

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Sovereign borrowing from commercial sources to reach \$1.1 trillion in 2017

S&P Global Ratings projected the long-term sovereign borrowing from commercial sources by emerging economies at \$1,070bn in 2017, which would reflect an increase of 2.2% from \$1,047bn in 2016. The figures cover 20 emerging markets with the highest debt stock. S&P expected Emerging Asia to account for 54% of total commercial long-term borrowing in 2017, followed by Latin America (28%) and Emerging Europe, the Middle East & Africa (18%). It forecast China's gross sovereign commercial borrowing to account for 34.7% of the total, followed by Brazil with 17.9% and India with 10.5%. It indicated that \$560bn, or about 52.3% of total sovereign borrowing, would refinance maturing long-term debt, which would result in an estimated net borrowing requirement of \$510bn in 2017. In parallel, S&P forecast the total sovereign commercial debt stock of the 20 countries at \$6,991bn at the end of 2017 relative to \$6,343bn at end-2016, which would consist of \$489bn in short-term debt and \$6,502bn in medium- and long-term debt. It projected China's debt to account for 28.3% of the commercial debt stock at end-2017, followed by India (17.4%) and Brazil (15.1%). Further, gross long-term sovereign commercial borrowing would be equivalent to 4.3% of the aggregate GDP of the 20 economies this year, while the commercial debt stock would be equivalent to 28.3% of their GDP. S&P projected Egypt's debt rollover ratio at 29% of GDP in 2017, followed by Pakistan (24% of GDP), Hungary (18% of GDP) and Qatar (14% of GDP).

Source: S&P Global Ratings

Infrastructure projects with private participation up 17% to \$29.5bn in first half of 2016

Figures released by the World Bank show that the total investment commitments in infrastructure projects with private participation in developing economies, or public-private partnerships (PPP), reached \$29.5bn in the first half of 2016, constituting an increase of 16.6% from \$25.3bn in the same period of 2015. Investments in the energy sector rose by 47% year-on-year to \$19.7bn in the first half of 2016, those in the transportation industry declined by 10% to \$7.3bn, while investments in water projects reached \$446.2m, down by 50% from the same period last year. Regionally, Latin America & the Caribbean attracted 43% of total investments in PPP projects, followed by the Asia & Pacific region with (34%), South Asia (12%), Sub-Saharan Africa (4%) and Europe & Central Asia and the Middle East & North Africa (4% each). Further, investments in Brazil, Colombia, and Panama, accounted for 93% of global investments in infrastructure projects with private participation in the first half of 2016. In parallel, there were 103 infrastructure projects financed through PPP in the first half of 2016, of which 76 projects, or 73.7% of the total, were in the energy sector. The transportation industry followed with 15 projects (14.6%) and the water sector with 12 projects (11.7%). On a country level, Brazil had 24 infrastructure projects with private participation, followed by Turkey with 24 projects and India with 14 projects in the first half of 2016.

Source: World Bank, Byblos Research

MENA

Quality of living varies across region

The 2017 Mercer survey on the quality of living in 231 cities around the world shows that Dubai is the city with the highest living standards in the Middle East & North Africa region, and ranked in 74th place globally. Abu Dhabi followed in 79th place, then Tel Aviv (105th), Muscat (106th) and Doha (108th) as the best cities for overall quality of living among 25 cities in the region; while Nouakchott (221st), Damascus (225th), Khartoum (227th), Sana'a (229th) and Baghdad (231st) are the region's least appealing cities in terms of living conditions. The study evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to healthcare & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the natural environment. Based on the 25 MENA cities that were included in both the 2010 and 2017 surveys, the rankings of 12 cities in the MENA region improved, 10 declined and three were unchanged from the 2010 survey. Amman's rank rose by nine spots and constituted the best improvement regionally. In contrast, the ranks of Damascus and Tripoli fell by 42 and 41 spots, respectively, representing the steepest and second-steepest declines in the world. Also, 13 cities in the MENA region ranked in the bottom third globally in 2017 and six cities ranked among the bottom 20 cities worldwide. The survey is conducted annually to help multinational companies assess international hardship allowances and incentives for their expatriate workers.

