

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade to grow by 2.4% in 2017

The World Trade Organization projected global trade to grow by 2.4% in real terms in 2017, up from a growth rate of 1.3% in 2016 in case developed economies maintain generally accommodative fiscal and monetary policies, the economic recovery in emerging markets proceeds gradually, and restrictive trade measures do not expand. But it said that the imposition of trade-restrictive measures and monetary tightening could reduce the growth rate of global trade to 1.8% in 2017. It added that other risks to the outlook include financial volatility from tighter fiscal policies and increased uncertainty in Europe in the aftermath of the Brexit vote. In contrast, it said that the growth in global trade could reach up to 3.6% under a better policy mix and in case of faster-than-anticipated global growth. In parallel, the WTO forecast imports to developed economies to grow by 3% in real terms in 2017, and those to emerging & developing countries to expand by 2.2%. It expected exports from developed economies to rise by 2.8% in real terms, and those from emerging & developing countries to increase by 2.2% in 2017. The WTO projected imports to Asia to grow by 3.2%, those to North America to expand by 3%, imports to Europe to rise by 2.9% and those to South & Central America to increase by 0.1% in 2017. Also, it expected exports from North America to expand by 3.2% in 2017, followed by Europe (+2.8%), Asia (+2.5%) and South & Central America (+1.4%).

Source: World Trade Organization

GCC

Nearly 75% of GCC investors plan to invest domestically in 2017

A survey of high net worth individuals (HNWIs) across the Gulf Cooperation Council (GCC) countries shows that 50% of respondents have changed their approach to investment decisions in 2017 due to the global economic situation, while 49% of respondents said that economic conditions in their countries have altered their investment approach. Also, 45% of HNWIs consider that regional geopolitics changed their investment decisions, while 37% of respondents noted that oil price volatility and structural reforms in the GCC have significantly influenced their investment decision-making this year. In parallel, the survey indicated that 72% of HNWIs prefer to invest domestically in 2017, while 28% of respondents said that they would invest globally this year. The survey noted that 50% of HNWIs in the region who plan to invest outside the GCC would direct their investments toward Europe, followed by 46% of HNWIs who would invest in North America, 39% in Asia and 29% of HNWIs would invest in non-GCC Arab countries. In addition, the allocation of wealth of HNWIs in the GCC shows that 34% respondents would invest in their own businesses, 27% of HNWIs would hold their wealth in cash and deposits, 15% of participants would place their funds in real estate, 9% of HNWIs would resort to direct & private equity investments, 7% would acquire stocks, 5% of HNWIs would purchase gold & precious metals, and 2% would invest in bonds. Finally, 62% of HNWIs indicated that it is very important for their investments in 2017 to be Shariah compliant.

Source: Emirates Investment Bank

MENA

Equity issuance down 77% to \$528m in first quarter of 2017

Equity Capital Markets' (ECM) issuance in the Middle East region, which includes equity and equity-related issuances, totaled \$528.2m in the first quarter of 2017, down by 77% from the same period last year. ECM Issuance in the consumer goods' sector totaled \$246m and accounted for 46.6% of ECM activity in the covered quarter, followed by the industrial sector with \$178m (33.7%) and the financial sector with \$105m (20%). Also, there were two initial public offerings in the first quarter of 2017 that raised \$243.2m and accounted for 46% of ECM activity. In parallel, debt issuance in the region reached \$31.2bn in the first quarter of 2017, up 5.9 times from \$5.3bn in the same period of 2016, the highest debt issuance in a first quarter on record. Also, Islamic debt issuance grew by 14.4% year-on-year to \$11.9bn in the first quarter of 2017. Further, the value of announced mergers and acquisitions (M&A) in the Middle East, which includes inbound, outbound and inter-regional deals, totaled \$11.9bn in the first quarter of 2017, up 2.3 times from \$5.2bn in the same period last year. In parallel, investment banking fees in the region stood at \$215m in the covered period, down by 9.5% from the first quarter of 2016. Debt capital market fees totaled \$75.3m in the first quarter of 2017 and accounted for 35% of the overall fee pool, followed by syndicated lending fees at \$65.4m (30.4%), fees from M&A deals at \$58.6m (27.3%), and fees from equity capital markets at \$16.7m (7.3%).

