

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### EMERGING MARKETS

#### Sovereigns to issue \$96bn in Eurobonds in 2019

Barclays Capital projected emerging market (EM) sovereigns to issue \$96bn in foreign currency-denominated bonds in 2019, relative to an expected \$141bn in 2018. It attributed the projected decline in EM sovereign debt issuance mainly to the substitution of market financing with concessional financing in Argentina, the rise in global oil prices that would reduce issuance needs in GCC countries, as well as uncertainties about further U.S. sanctions on Russia. It forecast Eastern Europe, the Middle East & Africa (EEMEA) to issue \$58bn worth of Eurobonds, equivalent to 60.4% of total EM foreign currency-denominated bond issuance, in 2019, and relative to \$90bn in 2018. It expected sizeable issuance in Egypt, Morocco, Sub-Saharan African and Turkey, and a decline in GCC issuances. Emerging Asia would follow with \$23bn, or 24% of the total, compared to \$19bn in 2018, then Latin America, excluding the Venezuelan sovereign but including the country's national oil company Petróleos de Venezuela, with \$16bn (16.7%), relative to \$32bn in 2018. On a country basis, it expected Indonesia to issue \$10bn in sovereign Eurobonds, or 10.4% of total EM foreign currency-denominated bond issuance in 2019, which would constitute the largest level among EMs, followed by Saudi Arabia with \$8bn (8.3%), Qatar with \$6bn (6.2%), Turkey with \$5bn (5.2%), Egypt with \$4.5bn (4.7%), Oman and Poland with \$4bn each (4.1% each), and the Dominican Republic and Romania with \$3bn each (3.1% each). In parallel, Barclays projected interest payments and maturities to reach \$85bn next year. As such, it forecast EM currency-denominated issuance, net of interest payments and maturities, at \$12bn in 2019.

Sources: Barclays Capital

#### Corporate default rate at 0.5% in 2017

S&P Global Ratings indicated that a total of eight corporate debt issuers in emerging markets (EMs) defaulted in 2017, relative to 33 issuers in 2016. It added that all of the corporates that defaulted had speculative grade ratings. It noted that EMs accounted for just 8.4% of global corporate defaults in 2017, while they exceeded 20% of global defaults in the last three years. In addition, it said that the average time to default for the eight rated EM defaulters was 4.65 years, significantly lower than global trends. Further, it indicated that the Eastern Europe, Middle East & Africa region and Latin America region had three corporate defaults each, while Emerging Asia had two defaults. In parallel, S&P pointed out that the EM corporate default rate regressed from 1.96% in 2016 to 0.51% in 2017, the lowest rate since 2011. In comparison, the EM corporate speculative-grade default rate decreased from 3.53% in 2016 to 0.96% in 2017, while the global speculative-grade default rate declined from 4.21% to 2.45%. S&P said that the default rate for EM issuers was 4% for the high technology and office equipment sectors in 2017, followed by the energy sector (2%), telecommunication firms (1.69%), the utility sector (0.78%), real estate companies (0.77%), and financial institutions (0.37%).

Source: S&P Global Ratings

### MENA

#### Net private wealth in Arab world at \$4 trillion at end-June 2018

Global investment bank Credit Suisse estimated the aggregate net wealth of Arab citizens at \$3,974bn at the end of June 2018, constituting an increase of 4.9% from \$3,789bn at end-June 2017 and accounting for 1.3% of global net wealth in the covered period. Credit Suisse defines a country's net wealth as the sum of its population's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It excludes a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. The aggregate net wealth of Arab nationals consisted of \$1,841bn in financial wealth, \$2,859bn in non-financial wealth and \$725.5bn in personal debt at the end of June 2018. Citizens of Saudi Arabia accumulated \$977bn in net wealth as at end-June 2018, followed by the UAE (\$683.5bn) and Kuwait (\$278.2bn). In contrast, citizens of Mauritania and Djibouti had \$3.9bn and \$3bn in net wealth, respectively, as at end-June 2018, the lowest in the Arab world. In parallel, Qatar has the highest net wealth per adult among Arab countries at \$121,638 as at end-June 2018, followed by Kuwait (\$91,374) and the UAE (\$88,173); while Mauritania (\$1,756), Syria (\$1,190) and Sudan (\$530) have the lowest net wealth per adult in the Arab world.

