

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Infrastructure funds raise \$5.3bn in second quarter of 2017, down 30% year-on-year

Research provider Preqin indicated that 11 unlisted infrastructure funds secured \$5.3bn in capital commitments in the second quarter of 2017, constituting a decline of 82.7% from \$30.7bn in the first quarter of 2017 and of 29.7% from \$7.5bn in the second quarter of 2016. It noted that 97 unlisted infrastructure funds held a final close and secured \$99.1bn in capital commitments between January 2016 and June 2017. It added that 34 unlisted infrastructure funds with a primary focus on North America raised \$52.9bn in the 18-month period that ended in June 2017, equivalent to 53.4% of the aggregate capital raised, while 39 European-focused funds secured \$30.2bn (30.5%) and nine Asian-focused funds raised \$9.2bn (9.3%). Also, the survey indicated that there were 171 unlisted infrastructure funds seeking to raise an aggregate of \$149bn in capital as at the beginning of the third quarter of 2017, compared to 177 funds that targeted \$114bn in capital at the beginning of the year. It indicated that 74 out of the 171 unlisted infrastructure funds, or 43.3% of the total, are seeking to raise \$39.8bn to be invested in Europe, followed by 44 infrastructure funds (25.7%) aiming to raise \$75.1bn in capital to be invested in North America, and 11 infrastructure funds (6.4%) seeking to raise \$6.8bn in capital to be invested in Asia.

Source: Preqin

MENA

Arab world trails most regions in broadband Internet speed

A report published by Cable.co.uk on broadband Internet speed in 2016 shows that Internet speed in Morocco was the fastest among 20 Arab countries and the 79th fastest among 189 countries globally. The UAE (81st), Qatar (84th), Tunisia (88th) and Bahrain (96th) followed as the Arab countries with the fastest broadband Internet speed, while Sudan (162nd), Lebanon (163rd), Libya (174th), Syria (183rd) and Yemen (189th) registered the slowest speed regionally. The survey noted that it takes three hours and 54 minutes to download a 7.5GB video in Morocco, while it takes two days, two hours and two minutes to download a 7.5GB video in Yemen. The Arab region's simple average broadband Internet speed stood at 2.13 megabytes per second (mbps) and came below the global average of 7.4 mbps. Also, the region's average broadband Internet speed was above that in Sub-Saharan Africa (1.9 mbps) and South Asia (1.7 mbps), but came lower than the broadband Internet speed in North America (14.7 mbps), Europe & Central Asia (14.1 mbps), East Asia & the Pacific (10.8 mbps), and Latin America & the Caribbean (3.4 mbps). The average broadband Internet speed in GCC countries stood at 3.2 mbps, while that in non-GCC Arab countries reached 1.7 mbps. The data was collected by research group M-Lab, Google Open Source Research and Princeton University's PlanetLab. Cable.co.uk provides comparative information about different packages, deals, bundles, and offers provided by broadband, television, phone and mobile service providers.

Source: Cable.co.uk, Byblos Research

EMERGING MARKETS

Bank lending conditions tighten in second quarter of 2017

The Emerging Markets (EMs) Lending Conditions Index reached 49.4 points in the second quarter of 2017 relative to 48.7 in the preceding quarter, its highest level in eight quarters. However, the Index remained below the threshold of 50, which means that lending conditions continued to tighten but at a slower pace. The Trade Finance Index increased to 54.8 in the second quarter of 2017 from 53.4 in the preceding quarter, while the Demand for Loans Index rose to 50.3 in the second quarter of the year from 48.2 in the first quarter of 2017, as demand for consumer loans, commercial loans and mortgages increased. Also, the Funding Conditions Index regressed to 47.5 in the covered quarter from 49.2 in the preceding quarter, while the Non-Performing Loans (NPLs) Index fell to 47.3 in the covered quarter from 48.3 in the first quarter of 2017, which reflects a decrease in NPLs in four out of five EM regions. In contrast, the Credit Standards Index increased to 47.1 in the second quarter of 2017 from 46 in the previous quarter. In parallel, the Lending Conditions Index in Emerging Asia improved to 52.4 in the covered quarter from 50.7 in the first quarter of 2017, while it remained unchanged in Emerging Europe at 52 in the second quarter of 2017. In addition, the Lending Conditions Index in Latin America increased to 49.2 in the second quarter of the year from 47.7 in the preceding quarter, while it regressed in the Middle East & North Africa region to 44 in the covered quarter from 44.9 in the first quarter of 2017. Further, the Index in Sub-Saharan Africa slightly improved to 37.7 in the first quarter of 2017 to 37.5 in the second quarter of 2017.