Source: Thomson Reuters

Weak investment climate deterring expatriates from investing in home country

A World Bank survey of expatriates from countries in the Middle East & North Africa (MENA) region shows that 71% of respondents cited real estate as their preferred investment instrument in their country of origin, followed by direct investment in existing or new firms (58%), the acquisition of shares in private companies (24%) and acting as an angel investor or venture capitalist (24%). It noted that expatriates have a limited desire to invest in financial instruments, such as government and corporate bonds, and in certificates of deposits in their country of origin. Further, one-third of surveyed expatriates from the MENA region stated that they have the financial capacity to invest in their country of origin, and another one-third said that they had already invested in their country of origin. The survey indicated that 54% of expatriates from countries in the MENA region cited the weak investment climate as the main constraint to invest in their country of origin, followed by political instability (47%), lack of information about business opportunities (29%), an unfavorable macroeconomic environment (23%), the lack of quality infrastructure (22%), and unavailable financing instruments and options (21%). In parallel, 39% of surveyed expatriates from the MENA region said that they send remittances to their country of origin, with about one-third of senders remitting less than \$500 annually. The survey is based on online interviews with 1,000 expatriates from countries in the MENA region between May 2014 to March 2015, as well as on focus group discussions with selected expatriates.

Source: World Bank

OUTLOOK

MENA

Growth to slow down to 2.3% in 2017

The International Monetary Fund projected economic growth in the MENA region at 2.3% in 2017, down from a January forecast of 2.9%. In comparison, it forecast real GDP growth at 4.5% for emerging and developing economies and at 3.5% for the global economy this year. It attributed the subdued growth in MENA countries to lower economic activity among the region's oil-exporters due to cuts in oil production following the November 2016 OPEC agreement. It also noted that regional conflicts and geopolitical uncertainties continue to weigh on economic growth across the region. It expected the inflation rate in MENA economies to average 8.1% in 2017 relative to 5.4% in 2016.

The IMF forecast real GDP growth in the oil-exporting economies of the MENA region to decelerate from 4% in 2016 to 1.9% in 2017, mainly due to lower hydrocarbon output. But it anticipated non-hydrocarbon sector activity to pick-up, as the pace of fiscal adjustment to the low oil price environment decelerates. It projected the aggregate current account balance of oil-exporters to shift from a deficit of 2.7% of GDP in 2016 to a surplus of 0.4% of GDP in 2017. Also, it expected the inflation rate of oil-exporters to average 5.8% in 2017 compared to 4.6% in 2016. Further, the Fund forecast real GDP growth in oil-importing economies to accelerate from 3.7% in 2016 to 4% in 2017. It expected the aggregate current account deficit of oil-importers to slightly widen from 4.8% of GDP in 2016 to 4.9% of GDP in 2017. It forecast the inflation rate in oil-importers to average 11.4% in 2017 compared to 6.2% in 2016, mainly due to high inflation rates in Egypt and Sudan.

In parallel, the IMF projected real GDP growth in the Maghreb countries, which consist of Algeria, Libya, Mauritania, Morocco and Tunisia, to accelerate from 2.6% in 2016 to 6.2% in 2017, while it forecast their current account deficit to narrow from 14.1% of GDP in 2016 to 9% of GDP in 2017. It expected growth in the Mashreq countries that comprise Egypt, Jordan and Lebanon to decelerate from 3.9% in 2016 to 3.3% in 2017, and for their current account deficit to slightly widen from 7.2% of GDP in 2016 to 7.4% of GDP in 2017.

Source: International Monetary Fund

ARMENIA

Growth to pick up in 2017, risks tilted to the downside

The International Monetary Fund indicated that the significant drop in remittance inflows and in global copper prices since late 2014 have weighed heavily on Armenia's economic activity, weakened the country's fiscal position and led to deflationary conditions over the past two years. But it noted that the Armenian economy started to recover in early 2017, driven by strong private sector credit growth as a result of monetary policy easing. It projected real GDP growth to accelerate from 0.2% in 2016 to 3% in 2017, contingent on the sustained recovery in remittance inflows and in copper prices. Also, it forecast the inflation rate to reach about 1.8% at the end of 2017. However, it said that Armenia would continue to face significant challenges due to a volatile and narrow-based economy, a relatively undiversified

export base, high unemployment and poverty rates, as well as from rising public and external debt. It added that risks to Armenia's outlook include a slower-than-anticipated recovery in remittance inflows and copper prices, and weaker-than-expected economic growth in key trading partners, mainly Russia.

