

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Infrastructure projects with private participation up 7% to \$43.5bn in the first half of 2018

Figures released by the World Bank show that investment commitments in infrastructure projects with private participation, or public-private investments (PPIs), in developing economies totaled \$43.5bn in the first half of 2018, constituting an increase of 7% from the first half of 2017. PPIs in the transportation sector reached \$24.4bn in the first half of 2018, or 57% of the total, followed by projects in the energy field with \$15.7bn (36%), investments in the water & sewage sector with \$3.1bn (7%), and those in information & communications technology (ICT) with \$136m (0.3%). On a regional basis, the East Asia & Pacific region attracted 40% of total PPIs in the first half of 2018, followed by Europe & Central Asia with 23%, Latin America & the Caribbean with 19%, South Asia with 12%, Sub-Saharan Africa with 5% and the Middle East & North Africa with 0.7%. In parallel, there were 164 infrastructure projects financed through PPIs in the first half of 2018, of which 88 projects were in the energy sector, 53 in transportation, 22 projects in the water sector and one project was in ICT. As such, the average investment commitment per project was \$265m in the covered period compared to \$295m in full-year 2017. Further, 34 developing economies received PPIs in the first half of 2018, nearly unchanged from 35 economies in the same period of 2017, and relative to an annual average of 30 countries in the previous five years. China attracted \$11.6bn across 37 projects in the covered period, followed by Turkey with \$7.2bn (eight projects), India with \$3.8bn (24 projects), Vietnam with \$3.4bn (10 projects), and Brazil with \$3bn (11 projects).

Source: World Bank, Byblos Research

UAE

Earnings of Abu Dhabi companies up 4%, profits of Dubai firms up 21% in first nine months of 2018

The net income of 64 companies listed on the Abu Dhabi stock exchange totaled AED29.9bn, or \$8.1bn, in the first nine months of 2018, constituting an increase of 3.5% from AED28.9bn or \$7.9bn in the first nine months of 2017. Listed banks generated net profits of \$4.9bn and accounted for 60.3% of the total earnings of publicly-listed firms in the first nine months of 2018. Telecommunication companies followed with \$2.1bn (26.1%), then real estate companies with \$428.7m (5.3%), insurers with \$189.6m (2.3%), energy companies with \$158.4m and services firms with \$152.5m (1.9% each), and investment & financial services providers with \$86m (1.1%). In parallel, the cumulative net income of 62 companies listed on the Dubai Financial Market totaled AED28.7bn, or \$7.8bn, in the first nine months of 2018, constituting an increase of 20.9% from AED23.7bn or \$6.5bn in the same period of 2017. Listed banks generated net profits of \$4.1bn, or 53% of total net earnings in the covered period. Real estate & construction firms followed with \$2.5bn or 31.9% of the total, then transportation companies with \$418.3m (5.4%), telecom firms with \$380.3m (4.9%), investment & financial services providers with \$192.8m (2.5%), insurers with \$170.3m (2.2%), and industrial firms with \$119.4m (1.5%).

Source: KAMCO

MENA

Ease of paying taxes varies across Arab world

The PwC/World Bank Paying Taxes survey for 2019 ranked Qatar and the UAE in second place globally, followed by Bahrain (5th), Kuwait (7th) and Oman (12th) as the top ranked Arab countries in terms of ease of paying taxes; while Algeria (156th), Egypt (159th), Sudan (163rd) and Mauritania (178th) were the lowest ranked Arab countries. The survey measures the direct impact on a medium-size firm of the mandatory taxes and contributions it has to pay, and reflects the government-mandated tax burden that a standard business incurs. It assesses four sub-indicators that consist of the number of tax payments incurred by a business, the total time to comply, the total tax rate as a percentage of commercial profits, and the processes that might take place after a firm files a tax return. The average number of corporate tax payments per year in Arab countries is 20.1 times relative to 24.2 times globally. In comparison, the average number of corporate tax payments per year is 24.9 times in non-GCC Arab countries and 8.7 times in GCC economies. Also, it takes a standard medium-size firm in the region 201.5 hours to prepare, file and pay its taxes relative to a global average of 236 hours. In comparison, it takes a standard medium-size firm 267.4 and 47.8 hours to prepare, file and pay its taxes in non-GCC Arab countries and GCC economies, respectively. In parallel, the corporate income tax rate at a standard Arab firm is 10.6%, the labor tax is at 16.5% and the non-corporate tax is at 6.9% relative to global averages of 16.1%, 16.1% and 8.1%, respectively. In comparison, the corporate income tax rate at a standard non-GCC Arab firm is 13.9%, the labor tax is at 17.9% and the non-corporate tax is at 9.7% relative to averages of 2.8%, 13.1% and 0.4%, respectively, for firms in GCC economies.