Source: Credit Suisse, Byblos Research

### GCC

#### Fixed income issuance at \$91bn in first 10 months of 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$91.4bn in the first 10 months of 2018 compared to \$122.6bn in full year 2017. Aggregate fixed income in the first 10 months of 2018 included \$36.3bn in sovereign bonds, or 39.7% of the total, followed by corporate bond issuance at \$29.6bn (32.4%), sovereign sukuk at \$14.6bn (16%) and corporate sukuk at \$10.9bn (11.9%). Overall, bonds and sukuk issued by GCC sovereigns totaled \$50.9bn, or 55.7% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$40.5bn or 44.3% of the total. On a monthly basis, GCC sovereigns issued \$10.3bn in bonds and sukuk in January, \$300m in February, \$1.6bn in March, \$25.3bn in April, \$800m in May, \$3.6bn in June, \$900m in July, \$400m in August, \$5.3bn in September, and \$2.4bn in October 2018. In parallel, corporates in the GCC issued about \$2.2bn in bonds and sukuk in January, \$7.7bn in February, \$6.4bn in March, \$5.7bn in April, \$3.4bn in May, \$800m in June, \$500m in July, \$1.3bn in August, \$7.6bn in September, and \$4.9bn in October 2018.

Source: KAMCO

# OUTLOOK

## MENA

### Oil output and geopolitical risks to impact growth in oil-exporting countries

The International Monetary Fund forecast real GDP growth in oil-exporting economies of the Middle East & North Africa (MENA) region to accelerate from 1.4% in 2018 to 2% in 2019, due to improved activity in the hydrocarbon and non-hydrocarbon sectors as a result of higher oil prices and production, as well as to the easing of fiscal consolidation. It forecast real GDP in Gulf Cooperation Council (GCC) economies to grow by 2.4% in 2018 and 3% in 2019 relative to a contraction of 0.4% in 2017, mainly due to the implementation of large public investment projects, especially in Kuwait, Qatar and the UAE. It projected the GCC region's real oil GDP growth to accelerate from 2.1% in 2018 to 3.1% in 2019, while it anticipated non-hydrocarbon sector activity to expand by 2.7% in 2018 and 2.9% in 2019. In parallel, it expected growth of non-GCC oil exporters in the MENA region to decelerate from 3% last year to 0.3% in 2018 and 0.9% in 2019, due to the anticipated impact of the re-imposition of U.S. sanctions on Iran. Further, the IMF considered that downside risks to the MENA oil exporters' growth outlook consist of lower-than-projected oil prices, faster-than-expected tightening of global financial conditions, rising global trade tensions, and heightened geopolitical risks and regional conflicts.

In parallel, the Fund expected the fiscal deficit of the region's oil-exporting economies to narrow from 1.6% of GDP in 2018 to 0.1% of GDP in 2019 amid higher oil revenues. It forecast the GCC to post a fiscal deficit at 0.9% of GDP in 2018 and a surplus of 1.7% of GDP in 2019, while it anticipated the fiscal deficit of non-GCC oil exporters at 3% of GDP this year and 3.6% of GDP next year. It considered that the needed pace of fiscal adjustment varies across countries, given the different fiscal space available for each economy. It expected the aggregate public debt level of the MENA region's oil exporters to remain nearly unchanged at 33.6% of GDP at end-2018 and 33% of GDP at end-2019, with the GCC region's public debt level reaching 26% at end-2018 and 26.4% at end-2019. Further, it projected the region's current account surplus to improve from 1.6% of GDP in 2017 to 4.7% of GDP this year and 4.8% of GDP next year, mainly due to an increase in the current account surplus of GCC economies from 7.1% of GDP in 2018 to 7.7% of GDP in 2019.

*Source: International Monetary Fund*

## SAUDI ARABIA

### Fiscal deficit to narrow to 4.6% of GDP in 2018 on higher oil revenues and economic growth

Jadwa Investment expected Saudi Arabia's economic activity to remain solid in the next few years, supported by stronger hydrocarbon and non-hydrocarbon sector activity amid higher oil prices and output, as well as increased government spending and improved consumer sentiment. As such, it projected real GDP to grow by 2.2% in 2018 and 2% in 2019 following a contraction of 0.9% in 2017, with hydrocarbon output expanding by 3.2% this year and 2.3% next year relative to a contraction of 3.1% in 2017. Also, it anticipated growth in the non-oil private sector to accelerate from 0.7% in 2017 to 1.1% in 2018 and 1.8% in 2019. But it expected the implementation of the value-added tax, expatriates' levies, and energy price hikes to weigh on growth in

2018. Further, it projected the average inflation rate to decline from 2.6% this year to 1.1% in 2019, mainly due to a sustained decrease in housing rental prices. It considered that downside risks to the outlook include lower-than-expected oil prices and a possible decline in consumption.