Source: Institute of International Finance

Trading in Credit Default Swaps down 9% to \$261bn in second quarter of 2017

Trading in emerging markets Credit Default Swaps (CDS) reached \$261bn in the second quarter of 2017, constituting a decline of 35.4% from \$404bn in the first quarter of 2017 and a drop of 8.7% from \$268bn in the same quarter last year. The most frequently traded sovereign CDS contracts in the second quarter of 2017 were those of Brazil at \$46bn, followed by Mexico at \$24bn and Turkey at \$21bn. As such, traded sovereign CDS contracts on Brazil accounted for 17.6% of total trading in emerging market CDS in the covered quarter, followed by CDS contracts on Mexico (9.2%) and Turkey (8%). The most frequently traded corporate CDS contracts in the second quarter of 2017 were those of Brazil's Petrobras at \$1.7bn, which accounted for 0.7% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, as well as from 13 major international banks and broker-dealers.

Source: EMTA

OUTLOOK

EGYPT

Economic growth at 4.5% in FY2017/18, inflationary pressure to persist

BNP Paribas indicated that macroeconomic conditions in Egypt, especially the external balance and foreign currency reserves, have significantly improved following the liberalization of the exchange rate in November 2016 and the implementation of fiscal reforms. It projected real GDP growth to accelerate from an estimated 3.8% in the fiscal year that ended in June 2017 to 4.5% in FY2017/18. However, it noted that household consumption, a main driver of economic activity, is severely constrained by the increase in domestic prices. It said that the average inflation rate surged from 10.2% in FY2015/16 to 23.7% in FY2016/2017 as a result of the currency depreciation, limited competition in the retail market, supply constraints, reduction in energy subsidies, and the expansion of money supply. It expected the inflation rate to average 24.8% in FY2017/18, mainly due to additional subsidy cuts and higher global energy prices. It considered that the government and the Central Bank of Egypt (CBE) have limited resources to address the inflationary pressures.

In parallel, BNP Paribas indicated that the CBE's decision to float the currency has increased foreign currency reserves, attracted higher foreign portfolio investment and improved foreign currency liquidity in the market. As such, it noted that foreign currency reserves rose significantly from \$18bn, or 2.9 months of imports at the end of June 2016, to \$31bn, or 5.7 months of import cover at end-June 2017, and expected them to reach \$40bn, or 6.8 months of imports by the end of June 2018. Further, it said that the current account deficit narrowed from 5.6% of GDP in FY2015/16 to an estimated 2.9% of GDP in FY2016/17 and projected it to reach 2.5% of GDP in FY2017/18.

In parallel, BNP Paribas pointed out that the improvement in Egypt's public finances has lagged the performance of the external sector and of foreign currency reserves, but it noted that the trend in public finances is currently positive. It projected the fiscal deficit to narrow from an estimated 11.5% of GDP in FY2016/17 to 10.7% of GDP this year, while it forecast the public debt level to regress from 94% of GDP in FY2016/17 to 82% of GDP in FY2017/18.

Source: BNP Paribas

BAHRAIN

Fiscal sustainability dependent on reforms

The International Monetary Fund indicated that Bahrain's fiscal and external vulnerabilities have increased as a result of the drop in global oil prices. It projected Bahrain's real GDP growth to decelerate from 3% in 2016 to 2.3% in 2017 and 1.6% in 2018, mainly due to the ongoing fiscal consolidation and weaker investor sentiment. It anticipated hydrocarbon output to shrink by 0.6% this year following a contraction of 0.1% in 2016, while it forecast growth in non-hydrocarbon sector activity to decelerate from 3.7% in 2016 to 2.9% this year.