Source: Mercer, Byblos Research

Tourism sector to account for 9.2% of GDP in 2017

The World Travel & Tourism Council expected the Middle East's tourism sector to account for 9.2% of GDP in 2017 and to increase to 9.7% of GDP in 2027. It forecast the broad tourism & travel (T&T) economy to generate demand of \$239bn in 2017 and to reach \$381.9bn by 2027 in constant 2016 prices. It projected the sector's real growth rate at 5.2% in 2017 and to average a real expansion rate of 4.8% annually during the 2017-27 period. The WTTC forecast spending on leisure travel at \$128.2bn in 2017 and to grow by a real rate of 4.5% annually to \$200bn in constant prices by 2027. It also forecast business travel spending to reach \$32.7bn this year, and to grow by a real rate of 4.8% annually to \$52.2bn in constant prices by 2027. It estimated capital investment in the T&T economy at \$53.1bn in 2017 and at \$99bn in constant 2016 prices within 10 years. Further, it forecast the export of tourism services at \$87.4bn this year and at \$148.3bn in constant 2016 prices by 2027, which would account for about 7.8% of the region's total exports in 2017 and for 7% of exports in 2027. It said the T&T industry will provide jobs to 5.89 million people, equivalent to 7.6% of the region's total employment in 2017, with the figure rising to 7.4 million jobs or 7.7% of employment by 2027.

Source: World Travel & Tourism Council

OUTLOOK

GCC

New taxes to weigh on growth and fiscal performance over the long term

Citi indicated that the implementation of tax reforms in Gulf Cooperation Council (GCC) economies could have a negative impact on their growth prospects and public finances in the long term. It said that GCC countries have already implemented several revenue-generating measures, including the levy of individual excise duties and increases in water, electricity and fuel rates, and are planning to introduce a 5% value added tax in 2018. It estimated that these measures would increase tax revenues in the GCC by 2% to 3% of GDP annually, which would be insufficient to address the persistent fiscal deficits in coming years.

Citi projected the GCC economies' tax receipts to increase from about 3% of non-oil GDP currently to about 10% of non-oil GDP in the long term, and for their net public debt to rise by a cumulative 38% of GDP by 2030, under its base case scenario whereby authorities introduce a 5% VAT, do not impose an income tax on locals, and keep property taxes low. In parallel, it expected the GCC economies' tax revenues to increase to over 16% of non-oil GDP and for their net debt to rise by just 18% of GDP by 2030 under a scenario whereby GCC authorities gradually raise the VAT rate to 10%, impose a personal income tax on GCC nationals, and levy property taxes uniformly from foreign residents and locals. But it considered that the scope to increase taxes is limited by the political and economic environment in the GCC.

Further, Citi considered that higher taxes could negatively impact the GCC countries' growth prospects and, in turn, public finances in the long term, as lower growth would reduce tax receipts, resulting in a wider fiscal deficit and a higher net public debt level. It pointed out that GCC governments could implement broader economic reforms that would counter the negative impact of tax reforms and enhance their global competitiveness, including strengthening the legal and regulatory environment, liberalizing the labor market, improving domestic infrastructure and strengthening financial markets, among others.

Source: Citi

ALGERIA

Gradual fiscal consolidation required

The International Monetary Fund indicated that Algeria continues to face significant challenges as a result of the low oil price environment, including wide fiscal and current account deficits, an increasing public debt level but from a low base, a rising inflation rate, and a significant economic dependence on the hydrocarbon sector. It considered that the authorities' key challenge is to choose a policy mix that would help the economy adjust to the low oil price environment with a limited negative impact on economic activity and employment. It estimated that authorities can implement a more gradual fiscal consolidation than that entailed in the current medium-term budget framework, in case they broaden their financing options to include external borrowing and the sale of state-owned assets. In this context, it called on authorities to broaden the tax base by improving tax enforcement and by rationalizing tax exemptions, to contain current spending, to gradually lift costly energy subsidies, as well as to improve

the efficiency of capital spending and reduce its cost. Further, the Fund encouraged authorities to support the development of the private sector in order to adjust to the low oil price environment and ensure a sustainable source of job creation. As such, it urged authorities to improve the business environment and access to finance, strengthen governance and transparency, and further open the economy to foreign investments.