Further, the Fund expected Armenia's public revenues to exceed the 2017 budget projections, which would allow for additional growth-friendly capital spending. But it cautioned that the fragility of the recovery and risks to revenues would require contingency plans, including potential cuts in non-priority current spending, in case of revenue shortfalls. In parallel, the IMF called on the government to implement reforms to attract foreign direct investment, improve infrastructure and education, tackle corruption and enhance the business environment. It added that authorities should remain committed to a fiscal path that ensures debt sustainability, supported by the implementation of the new tax code and the prioritization of foreign-financed capital spending. In parallel, it pointed out that the Central Bank of Armenia should be prepared to further ease monetary policy in order to bring the inflation rate closer to its target range.

Source: International Monetary Fund

GHANA

Positive economic prospects for 2017, significant challenges persist

The International Monetary Fund projected Ghana's real GDP to grow by about 6% in 2017 due to a strong increase in oil production, despite the contractionary impact of the budgeted fiscal adjustment. It said that the inflation rate is on a declining trend and projected it to decrease to the upper bound of the Bank of Ghana's (BoG) target of about 10% at the end of the year. But it noted that Ghana continues to face significant challenges, including the sizable fiscal slippage in 2016 that has weakened its debt sustainability and increased its reliance on foreign investors to fund its large gross financing needs. It projected Ghana's gross financing needs at 13% of GDP in 2017, which would continue to expose the country to a shift in foreign investors' sentiment. In this context, it supported the government's medium-term debt management strategy to rely primarily on domestic currency financing in order to reduce refinancing and exchange rate risks.

In parallel, the Fund indicated that authorities are targeting a fiscal deficit of 6.5% of GDP in 2017 following a deficit of 8.7% of GDP in 2016. It noted that authorities have taken several measures to improve budgetary discipline, including limiting the earmarking of revenues and controlling tax exemptions and evasion. But it said that more fiscal reforms are needed to underpin the fiscal adjustment, such as better cash and public financial management. Further, it pointed out that the elevated domestic arrears and the large financial imbalances of state-owned enterprises in the energy sector could increase spending needs. It added that the weaknesses in some financial institutions could adversely affect credit growth and investment, and lead to the build-up of contingent liabilities for the government. In parallel, the IMF noted that the BoG's intervention in the foreign currency market should be limited to smoothing exchange rate volatility rather than directly supporting the value of the Ghanaian cedi.

Source: International Monetary Fund



ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's long- and short-term credit ratings, with a 'stable' outlook. It noted that the ratings are supported by its expectations that Saudi Arabia would maintain strong external and fiscal accounts despite wide fiscal deficits, but are constrained by subdued economic growth, low public-sector transparency and limited monetary policy flexibility. It projected real GDP growth at 0.5% in 2017 and 1.5% in 2018, supported by the non-hydrocarbon sector with a growth of about 1% in each of 2017 and 2018, while it anticipated broadly flat growth in hydrocarbon output. Also, it forecast the central government deficit to narrow from 9% of GDP in 2017 to 4% of GDP in 2020, based on broadly flat oil prices throughout 2020, and an increase of 2% of GDP in government revenues following the anticipated introduction of a 5% value-added tax in 2018. It projected Saudi Arabia's gross liquid financial assets to regress from 109% of GDP in 2017 to 104% of GDP in 2020, while it expected the public debt to increase from 18.2% of GDP in 2017 to 26.8% of GDP in 2020. Further, S&P considered that Saudi Arabia is entering a period of adverse terms of trade from a strong position, as its net assets would gradually regress from a peak of 123% of GDP in 2015 to 77% of GDP in 2020. In parallel, the agency said that Saudi Arabia's external position remains a strength and expected its liquid external assets to average 190% of current account receipts (CARs) annually over the 2017-20 period. It projected gross external financing needs at 39.1% of CARs plus usable reserves in 2017.