In parallel, Jadwa forecast the Kingdom's fiscal deficit to narrow from 9.3% of GDP in 2017 to 4.6% of GDP in 2018, as the significant increase in oil revenues would offset the higher-than-budgeted government expenditures. But it projected the deficit to widen slightly to 5.1% of GDP in 2019, due to its expectations of lower government revenues compared to official estimates. It anticipated authorities to continue to finance most of the fiscal deficit this year and in 2019 from domestic bond issuances, and the remainder from external bond issuances. As such, it forecast the public debt level to grow from SAR443bn, or 17.2% of GDP, at end-2017 to SAR576bn, or 19.1% of GDP, at end-2018 and SAR678bn, or 21% of GDP, at end-2019. Further, it projected the current account surplus to increase from 2.2% of GDP in 2017 to 9.6% of GDP in 2018 and 10.5% of GDP in 2019, as it anticipated oil export receipts to rise from \$170bn last year to \$233bn in 2018 and \$244bn in 2019. Also, it expected foreign currency reserves at the Saudi Arabian Monetary Agency to increase from \$496bn at end-2017 to \$535bn at end-2018 and \$583bn at end-2019, due to higher oil export receipts.

*Source: Jadwa Investment*

## SUDAN

### Real GDP to contract by an average of 2.1% in 2018-19 period

The International Monetary Fund projected Sudan's real GDP to contract by 2.3% in 2018 and by 1.9% in 2019, following a growth rate of 1.4% in 2017, amid the country's sustained policy uncertainties and persistent macroeconomic imbalances, including its elevated public debt level and significant external financing needs. In comparison, it forecast the growth rates for oil importers in the MENA region at 3.8% in 2018 and 4.1% in 2019. Further, it expected Sudan's inflation rate to average 61.8% in 2018 and 49.2% in 2019.

In parallel, the Fund projected the fiscal deficit at 3.5% of GDP in 2018 and 3.3% of GDP in 2019. It forecast government revenues, excluding grants, at 8% of GDP in 2018, but to regress to 6.6% of GDP in 2019; and for total expenditures to reach 12.7% of GDP this year and 10.5% of GDP in 2019. Further, it expected the government's gross debt level to rise from 121.6% of GDP at the end of 2017 to 167.5% of GDP at end-2018 and to 165.1% of GDP at end-2019. It also forecast the gross external debt to increase from 117.7% of GDP in 2017 to 166.6% of GDP in 2018 and 167% of GDP in 2019.

Further, the IMF anticipated Sudan's exports of goods & services to decline from \$5.6bn in 2017 to \$4.9bn this year and \$4.7bn in 2019; and for its imports of goods & services to regress from \$9.7bn last year to \$8.7bn in 2018 and \$8.3bn in 2019. It projected the current account deficit at \$4.7bn, or 14.2% of GDP, in 2018; and at \$4.5bn, or 13.1% of GDP, in 2019. It expected Sudan's gross foreign currency reserves to improve from \$0.9bn at end-2017 to \$1bn at the end of 2018 and \$1.1bn at end-2019.

*Source: International Monetary Fund*

## ECONOMY & TRADE

### EGYPT

#### Ratings affirmed on reduced pressure on external balance

S&P Global Ratings affirmed at 'B' Egypt's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It indicated that the ratings reflect strong growth prospects and lower pressure on the country's external balance, supported by the implementation of reforms under the IMF's three-year Extended Fund Facility program. The agency said that real GDP growth accelerated from 4.2% in the fiscal year that ended in June 2017 to 5.3% in FY2017/18, supported by higher natural gas production and stronger activity in the manufacturing, tourism and construction sectors. It projected growth to average about 5.4% annually over the next three years, mainly driven by increased net exports, higher investments and rising natural gas production. Further, it forecast the fiscal deficit to narrow from 9.7% of GDP in FY2017/18 to 6.8% of GDP in FY2020/21, due to increased tax revenues and ongoing fuel and electricity subsidy cuts, as well as a contained civil service wage bill. As such, it expected the government's debt level to gradually regress from 92.6% of GDP at end-June 2018 to 84.6% of GDP by end-June 2021. In parallel, it said that the current account deficit narrowed sharply from more than \$14bn, or 6% of GDP in FY2016/17 to \$6bn, or 2.4% of GDP in FY2017/18, due to increasing remittance inflows, a strong recovery in the tourism sector, and higher gas exports. Also, it expected foreign currency reserves to rise from \$41.7bn, or 4.3 months of imports, at the end of June 2018 to \$52.5bn, or 5.8 months of import cover, by end-2021.