In parallel, the IMF considered that monetary and financial policies should further support the fiscal adjustment. It said that the authorities' continuing efforts to bring the Algerian dinar in line with fundamentals, along with efforts to eliminate the parallel exchange market, would further support the fiscal and external adjustment. It considered that the Bank of Algeria may have to tighten monetary policy amid growing inflationary pressures.

Source: International Monetary Fund

NIGERIA

Banks to face significant challenges in 2017

Fitch Ratings anticipated that the main risks facing banks operating in Nigeria in 2017 are the sustained tight liquidity conditions, weak asset quality and pressure on capitalization. First, it said that foreign currency liquidity continues to be tight despite the authorities' efforts to normalize the foreign exchange inter-bank market and improve the supply of US dollars. It expected access to foreign currency to remain severely restricted until the Central Bank of Nigeria (CBN) increases confidence in the interbank foreign currency market and narrows the spread between the official and parallel exchange rates. It noted that the Nigerian naira has traded at between NGN305 and NGN315 per US dollar on the official market over the past months, while it is trading at close to NGN490 per dollar on the parallel market. It cautioned from refinancing risks, especially as some banks have large corporate Eurobond maturities in 2017 and 2018.

Second, Fitch anticipated the banks' asset quality to deteriorate in 2017 due to subdued economic activity, the banks' high exposure to the domestic oil sector, currency depreciation and rising interest rates. It noted that the non-performing loans ratio averaged 8% at rated banks at the end of September 2016, and expected it to reach about 10% to 12% by the end of June 2017 in case macroeconomic conditions do not improve. Further, it projected subdued lending growth in 2017 due to slower economic activity and the banks' low risk appetite.

Third, the agency indicated that the banks' regulatory capital ratios are under pressure due to inflated risk-weighted assets and lower retained earnings. It noted that the banking sector's capital adequacy ratio averaged 17% at the end of September 2016, down from 18.2% at end-2015 and relative to a minimum ratio of 15% for large banks and 10% for banks operating only in the domestic market. It estimated that rated banks would continue to comply with the CBN's minimum capital requirements in case the naira depreciate by 10%, but that several banks would breach the regulatory requirements in the event of a 30% depreciation of the currency. Also, it pointed out that some rated banks could breach the minimum capital requirements in case the NPL ratio increases by an additional five percentage points. It considered that these risks could materialize given the current trends.

Source: Fitch Ratings



ECONOMY & TRADE

IRAQ

Subdued economic growth in 2017

The International Monetary Fund estimated Iraq's real GDP growth at 11% in 2016, driven by a significant increase in oil output as a result of oil investments. However, it noted that non-hydrocarbon sector activity contracted by 8% last year due to the conflict with Islamic State militants and the significant fiscal adjustment in response to the ongoing conflict and the adverse impact of the drop in global oil prices. The Fund anticipated subdued real GDP growth in 2017, reflecting mainly a 1.5% contraction in oil production following the agreement reached by the Organization for Petroleum Exporting Countries. It added that non-hydrocarbon sector activity would modestly recover as a result of the implementation of structural reforms and in case security conditions improve. Further, the IMF noted that Iraq's gross foreign currency reserves declined from \$53.7bn at the end of 2015 to \$46.5bn at end 2016 due to the drop in oil export receipts. It added that fiscal pressures remain significant and estimated the fiscal deficit at about 12% of GDP in 2016 due to the low oil price environment and rising humanitarian and security spending. As a result, it estimated the public debt level to have increased from 32% of GDP in 2014 to 64% of GDP in 2016. The Fund called on authorities to implement additional reforms to strengthen the business environment, reduce corruption, and to address the difficulties in the banking sector. However, it said that risks to the outlook remain high due to administrative weaknesses, as well as to uncertainties related to the oil price outlook, to security conditions and to the political environment.