Source: S&P Global Ratings

CÔTE d'IVOIRE

Economic growth to remain strong in 2017

The International Monetary Fund estimated Côte d'Ivoire's real GDP growth at 8% in 2016 despite adverse weather conditions, and expected economic growth to remain strong in 2017. It noted that the fiscal deficit reached 4% of GDP last year, and that a small revenue shortfall was offset by the reduction of non-priority public investments. Also, it estimated the current account deficit at 1% of GDP in 2016, while it noted that the inflation rate remained at around 1% last year. The IMF indicated that the drop in cocoa prices, the increase in global oil prices and spending pressure from rising social demands would affect the country's growth and public finances in 2017. It noted that the decline in cocoa prices by over 35% since July 2016 has reduced the country's exports and fiscal revenues. In this context, the IMF pointed out that the authorities' response to the recent developments should focus on maintaining a strong and sustainable economic growth path, preserving macroeconomic stability, contributing to the accumulation of foreign currency reserves, and should take into account the existing social conditions. Overall, the Fund expected Côte d'Ivoire's economic activity to remain strong in 2017, with a moderate easing of the fiscal deficit ceiling for 2017. In parallel, the IMF encouraged authorities to implement structural reforms that would sustain private sector-led economic growth. It noted that the completion of the debt restructuring of the national oil refinery would support financial stability, while the resolution of liabilities in the energy sector would ensure the sector's financial viability.

Source: International Monetary Fund

ANGOLA

Sovereign ratings affirmed, outlook 'negative'

Moody's Investors Service affirmed at 'B1' Angola's long-term issuer and senior unsecured debt ratings, and maintained the 'negative' outlook on the ratings. It attributed the affirmation of the ratings to Angola's improving macroeconomic situation, significant fiscal adjustment and declining external vulnerabilities. First, the agency anticipated Angola's economic growth to accelerate from 0.1% in 2016 to 2.6% in 2017 and 3.5% in 2018, supported by an increase in oil production and prices. It added that the non-oil economy would benefit from a small rise in public spending, including the clearance of arrears, and from the gradual improvement in US dollar liquidity. Second, Moody's pointed out that Angolan authorities have reduced public spending from 40% of GDP in 2014 to 20% of GDP in 2016. It forecast the fiscal deficit at about 4% of GDP in 2017, nearly unchanged from an estimated deficit of 4.1% of GDP in 2016. Third, the agency estimated the current account deficit to have narrowed from 11.3% of GDP in 2015 to 4.8% of GDP in 2016 as a result of the depreciation of the Angolan kwanza and restrictions on imports. It expected the current account deficit to further narrow in 2017 due to increased hydrocarbon exports, which would allow authorities to gradually ease the existing capital controls. Also, it pointed out that foreign currency reserves stabilized at \$22bn during 2016, supported by the significant fiscal and exchange rate adjustments. In parallel, Moody's indicated that the 'negative' outlook reflects sustained debt rollover and currency depreciation risks amid elevated gross borrowing requirements, as well as government spending pressures. It added that the outlook takes into account the difficulties facing authorities in preserving foreign currency reserves while providing sufficient US dollars to ensure the smooth operation of banks and businesses.

Source: Moody's Investors Service

BAHRAIN

Insurance sector faces moderate industry risks

S&P Global Ratings assessed as "moderate" the overall risk level of the property and casualty (P/C) insurance sector in Bahrain. It indicated that the assessment is derived from a "high" country risk and a "moderate" industry risk for the domestic P/C insurance sector. The risk scale ranges from "low" to "intermediate", "moderate" and "high". S&P noted that the "high" country risk reflects domestic political instability and a fiscal reliance on the hydrocarbon sector that significantly deteriorated Bahrain's external financing conditions. In parallel, it said that the industry risk assessment is supported by relatively modest profitability prospects and low product risks that are unlikely to cause volatility in the sector's profitability. It projected the return on equity to average about 5% annually in the 2016-18 period, nearly unchanged from 2015, but down from an annual average of 7.4% during the 2011-15 period. However, the agency noted that the industry risk assessment is constrained by a modest growth in gross written premiums and by low barriers to entry in the overcrowded Bahraini P/C sector. It expected the growth in gross written premiums at less than 3% annually during the 2016-18 period compared to 1.9% in 2016 and an annual average of 8.9% during the 2013-14 period, due to the slowdown in economic activity.