Source: S&P Global Ratings

### QATAR

#### Strong non-hydrocarbon sector activity supporting growth

The International Monetary fund indicated that Qatar's economic performance continues to strengthen and that the country's significant fiscal and external buffers have enabled it to absorb the adverse shocks from the decline in oil prices during the 2014-16 period, and from the ongoing diplomatic rift with other Arab countries. It indicated that real GDP growth stood at 2.3% in the first half of 2018, as activity in the non-hydrocarbon sector rose by 6% while output in the hydrocarbon sector contracted by 1.6% during the same period. Overall, the Fund projected real GDP growth to accelerate from 2.4% in 2018 to 3.1% in 2019, on the back of strong non-hydrocarbon growth as well as a recovery in oil and gas production. Further, it forecast growth at about 2.7% annually over the 2020-23 period, mainly due to higher public infrastructure spending related to the 2022 FIFA World Cup, as well as to the expansion of liquid natural gas production. It considered that the downside risks to the growth outlook include the adverse impact of the escalating global trade tensions, the tight monetary policy in the U.S., as well as higher volatility in global financial markets. In parallel, the IMF anticipated authorities to contain overall expenditure growth in the 2019 budget despite the higher oil price environment. It added that they plan to introduce excise taxes in 2019 and a value added tax towards the end of 2019 or early 2020. It also forecast the current account surplus at 7% of GDP in 2019. Overall, it projected the fiscal and external balances to remain in surplus during the 2019-23 period.

Source: International Monetary Fund

### UAE

#### Rating of Abu Dhabi affirmed on strong fiscal and external balances

Fitch Ratings affirmed at 'AA' the long-term foreign-currency Issuer Default Rating of the Emirate of Abu Dhabi, with a 'stable' outlook. It indicated that the rating is underpinned by Abu Dhabi's strong fiscal and external balances, and its high GDP per capita, but is constrained by the Emirate's high reliance on the hydrocarbon sector and a relatively underdeveloped economic policy framework. It projected real GDP growth at 2% in 2018 following a contraction of 0.5% in 2017, supported by the normalization of oil output and a pick up in non-hydrocarbon sector activity from 1.8% in 2017 to 2.5% in 2018. It expected activity in the non-oil economy to accelerate to 3.5% in the 2019-20 period, driven by an expansionary fiscal budget and sustained public sector investments, as well as by the implementation of structural reforms. In parallel, the agency forecast the fiscal balance to shift from a deficit of 3.5% of GDP in 2017 to a surplus of 2.7% of GDP in 2018, due to a 30% rise in public revenues on the back of higher oil prices, and an 8% increase in government spending. However, it projected the fiscal balance to shift back to a deficit of 3.3% of GDP by 2020, in case oil prices average \$57.5 p/b and higher public spending from the three-year AED50 billion, or 5% of GDP, stimulus package. It also estimated the Abu Dhabi government debt and the debt of government-related entities at around 38% of GDP, and considered contingent liabilities to be high but manageable given the Emirate's fiscal resources. Further, Fitch forecast Abu Dhabi's fiscal financing needs at \$32bn over the 2018-20 period, while it estimated foreign assets at the Abu Dhabi Investment Authority at \$523bn, or about 200% of GDP, at the end of 2018.