Source: PwC, Byblos Research

M&A deals at \$32bn in first 10 months of 2018

Figures issued by Bureau Van Dijk and Zephyr show that there were about 400 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$31.8bn in the first 10 months of 2018. In comparison, there were 490 M&A deals worth \$29bn in the first 10 months of 2017. The figures show a decline of 18.4% in the volume of deals and an increase of 9.9% in their amount year-on-year in the covered period. The amount of M&A transactions in the UAE reached \$11.1bn in the first 10 months of the year, which accounted for 35% of the region's aggregate deal value. Saudi Arabia followed with M&A deals of \$7.9bn (24.9%), then Egypt with \$5.9bn (18.6%), Morocco with \$1.6bn (5%), Kuwait with \$1.4bn (4.4%), Iran with \$1bn (3.2%), Jordan with \$636m and Oman with \$628m (2% each), Libya with \$450m (1.4%), and Qatar with \$371m (1.2%), while the remaining \$713m worth of deals, or 2.2% of the total, targeted other MENA countries. In volume terms, the UAE had 105 M&A deals in the covered period, followed by Egypt with 95 transactions, Jordan with 36 deals, Saudi Arabia with 34 transactions, Oman with 30 deals, Morocco with 27 transactions, Kuwait with 24 deals and Tunisia with 14 transactions, while the remaining deals were in eight other MENA countries.

Source: Zephyr, Bureau Van Dijk, Byblos Research

OUTLOOK

EMERGING MARKETS

Non-life insurance premiums to grow by 8%, life premium growth to reach 9% in 2019-20

Global reinsurer Swiss Re forecast non-life insurance premiums in emerging markets (EMs) to post a real growth rate of 8% annually in the 2019-20 period, relative to an estimated rate of 7.8% in 2018, supported by stronger non-life business in China and India, and improving non-life sector growth dynamics in Africa and Latin America. In comparison, it forecast global non-life insurance premiums to increase by a real rate of about 3% annually in the 2019-20 period, and for non-life premiums in advanced markets to expand by 2% to 3% in the coming two years. It expected non-life premium growth in the Asia Pacific region to accelerate at a faster rate in the coming two years than in 2018 on the back of higher non-life insurance prices, while it anticipated premium growth in EMs excluding China to be stronger than this year, reflecting the recovery in some economies.

In parallel, Swiss Re expected life insurance premiums in EMs to increase by 1.3% in real terms in 2018, compared to an expansion rate of 1.6% in global life insurance premiums and to 1.7% in life premiums in advanced markets. It attributed the slow growth in EM life premiums this year to a 1.8% contraction in life premiums in China due to tighter regulations on wealth management products. It said that the real growth rate of EM life premiums would increase by 5% in 2018 when excluding China. In addition, Swiss Re expected life insurance premiums in EMs to expand by 9% in real terms annually during the 2019-20 period, and to be driven by a recovery in China. In comparison, it forecast global premiums from the life insurance segment to rise by a real rate of 3% annually in the next two years, and for life premiums in advanced markets to increase by between 1% and 2%. Overall, Swiss Re projected insurance premium growth in EMs at about 7% in real terms in 2018 due to the maturity of insurance market regulations, product development and consumer awareness. It forecast EMs to account for 28% of global insurance premiums by 2028 compared to a share of 18.8% in 2017.

Source: *Swiss Re*

MENA

Economic growth of oil importers to reach 3.8% in 2018, downside risks persist

The International Monetary Fund projected real GDP growth in the oil-importing economies of the Middle East & North Africa (MENA) region to increase from 3.5% in 2017 to 3.8% in 2018 and 4.1% in 2019, supported by ongoing reforms and sustained external demand. But it said that the region's economic activity continues to be constrained by persistent structural weaknesses, elevated public debt levels, limited policy space, a less favorable external environment, ongoing security concerns and regional conflicts, as well as by high unemployment rates. It anticipated growth to vary across the MENA region's oil importers this year, with Djibouti posting the highest growth rate at 6.7% and Sudan registering a contraction of 2.3%. It expected the region's economic activity to average 4.3% annually during the 2020-23 period, which is below the average growth rate of 5% annually during the 2000-10 period. The IMF pointed out that the region's economic outlook remains vulnerable to fluctuations in oil prices, changes in global financial conditions, global growth and trade outlooks, as well as to worsening security conditions or so-

cial tensions. In parallel, it forecast the average inflation rate in oil-importers to decrease from 20.6% in 2017 to 14.2% this year and to 12% in 2019 despite higher energy prices.