Further, the IMF expected Bahrain's fiscal deficit to narrow from 17.8% of GDP in 2016 to 12.2% of GDP in 2017, in case of higher oil prices and reduced public spending. It anticipated the fiscal deficit to narrow only slightly over the medium term, as

rising debt servicing payments would offset some of the revenues expected from the planned implementation of the value-added tax in 2018. As such, the Fund called on Bahraini authorities to implement a more front-loaded fiscal adjustment in order to restore fiscal sustainability, reduce the large fiscal and external financing needs, and reduce the public debt level. It urged the government to implement additional measures to contain current expenditures, such as reducing the public-sector wage bill, cutting energy subsidies, as well as other measures to raise non-oil revenues. It also encouraged authorities to strengthen revenue administration and to establish a medium-term fiscal framework to support fiscal consolidation.

In parallel, the Fund projected the current account deficit to narrow from 4.7% of GDP last year to 3.6% of GDP this year, mainly due to higher hydrocarbon export receipts. It expected foreign currency reserves to reach \$2.4bn, or 1.1 months of imports, at the end of 2017, nearly unchanged from a year earlier. It encouraged monetary authorities to maintain the exchange rate peg to the US dollar, given that the peg has increased monetary policy credibility and lowered the inflation rate.

Source: International Monetary Fund

NIGERIA

Economic outlook faces significant risks

Standard Chartered Bank (SCB) projected Nigeria's real GDP to grow by 2.4% in 2017 following a contraction of 1.6% in 2016, supported by an increase in oil production and an improvement in non-hydrocarbon sector activity amid increased foreign currency availability, easing import constraints and the implementation of the 2017 budget. In addition, it forecast Nigeria's inflation rate to decline gradually from 18.6% at the end of 2016 to 15% at end-2017. However, it considered that the country's slow economic recovery, large financing needs, narrow non-hydrocarbon revenue base, uncertain reform momentum and elevated political risks constitute key risks to the outlook.

Further, SCB expected Nigeria's fiscal deficit to narrow from 4.7% of GDP in 2016 to 3.7% of GDP in 2017, mainly due to higher hydrocarbon revenues. It noted that Nigerian authorities remain focused on increasing non-oil revenues by implementing new tax measures in order to reduce debt servicing costs, which absorb 66% of public revenues. It considered that the Central Bank of Nigeria (CBN) needs to ease its monetary policy in order to reduce debt servicing costs and support lending growth.

Also, SCB indicated that the new foreign exchange window for investors and exporters has resulted in a moderate increase in portfolio inflows and foreign currency reserves at the CBN. It noted that higher inflows are contingent on additional reforms of the foreign currency market and on the unification of the exchange rate. It expected the CBN's foreign currency reserves to increase from \$27bn at the end of 2016 to \$31.4bn at end-2017. In addition, it projected the current account surplus to narrow from 0.7% of GDP in 2016 to 0.3% of GDP in 2017, as the recent improvement in foreign currency availability would support import demand. But it considered that this could be partially offset by the country's rising oil output.

Source: Standard Chartered Bank

ECONOMY & TRADE

IRAQ

External funding to finance fiscal deficit

Fitch Ratings indicated that Iraq's successful \$1bn Eurobond issue and the anticipated disbursement of about \$825m under the Stand-By Arrangement (SBA) with the IMF keep the country's financing plan for 2017 on track. It noted that Iraq's recent \$1bn bond issuance is its first unguaranteed bond in more than a decade, which, along with the \$1bn five-year U.S.-guaranteed deal in January 2017, reduce near-term risks to its fiscal balance. It said that external funding, along with higher global oil prices, are reducing the government's reliance on indirect monetary financing from the Central Bank of Iraq. It expected authorities to continue to rely on external funding to finance the fiscal deficit in 2018, given the positive investor sentiment and continued support from the IMF. It noted that authorities have a strong incentive to adhere to the IMF program in order to benefit from \$5.3bn in total funding during the 2016-19 period. It pointed out that the authorities' decision to pass a supplementary budget in coordination with the Fund shows their commitment to the program. But it noted that potential risks to the country's compliance to the IMF program persist amid weak reform implementation in some key areas. It indicated that Iraq's supplementary budget for 2017 allows for a wider-than-planned fiscal deficit for 2017, reflecting challenges in spending cuts. It added that fiscal reforms are slow due to capacity constraints and high political risks, while public finances are vulnerable to a renewed decline in global oil prices, uncertainties about the level of existing arrears, as well as the anticipated provincial and legislative elections in 2018.