Source: Fitch Ratings

### JORDAN

#### Sovereign ratings affirmed, outlook 'stable'

Moody's Investors Service affirmed at 'B1' Jordan's long-term issuer and senior unsecured ratings, and maintained the 'stable' outlook on the ratings. It indicated that the ratings are mainly constrained by higher global oil prices, adverse global financing and trade conditions, persistent and wide current account deficits, and declining foreign currency reserves. The agency projected Jordan's fuel imports to rise by about 2.5% of GDP next year due to higher global oil prices, and to further weigh on the current account deficit, which is expected to average 11% of GDP in each of 2018 and 2019. It also noted that foreign currency reserves regressed by 13% in the first nine months of 2018 in the absence of sovereign external borrowing in 2018, and expected them to further decline, which would raise the country's external vulnerabilities. Further, it expected rising global borrowing costs to increase Jordan's cost of domestic and external debt, given the country's elevated debt burden and its relatively short average debt maturity of around 5 years. In parallel, Moody's noted that the ratings are underpinned by the government's commitment to fiscal reforms and by strong international support for Jordan's economic, financial and social stability. It also anticipated that reforms in Jordan's energy sector, along with changes in energy sources, would, in time, reduce the vulnerability of Jordan's external sector to a rise in global oil prices.

Source: Moody's Investors Service



# BANKING

## EMERGING MARKETS

### Currency depreciation risks depend on buffers

S&P Global Ratings indicated that the recent volatility in emerging market (EM) currencies has been driven by rising U.S. interest rates and a stronger US dollar, but considered that the pace of currency depreciation varies across EMs. It indicated that Turkey faces the highest risk of currency depreciation, given the country's high level of foreign currency debt in the private sector, while Argentina's high inflation rate and expectations of economic contraction are exacerbating pressures on the peso. It added that the currency depreciation in Turkey and Argentina weighed on the two countries' financial systems and on corporate borrowers. In contrast, it pointed out that China, India, South Africa and most countries in Southeast Asia have lower currency depreciation risks. It pointed out that China and other countries in Southeast Asia have a lower proportion of foreign debt, while South Africa has low levels of dollarization rates and low levels of foreign currency debt in its banking sector, which provide protection against exchange rate shocks. S&P said that investors have been differentiating between EM issuers based on their economic fundamentals and policy framework. Still, it said that a further deterioration in external conditions due to global trade tensions, an acceleration in U.S. interest rate hikes, and declining global commodity prices could weigh on investor sentiment towards EMs as a whole, given that investors would no longer differentiate between EMs based on their economic fundamentals.

Source: S&P Global Ratings

## GCC

### Sovereign support to banks varies across region

Fitch Ratings considered that the ability of Gulf Cooperation Council (GCC) sovereigns to provide support to banks remains extremely strong in most countries. It indicated that it has downgraded the Issuer Default Rating (IDR) of banks in Bahrain and Oman in 2018, due to the weakened ability of the respective sovereigns to provide support for banks amid lower oil prices and higher government debt. As such, it said that it has reduced by one notch the average IDR of banks in each of these two countries to above 'BBB+'. In comparison, it said that the average IDR of banks in Kuwait, Qatar and the UAE is at about 'A+', driven by higher sovereign ratings, while the average IDR of banks in Saudi Arabia is nearly at 'A'. Also, the agency noted that 76% of the banks' IDRs are supported by potential sovereign support either directly or through the banks' parents, while 21% are driven by the banks' standalone creditworthiness. Further, it indicated that 88% of the banks' IDRs have a 'stable' outlook, 10% have a 'negative' outlook, mainly related to the weakening of Oman's sovereign ability to provide support for banks, and that 2% of the IDRs are on 'Rating Watch Positive' due to potential mergers. It added that 90% of the GCC banks' IDRs are investment grade, relative to 96% in last year's survey. In parallel, Fitch pointed out that only 43% of the banks' Viability Ratings (VRs) are investment grade, relative to 49% in 2017, reflecting bank downgrades in Bahrain and Oman amid a weaker operating environment. It noted that the average VRs of banks in Oman and Bahrain were revised from 'bbb-' to 'bb+', while the average VR of banks in Saudi Arabia was the strongest at 'bbb+', unchanged from last year's survey.