Source: *International Monetary Fund*

SAUDI ARABIA

Sovereign ratings downgraded, outlook 'stable'

Fitch Ratings downgraded Saudi Arabia's long-term foreign and local currency Issuer Default Ratings from 'AA-' to 'A+' and revised the outlook from 'negative' to 'stable'. It attributed the downgrade to the continued deterioration in the Kingdom's public and external balance sheets, the significantly wider-than-expected fiscal deficit in 2016, as well as sustained doubts about the effective implementation of the government's ambitious reform program. It noted that government deposits declined from SAR1,643bn at the end of August 2014 to SAR841bn at end-January 2017, while the government debt level rose from 4% of GDP in 2015 to 9.7% of GDP in 2016. Still, it indicated that the government's balance sheet remains strong compared to 'A'- and 'AA'-rated peers, but will become less supportive for the rating in case the deterioration in public debt dynamics is not contained. Further, it noted that the fiscal deficit widened from SAR362bn in 2015 to SAR416bn, or 17.3% of GDP, in 2016 and missed the budget target of SAR326bn, mainly due to the clearance of SAR75bn in arrears on capital spending. In parallel, Fitch said that the government has taken several fiscal consolidation measures, and intends to implement more measures under the government's Fiscal Balance Program that aims to balance the budget by 2020. But it considered that not all measures are likely to be implemented because of the large scale of the reform agenda. In parallel, it forecast the Kingdom's current account deficit to narrow from 6.1% of GDP in 2016 to 3% of GDP in 2017.

Source: *Fitch Ratings*

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B' Nigeria's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's relatively low public debt level and modest fiscal deficit, but are mainly constrained by its relatively low GDP per capita growth rate, and future policy responses that could be difficult to predict due to a highly centralized decision-making process. It projected the country's real GDP to grow by 1.7% in 2017 and expected it to average 3.4% annually during the 2017-20 period, in case of improvements in Nigeria's hydrocarbon sector and government budget execution under the recently released Economic Recovery and Growth Plan 2017-20. It anticipated that a gradual increase in foreign currency inflows from higher export receipts and government external borrowing could help reduce foreign currency shortages in the economy and improve overall economic activity. Further, it expected higher oil receipts to maintain the budget deficit at about 3% of GDP in 2017, and to enable the government to implement gradual fiscal consolidation in the medium term. It pointed out that the government plans to clear its arrears, estimated at about 2% to 3% of GDP, through the issuance of promissory notes amortized over a 10-year period, which would add to Nigeria's public debt stock. Further, S&P expected Nigeria's gross external financing needs to increase from 131.7% of current account receipts (CARs) plus usable reserves in 2016 to 142.5% of CARs plus usable reserves this year.

Source: *S&P Global Ratings*

ANGOLA

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed at 'B' Angola's long-term Issuer Default Ratings and Country Ceiling, with a 'negative' outlook. It noted that the ratings balance the gradual recovery in oil prices since September 2016 that has eased the pressure on Angola's fiscal and external positions, with a faster-than-anticipated deterioration in economic activity, subdued medium-term growth prospects, and complex monetary and exchange rate policies. It estimated the country's real GDP to have contracted by 1.5% in 2016, its worst performance since 2002, due to lower oil production, foreign currency shortages, low public spending and a rising inflation rate. It expected real GDP to grow by 1.5% annually in the 2017-18 period, in case infrastructure projects resume and liquidity increase, but to remain contained amid economic distortions and lagging effects on purchasing power and investment from the prevailing economic crisis. In parallel, Fitch forecast Angola's fiscal deficit to widen from 3.3% of GDP in 2016 to 6% of GDP in 2017 due to higher public-sector wages and capital expenditure. It estimated the public debt level to have increased from 50.2% of GDP in 2015 to 58% of GDP in 2016, reflecting the devaluation of the Angolan kwanza and higher-than-expected domestic financing. It expected the public debt level to broadly stabilize in the 2017-18 period, with downside risks from the lack of transparency regarding the financing of state-owned entities and contingent liabilities. Further, it projected the current account deficit to widen from an estimated 4.4% of GDP in 2016 to 5.5% of GDP annually in the 2017-18 period.

