

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign borrowing from commercial sources to reach \$6.8 trillion in 2017

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by 130 rated countries at \$6.77 trillion in 2017, which would constitute a decrease of 4.4% from \$7.1 trillion in 2016. S&P expected the Asia-Pacific region to account for 38.2% of total commercial long-term borrowing in 2017, followed by North America (35.3%), Europe (18.9%), Latin America (4.5%), the Middle East & North Africa (2%) and Sub-Saharan Africa (1%). It forecast the U.S. gross sovereign commercial borrowing to account for 33.2% of the total, followed by Japan with 26.8% and China with 5.5%. S&P said that \$5.2 trillion, or about 77% of total sovereign borrowing, would go towards refinancing maturing long-term debt, which would result in net borrowing requirements of \$1.55 trillion in 2017. In parallel, S&P forecast the total sovereign commercial debt stock of the 130 countries at \$44.3 trillion at the end of 2017 relative to \$43.3 trillion at end-2016, which would consist of \$4.7 trillion in short-term debt and \$39.6 trillion in medium- and long-term debt. North America would account for 34.7% of the commercial debt stock, followed by the Asia-Pacific region (34%), Europe (24.3%), Latin America (4.2%), the MENA region (1.5%) and Sub-Saharan Africa (1.3%). Further, gross long-term sovereign commercial borrowing would be equivalent to 9% of the aggregate GDP of the 130 economies this year, while the total commercial debt stock would be equivalent to 59% of their GDP.

Source: S&P Global Ratings

Insurers' losses from disasters at \$54bn in 2016

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at \$175bn in 2016, constituting a rise of 86.2% from \$94bn in 2015, and similar to the 10-year annual average losses of \$175bn. Total economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached \$166bn and represented 94.9% of overall losses in 2016, while those from man-made disasters reached \$9bn and accounted for 5.1% of the total last year. Economic losses in Asia amounted to \$83bn and were equivalent to 0.32% of the region's GDP, followed by North America with \$59bn (0.29% of GDP), Europe with \$16bn (0.08% of GDP), Oceania & Australia with \$6bn (0.45% of GDP), Latin America & the Caribbean (LAC) with \$6bn (0.14% of GDP) and Africa with \$3bn (0.14% of GDP). Also, total economic losses in seas and space stood at about \$1bn last year. In parallel, insurers' overall losses rose by 42.1% to \$54bn in 2016 and accounted for 30.9% of total economic losses in 2016. Insurers' losses from natural catastrophes and man-made disasters in North America reached \$30.4bn in 2016 and accounted for 56.6% of the total, followed by Asia with \$8.8bn (16.4%), Europe with \$7.5bn (14%), Oceania & Australia with \$3.4bn (6.4%), Africa with \$1.7bn (3.2%) and LAC with \$1.4bn (2.5%). Also, insurers' losses from natural catastrophes amounted to \$46bn, or 85.2% of total insured losses in 2016, while those from man-made disasters reached \$8bn (14.8%).

Source: Swiss Re

MENA

Number of fintech startups up 40% between 2011 and 2015

A report published by entrepreneurship online platform Wamda and online payment gateway Payfort show that there were 105 financial technology (fintech) startups in 12 Arab countries at the end of 2015, of which 59 were established after 2012. The number of fintech startups increased by a compound annual growth rate (CAGR) of 40% between 2011 and 2015, compared to a CAGR of 26% during the 2006-10 period. There were 30 fintech startups in the UAE at the end of 2015, equivalent to 28.6% of total fintech startups in the region, followed by Egypt with 17 companies (16.2%), Jordan and Lebanon with 15 firms each (14.3% each), Morocco with eight fintech startups (7.6%), Kuwait and Saudi Arabia with six companies each (5.7% each), Tunisia with three firms (2.6%), Algeria with two startups (1.9%) and Bahrain, Oman and Qatar with one firm each (0.1% each). Overall, fintech startups in the UAE, Egypt, Jordan and Lebanon accounted for 73.3% of total fintech in the region due to sustained governmental support, the involvement of the private sector and good education levels in the four countries. In parallel, fintech startups in the UAE grew by a CAGR of 57% between 2011 and 2015, followed by those in Lebanon (+50%), Jordan (+32%) and Egypt (+21%), while fintech startups in other Arab countries grew by a CAGR of 30% during the covered period.