Source: Fitch Ratings

## NIGERIA

### Increase in foreign currency deposits improves banks' funding profiles and liquidity

Moody's Investors Service considered that the increase in foreign currency deposits at Nigerian banks to be credit positive for the banks, as it would improve their tight foreign currency funding profiles and boost foreign currency liquidity in the sector. It noted that figures released by the Central Bank of Nigeria show an annual increase of 16.2% in foreign currency deposits, adjusted for the naira depreciation, to \$13.5bn as at August 2018, compared to an annual decrease of 28% in August 2017. First, the agency indicated that banks require foreign currency deposits in order to support their foreign currency loans, which accounted for about 50% of total lending at end-June 2018. It said that rising foreign currency deposits would allow banks to reduce their loan-to-deposit ratio in dollars, which stood at around 193% at end-2017, as well as the banks' reliance on interbank funding, which tends to be more expensive and confidence-sensitive. In this context, it pointed out that the banks' foreign currency loans-to-deposits ratios declined on average in the first half of 2018, reflecting an improvement in their funding profiles. Second, Moody's anticipated higher foreign currency deposits to ease competition for these deposits among Nigerian banks, which, in turn, will contain the banks' cost of funding and support their net interest margins. Third, it expected the banks' foreign currency liquidity to benefit from foreign currency deposit growth. It noted that the liquid assets-to-total assets ratio in foreign currency of several mid-tier banks, including Diamond Bank and Fidelity Bank, increased in the first half of 2018.

Source: Moody's Investors Service

## UAE

### Strong asset quality and profitability metrics help banks meet IFRS 9 requirements

Fitch Ratings indicated that UAE banks have been able to meet the requirements of international accounting standard IFRS 9, due to their strong asset quality and profitability metrics. It noted that the increase in provisions was equivalent to a few months of UAE-rated banks' pre-impairment operating profits. It said that the Emirates Islamic Bank and the National Bank of Ras-Al Khaimah were the most affected by the new provisions, which reflects their more vulnerable asset quality and less conservative provisioning relative to peers under the previous IAS 39. It added that banks in Abu Dhabi faced smaller average increases in provisions than other banks in the UAE, given their stronger asset quality. Further, it indicated that the pre-impairment operating profitability of UAE banks is sound due to their healthy margins and decent operating efficiency, which provides them with a cushion against potential credit losses and help them absorb the increase in provisions. In parallel, Fitch pointed out that all UAE banks will report their loan book structures under IFRS 9 and will disclose their Stage 2 and Stage 3 loans ratios and their provision coverage by the end of 2018, which will provide better information on their asset quality, including on early signs of potential deterioration. Further, it said that the new IFRS 9 metrics do not change the substance of banks' financial positions and will unlikely lead to rating revisions, unless they reveal information that is significantly out of line with existing ones on asset quality.

Source: Fitch Ratings

## ENERGY / COMMODITIES

### Oil prices drop to \$65.5 p/b on increased output

ICE Brent crude oil front-month prices have been declining since early October to reach \$65.5 per barrel (p/b) on November 13, 2018, constituting their lowest level since mid-March 2018. Further, oil prices fell by 6.6% from their previous closing of \$70.1 p/b on November 12, constituting the steepest day-to-day drop in prices since July. The decline in oil prices was mainly due to the accumulation of several factors, such as the U.S. granting temporary waivers to eight countries to import Iranian oil. Further, U.S. oil inventories rose by 8.8 million barrels in the week-to-November 9 to 440.7 million barrels, compared to expectations of an increase of 3.2 million barrels. Also, OPEC revised downward its projection for global oil demand growth to 1.29 million barrels per day (b/d) in 2019, down by 70,000 b/d from its previous forecast, and constituting the fourth consecutive downward revision. In parallel, the ongoing trade dispute between the U.S. and China, the slowdown in the Eurozone's economic growth, as well as uncertainties in emerging markets, have all led to higher concerns about global economic growth and future oil demand. In addition, U.S. President Donald Trump urged OPEC members to keep their production at its current level, while the latter is considering cutting production by up to 1.4 million b/d. Further, the decline in oil prices has also been driven by hedge funds, which reduced their long positions in oil contracts. Overall, the U.S. Energy Information Administration revised downward its forecast for Brent oil prices to an average \$73 p/b in 2018 from \$74 p/b previously, and to \$72 p/b in 2019, down from \$75 p/b previously.

Source: EIA, Euronews, Thomson Reuters, Byblos Research

### Nigeria's oil receipts up 53% to \$3.5bn in first eight months of 2018

Nigeria's crude oil and condensate export receipts totaled \$3.5bn in the first eight months of 2018, up by 52.7% from \$2.3bn in the same period of 2017. Export revenues in the first eight months of 2018 consisted of \$2.4bn from crude oil exports (70.2%), \$893.5m from gas exports (25.8%) and \$138.8m in other receipts (4%). The authorities transferred \$142.3m of total hydrocarbon revenues in August 2018 to the Federation Account, while they used \$308m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

### OPEC's oil basket price up 3% in October 2018

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$79.39 per barrel (p/b) in October 2018, up by 2.9% from \$77.18 p/b in the preceding month. Angola's Girassol posted a price of \$82.24 p/b, followed by Nigeria's Bonny Light at \$82.09 p/b, and Equatorial Guinea's Zafiro at \$81.82 p/b. In parallel, all prices included in the OPEC reference basket posted monthly increases between \$1.36 p/b and \$5.94 p/b in October 2018.