Source: *Fitch Ratings*



BANKING

GCC

Improving funding conditions for banks

Moody's Investors Service anticipated that funding conditions for banks in the Gulf Cooperation Council (GCC) countries would improve over the next 12 months due to stabilizing global oil prices, large international sovereign debt issuance and slower lending growth. It noted that oil prices between \$40 p/b and \$60 p/b would help hydrocarbon revenues recover and support public and corporate deposits at GCC banks. It added that the issuance of international debt would help increase bank deposits, while the subdued economic growth would reduce lending activity and ease funding pressure on banks. Moody's considered that Omani and Qatari banks would benefit the most from the expected easing in funding conditions, followed by banks in Saudi Arabia and the UAE. It anticipated that banks in Bahrain and Kuwait would continue to have the strongest funding and liquidity profiles in the region. It said that Omani and Qatari banks have been among the least resilient in the region to the low oil price environment, with loan-to-deposit ratios of 103% and 104%, respectively, at the end of June 2016. However, it noted that the Qatari government's exceptionally high financial reserves have provided it with a higher capacity than its Omani counterpart to support local liquidity, in case of need. Further, the agency expected funding conditions for UAE banks to stabilize. Also, it anticipated the funding pressure on Saudi banks, which started in 2015, to ease given slower lending growth and the government's disbursement of about \$28bn in overdue payments to contractors.

Source: *Moody's Investors Service*

SAUDI ARABIA

Banks' ratings downgraded, outlook 'stable'

Capital Intelligence Ratings (CI) downgraded the long-term foreign currency ratings (FCRs) and the Financial Strength Ratings (FSRs) of Al Rajhi Banking & Investment Corp., National Commercial Bank (NCB), Samba Financial Group and Riyadh Bank from 'AA-' to 'A+'. It also lowered the FCRs and FSRs of Arab National Bank and Saudi British Bank from 'A+' to 'A' and those of Alawwal Bank, formerly Saudi Hollandi Bank, from 'A' to 'A-'. In addition, it downgraded the FCR of the Saudi Investment Bank from 'A-' to 'BBB+' and maintained its FSR at 'BBB+'. It said that all the banks' ratings have a 'stable' outlook. It attributed the downgrades and outlook revision to similar actions on Saudi Arabia's sovereign ratings. The agency said that NCB's ratings are supported by the bank's strong capital profile, improving profitability, solid deposit base and strong franchise, but are constrained by tight liquidity conditions, as well as by the bank's relatively high cost structure and elevated loan concentration. Further, it indicated that Al Rajhi's ratings reflect the bank's solid and loyal deposit base, sound asset quality, steady strong profitability and robust capital adequacy. However, it noted that the narrowing net financing margin and the declining profitability constrain Al Rajhi's ratings. It also said that SAMBA's ratings are supported by its very strong capital ratios, solid liquidity level and asset quality, and sound net profitability levels, but are constrained by the bank's relatively low net special commission income and high loan concentration.

Source: *Capital Intelligence Ratings*

DEM REP CONGO

Rising pressure on asset quality and profitability

Moody's Investors Service considered that banks operating in the Democratic Republic of Congo are facing high pressure on their asset quality and profitability amid fragile operating conditions in the country. It expected the banking sector's non-performing loans (NPL) ratio to remain high at around 16% due to the challenging domestic operating environment and significant credit concentrations. It said that the NPL ratio could understate the extent of the deterioration in the banks' asset quality because some problematic overdraft facilities do not have a maturity date and are not classified as overdue. It added that weak risk management practices at some banks also weigh on asset quality. Further, the agency expected authorities to continue implementing reforms in order to improve regulations and supervision, including the full implementation of the Basel II framework, new market and operational risk requirements, and the establishment of a macroprudential and institutional framework for the supervision of financial stability. In parallel, it said that higher credit costs, a weakening currency and rising inflation would continue to weigh on the banks' revenues and result in higher expenses. As such, it anticipated the banks' profitability to be subdued in 2017, following a return on assets of 1% and on equity of 6% in 2016. In addition, Moody's expected the banks' high capital buffers to support financial stability in the country. It noted that the banking sector's capital adequacy ratio reached 19.2%, while its total equity was at 13% of total assets at end-2016.