Source: Wamda, Payfort, Byblos Research

AFRICA

Tourism sector in North Africa to account for 9.9% of GDP in 2017

The World Travel & Tourism Council expected North Africa's tourism sector to account for 9.9% of GDP in 2017 and for 10% of GDP in 2027. It forecast the broad tourism & travel (T&T) economy to generate demand of \$58.8bn in 2017 and to reach \$89.7bn in constant 2016 prices by 2027. It projected the sector's real growth rate at 2% in 2017, and to average a real expansion rate of 4.3% annually during the 2017-27 period. The WTTC forecast business travel spending at \$7.4bn in 2017, and expected it to grow by a real average rate of 3.5% yearly to \$10.4bn in constant prices by 2027. It also forecast leisure travel expenditures at \$31.4bn this year, and projected them to grow by a real average rate of 4% annually to \$46.8bn in constant prices by 2027. It estimated capital investment in the T&T economy at \$12.2bn in 2017 and at \$19.7bn in constant 2016 prices within 10 years. Further, it forecast the export of tourism services at \$13.4bn this year and at \$23.6bn in constant 2016 prices by 2027, which would account for about 8.9% of the region's total exports in 2017 and for 8% of exports in 2027. It said that the T&T industry will employ 4.81 million people, equivalent to 8.6% of the region's total employment in 2017, with the figure rising to 6.37 million jobs or 9.7% of employment by 2027.

Source: World Travel & Tourism Council

OUTLOOK

AFRICA

Significant downside risks cloud Sub-Saharan Africa's economic outlook in 2017

Barclays Capital projected Sub-Saharan Africa's (SSA) economic growth to accelerate from a decade low of 1.6% in 2016 to 2.8% in 2017, supported by stronger global demand, rising commodity prices, and increased investment in infrastructure projects. It expected growth to vary across SSA, with East Africa posting the highest growth rate due to accommodative monetary policies and to investments in infrastructure. However, it said that the anticipated recovery in SSA's economic activity is likely to be fragile due to lower commodity prices, rising debt level and borrowing cost, reduced financial aid from the U.S., adverse weather conditions, as well as prevailing structural constraints.

In parallel, Barclays anticipated that SSA governments would face challenges in using fiscal policies to support economic activity due to their wide fiscal deficits. It considered that the region's low fiscal buffers, elevated borrowing costs and high debt burdens would require governments to focus on fiscal consolidation instead of counter-cyclical policies. Further, Barclays pointed out that the SSA region's wide budget deficits and pressure on the exchange rates are preventing monetary authorities from easing their monetary policies rapidly to support growth. As such, it expected policy rates to remain unchanged this year in most Southern African countries, while higher inflation levels from drought could lead to further policy tightening in East African economies. However, it anticipated monetary authorities in Ghana, Nigeria and Zambia to be able to support growth by easing their monetary policy, given their declining inflation levels. Further, Barclays indicated that the outlook for the external balances of SSA economies is mixed, with commodity exporters benefiting the most from the anticipated increase in commodity prices in 2017, while oil importers' external balances would come under pressure. It anticipated most SSA currencies to weaken this year on the back of wide current account deficits and the prospects of increases in the U.S. policy rate.

Source: Barclays Capital

GHANA

Growth to accelerate despite challenges

Barclays Capital projected Ghana's real GDP growth to accelerate from 3.6% in 2016 to 5.9% in 2017, supported by higher oil production, a strong agricultural season, higher gold production as a result of the start of new mines, substantial monetary policy relief and improved electricity supply. However, it said that downside risks to the outlook include possible technical challenges at oil fields, and persistent fiscal challenges.

In parallel, Barclays indicated that Ghana suffered from large fiscal slippages during 2016, similar to slippages in previous election years. It noted that the fiscal deficit stood at 8.7% of GDP in 2016 compared to a target deficit of 5.3% of GDP for the year, reflecting lower-than-expected oil revenues, grant disbursements and tax receipts, as well as elevated arrears and overspending on public-sector wages and interest payments. But it expected that the new government's commitment to the IMF program would ease the pressure on public finances. It forecast the fiscal deficit to narrow to 6.5% of GDP in 2017 due to a rise in public revenues.