Source: OPEC, Byblos Research

### Libya's oil & gas receipts at \$1.7bn in September 2018

Libya's total oil & gas receipts reached \$1.66bn in September 2018, up by 5.6% from \$1.57bn in August, compared to a month-on-month decline of 22.5% in August 2018. The rise in oil & gas receipts in September 2018 reflects the resumption of oil output at three oilfields in the east amid improving security conditions.

Source: National Oil Corporation, Thomson Reuters

### Base Metals: Nickel prices hit their lowest level since mid-December 2017

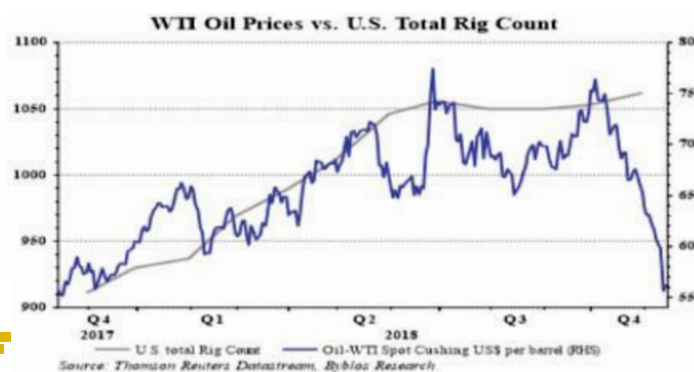
The LME cash price of nickel averaged \$11,562 per metric ton in the first half of November 2018, constituting a decrease of 6.1% from an average of \$12,315 per ton in October 2018. The drop in nickel prices was mainly driven by pressure from a stronger US dollar and concerns about weaker-than-expected economic growth in China. In fact, the US dollar reached a 16-month high on November 12, as traders expect the U.S. Federal Reserve to maintain its tight monetary stance. Further, escalating trade tensions between the U.S. and China, and its adverse impact on the demand for base metals, has weighed on nickel prices. Also, prices were subdued by higher Chinese output of lower grade ferronickel, which is a cheaper alternative to pure nickel for the production of stainless steel, as well as by an increase in nickel ore inventories in China. Still, Fitch Ratings maintained its forecast for nickel prices at \$13,000 per ton in 2018, while it revised upwards its forecast from \$13,000 per ton to \$13,500 per ton for 2019. It noted that global trade tensions will continue to drive price volatility. Further, the rise in prices is expected to be supported in the medium term by expectations of higher demand for electric cars and anticipated tighter supply conditions in the nickel market, as China continues to implement more stringent environmental standards.

Source: Fitch Ratings, Thomson Reuters, Byblos Research

### Precious Metals: Gold prices at five-week low on stronger US dollar

Gold prices reached a five-week low of \$1,201.8 per troy ounce on November 14, 2018 and declined by 2.4% since the start of the month, partly due to a stronger US dollar that almost reached its highest level since June 2017. The decline in the metal's price also reflects expectations of an additional U.S. interest rate hike in 2018 and another two hikes by mid-2019, as well as receding geopolitical tensions worldwide that reduced demand for the safe haven asset. In this context, China sent a written response to U.S. demands for wide-ranging trade reforms, which could trigger negotiations and end the ongoing trade war between the two economies. In addition, Italy announced its intention to reach a deal with the European Commission about its fiscal policy. Still, gold prices are projected to recover next year and to average \$1,350 in the coming 12 months, mainly due to concerns about a slowdown in U.S. economic activity, as well as to expectations of higher purchases by central banks. In addition, prospects of strong economic growth in India in 2019 would increase physical demand for gold, especially in the jewelry sector, and, in turn, support the rise in prices in the coming year.