Source: *Moody's Investors Service*

KUWAIT

Outlook on banking sector remains stable

Moody's Investors Service maintained its stable outlook on Kuwait's banking sector, as it anticipated that government-funded projects would support economic activity, generate business opportunities for banks and offset the decline in consumer spending from subsidy cuts. It forecast lending to grow by about 6% to 7% over the coming 12 to 18 months, while it expected the non-performing loans ratio to increase from 2.5% at end-2016 to 3% over the same period. But it noted that the banks' general provisions, which were equivalent to 4% of gross loans at the end of 2016, along with their strong capital adequacy ratio, constitute strong buffers against any financial stress. In parallel, the total assets of commercial banks reached KD60.4bn, equivalent to \$197.5bn at the end of 2016, constituting an increase of 3.1% from KD58.6bn at the end of 2015. Lending to the private sector reached KD36.2bn, or \$118.3bn at end-2016, up by 2.5% from a year earlier. Lending to the resident private sector grew by 2.9% in 2016, down from a growth rate of 8.4% in 2015, as growth in retail lending decelerated from 12% at end-2015 to 3.4% at end-2016, and corporate lending grew by 0.9% at end-2016 relative to a growth rate of 6.8% at end-2015. In parallel, total deposits reached KD40.65bn, or \$132.8bn at end-2016, up by 4.4% from a year earlier. The growth in deposits reflects a 2.8% increase in private sector deposits that reached \$111bn, and a 13.6% rise in public sector deposits that reached \$21.8bn. The loan-to-deposit ratio stood at 84.4% at end-2016 compared to 85.6% at end-2015.

Source: *Moody's Investors Service, Central Bank of Kuwait, EFG*



Crude oil prices to average \$55 p/b in 2017

ICE Brent crude oil front-month prices reached their lowest level since November 2016 to close at \$50.6 per barrel (p/b) on March 23, 2017, down by 11% from the end of 2016. The drop in oil prices was due to a higher-than-anticipated increase in U.S. crude oil inventories, and to investors' growing doubts that OPEC members' coordinated efforts to cut their oil production would quickly balance the global oil market. Also, oil investors have adopted a wait-and-see approach ahead of a possible renewal of the existing oil production agreement during the upcoming OPEC meeting in May 2017. Further, Deutsche Bank expected the global oil inventory surplus to narrow in the second quarter of 2017 onwards, despite rising non-OPEC production. It noted that the OPEC's deal compliance has been better-than-anticipated and that its effects have yet to materialize which, in turn, should support oil prices in the second quarter of the year. But it anticipated that a narrower oil market deficit in 2018 would require the extension of OPEC's supply discipline, as the accelerating pace of non-OPEC output growth would exert downside pressure on oil prices in 2018. It projected global oil demand to increase by 1.3 million barrels per day (b/d) to 97.9 million b/d in 2017, while it forecast global supply to rise by 500,000 b/d to 97.5 million b/d this year. As such, it expected the oil market balance to shift from a production surplus of 400,000 b/d in 2016 to a production deficit of 400,000 b/d in 2017. Overall, it forecast Brent oil prices to average \$56 p/b in 2017, and WTI prices to average \$54 p/b.

Source: Deutsche Bank, Citi, Byblos Research

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 12.27 million barrels per day (b/d) in 2017, which would reflect a growth of 1.7% from 12.06 million b/d in 2016. The region's demand for oil would account for about 38.4% of demand in developing countries and for about 12.7% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 3.39 million b/d in 2017.

Source: OPEC, Byblos Research

Planned investments in MENA energy projects at \$622bn between 2017 and 2021

Total planned investments in the MENA region's energy sector are estimated at \$622bn during the next five years. The power sector would attract \$207bn, or 33.3% of total upcoming energy investments between 2017 and 2021, followed by the oil sector with \$195bn (31.4%), the gas sector with \$159bn (25.6%) and the petrochemical sector with \$61bn (9.8%). In parallel, Saudi Arabia is expected to lead the region with \$124bn in planned investments or 20% of the total, followed by Iran with \$103bn (16.6%) and Egypt with \$83bn (13.4%).

Source: APICORP Energy Research, Byblos Research

OPEC's oil output nearly unchanged in February

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 31.96 million barrels per day (b/d) in February 2017, down by a marginal 0.4% from 32.1 million b/d in the preceding month. Saudi Arabia produced 9.8 million b/d in February 2017, equivalent to 30.7% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.8%) and Iran with 3.8 million b/d (11.9%).