Further, the Fund forecast the aggregate fiscal deficit of oil importers to narrow from 7% of GDP in 2018 to 6.5% of GDP in 2019, amid ongoing fiscal consolidation efforts. It expected the region's public debt level at 95.3% of GDP at end-2018 and 92.4% of GDP at end-2019, which leaves the countries with little fiscal space to absorb increased financing costs or the impact of higher oil prices. Further, it expected the aggregate current account deficit of oil importers to narrow from 7.3% of GDP this year to 6.8% of GDP in 2019, as the growth in exports outpaces the rise in imports. However, it considered that the countries' high reliance on oil imports makes them vulnerable to further rises in global oil prices, and that the current account deficits across the region could worsen by 0.1% of GDP to 1.6% of GDP in case oil prices increase by \$10 p/b in 2019. It noted that a stronger US dollar and higher U.S. interest rates could increase capital outflows from MENA countries and strain the region's reserve buffers. As such, it forecast the region's foreign currency reserves at \$132.3bn at end-2018 and \$131.6bn at end-2019.

Source: *International Monetary Fund*

GCC

Financial support linked to global oil prices and domestic economic priorities

S&P Global Ratings indicated that Gulf Cooperation Council (GCC) countries have pledged more than \$65bn and disbursed about \$51bn in financial support to several countries in the Middle East & Africa (ME&A) region during the 2011-18 period. It noted that financial support from GCC economies to sovereigns in the ME&A region takes several forms, including concessional loans, grants, budgetary or balance-of-payments support, project funding, donor deposits at central banks, and currency swaps. It said that disbursed GCC aid during the covered period consisted of \$20.1bn in donor deposits at central banks, or 39.3% of disbursed GCC aid, \$14.2bn in project funding (28%), \$8.4bn in grants (16.4%) and \$0.5bn in concessional loans (1%); while the remaining \$7.9bn (15.5%) were GCC grants to Egypt to purchase energy products. Further, it said that Egypt received 63% of total GCC aid, followed by Jordan (15.1%), Morocco (9.8%), Bahrain (5.1%), Oman (3.1%) and Tunisia and Sudan (2% each). In addition, S&P indicated that Saudi Arabia, the UAE, Kuwait and Qatar pledged about \$48.4bn in aid to 10 countries in the ME&A region in 2018. It estimated project funding at \$18.9bn, or 39% of the GCC's pledged aid, followed by concessional loans at \$17.7bn (36.6%), deposits and currency swaps at \$11.6bn (24%) and grants at \$0.2bn (0.4%).

S&P pointed out that the different forms of support from GCC economies are beneficial to the recipient countries, but that they might not address these countries' underlying structural weaknesses and may potentially constitute disincentives to structural reforms. It expected GCC sovereigns to prioritize funding to key regional partners in the context of volatile global oil prices, weaker GCC net asset positions and the GCC economies' domestic agendas of diversifying their economies away from the hydrocarbon sector. It considered that the fulfillment of GCC pledges remains contingent on political and economic factors, and that the size of aid continues to be sensitive to oil prices.

Source: *S&P Global Ratings*

ECONOMY & TRADE

SAUDI ARABIA

Ratings supported by fiscal and external balances

Fitch Ratings affirmed at 'A+' Saudi Arabia's long-term foreign-currency Issuer Default Rating (IDR) with a 'stable' outlook. It considered that the ratings are supported by the country's strong fiscal and external balances, but are constrained by its oil dependence, relatively weak governance and geopolitical risks. It forecast the central government's deficit to narrow from 9.3% of GDP in 2017 to 5.3% of GDP in 2018, as a sharp increase in oil and non-oil revenues will offset government spending growth. It also noted that the authorities' measures to diversify the revenue base and reduce the deficit, including the introduction of the 5% value-added tax and the increase in electricity tariffs and in levies on expatriates, contributed to a 48% rise in non-oil receipts in the first nine months of 2018. Still, it expected that the authorities will continue to issue domestic and international debt amid persistent fiscal deficits, which would lead to a rise in the central government's debt from 17% of GDP at end-2017 to 34% of GDP at end-2020. The agency expected the public sector's balance sheet to continue to support the ratings, underpinned by the sovereign's net foreign assets of about 67% of GDP at end-2018. Further, it projected the current account surplus to increase from 2.2% of GDP in 2017 to 8.3% of GDP in 2018 due to a recovery in hydrocarbon receipts, but to narrow by 2020, due mainly to moderating oil receipts, and a recovery in capital spending and imports. In addition, Fitch projected the Kingdom's real GDP to grow by 2.2% in 2018 following a contraction of 0.9% in 2017, driven by fiscal expansion and a recovery in oil production.