It added that the government earmarked GHS3.7bn, or about 6.4% of total expenditures in 2017, to clear arrears and pay outstanding obligations. However, it cautioned from lower-than-anticipated public revenues in case downside risks to growth materialize, and from potential spending overruns. It considered that further fiscal slippages could weigh on the country's sovereign ratings and credibility.

In parallel, it projected the inflation rate to decline from 15.4% at the end of 2016 to 9.4% at end-2017. It expected the Bank of Ghana to reduce its policy rate by a cumulative 200 basis points during the first half of 2017, and to cut it more aggressively in the second half of the year in case inflationary pressures and global risks recede. In addition, it said that the Ghanaian cedi has traded at a record low level of GHS4.75 against the US dollar in early March 2017 following the news about the fiscal slippages in 2016. But it expected the cedi to recover during 2017 and to trade at GHS4.2 against the dollar at the end of 2017, supported mainly by higher oil and gold receipts, and portfolio inflows. It noted that the large current account deficit of 6.7% of GDP in 2017 and limited foreign currency reserves of \$6bn, or 3.2 months of imports, in 2017, pose risks to the exchange rate.

Source: Barclays Capital

SOUTH SUDAN

Medium-term outlook dependent on normalization of political and security conditions

The International Monetary Fund indicated that South Sudan faces significant economic and humanitarian challenges given the prolonged period of internal conflict and low global oil prices. It projected the country's real GDP to contract by 10.5% in the fiscal year that ends in June 2017, following a contraction of 6.9% in FY2015/16. It forecast the hydrocarbon sector's real GDP to shrink by 18.7% in FY2016/17 after a contraction of 10.6% in FY2015/16, while it expected non-hydrocarbon sector activity to contract by 5.1% in the current fiscal year relative to a contraction of 4.1% in FY2015/16. It estimated the annual inflation rate to have increased to about 550% in September 2016 before declining to a still-elevated 370% in January 2017, and expected it to average 336.2% in FY2016/17. It said that the monetization of the fiscal deficit has led to strong money growth, high inflation rates and a sharp exchange rate depreciation. It noted that the South Sudanese pound has lost about 95% of its value since authorities liberalized the exchange rate in December 2015. The Fund considered that a sustainable medium-term outlook depends mainly on progress towards the normalization of the political and security situation, sustained economic adjustment and reforms, and renewed access to external financing.

In parallel, the Fund indicated that the steep drop in oil production and the substantial decrease in global oil prices have led to shortfalls in government revenues and foreign currency receipts. It forecast the country's foreign currency reserves to drop from \$73m in FY2015/16 to \$50m in FY2016/17. It called on the Bank of South Sudan to tighten its monetary policy in order to reduce the inflation rate and gradually rebuild foreign currency reserves. It indicated that South Sudan is in debt distress, despite moderate levels of external debt, due to the impact of the domestic conflict, the decline in oil prices and the high level of fiscal spending.

Source: International Monetary Fund



ECONOMY & TRADE

SAUDI ARABIA

Optimism of non-hydrocarbon sector at eight-year low in first quarter of 2017

The D&B Business Optimism Index (BOI) for Saudi Arabia showed that the composite BOI for the non-hydrocarbon sector reached 12 points in the first quarter of 2017, down from 14 points in the previous quarter and from 28 points in the first quarter of 2016. The decline reflects the firms' expectations of lower selling prices and reduced profits. The index for Net Profits regressed to -15 points from -3 points in the fourth quarter of 2016, that for the Level of Selling Prices decreased to -7 points in the first quarter of the year from -2 points in the fourth quarter of 2016, and the index for the Number of Employees dropped to 8 points in the first quarter of 2017 from 10 points in the previous quarter. In contrast, the index for New Orders increased to 40 points in the first quarter of this year from 33 points in the fourth quarter of 2016, that for Expected Sales rose to 36 points in the first quarter of 2017 from 31 points in the previous quarter, and the index for Inventory Levels expanded to 20 points in the first quarter of 2017 from 13 points in the previous quarter. Further, executives in the finance, real estate & business services were the most optimistic among non-hydrocarbon sectors, as the sectors' composite index decreased from 18 points in the fourth quarter of 2016 to 16 points in the first quarter of this year. In contrast, the index for the construction sector deteriorated by seven points to a record-low of four points, as executives in the sector were the least optimistic due to the lack of new projects.

