in 2016 to SR168bn or \$44.8bn by 2020. It added that the largest increase in non-oil revenues is expected to occur in 2018, when the value-added tax is implemented, contributing to SR25bn in tax receipts for that year alone. In parallel, Jadwa pointed out that measures to control current spending include improving the efficiency of government contracting, leveraging economies of scale for procurement, and optimizing the consumption of utilities.

Source: *Jadwa Investment*

## IRAN

### Real GDP growth to pick up to 6.6% in FY2016/17

The International Monetary Fund projected Iran's real GDP to grow by 6.6% in the fiscal year that ends in March 2017 relative to a contraction of 1.8% in FY2015/16, reflecting the country's 25% increase in oil production and a 75% recovery in oil exports. But the Fund expected real GDP growth to decelerate to 3.3% in FY2017/18 as oil production remains aligned with the Organization of Petroleum Exporting Countries' target. It noted that several factors would limit the expansion of non-oil activity, including banking sector weaknesses, structural bottlenecks and the reluctance of foreign banks to re-establish financial links in the country. In parallel, the Fund estimated Iran's economy to grow by about 4.5% yearly over the medium term in case of the

implementation of reforms. However, it pointed out that risks are to the downside, given the renewed external uncertainties, mainly those regarding sanctions and relations with the U.S., and a demanding reform agenda that requires wide political support.

The Fund projected Iran's fiscal deficit to widen from 1.8% of GDP in FY2015/16 to 2.8% of GDP in FY2016/17. Also, it estimated the non-oil fiscal deficit to rise from 9% of non-oil GDP in FY2015/16 to 10.6% of non-oil GDP in FY2016/17. It expected the country's public debt level to rise above 40% of GDP in FY2016/17 as the government issues new debt to clear its arrears and to recapitalize banks. In parallel, the IMF called on authorities to implement a medium-term fiscal framework that underpins their commitment to prudent fiscal policy and ensures a gradual fiscal adjustment. Further, the IMF projected the current account surplus to widen from 2.4% of GDP in FY2015/16 to 6.3% of GDP in FY2016/17 as higher exports offset the pick-up in imports related to investment and to higher domestic demand. It forecast the annual inflation rate to temporarily rise from 8.3% in FY2015/16 to 10.5% by the end of FY2016/17 and to 11.9% by the end of FY2017/18, reflecting recent liquidity growth and pass-through from the exchange rate depreciation.

Source: *International Monetary Fund*

## ALGERIA

### Growth outlook relies on structural reforms

The Institute of International Finance indicated that the impact of the low oil price environment on Algeria's economic growth has so far been limited. It noted that the Algerian economy grew between 3% and 4% in the past two years, as the slowdown in non-hydrocarbon growth was partly offset by higher natural gas output. It expected real GDP to grow by 2.8% in 2017, driven by further improvement in natural gas production, which accounts for about 60% of the country's hydrocarbon output. The IIF forecast hydrocarbon sector growth to decelerate from 3.2% in 2016 to 1.5% in 2017, and non-hydrocarbon sector activity to decelerate from 3.4% in 2016 to 3% this year. It said that the acceleration in the average inflation rate from 4.8% in 2015 to 6.4% in 2016 was partly due to the modest depreciation of the currency and to supply bottlenecks. However, it forecast the inflation rate to decelerate to an average of 6% in 2017 and 5.5% in 2018. It projected the fiscal deficit to narrow from 13.3% of GDP in 2016 to 8.5% of GDP in 2017, and for the public debt level to rise from 13% of GDP in 2016 to 17.1% of GDP in 2017. Also, it projected the current account deficit to narrow from 19.2% of GDP to 14% of GDP in 2017. It projected foreign currency reserves to drop from \$120.2bn at end-2016 to \$107.4bn at the end of 2017, given the lack of significant foreign capital inflows.

The IIF considered that Algeria needs substantial fiscal consolidation to restore fiscal sustainability and support external stability. It expected the government to be forced to continue to cut spending and raise taxes, amid the lack of reforms and assuming that oil prices would remain below \$60 per barrel through 2020. As such, it said that this would raise the risk of low economic growth in the medium term and a possible increase in social tensions. The IIF noted that urgent reforms are needed to improve the business climate, open the FDI regime, address the labor skill mismatches and improve the financial system.