Source: Fitch Ratings

TUNISIA

Sovereign ratings downgraded, outlook 'negative'

Moody's Investors Service downgraded Tunisia's long-term issuer rating from 'Ba3' to 'B1' and maintained the 'negative' outlook on the rating. It attributed the downgrade to the structural deterioration in Tunisia's fiscal position, persistent imbalances in the country's external position, as well as reduced institutional strength and government effectiveness amid delays in the implementation of reforms under the IMF program. It pointed out that the 'negative' outlook on the rating reflects the risk of a sustained decline in foreign currency reserves that could further weigh on the exchange rate and, in turn, increase the public debt level. It added that the 'negative' outlook takes into account Tunisia's rising funding requirements amid uncertainties about access to external funding, as well as rising contingent liabilities from state-owned banks, the pension system and state-owned enterprises. The agency noted that the wage bill, along with interest payments, and transfers and subsidies absorb 93% of total public revenues and grants, which leaves limited room for spending adjustment. It noted that the public debt level increased from 50.8% of GDP in 2014 to 61.9% of GDP in 2016 due to a wide primary fiscal deficit in 2016, subdued economic activity and sustained depreciation of the Tunisian dinar, and expected it to exceed 70% of GDP in 2018. In parallel, Moody's projected the current account deficit at 9.8% of GDP in 2017 and 8.7% of GDP in 2018. It added that foreign currency reserves regressed to 90 days of import cover in August 2017 amid high gross external funding requirements of about 25% of GDP per year.

Source: Moody's Investors Service

ANGOLA

Sovereign ratings downgraded on rising debt servicing costs and weak economic prospects

S&P Global Ratings downgraded Angola's long-term foreign and local currency sovereign credit ratings from 'B' to 'B-', with a 'stable' outlook on the ratings. It attributed the downgrade to Angola's lower-than-anticipated fiscal revenues and higher-than-projected debt servicing costs, amid weakening economic prospects. It pointed out that the 'stable' outlook on the ratings reflects Angola's ability to finance its wide current account deficit without drawing down its foreign currency reserves. First, the agency projected Angola's debt servicing cost to reach 15.4% of total receipts in 2017, driven by higher domestic borrowing to finance the fiscal deficit. Second, it forecast real GDP growth to average 2.3% annually during the 2017-20 period, down from a previous projection of 3.3%, due to the declining contribution of the oil sector to overall activity and because foreign currency shortages continue to weigh on import-dependent industries, such as the construction and retail sectors. Third, S&P forecast the current account deficit to narrow from 8.9% of GDP in 2016 to 7.2% of GDP in 2017 and 7% of GDP by 2020. But it expected Angola's gross external financing needs to exceed 100% of current account receipts plus usable reserves during the 2017-20 period. Fourth, it indicated that the banking sector is weak following reduced credit demand and supply conditions, liquidity challenges and high NPLs, while some state-owned banks are being restructured.

Source: S&P Global Ratings

SAUDI ARABIA

Profits of listed companies up 9% to \$15bn in first half of 2017

The cumulative net income of 171 companies listed on the Saudi Arabia Stock Exchange, or Saudi Tadawul, totaled SAR56.4bn, or \$15bn, in the first half of 2017, constituting an increase of 9.3% from SAR51.6bn, or \$13.8bn in the first half of 2016. Net profits of the listed companies totaled \$8.2bn in the first quarter of the year and \$6.8bn in the second quarter of 2017. Listed banks generated net profits of \$6.1bn and accounted for 40.7% of total net earnings in the first half of the year. Basic materials companies followed with \$3.9bn (25.8%), then utilities with \$1.9bn (12.9%), telecom firms with \$1.2bn (8.1%), the food & beverage industry with \$382.8m (2.5%), retail firms with \$210.7m (1.4%) and insurers with \$182.6m (1.2%). Further, the net earnings of financial services institutions increased by 56.4 times year-on-year in the first half of 2017, followed by utilities with an increase of 4.8 times, pharmaceuticals, biotechnology & life science firms (+15%), telecom companies (+13.5%), capital goods corporates (+11.8%), food & staples retailers (+4.1%), healthcare equipment & services firms (+1.8%) and basic materials companies (+1.4%). In contrast, the profits of energy firms regressed by 47.2% year-on-year in the first half of the year, followed by consumer services companies (-24.9%), transportation firms (-22.3%), consumer goods corporates (-22.2%), the food & beverage industry (-19.9%), retailers (-19.8%), commercial & professional services firms (-19%), real estate management & development corporates (-18.4%), insurers (-14.6%) and banks (-1.5%); while media firms shifted from profits of \$5.4m in the first half of 2016 to losses of \$3m in the first half of 2017.