Source: Fitch Ratings

ALGERIA

Economic slowdown amid lower oil production

IHS Markit indicated that Algeria's real GDP growth decelerated from 1.2% in the first quarter of 2018 to 0.7% in the second quarter of the year, mainly due to a contraction of 8.2% in hydrocarbon sector activity amid lower oil production. In parallel, it noted that growth in the non-hydrocarbon sector reached 2.8% in the second quarter of 2018 due to stronger activity in the non-market services, agriculture, forestry and fishing sectors. It added that non-market services grew by 1.7% annually in the second quarter, supported by increases of 7.1% and 1.2% in the financial services sector and in public administration, respectively. In contrast, it said that growth in the rest of the economy slowed in the second quarter, with activity in the construction sector declining from 4.7% in the first quarter to 3% in the second quarter, and the expansion in the market services decelerating from 3.4% in the first quarter to 2.6% amid a slowdown in the transport and communication sectors. Further, it expected growth in the hydrocarbon sector to be muted in the third quarter and to slightly expand in the fourth quarter of 2018, while it projected non-hydrocarbon sector activity to remain above 2% during the second half of 2018. As such, it forecast economic activity to accelerate in the second half of 2018. However, it revised downward its full year 2018 growth forecast from 2.6% to 1.7%, due to the contraction in the hydrocarbon sector in the second quarter. It anticipated growth to remain subdued at 2% in 2019, as the government plans to slightly increase public spending to mitigate any political uncertainties ahead of the presidential election.

Source: IHS Markit

IRAN

Economic activity to contract by 3% in FY2019/20

IHS Markit projected Iran's real GDP to contract by 0.3% in the fiscal year that ends in March 2019 and by 2.5% in FY2019/20, due to lower oil exports from the re-imposition of U.S. sanctions. It expected Iranian oil exports to decline by one million b/d by the end of 2018, and by another 200,000 b/d to 300,000 b/d by mid-2019. Also, it revised downward its forecast for non-hydrocarbon growth from 4.5% to about 1.3% in FY2018/19 and 1% in FY2019/20, as extreme currency volatility and surging inflation weigh on domestic demand. It noted that the inflation rate surged by 36.9% year-on-year in October 2018 amid the rapid depreciation of the Iranian rial, and projected it to remain elevated at about 30% over the next two quarters. In parallel, it anticipated European inflows to Iran to deteriorate, despite the agreement to establish a Special Purpose Vehicle (SPV) that would facilitate trade with the country, as the largest European and international firms will prioritize their access to the U.S. market. Further, it expected the rial to remain highly volatile due to heightened financial, domestic and geopolitical instability. It pointed out that there are at least three exchange rates currently in use in Iran, including a central reference rate, a secondary market rate and a black market rate. It considered that the Central Bank of Iran's rate will need to weaken considerably in order to narrow the gap between the different rates in the foreign exchange market.

Source: IHS Markit

MOROCCO

Agencies take rating actions on sovereign

Moody's Investors Service affirmed Morocco's long-term issuer rating at 'Ba2', and revised the outlook from 'positive' to 'stable'. It attributed its outlook revision to the slower pace of fiscal consolidation due to a weakening of policy effectiveness, which will increase the central government's debt ratio and reduce fiscal space. It noted that a lower fiscal space will constrain the country's capacity to absorb domestic or external shocks amid tighter global financial conditions. It expected the fiscal deficit to reach 3.8% of GDP in 2018 and to miss the government's deficit target of 3% of GDP for this year due to higher oil prices, slower grant disbursements from GCC economies, lower-than-budgeted corporate income tax receipts, as well as higher-than-targeted subsidy and investment bills. It projected the deficit to remain broadly unchanged at 3.7% of GDP in 2019 due to slow progress in fiscal consolidation efforts. Also, it expected the public debt level to peak at 67.6% of GDP by end-2020 and to gradually decline afterwards. Further, it indicated that the share of higher value-added exports in the automotive and aeronautics sectors continues to expand, which would improve Morocco's access to foreign currency and limit its exposure to commodity price volatility. In parallel, Fitch Ratings affirmed Morocco's long-term foreign-currency Issuer Default Rating at 'BBB-', with a 'stable' outlook. It noted that the rating is supported by a track record of macroeconomic stability, comfortable external buffers and low level of foreign-currency debt. But it said that the rating is constrained by the country's weak structural indicators, high government debt level and wider fiscal and current account deficits than similarly-rated peers.