Source: *Institute of International Finance*



# ECONOMY & TRADE

## WORLD

### Real GDP to grow at an average rate of 2.6% per year between 2016 and 2050

PwC projected the global economy to more than double in size by 2050, contingent in part on broad growth-friendly policies. It forecast annual global economic growth to average about 3.5% over the 2016-20 period, slowing down to 2.7% for the period between 2021 and 2030, to 2.5% in the 2031-40 timeframe, and to 2.4% for the 2041-50 period. Overall, it expected the global economy to grow at an annual average rate of around 2.6% between 2016 and 2050. It anticipated emerging markets to continue to be the main growth drivers of the global economy between 2016 and 2050. It noted that China could become the world's largest economy in terms of purchasing power parity, representing a share of about 20% of global GDP in 2050, followed by India, the United States and Indonesia. It expected six of the seven largest economies in the world to be emerging markets by 2050. PwC considered that emerging market governments would need to implement structural reforms to improve their macroeconomic stability, diversify their economies away from natural resources and develop more effective political and legal institutions, in order to realize their growth potential by 2050. In addition, PwC anticipated the European Union's share of global GDP to drop to less than 10% by 2050, a share that would be smaller than that of India. It also projected Vietnam, India and Bangladesh to be three of the world's fastest growing economies during the covered period.

Source: PwC

## MOROCCO

### Outlook revised to 'positive' due to improving external and fiscal metrics

Moody's Investors Service affirmed at 'Ba1' Morocco's government bond rating, and revised the outlook on the ratings from 'stable' to 'positive'. It attributed the outlook revision to the country's improving external position as a result of higher foreign currency reserves, as well as to narrowing fiscal imbalances. It noted that foreign currency reserves increased from 4.1 months of import cover at end-2012 to around 7 months of import cover at the end of 2016. It said that the low oil price environment supports the stability of the country's foreign currency reserves buffer, given that Morocco is one of the most import-dependent economies on energy among rated Middle East & North Africa sovereigns. Further, it estimated the country's current account deficit to have narrowed from 9.5% of GDP in 2012 to 3.8% of GDP in 2016, and projected the deficit to narrow further to 4% of GDP by 2020. It expected the country's foreign direct investment inflows to remain an important source to funding the country's current account deficit. In addition, Moody's estimated Morocco's fiscal deficit to have narrowed from 7.3% of GDP in 2012 to 4% of GDP in 2016, driven mainly by a reduction in the energy subsidy bill to about 1.2% of GDP. It forecast the country's fiscal deficit to continue to narrow, which would result in a decline of the public debt levels to 60% of GDP by 2020 from 64.8% of GDP at end-2016. Further, the agency considered that the implementation of the public sector pension reform would reduce pressures on Morocco's budget over the medium term.

Source: Moody's Investors Service

## IRAQ

### Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-/B' Iraq's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It noted that the 'stable' outlook reflects its expectations that the government would continue to implement fiscal consolidation measures over the next few years, while it forecast economic activity to remain subdued amid elevated domestic political tensions and constrained government spending. It said that the ratings are supported by Iraq's sustained oil production and large oil reserves, of which 85% are located in the southern part of the country and are far from Islamic State-controlled areas. It forecast Iraq's real GDP growth to average 0.9% annually during the 2017-20 period, down from an estimated growth rate of 5% in 2016, due to lower investment in the oil sector, weak non-hydrocarbon activity, fiscal consolidation and persistent domestic political paralysis. Further, it projected Iraq's fiscal deficit to narrow from 13.2% of GDP in 2016 to 12.7% of GDP in 2017, and to further narrow to 2.6% of GDP by 2020, in case of a sustained implementation of fiscal consolidation, an improvement in hydrocarbon revenues and a broadening of the tax base. It noted that the IMF program has helped restore some order to Iraq's public finances and paved the way for additional external financing. Still, it projected that domestic debt issuance would be the main funding source of the government in 2017. S&P expected Iraq's current account deficit to narrow to 1.1% of GDP in 2017 and to be mainly financed by the drawdown on foreign currency reserves. As such, it projected Iraq's foreign currency reserves to fall from \$46.4bn in 2016 to \$38.9bn in 2017, or 9.5 months of current account payments.

Source: S&P Global Ratings

## SAUDI ARABIA

### Insurance sector faces low industry and moderate country risks

S&P Global Ratings assessed as "intermediate" the property and casualty (P/C) insurance sector in Saudi Arabia. It noted that the assessment is derived from a "moderate" country risk and "low" industry risk for the domestic P/C and health insurance sectors. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P pointed out that the insurance market, on average, continues to show significant improvement in its profit margins in 2016 despite flat gross premium levels, as local employers opted for less generous compulsory group medical schemes for their staff, and as insurable activity related to infrastructure projects and general construction slowed down. It added that there is potential for renewed market growth in the near term in case Saudi authorities encourage uninsured motorists and employers to obtain compulsory coverage. The agency also noted that the P/C market growth prospects are "positive", which reflects ongoing insurance sector growth, especially in the medical and motor sectors, due to the authorities' enforcement of existing regulations and a rapidly growing local population. Further, S&P assessed the development of the sector's institutional framework as "intermediate", given that the governance and transparency standards in the Saudi insurance sector seek to follow global best practices.