Source: OPEC, Byblos Research

Base Metals: Copper supply increases by 2.3% in 2016

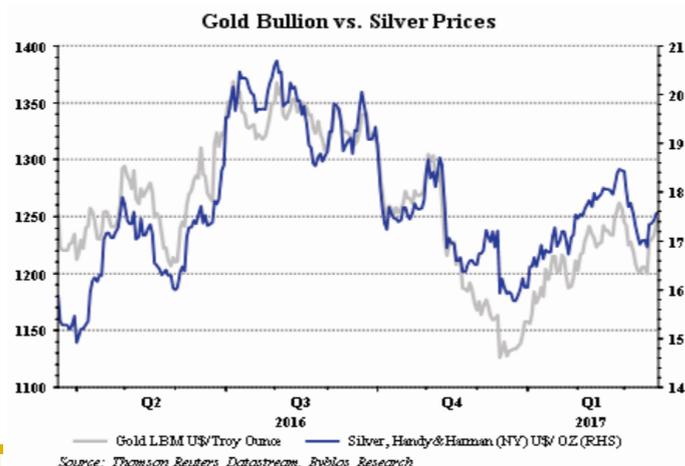
LME copper three-month future prices closed at 5,808 per metric ton on March 22, 2017, constituting a decline of 2.8% from the end of February 2016. The decrease in prices reflects investors' reduced expectations about the U.S. administration's plans to cut taxes and increase infrastructure spending. The drop is also attributed to the resumption of the metal's production in Indonesia, as well as progress made towards resolving the strike carried by miners in Chile, the world's largest copper mine producer. Copper prices are forecast to increase from an average of \$4,867 a ton in 2016 to \$5,900 a ton in 2017. In parallel, global demand for refined copper increased by 1.8% to 23.5 million tons in 2016, mainly due to a 2.5% rise in Chinese demand for the metal. Demand for refined copper grew by 3% 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 2.3% to 23.4 million tons in 2016, as China was the main contributor to supply growth. On a regional basis, refined output grew by 6% in Asia and by 1% in the Americas, while it declined by 10% in Africa and by 2% in Europe, and was nearly unchanged in Oceania.

Source: International Copper Study Group, Deutsche Bank

Precious Metals: Industrial consumption to account for 55% of silver demand in 2017

Silver has outperformed gold so far in 2017 as its price grew by 9.5% from the end of 2016 compared to an increase of 7.4% in gold prices, given the recovery in industrial demand for silver amid higher demand for solar panels and a weaker US dollar. The increase in the metal's price coincided with a 2.6% decrease in the trade-weighted US Dollar Index from end-2016. Further, silver prices are forecast to regress from an average \$17.5 per ounce in the first quarter of 2017 to \$16.8 an ounce in the second quarter, but to rise to \$17.1 an ounce in the third quarter and to \$17.5 an ounce in the fourth quarter of 2017. In parallel, global physical silver demand is expected to drop by 2.8% in 2017, mainly due to a decrease in coin & bar and industrial demand. Industrial usage for the metal is projected to account for 55.3% of total physical silver demand in 2017, followed by jewelry (20.6%), coins & bars (19.5%) and silverware (4.6%). In parallel, silver mine production is forecast to decline by 2.1% this year and to account for 84.8% of total supply, while the metal's scrap supply is expected to rise by 11% in 2017.

Source: Deutsche Bank, Thomson Reuters, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ 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	A+	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	Negative	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	0.75-1.00	15-Mar-17	Raised 25bps	03-May-17
Eurozone	Refi Rate	0.00	09-Mar-17	No change	27-Apr-17
UK	Bank Rate	0.25	16-Mar-17	No change	05-May-17
Japan	O/N Call Rate	-0.10	16-Mar-17	No change	27-Apr-17
Australia	Cash Rate	1.5	07-Mar-17	No change	04-Apr-17
New Zealand	Cash Rate	1.75	09-Feb-17	No change	23-Mar-17
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Mar-17	No change	15-Jun-17
Canada	Overnight rate	0.50	01-Mar-17	No change	12-Apr-17
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.25	15-Mar-17	Raised 25bps	03-May-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	1.75	15-Mar-17	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	1.00	15-Mar-17	Raised 25bps	N/A
Egypt	Overnight Deposit	14.75	16-Feb-17	No change	30-Mar-17
Turkey	Base Rate	8.00	16-Mar-17	No change	26-Apr-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	27-Mar-17
Nigeria	Monetary Policy Rate	14.00	21-Mar-17	No change	23-May-17
Ghana	Prime Rate	25.50	20-Jan-17	No change	27-Mar-17
Angola	Base rate	16.00	31-Jan-17	No change	30-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



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
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
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