Source: Moody's Investors Service, Fitch Ratings

BANKING

EMERGING MARKETS

Lending conditions tighten in third quarter of 2018

The Emerging Markets Lending Conditions Index reached 46.1 points in the third quarter of 2018 relative to 48.7 in the preceding quarter. The Trade Finance Index contracted to 49.7 in the covered quarter from 50.9 in the second quarter of 2018. Also, the Demand for Loans Index regressed to 48.8 in the third quarter of 2018 from 52 in the previous quarter, as overall demand for corporate and consumer loans, as well as for mortgages declined. Further, the Non-Performing Loans (NPLs) Index decreased to 44.9 in the covered quarter from 50 in the second quarter of 2018, due to an increase in NPLs. In addition, the Credit Standards Index declined to 44.4 in the third quarter of 2018 from 46.5 in the preceding quarter, while the Funding Conditions Index decreased to 41.1 in the covered quarter from 43.5 in the second quarter of 2018 as domestic and international funding conditions tightened, mainly in Emerging Europe. In parallel, the Lending Conditions Index in Sub-Saharan Africa improved to 51.05 in the third quarter of 2018 from 50.8 in the previous quarter. In contrast, the Lending Conditions Index in Emerging Asia regressed to 51.9 in the covered quarter from 53 in the second quarter of 2018, while it retreated marginally in Latin America to 46.4 in the third quarter of 2018 from 46.9 in the preceding quarter. Further, the Index declined in the Middle East & North Africa region to 42.9 in the covered quarter from 44.4 in the second quarter of 2018, while it sharply dropped in Emerging Europe to 40.1 in the third quarter of 2018 from 47.7 in the preceding quarter.

Source: *Institute of International Finance*

JORDAN

Lending to resident private sector up 4% in first nine months of 2018

The consolidated balance sheet of commercial banks in Jordan indicated that total assets reached JD50.2bn or \$70.8bn at the end of September 2018, constituting increases of 2.3% from the end of 2017 and of 3.6% from end-September 2017. Claims on the resident private sector grew by 4.4% from end-2017 to JD23.5bn, while credit facilities to the non-resident private sector rose by 26.6% to JD633.1m, leading to an increase of 4.8% in overall private sector credit facilities in the first nine months of 2018. Lending to the resident private sector accounted for 46.8% of total assets at the end of September 2018. In parallel, resident private sector deposits reached JD27.1bn at the end of September 2018, up by 0.7% from JD26.9bn at end-2017 and by 1.6% from JD26.7bn at end-September 2017, while non-resident private sector deposits grew by 6.3% from the end of 2017 and by 8.2% from end-September 2017 to JD3.9bn. The government's deposits totaled JD964.2m and those of public non-financial institutions reached JD271.3m. Further, claims on the public sector accounted for 22.3% of total assets at end-September 2018. Also, the banks' reserves at the Central Bank of Jordan totaled JD4.8bn, or \$6.8bn at end-September 2018, down by 5.5% from JD5.1bn at end-September 2017; while capital accounts and allowances increased by 5.3% from end-September 2017 to JD7.7bn. Deposits at foreign banks reached JD3.8bn, or \$5.3bn, at the end of September 2018, down by 7.6% from end-2017; while the sector's foreign liabilities increased by 1.5% from end-2017 to JD6.9bn.