Source: *Dun & Bradstreet*

KUWAIT

Insurance sector faces intermediate industry and moderate country risks

S&P Global Ratings assessed as "intermediate" the overall risk level in the property and casualty (P/C) insurance sector in Kuwait. It noted that the assessment is derived from a "moderate" country risk and "intermediate" industry risk for the domestic P/C insurance sector. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P indicated that its country risk assessment reflects economic, political and financial system risks, as well as the payment culture and rule of law. It anticipated projects underway in the power, infrastructure and housing sectors to support growth in coming years and to generate higher insurable activity. Further, it pointed out that Kuwait's financial system is relatively stable, and that the authorities' likelihood of support to the banking sector, in case of need, mitigates the credit risk for insurers with high exposure to local financial institutions. 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 noted that the Kuwaiti P/C insurance sector is overcrowded and faces fierce competition. It said that the insurance market's growth prospects are resilient due to the government's plans to privatize some public healthcare plans, particularly the health insurance scheme for retirees. In parallel, it indicated that the barriers to entry are low, mainly due to low minimum capital requirements and undemanding licensing rules, while the institutional framework is moderately weak.

Source: *S&P Global Ratings*

IRAN

Higher non-oil revenues support public finances

Moody's Investors Service considered that the 20% annual increase in Iran's government revenues in the first 10 months of the fiscal year that ends in March 2017 supports the country's public finances. It considered that the rise in government revenues reflects better tax administration, higher tax receipts and an improved economic environment following the lifting of the sanctions in early 2016. Also, the agency noted that the country's oil revenues dropped significantly following the expansion of international sanctions in 2012, which required the government to increase its sources of non-oil revenues. It added that Iranian authorities enacted tax legislation that removed exemptions for some large companies, broadened its tax base and increased the value-added tax (VAT) from 6% to 9% in 2014, among other measures. As such, Moody's indicated that the country's tax receipts grew by 28.4% in the first 10 months of the FY2016/17, equivalent to 50% of general government receipts excluding the sale of financial assets and special revenues. Further, it pointed out that Iran's expenditures increased by 15% during the covered period, which has led the fiscal deficit to narrow by 9% year-on-year to IRR217.1 trillion (\$6.7bn). In parallel, the agency indicated that the country's real GDP grew by 7.4% in the first half of FY2016/17 following a contraction of 1.8% in FY2015/16, driven by higher oil production and exports, and increased private investment. It noted that Iran's non-hydrocarbon activity grew by 0.9% in the first half of the FY2016/17 and was partly constrained by the country's weak banking system. Moody's considered that Iran's ability to continue to meet its obligations under the nuclear agreement and its relationship with the new U.S. administration constitute the main credit risks to its sovereign rating.

Source: *Moody's Investors Service*

TURKEY

Outlook on sovereign ratings revised to 'negative'

Moody's Investors Service affirmed Turkey's long-term issuer and senior unsecured bond ratings at 'Ba1', and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to the sustained erosion of Turkey's institutional strength, to subdued economic prospects and to increased pressure on the country's public and external accounts. First, it said that the government's actions to repress the opposition since the failed coup attempt in July 2016 have weakened the country's administrative capacity and weighed on private sector confidence. Second, it anticipated the ongoing domestic political and geopolitical tensions, along with heightened external pressure, to weigh on economic activity in the near term, while the sustained lack of structural economic reforms would keep medium-term potential growth at a relatively low level. Third, the agency indicated that the government's fiscal measures to support activity, such as wage subsidies to firms and delays in tax payments, are negatively affecting public finances. Fourth, Moody's pointed out that external vulnerabilities increased further in recent months due to rising U.S. interest rates, weakened domestic and foreign investor confidence, as well as worsening security conditions. It added that the significant depreciation of the lira, along with insufficient capital inflows to finance the current account deficit, eroded the Central Bank of Turkey's weak foreign currency reserve buffer.