Source: S&P Global Ratings

BANKING

SAUDI ARABIA

Banks continue to face challenging operating environment

Regional investment bank EFG Hermes identified seven key trends that would impact the performance of banks in Saudi Arabia in 2017. First, it indicated that banks continue to face a difficult operating environment due to the slowdown in economic activity, reduced government spending, weaker credit quality and uncertainty about the direction of the cost of funds over the next 12 months. Second, it projected credit demand to weaken due to lower financing needed for working capital and fewer new projects in the country, as well as to the absence of real wage increases, which would weigh on demand for retail loans. Third, it considered that the improvement in liquidity conditions and the subsequent decline in the Saudi Arabian Interbank Offered Rate (SAIBOR) would ease funding costs, which would improve the banks' net interest spreads. But it noted that spreads could narrow quickly as a lower SAIBOR would drive down loan pricing. Fourth, it did not expect the increase in U.S. interest rates to have a significant impact on short-term interbank rates, due in part to the high differential between SAIBOR and LIBOR.

Fifth, EFG Hermes anticipated that Saudi banks' non-interest income would come under pressure in 2017 due to the sluggish growth in the banks' balance sheets, weaker consumption growth and declining receipts from capital market activity. Sixth, it pointed out that the banking sector's asset quality could continue to deteriorate, partly due to a sharp slowdown in activity in the corporate sector. It forecast the banks' non-performing loans ratio to increase from 1.2% in 2016 to 2% during the 2017-18 period. Finally, it expected the banks' credit and provisioning costs to increase and to remain elevated in 2018 onwards, as banks prepare for the implementation of IFRS9 standards and Basel III capital requirements.

Source: EFG Hermes

QATAR

Agency takes rating actions on nine banks

Fitch Ratings affirmed at 'AA-' the long-term Issuer Default Ratings (IDRs) of Qatar National Bank (QNB) and at 'A+' that of the Commercial Bank of Qatar (CBQ), Doha Bank, Qatar Islamic Bank (QIB), Al Khalij Commercial Bank, Qatar International Islamic Bank (QIIB), Ahli Bank, International Bank of Qatar (IBQ) and Barwa Bank. It kept the outlook on all the banks' long-term IDRs at 'stable'. It indicated that the IDRs of the nine banks reflect the extremely high probability of support from the Qatari authorities in case of need, given the country's strong ability and willingness to do so. In parallel, Fitch downgraded the viability rating (VR) of QNB from 'a-' to 'bbb+', those of Doha Bank and QIB from 'bbb' to 'bbb-', and those of Al Khalij Commercial Bank, IBQ and Barwa Bank from 'bbb-' to 'bb+'. It also affirmed at 'bbb-' the VR of Ahli Bank and CBQ and at 'bb+' that of QIIB. It attributed the downgrade of the six banks' VRs to the deterioration in Qatar's operating environment, as it expected economic activity to decelerate in 2017 and 2018. Also, it anticipated the difficult operating environment to weigh on the banks' profitability and asset quality this year.

Source: Fitch Ratings

NIGERIA

Disparities in capital strength across banks

The Central Bank of Nigeria (CBN) indicated that the risk-weighted capital adequacy ratio (CAR) of Nigerian banks stood at 13.9% at the end of 2016, down from 16.1% at end-2016. It pointed out that the average CAR of large banks reached 15.5% at the end of 2016, down from 18.5% a year earlier, that of medium-sized banks stood at 12.8% at the end of 2016 relative to 15.6% at end-2015, while the average CAR of small-sized banks regressed from 17.6% at end-2015 to 3.2% at the end of 2016. It indicated that the banking sector's non-performing loans (NPL) ratio increased from 5.3% at the end of 2015 to 14% at end-2016, largely due to rising inflation rates, the contraction in economic activity and the depreciation of the Nigerian naira, which required increased provisions. It added that unreserved NPLs were equivalent to 38.4% of total capital at the end of 2016, significantly higher than 5.9% at end-2015. In parallel, the CBN's credit risk stress tests show that large and medium-sized banks are capable of absorbing a 100% increase in NPLs as their CARs would regress to 12% and 10.3%, respectively, while the CAR of small banks would fall to -27% under such circumstances. Further, the CBN's credit concentration stress tests indicate that the CARs of large, medium and small banks would fall to 8.84%, 5.16% and -8.93%, respectively, in case the credit facilities of the top five obligors deteriorate from standard to doubtful. In addition, the CBN said that a 20% default in the banks' oil & gas loan portfolio would decrease the CAR of large banks to 14.67%, that of medium banks to 11.87% and the CAR of small banks to 2.63%.