Source: *Central Bank of Jordan*

ARMENIA

Banking sector faces economic risks

S&P Global Ratings classified Armenia's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), reflecting an economic risk score of '8' and an industry risk score of '8'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the sector. Other countries in BICRA's 'Group 8' include Argentina, Bangladesh, Cyprus, Georgia, Jamaica, Jordan, Russia and Sri Lanka. S&P indicated that Armenia's economic risk score reflects "very high risk" in its economic resilience, "intermediate risk" in its economic imbalances, and "extremely high" credit risks in the economy. It considered Armenia's economic risks to be elevated, given its low-income economy and its dependence on maintaining good economic relations with Russia. It also said that the Armenian economy is in an expansionary phase, but noted that real growth in housing prices and in lending to customers remains significantly below real GDP growth. Further, it considered credit risk to be a weakness for the banking sector, given a relatively higher average level of loans in foreign currency, and the country's still developing judicial and legal systems. In parallel, S&P noted that the industry score reflects the country's "high risk" in its competitive dynamics and "very high risk" in its institutional framework and system wide funding. It considered Armenian banking regulations and supervision to be one of the strongest in the Commonwealth of Independent States, but to be weaker than international standards. Further, it indicated that the trend for the banking sector's economic and industry risk is 'stable'.

Source: *S&P Global Ratings*

TURKEY

Asset quality of banks deteriorates

Fitch Ratings indicated that the asset quality of Turkish banks is gradually deteriorating due to the slowdown of the country's economic activity, to the depreciation of the Turkish lira and to higher interest rates. It added that financial reporting under the IFRS 9 standard, which will be implemented by the end of 2018, could reveal a more significant deterioration in asset quality. The agency said that impaired, or Stage 3, loans increased from 3% of gross loans at the end of June 2018 to 3.2% at end-September 2018. It added that Stage 2, or non-impaired loans with higher credit risk, registered a rise from 7.2% of gross loans at end-June 2018 to 8.5% at the end of September 2018. It noted that the latter ratio is a forward-looking indicator of asset quality, and that the quarter-on-quarter increase reflects a potential expansion in impaired loans in the fourth quarter of 2018 and in 2019. Also, it considered that the accounting principles currently in use overestimate the asset quality at Turkish banks. It noted that local regulations allow banks to classify restructured loans as Stage 1, or non-impaired, with no significant increase in credit risk loans, while IFRS 9 reporting requires all banks to classify any loan with arrears of 30 days or more as a Stage 2 loan. In parallel, Fitch pointed out that regulatory measures to alleviate pressure from the depreciation of the lira, higher interest rates, and declining asset quality have allowed rated banks to significantly boost their regulatory capital ratios by between 200 basis points and 400 basis points at the end of September 2018.

Source: *Fitch Ratings*



ENERGY / COMMODITIES

Oil prices remain volatile ahead of OPEC meeting

ICE Brent crude oil front-month prices reached \$58.8 per barrel (p/b) on November 28, 2018, their lowest level since October 2017. Several factors have been offsetting each other and creating uncertainty in the oil market. OPEC members have been discussing new output cuts in order to balance the market, while U.S. President Donald Trump has asked OPEC members to increase production to meet demand and push prices down. Further, the increase in U.S. oil inventories as well as OPEC's intentions to reduce output reflect the oversupply in the oil market in the near term. In contrast, the weak level of investments in the hydrocarbon sector globally, the low OPEC spare capacity and the projected growth in oil demand, could lead to higher oil prices. As such, investors are in a wait-and-see mode ahead of the upcoming OPEC meeting on December 6, which will determine the direction of oil prices in coming months. Also, expectations of a further decline in Iranian oil exports despite the recent U.S. waivers, as well as current infrastructure bottlenecks in the U.S., could reduce the ability of current supply levels to meet global oil demand in 2019. In parallel, WTI prices fell below \$50 p/b as U.S. oil inventories reached their highest level in a year, following a tenth consecutive weekly increase. Overall, Fitch Ratings forecast Brent oil prices to average \$73 p/b in 2018 and \$75 p/b in 2019. Source: ABN Amro, CNBC, EIA, Fitch Ratings, Thomson Reuters

Iraq resumes oil exports from Kirkuk oilfields

The Iraqi government reached an agreement with the Kurdistan Regional Government (KRG) to resume oil exports from the disputed region of Kirkuk for the first time since October 2017. The deal stipulates that the KRG would export 50,000 barrels per day (b/d) to 100,000 b/d of oil from the Kirkuk fields to Turkey through the Kurdish-controlled pipeline. Iraq's crude oil exports totaled 107.82 million barrels in October 2018, up 1% from 106.8 million barrels in September. In fact, 107.53 million barrels, or 99.7% of total oil exports, originated from the country's central and southern fields, while the remaining 291,253 b/d were exported from the northern port of Kirkuk.