Source: KAMCO

BANKING

WORLD

Outlook 'stable' on 82% of bank ratings

Fitch Ratings indicated that it downgraded 71 banks worldwide in the first half of 2017, the largest number since at least the first half of 2013, and which consist of 57 banks in emerging economies, and 14 banks in developed countries. It noted that banks in the Middle East & Africa accounted for 51% of total downgrades, followed by those in Developed Europe (17%), Emerging Americas (15%), Emerging Europe (13%), and Developed Americas, Developed Asia and Emerging Asia (1% each). It attributed the downgrades of more than half of the banks' ratings to similar actions on the sovereign ratings or a reassessment of the sovereign risk, while 15 banks were downgraded due to their weaker standalone profiles. In contrast, Fitch upgraded 21 banks globally in the first half of 2017, including 13 banks in developed economies. It said that banks in Developed Europe accounted for 57% of upgrades globally, followed by banks in Emerging Europe (38%) and Developed Asia (5%). In parallel, the agency said that 13% of bank ratings had 'negative' outlooks globally in the first half of 2017, while 5% of them had a 'positive' outlook. Also, it indicated that the share of 'stable' outlooks reached 82% in the first half of the year. It added that 18% of banks in emerging markets have a 'negative' outlook on their ratings, while only 2% of them have a 'positive' outlook.

Source: Fitch Ratings

JORDAN

Lending to resident private sector up 5.6% in first half of 2017

The consolidated balance sheet of commercial banks in Jordan indicated that total assets reached JD48.5bn, or \$68.3bn at the end of June 2017, nearly unchanged from the end of 2016 and constituting an increase of 1.9% from end-June 2016. Resident private sector claims grew by 5.6% from end-2016 to JD21.7bn, while credit facilities to the non-resident private sector rose by a marginal 0.3% to JD481.3m, leading to an increase of 5.5% in overall private sector credit facilities in the first half of 2017. Lending to the resident private sector accounted for 44.8% of total assets at end-June 2017 compared to 41.6% a year earlier. In parallel, resident private sector deposits reached JD26.5bn at the end of June 2017, down by 1.6% from JD27bn at end-2016, but up by 2.7% from JD25.8bn at end-June 2016; while non-resident private sector deposits grew by 11.2% from the end of 2016 and regressed by 9.5% from end-June 2016 to JD3.44bn. The government's deposits totaled JD987.2m, down by 12.7% from end-2016, and those of public non-financial institutions decreased by 14.8% to JD275.5m. In parallel, claims on the public sector accounted for 22.6% of total assets at end-June 2017 compared to 24.7% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.1bn, or \$7.2bn, down by 16.1% from JD6bn at end-2016; while capital accounts and allowances regressed by 1.1% from the end of 2016 to JD7.2bn. Also, deposits with foreign banks reached JD4.1bn, or \$5.8bn, at end-June 2017, up by 4.4% from end-2016; while the sector's foreign liabilities grew by 3.2% from the end of 2016 to JD6.6bn.

Source: Central Bank of Jordan, Byblos Research

QATAR

Banking sector outlook revised to negative on weakening operating conditions

Moody's Investors Service revised from 'stable' to 'negative' the outlook on Qatar's banking system, as it expected the challenging operating environment and persistent funding pressures to continue to weigh on Qatari banks over the coming 12 to 18 months. It added that the 'negative' outlook takes into account a potential weakening of the government's capacity to support banks in case of need. The agency projected lending growth to decelerate from 15% in 2015 to between 5% and 7% over the 2017-18 period, in line with the slowdown in the country's real GDP growth. Further, it anticipated the banks' asset quality to deteriorate as a result of subdued economic activity, the ongoing rift with some Arab countries and sustained challenges in the construction and contracting sectors. As such, it forecast the sector's non-performing loans ratio to increase from 1.7% at the end of 2016 to 2.2% by 2018. Further, it expected the banking sector's capitalization to remain strong, which would provide banks with ample buffers to absorb losses. In parallel, Moody's indicated that the reliance of Qatari banks on external funding has increased in recent years due to the significant decline in domestic liquidity. It considered that a prolonged regional rift could shift investor sentiment and trigger some outflows of foreign deposits and external funding, which represented about 36% of the banking sector's liabilities as at May 2017. It added that such outflows would weigh on the banks' liquidity buffers, which were equivalent to 24% of the banks' aggregate assets at end-2016.