Source: *Moody's Investors Service*

BANKING

JORDAN

Limited impact on banks' profitability from higher interest rates

Moody's Investors Service considered that the Central Bank of Jordan's (CBJ) decision to raise its main interest rate by 25 basis points to 3.5% would have a limited impact on net interest margins at Jordanian banks and, in turn, on their profitability. It said that the CBJ has increased its interest rate by one percentage point since December 2016 in order to support deposits and maintain the currency peg against the US dollar. The agency expected banks to refrain from passing the entire increase in interest rates to their customers in the near term because of the intense competition among banks, especially in lending to the corporate sector, and due to the limited demand for lending from creditworthy borrowers. In addition, it pointed out that more than 20% of the banks' domestic assets are in fixed-rate government bonds and are unaffected by the increase in interest rates. In this context, it said that funding costs, including deposit rates, have been rising over the past quarters due to a liquidity squeeze at some banks, which has increased competition to attract deposits. It anticipated that smaller banks with high reliance on interbank funding would face higher pressures on the net interest margin than larger banks with access to primary deposits. Still, Moody's pointed out that the net interest margin among rated banks stood at between 3.5% and 4% in 2016. In parallel, the agency anticipated that higher interest rates, moderate economic growth and rising inflation rates would have an adverse impact on the repayment capacity of highly indebted households, resulting in higher impaired loans, especially those to the retail sector and, which would result in higher provisioning costs for banks.

Source: Moody's Investors Service

QATAR

Banks' asset quality metrics to remain under pressure

Fitch Ratings indicated that Qatari banks have been able to manage the increase in liquidity and funding pressures from the banks' high reliance on corporate and government-related time deposits amid the low oil price environment. But it said that these pressures increased funding costs, which have weighed on the banks' profitability. It noted that the sector's average cost-to-income ratio increased by 3.5% in 2016 despite the banks' effort to control operating expenses. Fitch indicated that pressure on the banks' liquidity and funding has stabilized since the second quarter of 2016, and that banks have maintained their loans-to-deposits ratios close to the 100% level that is recommended by the Qatar Central Bank. It pointed out that term corporate deposits continue to be the main source of funding for Qatari banks, but it noted that the share of market funding is increasing. It noted that Qatari banks can extend funding maturities through wholesale issuance and longer-term deposits, and that the banks' liquidity is adequate to cover their maturities. Further, Fitch expected the banks' strong asset quality metrics to remain under pressure, mainly due to challenges in the contracting and real estate sectors. It considered that the pressure on the banks' asset quality and profitability could further weigh on their declining core capital levels.

Source: Fitch Ratings

ANGOLA

Weak operating environment affecting performance of banks

Fitch Ratings indicated that the weak operating environment and subdued credit demand are weighing heavily on the performance of all Angolan banks. But it noted that the recapitalization of state-owned Banco de Poupanca e Credito (BPC), the second largest bank in the country, as well as the restructuring of two other state-owned banks, point to the rising divergence between state- and privately-owned banks in the country. It said that state-owned banks are undergoing restructuring and are facing greater challenges in terms of capital, foreign currency liquidity and asset quality. It estimated BPC's recapitalization needs at about \$1.4bn relative to the banking sector's aggregate assets of \$65bn and total equity of \$6.8bn as at end-January 2017. It did not expect BPC's recapitalization to worsen the shortage in foreign currency because the capital injections will be made in local currency. Further, Fitch anticipated Angola's leading private-sector banks to be compliant with the Banco Nacional de Angola's (BNA) minimum capital requirement of 10% by the December 2017 deadline, but it estimated that BPC would require additional capital to meet the minimum requirement. In parallel, the agency pointed out that all banks in Angola are struggling to access foreign currency in order to meet their customers' trade finance needs. It noted that the BNA's average monthly foreign currency sales declined from \$750m in 2016 to about \$450m so far in 2017, with some sales allocated to settle BPC's foreign-currency external obligations. In parallel, it pointed out that the sector's non-performing loans ratio increased from an annual average of 11% during the 2013-15 period to 15% at end-October 2016.