Source: Central Bank of Nigeria

SOUTH SUDAN

Banks' financial soundness deteriorates

The risk-weighted capital adequacy ratio of banks operating in South Sudan reached 9.5% at the end of September 2016 compared to 9.1% at end-2015 and 11.2% at end-September 2015. The sector's liquid assets accounted for 46.7% of total assets at end-September 2016 and 78.8% at end-September 2015; while customer deposits were equivalent to 1012.1% of total loans at the end of September 2016, down from 1380% a year earlier. In addition, the banking sector's non-performing loans (NPLs) ratio reached 55% at end-September 2016, up from 22.5% at the end of September 2015; while the ratio of NPLs net of provisions to capital stood at 3.5% at the end of September 2016 relative to 2.6% a year earlier. Also, foreign currency liabilities accounted for 78.2% of the sector's total liabilities at the end of September 2016 compared to 25.6% at end-September 2015. The International Monetary Fund attributed the deterioration in the banks' financial soundness in 2016 to the worsening security conditions, which particularly affected the construction and service sectors. It noted that about half of the banks have met the minimum capital requirements since the Bank of South Sudan (BoSS) decided to raise the minimum capital requirements in 2013 with a compliance deadline of two years. In this context, it called on the BoSS to enforce the minimum capital requirements for all banks, as well as to encourage and regulate banks' consolidation.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to increase gradually in 2017

ICE Brent crude oil front-month prices averaged \$54.7 per barrel (p/b) year-to-April 19, trading at a low of \$50.6 p/b and a high of \$57.1 p/b. Oil prices reached a two-week low of \$52.9 p/b on April 19, 2017, constituting decreases of 3.6% from the previous day and of 6.8% from the end of 2016. The decline in oil prices was due to higher-than-anticipated U.S. crude oil inventories, an increase in U.S. oil production and a stronger US dollar, which have partially offset the impact of oil production cuts by OPEC and non-OPEC countries. Also, the International Energy Agency lowered its 2017 forecast for global oil demand growth and raised its projection for non-OPEC supplies, which increased investors' skepticism about the oil price outlook. In parallel, Citi expected oil prices to exceed \$60 p/b by the end of 2017 in case the OPEC oil agreement is extended. But it noted that a rebound in U.S. shale oil production and a failure to extend the OPEC agreement constitute significant downside risks to the price outlook over the next six to nine months. It forecast oil prices to rise gradually to \$56 p/b in the second quarter, \$60 p/b in the third quarter and \$65 p/b in the fourth quarter of 2017. Overall, it projected prices to increase by 26.4% to an average of \$57 p/b in 2017.

Source: CNBC, Citi, Thomson Reuters, Byblos Research

Nigeria's hydrocarbon receipts down 58% in January 2017

Nigeria's crude oil and condensate export receipts totaled \$171.1m in January 2017, constituting a drop of 2.2% from \$175m in the preceding month, and of 58% from \$407.9m in January 2016. Export revenues in the covered period consisted of \$94m from crude oil exports (54.9%), \$69.8m from gas exports (40.8%) and \$7.4m in other receipts (4.3%). The authorities used all of the hydrocarbon revenues to pay international oil companies and did not transfer any funds to the Federation Account in the covered month.

Source: Nigerian National Petroleum Corporation

MENA economies to expand power generation capacity over the 2017-21 period

APICORP expected countries in the Middle East & North Africa (MENA) region to invest \$302bn in the power sector during the 2017-21 period. It anticipated MENA economies to invest \$179bn in the power sector in order to generate an additional 138 gigawatts during the covered period, and another \$123bn in transmission and distribution in the medium term. Also, it projected the MENA region to expand its power generation capacity by an average annual rate of 7.4% between 2017 and 2021, in order to meet its fast growing demand for electricity.

Source: APICORP Energy Research

OPEC's oil basket price down 6% in March 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) reached \$50.3 per barrel (p/b) in March 2017, down by 5.7% from \$53.4 p/b in the preceding month. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$53 p/b, followed by Nigeria's Bonny Light and Angola's Girassol at \$51.9 p/b each. All 13 prices included in the OPEC reference basket posted monthly decreases of \$2.8 p/b to \$3.7 p/b in March 2017.