Source: Moody's Investors Service

SAUDI ARABIA

Lower government spending weighs on profitability of five largest banks

Moody's Investors Service indicated that the profitability of Saudi Arabia's five largest banks could come under pressure, as it anticipated lower government spending to weigh on economic growth and, in turn, reduce credit demand and weaken borrowers' debt repayment ability. It expected that National Commercial Bank (NCB), Al Rajhi Bank, Samba Financial Group, Riyadh Bank, and Banque Saudi Fransi (BSF) would be able to use their pricing power to offset the effects of lower lending growth and deteriorating asset quality, in order to maintain solid profitability metrics in the coming 12 to 18 months. It said that higher provisions and lower income from fees and commissions would weigh on the banks' profits. However, it noted that higher interest rates would mitigate such effects and allow the banks to achieve better investment returns through floating-rate corporate loans. It expected lending growth to be in line with the subdued growth in the non-oil economy, with four of the five banks posting flat or negative lending growth. The agency said that Al Rajhi Bank is best-positioned to maintain its profitability over the coming quarters, mainly due to its focus on retail lending and limited exposure to the corporate sector. It noted that Samba, BSF, Riyadh Bank and NCB are more vulnerable to the rise in provisioning costs and the fall in fee income, as they are corporate-focused lenders. Further, Moody's said that the five banks have strong capital buffers, with their Tier One capital ratios exceeding 15% each.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil prices to increase by 24% to \$56 p/b in 2017

ICE Brent crude oil front-month prices continued to trend higher and closed at \$52.6 per barrel (p/b) on August 23, 2017, as the level of crude inventories in the U.S. declined by 3.3 million barrels during the week ending on August 18, 2017, which constitutes the eighth consecutive weekly decrease. Also, a drop in the U.S. oil rig count, as well as decreases in Libya's and Venezuela's oil output further supported the increase in crude oil prices. Further, Standard Chartered Bank projected Brent oil prices to gradually rise from an average \$51 p/b in the second quarter of 2017 to \$55 p/b in the third quarter and \$56 p/b in the fourth quarter of 2017, while it expected WTI oil prices to increase from an average \$48 p/b in the second quarter to \$52 p/b in the third quarter and \$56 p/d in the fourth quarter of the year. Overall, it projected Brent oil prices to rise by 24.2% to an average of \$56 p/b in 2017, while it forecast WTI oil prices to average \$53 p/b this year, up by 22.4% from the previous year. In fact, global oil consumption is expected to reach 98.5 million barrels per day (b/d) in 2017, which would constitute an increase of 1.6% from the previous year, due to rising consumption by China and the United States. In parallel, global oil output is forecast to increase by 1.2% to 98.3 million b/d this year, driven by higher production in the U.S. and Russia, and despite a decline in Chinese production.

Source: Thomson Reuters, Standard Chartered, Byblos Research

OPEC's oil basket price up 4% in July 2017

The oil reference basket price of the Organization of Petroleum Exporting Countries averaged \$46.93 per barrel (p/b) in July 2017, constituting an increase of 3.8% from \$45.2 p/b in the preceding month. Abu Dhabi's Murban crude oil posted a price of \$49 p/b, followed by Angola's Girassol at \$48.8 p/b and Nigeria's Bonny Light at \$48.7 p/b. All 14 prices included in the OPEC reference basket posted monthly increases of \$0.9 p/b to \$2.3 p/b in July 2017.

Source: OPEC, Byblos Research

Algeria's hydrocarbon export receipts up 26% in first seven months of 2017

Algeria's hydrocarbon export receipts totaled \$19.6bn in the first seven months of 2017, constituting an increase of 26.3% from the same period of 2016. The country's oil & gas revenues totaled \$27.5bn in full year 2016, down from \$35.7bn in 2015 and \$60bn in 2014, due to the sharp drop in global hydrocarbon prices. Algeria's hydrocarbon production is projected to reach 154 tons of oil equivalent in 2017 compared to 152 tons in 2016, and to account for 96.4% of the country's total exports.