Source: Fitch Ratings

TURKEY

Agency takes rating actions on 17 banks

Moody's Investors Service affirmed at 'Ba1' the long-term debt and local-currency deposit ratings of Ziraat Bankasi (Ziraat), Akbank, Turkiye IS Bankasi (Isbank), Turkiye Garanti Bankasi (Garanti), Turkiye Halk Bankasi (Halkbank), Yapi ve Kredi Bankasi (YapiKredi), Turkiye Vakiflar Bankasi (Vakifbank), Turk Ekonomi Bankasi (TEB), Turkiye Sinai Kalkinma Bankasi (TSKB), Export Credit Bank of Turkey (Turk Eximbank), Alternatifbank (ABank), Finansbank and ING Bank. It also affirmed at 'Ba2' the ratings of Denizbank and at 'Ba3' those of HSBC Bank Turkey and Burgan Bank, while it downgraded the ratings of Sekerbank from 'B1' to 'B2'. Further, it maintained the 'stable' outlook on the ratings of Burgan Bank and the 'negative' outlook on those of Sekerbank and Denizbank, while it revised the ratings of the remaining 14 banks from 'stable' to 'negative'. The agency attributed the outlook revision on the 14 banks to its similar action on the sovereign ratings, which reflects the weakening capacity of the Turkish government to provide support in case of need, and to the country's increasingly challenging operating environment. It expected the country's weakening growth prospects to negatively impact the banks' asset quality, earnings and capital generation capacity, and to increase foreign currency refinancing risks.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Crude oil prices to jump by 46% in 2017

Crude oil prices have increased by more than 3% in the last week of March to about \$52.5 p/b in intra-day trading on March 30, due to supply disruptions in Libya and expectations that the OPEC-led output agreement will be renewed in the second half of the year. The crude oil market outlook remains highly uncertain in the context of the increase in U.S. rig count and rising U.S. crude oil inventories. First, a significant increase in U.S. crude oil inventories would reduce oil prices and would end a period of relative stability for the global oil market. Second, the possibility of an extension in late May 2017 of the current OPEC deal would increase oil prices upwards, while additional U.S. oil rigs as a result of the extension would lead oil prices to stall. Third, the summer driving season in the United States could provide some support to oil prices in the second and third quarters of the year. Finally, the recent increase in oil prices has led many oil companies to restart previously-abandoned projects, which could further add to the market oversupply in coming years and lead to a decrease in prices. ICE Brent oil prices are forecast to rise gradually from an average of \$59 p/b in the first quarter of 2017 to \$65 p/b in the second quarter, \$68 p/b in the third quarter and \$70 p/b in the fourth quarter of 2017. Overall, oil prices are projected to increase by 46.3% to an average of \$66 p/b in 2017.

Source: Standard Chartered, Thomson Reuters, Byblos Research

Global greenfield investments in renewable energy at \$310bn during 2012-16

Figures released by fDi Markets show that global greenfield investments into the renewable energy sector reached \$310.1bn during the 2012-16 period. Renewable energy greenfield investments in the Asia-Pacific region totaled \$85.3bn during the covered period and represented 27.5% of the total, followed by Latin America & the Caribbean with \$61.6bn (19.9%), Western Europe with \$58.8bn (18.9%), Africa with \$43.6bn (14.1%), Emerging Europe with \$29.9bn (9.6%), North America with \$24bn (7.7%) and the Middle East with \$6.9bn (2.2%).

Source: fDi Markets, The Banker, Byblos Research

South Sudan's oil arrears to Sudan at \$291m

The International Monetary Fund indicated that Sudan received \$287m from South Sudan in the fiscal year that ended in June 2016 for the use of oil processing facilities, pipelines, export terminals and refineries, down from \$878m in FY2013/14. It added that South Sudan accumulated payment arrears of \$291m to Sudan in 2015 and 2016 under the Transitional Financial Arrangement signed between the two countries in September 2012. Under the agreement, the South Sudanese government pays oil transit and pipeline fees of \$9.1 per barrel of oil export and transitional financial transfers of \$15 per barrel of oil exports.