Source: Iraq Ministry of Oil, Financial Times, Byblos Research

Oil & gas exports up 18% in first 10 months of 2018

Algeria's oil and gas exports revenues reached \$31.8bn in the first 10 months of 2018, constituting an increase of 18.2% from \$26.9bn in the same period of 2017. The country's hydrocarbon export receipts accounted for 93.2% of its total export revenues in the covered period. In parallel, the Algerian government signed a \$6bn deal with China to build a phosphate plant in the eastern province of Tebessa. The plant will come online in 2022 and is expected to generate \$1.9bn per year and to create 3,000 jobs.

Source: Zawya

ME&A's oil demand to rise by 1% in 2018

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.44 million barrels per day (b/d) in 2018, which would constitute an increase of 0.6% from 12.37 million b/d in 2017. The region's demand for oil would represent 38.1% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 2.77 million b/d in 2018, up by 1.1% from 2.74 million b/d in 2017.

Source: OPEC, Byblos Research

Base Metals: Copper prices drop on higher uncertainty and stronger US dollar

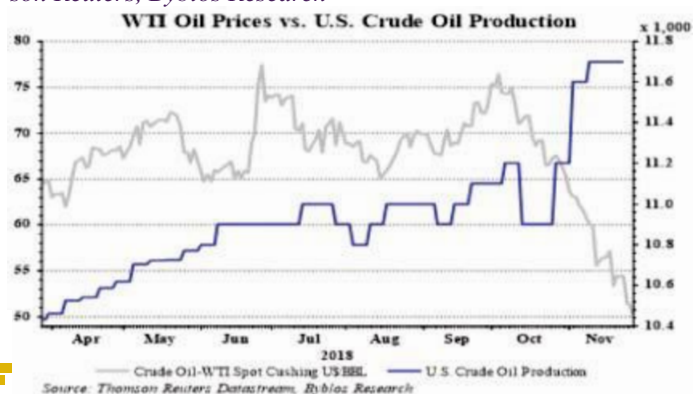
LME copper three-month future prices averaged \$6,167 per metric ton so far in November 2018, constituting a decrease of 0.7% from an average of \$6,209 per ton in October 2018 and compared to \$6,858 per ton in November 2017. The drop in the metal's price was mainly due to increasing uncertainties over the direction of the U.S.-China trade dispute ahead of President Trump's meeting with Chinese President Xi Jinping, as well as by a stronger US dollar. In parallel, the latest available figures show that global demand for refined copper was 15.8 million tons in the first eight months of 2018, up by 2% year-on-year, as Chinese demand grew by 4.5%, while demand in the rest of the world declined by 0.5%. On the supply side, global refined copper production was 15.6 million tons in the first eight months of 2018, up by 1% from 15.5 million tons in the same period of 2017. The increase in copper output was mainly driven by a growth of 4% in Chilean production, which was partly offset by declines in production in Australia, India, the Philippines, the U.S. and Poland. On a regional basis, refined output grew by 10% in Africa, by 3% in Latin America and by 1% in Asia, while it declined by 8% in Oceania and by 4% in North America, and was nearly unchanged in Europe.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Production surplus in platinum market to widen in 2018 amid lower demand

Platinum prices declined to their lowest level in almost a decade due to a decline in the usage of platinum in catalytic converters amid lower demand for diesel cars. In fact, the metal's price averaged \$887 per troy ounce so far in 2018 compared to an average of \$951 an ounce in the first 11 months of last year and of \$993 an ounce in the same period of 2016. In addition, downside risks to the metal's demand outlook are elevated, partly reflecting the recent slowdown in the European car market and a weakening Chinese automotive market amid trade tensions with the U.S. As such, platinum demand is expected to decline by 3.7% to 7.5 million ounces in 2018, mainly due to a 7% drop in automotive demand and a 2% decrease in jewelry consumption, which would be partly offset by a rise of 8% in industrial demand. In parallel, global platinum supply is projected at 6.1 million ounces in 2018, nearly unchanged from the previous year, with South African output accounting for 55% of total supply this year. As such, the production surplus in the platinum market is forecast to widen from 285,000 ounces in 2017 to 505,000 ounces in 2018.