Source: Douane Algerienne, Byblos Research

OPEC's oil output up 0.5% in July 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 32.9 million barrels per day (b/d) in July 2017, constituting an increase of 0.5% from 32.7 million b/d in the preceding month. Saudi Arabia produced 10.1 million b/d in July 2017, equivalent to 30.6% of OPEC's total oil production, followed by Iraq with 4.5 million b/d (13.6%), Iran with 3.8 million b/d (11.6%), the UAE with 2.9 million b/d (8.8%), Kuwait with 2.7 million b/d (8.2%) and Venezuela with 1.9 million b/d (5.8%)

Source: OPEC, Byblos Research

Base Metals: Copper prices to increase in 2017 and 2018 on higher demand

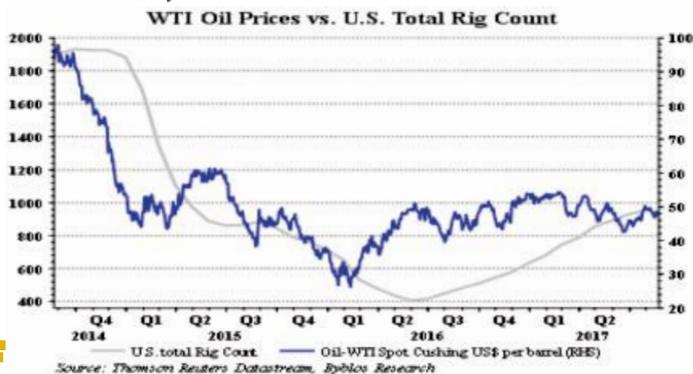
LME copper three-month future prices closed at \$6,565 a ton on August 23, 2017, up by 3.1% from \$6,369 a ton at end-July 2017. Also, the metal's price reached its highest level since November 2014 to close at \$6,586 a ton on August 21, 2017, due to a weaker US dollar, stronger-than-expected economic growth in China and the anticipated change in regulations about China's scrap metal imports. Copper prices are forecast to rise from \$4,871.5 a ton in 2016 to \$5,940 a ton in 2017 and \$6,500 a ton in 2018, mainly driven by subdued growth in the metal's output amid continuous production disruptions, and by expectations of higher Chinese demand for the refined metal. In parallel, global demand for refined copper decreased by 2.8% year-on-year to 9.6 million tons in the first five months of 2017, partly due to a 5.5% drop in Chinese demand. Also, demand for refined copper declined by 5% in Europe, by 3% in each of Africa and Asia and by 0.5% in the Americas. On the supply side, global refined copper production was 9.6 million tons in the first five months of the year, nearly unchanged from the same period last year, given that the 6.5% increase in Chinese output and the 11% rise in Mexican supply were offset by a 13.5% decline in Chilean production. On a regional basis, refined output grew by 4.5% in Asia and by 2.5% in Europe, while it declined by 10.5% in the Americas and by 8% in Oceania, and remained nearly unchanged in Africa.

Source: International Copper Study Group, Standard Chartered

Precious Metals: Automotive sector to account for 46% of global platinum demand in 2017

Platinum prices averaged \$955 a troy ounce so far in 2017, closing at a low of \$814 an ounce and a high of \$1,033 an ounce so far this year, down from an average of \$994 an ounce in the first eight months of last year. The year-on-year decline in platinum prices reflects limited growth in jewelry and industrial demand amid rising supply. Also, global demand for platinum is projected to increase by 5.2% to 7.6 million ounces this year, mainly due to higher demand in the automotive sector. In parallel, global platinum supply is projected to reach 8.2 million ounces in 2017, which would constitute an increase of 6.5% from 7.7 million ounces in 2016, mainly driven by an 8.6% rise in mine production. South Africa's mine production would account for 80% of global mine supply in 2017, followed by Russia (12.6%) and North America (5.6%). Further, the production surplus in the platinum market is forecast to widen from 431,000 ounces in 2016 to 551,000 ounces in 2017. In turn, the metal's prices are projected to decline from \$988 an ounce in 2016 to \$940 an ounce in 2017.