Source: Thomson Reuters, Goldman Sachs, 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	
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-5.8*	61.3	36.7**	103.4	13.2	199.5	-3.8	1.2
	Stable	Stable	Stable	-	Stable								
Egypt	B	B3	B	B+	B+	-9.3	91.4	31.4	120.2	11.8	287.5	-6.6	3.4
	Stable	Positive	Positive	Stable	Positive								
Ethiopia	B	B1	B		B+	-3.1*	56.9	33.3**	188.9	9.5	1134.2	-10.0	2.8
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-5.0*	71.7	40.2	120.3	13.5	491.9	-6.0	7.5
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-4.5*	52.1	31.7**	70.9	5.7	186.5	-4.0	3.0
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-16.4	78.2	-	-	-	-	-10.6	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-1.0*	24.3	20.0**	40.0	3.1	645.5	-3.8	4.6
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.3	32.3	98.4	10.9	155.2	-2.6	2.5
	Negative	Positive	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5*	15.7	7.4	29.5	1.2	69.4	1.4	1.4
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-2.5	55.2	47.5	-	-	-	-4.7	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.9	67.0	71.2	162.3	14.2	482.5	-8.6	2.3
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-3.6*	33.3	23.1**	-	-	-	-7.2	-
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2.8*	41.4	40.0**	187.3	6.4	455.6	-10.9	3.7
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-12.0	90.0	191.5	233.7	31.9	2601.2	-1.3	-1.2
	Stable	Negative	Stable	Stable	Negative								
Iran	-	-	-	B+	BB-	0.7	29.2	2.0	-	-	-	5.3	-
	-	-	-	Negative	Positive								
Iraq	B-	Caa1	B-	-	CC+	-4.2	60.0	38.8	-	-	-	-4.4	-
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	BB+	-2.9	95.8	68.4	166.7	17.5	195.7	-8.6	3.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	3.5	19.8	38.5	60.8	2.7	159.2	-8.2	-7.6
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	B3	B-	B	B-	-8.5	151.6	178.3	192.2	19.7	157.9	-19.4	6.8
	Stable	Stable	Stable	Stable	Stable								
Oman	BB	Baa3	BBB-	BBB	BBB-	-10.9	40.9	41.3	97.6	10.2	181.5	-9.6	0.0
	Stable	Negative	Negative	Negative	Positive								
Qatar	AA-	Aa3	AA-	AA-	A+	-7.0	50.2	130.0	265.7	27.0	664.0	-2.3	-3.0
	Negative	Stable	Stable	Negative	Negative								
Saudi Arabia	A-	A1	A+	A+	AA-	-9.3	19.9	21.9	73.0	7.2	33.9	0.2	0.8
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-2.6	19.1	57.4	67.9	7.5	287.9	3.5	0.5
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-6.0	77.4	20.3	-	-	-	-4.2	
	-	-	-	-	Negative								



# 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								
<b>Asia</b>													
Armenia	-	B1	B+	-	B-								
	-	Positive	Positive	-	Stable	-3.8	53.1	92.7	189.3	34	513.7	-3.2	2.7
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.7	49.3	3.8	56.6	4.6	48.3	1.3	0.0
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.4	67.8	21.2	131.5	10.9	168.4	-1.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Negative	Stable	Stable	-	Stable	-6.3	21.8	113.0	316.0	68.8	801.7	-4.0	9.5
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-1.3	24.5	-	91.0	13.8	145.8	2.3	1.3
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-3.6	40.6	53.0	160.8	22.3	281.5	-2.8	2.2
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	-3.6	17.1	33.2	124.9	27.9	162.5	3.3	1.0
Turkey	B+	Ba3	BB	BB+	BB-								
	Stable	Negative	Negative	Negative	Stable	-2.9	29.8	53.4	202.1	41.6	498.1	-4.8	0.8
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-3.0	89.8	144.5	226.4	32.1	827.4	-3.6	1.7

\* 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	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
<b>Emerging Markets</b>					
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	27-Sep-18	No change	15-Nov-18
Turkey	Repo Rate	24.0	25-Oct-18	No change	13-Dec-18
South Africa	Repo rate	6.50	20-Sep-18	No change	22-Nov-18
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	25-Sep-18	No change	20-Nov-18
Ghana	Prime Rate	17.00	24-Sep-18	No change	26-Nov-18
Angola	Base rate	16.50	21-Sep-18	No change	26-Nov-18
Mexico	Target Rate	7.75	04-Oct-18	No change	15-Nov-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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