Source: OPEC, Byblos Research

Base Metals: Zinc prices to increase in 2017 amid rising infrastructure spending in China

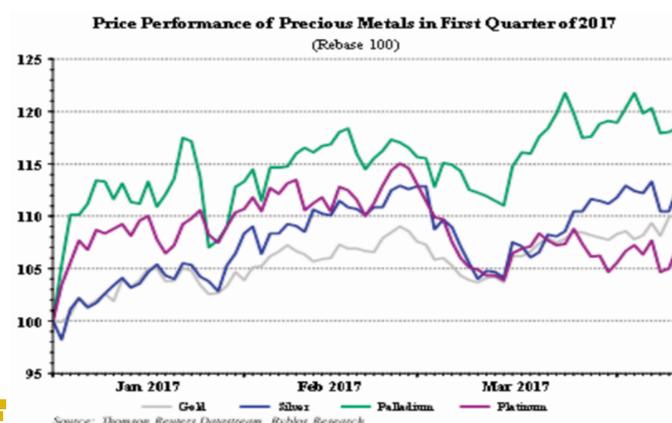
LME zinc cash price closed at \$2,528 a ton on April 19, 2017, its third lowest level this year, down by 8.1% from \$2,750 a ton at end-March 2017 due to easing supply concerns as two major Peruvian mines prepared to resume operations. Still, zinc prices are forecast to increase from \$2,092 a ton in 2016 to \$3,100 a ton in 2017, driven by higher Chinese spending on infrastructure. But prices are expected to decline to \$2,538 a ton in 2018 as China's demand for the metal decelerates. In parallel, global production for the metal is projected to reach 14.44 million tons in 2017, up by 5.6% from 2016, with mine production representing 92.6% of the total. China's zinc production would account for 39% of global mine production in 2017, followed by North America (15%), Peru (11.2%), and Australia, Europe and India (6.7% each). On the demand side, global refined consumption for the metal is forecast to reach 14.75 million tons in 2017, up by 3% from 14.3 million tons in 2016. China's consumption for the metal in 2017 would reach 7.1 million tons and account for 48.1% of global demand, followed by Europe with 1.9 million tons (12.9%) and the U.S. with 1.5 million tons (10%).

Source: Deutsche Bank, Byblos Research

Precious Metals: Gold prices up 11% year-to-date on heightened geopolitical tensions

The gold bullion spot price closed at \$1,281 an ounce on April 19, constituting a rise of 2.7% from the end of March 2017 and of 10.7% from end-2016. The increase in the metal's price reflects higher investor demand amid heightened geopolitical risks in Turkey and Syria, increased tensions between the U.S. and North Korea, as well as uncertainties about the outcome of the French presidential elections. The increase in the metal's price also coincided with a 2.5% decline in the trade-weighted US Dollar Index from the end of 2016. Further, palladium prices jumped by 16.3% so far this year, silver prices rose by 13% and platinum prices grew by 9% during the covered period, as investors increased their holdings of precious metals to hedge against the ongoing geopolitical uncertainties. In parallel, gold prices are forecast to rise from \$1,250 a troy ounce in 2016 to \$1,325 an ounce in 2017, given reduced expectations of further U.S. interest rate hikes and continued geopolitical tensions. According to the International Monetary Fund, the probability of the 12-month forward gold price increasing above \$1,300 a troy ounce grew to 32.5% from 23.1% previously, which reflects stronger investor demand for the metal.

Source: Thomson Reuters, Saxo Bank, 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 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								
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	04-Apr-17	No change	02-May-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	12-Apr-17	No change	24-May-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-Jun-17
South Korea	Base Rate	1.25	13-Apr-17	No change	25-May-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	06-Apr-17	No change	07-Jun-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	30-Mar-17	No change	18-May-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	12-May-17
Mexico	Target Rate	6.50	30-Mar-17	Raised 25bps	18-May-17
Brazil	Selic Rate	12.25	12-Apr-17	Cut 100bps	31-May-17
Armenia	Refi Rate	6.00	28-Mar-17	No change	16-May-17
Romania	Policy Rate	1.75	05-Apr-17	No change	05-May-17
Bulgaria	Base Interest	0.00	03-Apr-17	No change	02-May-17
Kazakhstan	Repo Rate	11.00	10-Apr-17	No change	05-Jun-17
Ukraine	Discount Rate	14.00	13-Apr-17	Cut 100bps	25-May-17
Russia	Refi Rate	9.75	24-Mar-17	Cut 25bps	28-Apr-17



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