Source: Citi, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt/ GDP (%)	External debt/ Current Account Receipts (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-2.5	17.3	2.5	-	-	-	-12.3	-
Angola	B-	B1	B	-	B+	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
Egypt	B-	B3	B	B-	B-	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
Ethiopia	B	B1	B	-	B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
Ghana	B-	B3	B	-	B+	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
Dem Rep Congo	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
Nigeria	B	B1	B+	-	B+	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
Tunisia	-	B1	B+	-	BB+	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
Burkina Faso	B-	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
Rwanda	B	B2	B	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
Middle East													
Bahrain	BB-	B1	BB+	BB+	BBB-	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
Iran	-	-	-	BB-	BB-	0.7	29.2	2.0	-	-	-	5.3	-
Iraq	B-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
Jordan	BB-	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
Lebanon	B-	B2	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
Oman	BB+	Baa2	BBB	BBB+	BBB	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
Qatar	AA-	Aa2	AA	AA-	AA-	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
Yemen	-	-	-	-	CCC	-6.0	77.4	20.3	-	-	-	-4.2	-



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Current Account Receipts (%)	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-	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
	Stable	Negative	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
	Negative	Negative	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
	Stable	Stable	Stable	-	Positive								
Russia	BB+	Ba1	BBB-	-	BB+	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
	Negative	CWN***	Negative	-	Negative								
Turkey	BB	Ba1	BB+	BB+	BB-	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7
	Negative	Stable	-	-	Stable								

* including grants for Sub-Saharan African countries

** to official creditors

***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 2017



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	1.00-1.25	26-Jul-17	No change	20-Sep-17
Eurozone	Refi Rate	0.00	20-Jul-17	No change	07-Sep-17
UK	Bank Rate	0.25	03-Aug-17	No change	14-Sep-17
Japan	O/N Call Rate	-0.10	20-Jul-17	No change	21-Sep-17
Australia	Cash Rate	1.5	01-Aug-17	No change	05-Sep-17
New Zealand	Cash Rate	1.75	09-Aug-17	No change	27-Sep-17
Switzerland	3 month Libor target	-1.25-(-0.25)	15-Jun-17	No change	14-Sep-17
Canada	Overnight rate	0.75	12-Jul-17	Raised 25bps	06-Sep-17
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.50	14-Jun-17	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	22-Jun-17	No change	29-Sep-17
South Korea	Base Rate	1.25	13-Jul-17	No change	31-Aug-17
Malaysia	O/N Policy Rate	3.00	13-Jul-17	No change	07-Sep-17
Thailand	1D Repo	1.50	16-Aug-17	No change	27-Sep-17
India	Reverse repo rate	6.00	02-Aug-17	Cut 25bps	04-Oct-17
UAE	Repo rate	1.50	14-Jun-17	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	1.00	15-Mar-17	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	06-Jul-17	Raised 200bps	28-Sep-17
Turkey	Base Rate	8.00	27-Jul-17	No change	14-Sep-17
South Africa	Repo rate	6.75	20-Jul-17	Cut 25bps	21-Sep-17
Kenya	Central Bank Rate	10.00	17-Jul-17	No change	20-Sep-17
Nigeria	Monetary Policy Rate	14.00	25-Jul-17	No change	26-Sep-17
Ghana	Prime Rate	21.00	24-Jul-17	Cut 150bps	25-Sep-17
Angola	Base rate	16.00	31-Jul-17	No change	31-Aug-17
Mexico	Target Rate	7.00	10-Aug-17	No change	28-Sep-17
Brazil	Selic Rate	9.25	26-Jul-17	Cut 100bps	06-Sep-17
Armenia	Refi Rate	6.00	15-Aug-17	No change	26-Sep-17
Romania	Policy Rate	1.75	04-Aug-17	No change	29-Sep-17
Bulgaria	Base Interest	0.00	01-Aug-17	No change	01-Sep-17
Kazakhstan	Repo Rate	10.25	21-Aug-17	Cut 25bps	09-Oct-17
Ukraine	Discount Rate	12.50	03-Aug-17	No change	14-Sep-17
Russia	Refi Rate	9.00	28-Jul-17	No change	15-Sep-17



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