Source: Julius Bär, World Platinum Investment Council, Thomson Reuters, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Govt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-6.1	32.9*	2.1	-	-	-	-9	-
Angola	B- Stable	B3 Stable	B Stable	- -	B- Stable	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
Egypt	B Stable	B3 Positive	B Positive	B+ Stable	B+ Positive	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
Ethiopia	B Stable	B1 Stable	B Stable	- -	B+ Stable	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
Ghana	B Stable	B3 Stable	B Stable	- -	BB- Stable	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
Ivory Coast	- -	Ba3 Stable	B+ Stable	- -	B+ Stable	-3.8	48.8	33.5**	-	-	-	-4.6	-
Libya	- -	- -	B Stable	- -	B- Stable	-25.1	112.1	-	-	-	-	-1.5	-
Dem Rep Congo	CCC+ Stable	B3 Negative	- -	- -	CCC Stable	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
Morocco	BBB- Negative	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
Nigeria	B Stable	B2 Stable	B+ Stable	- -	BB- Stable	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
Sudan	- -	- -	- -	- -	CC Negative	-4.1	167.5	166.6	-	-	-	-14.2	-
Tunisia	- -	B2 Negative	B+ Negative	- -	BB- Negative	-5.2	70.5	82.6	-	-	-	-9.6	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
Rwanda	B Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
Middle East													
Bahrain	B+ Stable	B2 Negative	BB- Stable	BB Stable	BB+ Negative	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
Iran	- -	- -	- -	B+ Negative	BB- Positive	-3.2	44.2	2.1	-	-	-	1.3	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
Jordan	B+ Stable	B1 Stable	- -	BB- Negative	BB+ Stable	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	AA- Stable	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
Lebanon	B- Stable	B3 Stable	B- Stable	B Negative	B- Stable	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
Oman	BB Stable	Baa3 Negative	BBB- Negative	BBB Negative	BBB- Positive	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
Qatar	AA- Negative	Aa3 Stable	AA- Stable	AA- Negative	A+ Negative	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- Stable	0.6	17.8	54.9	-	-	-	7.2	-0.8
Yemen	- -	- -	- -	- -	CC Negative	-10.7	62.5	19.4	-	-	-	-9.3	-



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Negative	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Stable	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB+	BB-	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Stable								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are projections for 2018



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.00-2.25	08-Nov-18	No change	18-Dec-18
Eurozone	Refi Rate	0.00	25-Oct-18	No change	13-Dec-18
UK	Bank Rate	0.75	01-Nov-18	No change	20-Dec-18
Japan	O/N Call Rate	-0.10	31-Oct-18	No change	20-Dec-18
Australia	Cash Rate	1.50	06-Nov-18	No change	04-Dec-18
New Zealand	Cash Rate	1.75	07-Nov-18	No change	13-Feb-19
Switzerland	3 month Libor target	-1.25-(-0.25)	20-Sep-18	No change	13-Dec-18
Canada	Overnight rate	1.75	24-Oct-18	Raised 25bps	05-Dec-18
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.75	14-Jun-17	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	27-Sep-18	No change	20-Dec-18
South Korea	Base Rate	1.50	18-Oct-18	No change	30-Nov-18
Malaysia	O/N Policy Rate	3.25	08-Nov-18	No change	N/A
Thailand	1D Repo	1.50	14-Nov-18	No change	19-Dec-18
India	Reverse repo rate	6.50	05-Oct-18	No change	05-Dec-18
UAE	Repo rate	2.25	14-Jun-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	2.50	14-Jun-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	15-Nov-18	No change	27-Dec-18
Turkey	Repo Rate	24.0	25-Oct-18	No change	13-Dec-18
South Africa	Repo rate	6.75	22-Nov-18	Raised 25bps	15-Jan-19
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	22-Nov-18	No change	N/A
Ghana	Prime Rate	17.00	26-Nov-18	No change	28-Jan-19
Angola	Base rate	16.50	21-Sep-18	No change	30-Nov-18
Mexico	Target Rate	8.00	15-Nov-18	Raised 25bps	20-Dec-18
Brazil	Selic Rate	6.50	31-Oct-18	No change	12-Dec-18
Armenia	Refi Rate	6.00	13-Nov-18	No change	26-Dec-18
Romania	Policy Rate	2.50	06-Nov-18	No change	08-Jan-19
Bulgaria	Base Interest	0.00	01-Nov-18	No change	30-Nov-18
Kazakhstan	Repo Rate	9.25	15-Oct-18	Raised 25bps	03-Dec-18
Ukraine	Discount Rate	18.00	25-Oct-18	No change	13-Dec-18
Russia	Refi Rate	7.50	26-Oct-18	No change	14-Dec-18



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