Source: S&P Global Ratings



# BANKING

## JORDAN

### Construction and trade account for 43% of overall lending at end-2016

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD22.9bn, or \$32.3bn, at the end of 2016, constituting an increase of 8.5% from JD21.1bn at end-2015. Credit in foreign currency accounted for 11.9% of the total at the end of 2016, relative to 13.4% a year earlier. The resident private sector accounted for 86.9% of total credit at end-2016 relative to 85.8% at end-2015, followed by the central government with 9.4%, down from 10.4% a year earlier; the non-resident private sector with 2.1%; and public entities with 1.6%. The distribution of credit by sector shows that construction represented JD5.8bn or 25.4% of the total at end-2016, up from 23.2% a year earlier; while general trade accounted for JD4.1bn, or 17.8% of the total, relative to 18.4% a year earlier. Public services & utilities followed with JD3.3bn or 14.4% of the total; industry with JD2.2bn (9.6%); financial services with JD626.9m (2.7%); tourism, hotels & restaurants with JD597.7m (2.6%); transportation with JD355.8m (1.6%); agriculture with JD304.5m and mining with JD288.4m (1.3% each). Further, other sectors accounted for JD5.3bn, or 23.3% of total credit, of which JD168.6m were extended to buy shares. In parallel, loans & advances reached JD15bn at the end of 2016, followed by Islamic banks' receivables with JD5bn, overdrafts with JD2.5bn and discounted bills with JD241.8m.

Source: Central Bank of Jordan, Byblos Research

## UAE

### Ratings on five banks affirmed

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Ratings (IDRs) of National Bank of Abu Dhabi (NBAD) and HSBC Bank Middle East (HBME), and at 'A+' the IDRs of Emirates NBD (ENBD), First Gulf Bank (FGB) and Abu Dhabi Commercial Bank (ADCB), with a 'stable' outlook on all the banks' ratings. Also, it maintained the Rating Watch Positive (RWP) on Union National Bank (UNB). It noted that the affirmation of the five banks reflects the government's extremely high capacity to support the banking sector in case of financial stress. In parallel, the agency maintained at 'a-' the Viability Ratings (VRs) of NBAD, at 'bbb' that of FGB and HBME, and at 'bb+' the VRs of ADCB and ENBD, while it downgraded the VR of UNB from 'bbb' to 'bbb-'. It said that the downgrade of UNB's VR reflects its revised assessment of the bank's risk profile relative to peers. It noted that the bank's franchise and asset quality have deteriorated moderately in the previous two years and are weaker than those of UNB's closest peers. Further, it pointed out that the six banks benefit from a solid operating environment, adequate capital ratios and pre-impairment operating profits, stable asset quality metrics and strong funding and liquidity levels, which enable them to absorb higher credit costs. In parallel, it said that high lending concentrations pose a risk for the banks' capitalization. But it considered that the banks' buffers would be able to absorb any moderate unexpected credit losses.

Source: Fitch Ratings

## ANGOLA

### Negative impact on banks from loss of USD CBRs

The International Monetary Fund indicated that the soundness of Angola's banking sector has deteriorated due to the slowdown in the domestic economic activity amid the low oil price environment. It indicated that the sector's risk-weighted capital adequacy ratio regressed from 19.8% at the end of 2015 to 18.7% at end-September 2016. It noted that five banks, including the systemically-important state-owned Banco de Poupança e Crédito, were undercapitalized as at end-September. Also, the Fund pointed out that the sector's NPL ratio increased from 11.6% at end-2015 to 15.2% at the end of September 2016. But it said that banks increased provisioning and have implemented strict underwriting measures to mitigate credit risks, while they restructured some corporate loans in order to avoid a more pronounced increase in their NPL ratios. In parallel, the Fund indicated that Angola has been adversely affected by the loss of US dollar correspondent banking relationships (CBRs) since end-2015. It noted that global banks discontinued the supply of US dollar banknotes to Angolan banks and withdrew US dollar CBRs. It said that Angolan banks have resorted to alternative payment channels, such as nested CBRs in US dollars through intermediary banks in countries such as Portugal and South Africa, and a higher use of Euro CBRs for payment flows out of Angola. But it cautioned that the risk of losing these payment channels is high and called on authorities to strengthen the supervisory and regulatory frameworks. In parallel, the IMF said that significant imbalances persist in the foreign currency market with a spread of more than 190% between the official and parallel market exchange rates.