Source: International Monetary Fund

Algeria's gas exports to exceed 57 bcm in 2017

Algeria's national oil and gas company, Sonatrach, projected the country's gas export to exceed its previous forecast of 57 billion cubic meters (bcm) in 2017, due to a new pipeline that would come online in May 2017. Further, Sonatrach noted that it would spend over \$50bn in investments in the oil & gas sector over the 2017-21 period to raise oil output by 14% in the next four years.

Source: Sonatrach, Thomson Reuters, Byblos Research

Base Metals: Steel billet prices to rise in coming years due to lower Chinese steel production

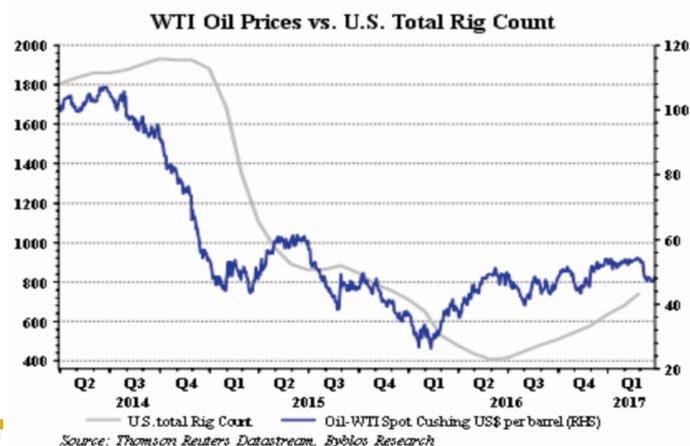
LME steel billet cash prices averaged \$312.5 per ton in the first quarter of 2017, constituting a rise of 84.4% from \$169.4 per ton during the same quarter in 2016. The increase in the metal's prices reflects higher global infrastructure spending and Chinese production cuts. Further, steel prices are forecast to increase over the coming years, as China is expected to decrease its steel production by 165 million tons, or 20%, by 2020, which would result in an undersupplied global steel market. In parallel, global crude steel output reached 264.4 million tons in the first two months of 2017, up by 5.8% from 249.8 million tons in the same period of 2016. China's crude steel production totaled 128.8 million tons, or 48.7% of global steel output, in the first two months of 2017. It was followed by Japan with 17.3 million tons (6.6%), India with 16.8 million tons (6.3%) and the U.S. with 13.3 million tons (5%). On a regional level, steel output in Asia totaled 180.4 million tons and accounted for 68.2% of global production in the covered period, followed by the European Union with 27.3 million tons (10.3%) and North America with 18.8 million tons (7.1%). 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 average over \$1,200 an ounce in 2017

Gold prices held steady at about \$1,250 a troy ounce on March 30, supported by the high uncertainties related to the impact of Britain's exit from the European Union, to political and economic uncertainty in the United States, and to the upcoming French presidential election next month. Prices are forecast to increase from \$1,218 an ounce in the first quarter of 2017 to \$1,230 an ounce in the fourth quarter of 2017, given expectations of continued geopolitical risks. Further, the risk of an upward inflationary trend in the U.S. this year would support demand for gold, partly given that inflation makes bonds and other fixed income assets less appealing to long-term investors. Overall, prices are projected to regress from \$1,249 an ounce in 2016 to \$1,203 an ounce in 2017 due to prospects of further U.S. interest rate hikes this year. The US dollar is likely to remain a substantial challenge to further price increases in the first half of 2017. Upward risks to gold prices include stronger than expected global economic growth, an increase in geopolitical risks, as well as the outcome of the elections in France and Germany.

Source: Deutsche Bank, Byblos Research



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								
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	23-Mar-17	No change	11-May-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	24-Mar-17	No change	29-June-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	29-Mar-17	No change	24-May-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	30-Mar-17	No change	25-May-17
Kenya	Central Bank Rate	10.00	27-Mar-17	No change	23-May-17
Nigeria	Monetary Policy Rate	14.00	21-Mar-17	No change	23-May-17
Ghana	Prime Rate	23.50	27-Mar-17	Cut 200bps	22-May-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	28-Mar-17	No change	16-May-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	9.75	24-Mar-17	Cut 25bps	28-Apr-17



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