Source: International Monetary Fund

## TURKEY

### Asset quality to weaken moderately in 2017

S&P Global Ratings indicated that the Turkish banking sector is well-capitalized, its asset quality is adequate and it has sufficient earnings. However, it noted that the main risks for Turkish banks in 2017 consist of funding and asset quality, mainly due to the ongoing depreciation of the Turkish lira and to domestic and regional political uncertainties. The agency expected the depreciation of the Turkish lira against the US dollar to lead to a moderate deterioration in the banks' asset quality in 2017. It projected non-performing loans to increase from 3.3% of total gross loans at end-2016 to 5% of gross loans at the end of 2017. It noted that the lira's depreciation could put pressure on borrowers' repayment abilities, as about 33% of the banking system's loans are denominated in foreign currencies, mainly in US dollars. Also, it pointed out that risks from terrorism, the domestic tensions following the failed coup attempt last July, as well as the planned public referendum on the proposed new constitution in April 2017, could pose additional risks for Turkish banks. Further, the agency indicated that shifts in global liquidity, yields, and investors' perceptions of risk in Turkey could put pressure on banks' funding and liquidity, as the Turkish banking sector is heavily reliant on external funding sources. Also, S&P considered that private sector leverage, the evolution of house prices, wholesale funding and Turkey's sovereign ratings constitute the key drivers of banking sector risks.

Source: S&P Global Ratings



# ENERGY / COMMODITIES

## Oil prices to remain under pressure in second half of 2017

ICE Brent crude oil front-month prices averaged \$55.7 per barrel (p/b) in the first two months of 2017, constituting a rise of 69.7% from the same period last year, while WTI oil prices averaged \$53 p/b in the covered period, up by 70.7% from the same period of 2016. The significant increase in oil prices was mainly due to the OPEC and non-OPEC members' coordinated efforts to reduce their oil production by 1.8 million barrels per day (b/d) in order to reduce the excess supply in the market and support oil prices. However, crude oil prices dropped to a one-week low of \$56.4 p/b on March 1, 2017, due to a stronger US dollar and to concerns about rising U.S. crude oil production. Also, oil prices came under pressure after the U.S. Energy Information Administration reported that U.S. crude oil inventories rose to a historical high of 520.2 million barrels last week. The increase in US oil inventories has triggered investors' fears that growth in oil demand may not be sufficient to reduce the current oversupply, despite the production cuts implemented by OPEC and non-OPEC producers. Overall, Brent oil prices are expected to average \$59 p/b in the second quarter of 2017 and to decline to \$57 p/b during the remainder of the year.

Source: Thomson Reuters, Goldman Sachs, Byblos Research

## Iran's hydrocarbon exports to surge by 71% in FY2016/17

The International Monetary Fund projected Iran's total oil & gas exports to reach \$57.4bn in the fiscal year that ends in March 2017, which would constitute an increase of 70.8% from \$33.6bn in FY2015/16. The Fund expected Iran's crude oil production at 4.1 million barrels per day (b/d) in FY2016/17, up by 24.2% from 3.3 million b/d in FY2015/16. Further, it forecast the country's crude oil exports to amount to 2.4 million b/d in FY2016/17, or 46.6% of Iran's crude oil production, which would constitute a rise of 71.4% from 1.4 million b/d a year earlier, due in part to the lifting of international sanctions in January 2016.

Source: International Monetary Fund

## ME&A's oil demand to rise by 1.7% in 2017

Crude oil consumption in the Middle East & Africa region is forecast to average 12.28 million barrels per day (b/d) in 2017, which would reflect a growth of 1.7% from 12.07 million b/d in 2016. The region's demand for oil would account for about 39% of demand in developing countries and for about 13% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.42 million b/d in 2017, up by 0.9% from a year earlier.

Source: OPEC, Byblos Research

## Angola's oil & gas exports down 18% in 2016

The International Monetary Fund indicated that Angola's crude oil production averaged 1.79 million barrels per day (b/d) in 2016, nearly unchanged from 1.78 million b/d in 2015. It estimated the country's total oil & gas exports at \$26.2bn in 2016, down by 17.9% from \$31.9bn in 2015, driven by the global oil price shock that started in 2014. Also, the Fund noted that Angola remains heavily dependent on oil revenues, which contributed to 56% of total revenues even after the drop in oil prices.

Source: International Monetary Fund

## Base Metals: Copper prices continue to rise due to supply disruptions

LME copper three-month future prices closed at 6,016 per metric ton on March 1, 2017, constituting a rise of 8.7% from the end of 2016. The increase in prices reflects an rise in manufacturing growth in China, the world's leading consumer for the metal, as well as copper supply disruptions, as labor strikes by Chilean miners continued for a third consecutive week. Copper prices are projected to increase from an average of \$4,872 per ton in 2016 to \$5,900 per ton in 2017, supported by an anticipated pick-up in infrastructure spending in the U.S. this year. In parallel, global demand for refined copper increased by 2.3% to 21.4 million tons year-on-year in the first 11 months of 2016, mainly due to a 6% rise in Chinese demand for the metal. Demand for refined copper grew by 3.5% in Asia and by 2% in Europe, while it declined by 3% in the Americas. On the supply side, the metal's global refined production rose by 3% to 21.3 million tons in the first 11 months of 2016, with China representing the main contributor to supply growth. On a regional basis, refined production grew by 6% in Asia and by 2% in the Americas, while it declined by 12% in Africa and by 3% in Europe, and remained nearly unchanged in Oceania.

Source: International Copper Study Group, Standard Chartered

## Precious Metals: Gold prices to increase in 2017 due to rising political risks in Europe

Gold prices closed at \$1,245 a troy ounce on March 1, 2017, down by 1.4% from a 16-week high of \$1,262 an ounce two days earlier, due to increased expectations of a U.S. interest rate hike this month and a stronger US dollar. The metal's price would be supported by higher investor demand amid rising political uncertainties in Europe, including the ongoing Brexit negotiations, as well as the Dutch general elections, the French presidential election and the German federal election this year. In parallel, Goldman Sachs expected the metal's prices to fluctuate around \$1,200 an ounce during the next three to six months and to increase to \$1,250 an ounce on average in the next 12 months. Upside pressure on gold prices include increasing geopolitical risks and further delays in U.S. interest rate hikes. In parallel, the Bloomberg Precious Metals Total Return Sub-Index rose by 3.9% in February and by 10.5% in the first two months of 2017, while the Gold Sub-Index increased by 3.6% last month and by 8.7% from end-2016.

Source: Goldman Sachs, CNBC, 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								
<b>Africa</b>													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B Negative	B1 Negative	B Negative	-	B+ Negative	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B- Stable	B3 Stable	B Stable	B- Stable	B- Stable	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B Stable	B1 Stable	B Stable	-	B+ Stable	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B- Stable	B3 Stable	B Negative	-	B+ Negative	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3 Stable	B+ Stable	-	B+ Stable	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B Stable	-	B- Negative	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B- Negative	B3 Stable	-	-	CCC Stable	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB- Stable	Ba1 Positive	BBB- Stable	-	BBB Stable	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B Stable	B1 Negative	B+ Negative	-	B+ Negative	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC Negative	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3 Negative	B+ Stable	-	BB+ Stable	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B- Stable	-	-	-	B+ Stable	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B Stable	B2 Stable	B Positive	-	B+ Stable	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
<b>Middle East</b>													
Bahrain	BB- Stable	Ba2 Stable	BB+ Stable	BB+ Stable	BBB- Negative	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB- Stable	BB- Positive	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B- Stable	(P)Caa1 Stable	B- Negative	-	CC+ Stable	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB- Negative	B1 Stable	-	BB- Stable	BB+ Stable	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA Stable	Aa2 Negative	AA Stable	AA- Stable	AA- Stable	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B- Stable	B2 Negative	B- Stable	B Negative	B- Stable	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB Negative	Baa1 Stable	BBB Stable	BBB+ Stable	BBB Negative	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA Stable	Aa2 Negative	AA Stable	AA- Negative	AA- Stable	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A- Stable	A1 Stable	AA- Negative	A+ Stable	AA- Stable	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C Negative	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2 Negative	-	AA- Stable	AA- Stable	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC Negative	-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	01-Mar-17	No change	12-Apr-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	23-Feb-17	No change	13-Apr-17
Malaysia	O/N Policy Rate	3.00	02-Mar-17	No change	12-May-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	02-Mar-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-Mar-17	No change	31-Mar-17
Kazakhstan	Repo Rate	11.00	20-Feb-17	Cut 100bps	10-Apr-17
Ukraine	Discount Rate	14.00	02-Mar-17	No change	13-Apr-17
Russia	Refi Rate	10.00	03-Feb-17	No change	24-Mar-17



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