

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt exceeds 318% of GDP at end-September 2018

The Institute of International Finance indicated that global debt, which includes the debt of corporates, governments and households, reached \$244.2 trillion at the end of September 2018, constituting an increase of 4% from \$235.1 trillion at end-September 2017. It noted that global debt was equivalent to more than 318% of global GDP at end-September 2018. The IIF pointed out that non-financial corporate debt reached \$72.9 trillion, or 92% of GDP, at end-September 2018, followed by government debt with \$65.2 trillion (86.5% of GDP), financial sector indebtedness with \$60 trillion (80.1% of GDP) and household debt with \$46.1 trillion (59.6% of GDP). In parallel, it said that emerging market (EM) debt grew from \$62.3 trillion at the end of September 2017 to \$68.4 trillion at end-September 2018. It indicated that EM non-financial corporate debt totaled \$30.6 trillion, or 93.6% of GDP, at end-September 2018, followed by EM government borrowing at \$15.1 trillion (49.3% of GDP), EM household debt at \$12.1 trillion (37.5% of GDP) and financial sector indebtedness at \$10.6 trillion (33.6% of GDP). It added that about \$3.9 trillion of EM bonds and syndicated loans will mature by end-2020, with foreign-currency redemptions estimated at \$1.3 trillion. Further, the IIF noted that the debt of developed markets reached \$175.8 trillion, or 380.4% of GDP, at the end of September 2018, relative to \$172.8 trillion, or 382% of GDP, at end-September 2017.

Source: Institute of International Finance

EMERGING MARKETS

Sovereign ratings resilient in second half of 2018

S&P Global Ratings indicated that the sovereign ratings of emerging markets (EMs) remained resilient during the second half of 2018, despite a challenging external environment, currency crises in Argentina and Turkey, as well as weak fiscal positions among some EMs. It noted that the average sovereign rating of the 20 EMs with the highest level of outstanding commercial debt was slightly below 'BBB-' at the end of the 2018, slightly lower than the average rating at end-2017. It said that it downgraded Turkey's sovereign ratings from 'BB-' to 'B+', as well as Argentina's sovereign ratings from 'A+' to 'B', while it upgraded Poland's ratings from 'BBB+' to 'A-' and revised the outlook on Qatar's sovereign ratings from 'negative' to 'stable' in the second half of 2018. S&P indicated that 65% of the rated sovereigns had an investment-grade rating of 'BBB-' or higher at the end of 2018, unchanged from end-June 2018 and relative to 60% of the covered sovereigns at end-2017. It added that 25% of EM ratings were in the 'B' category or lower in the covered period, up from 20% at end-2017, and reflecting a deterioration in the credit quality of EM sovereigns that are rated at the lower end of the rating scale. Further, the agency said that the average sovereign rating becomes slightly higher than 'BBB+' at end-2018 when the ratings are weighted by nominal GDP, unchanged from end-2017. It added that the outlook on the sovereign ratings of EMs had a positive balance at end-2018, with Hungary and the Philippines carrying 'positive' outlooks, while the remaining sovereigns had 'stable' outlooks.

Source: S&P Global Ratings

MENA

Cost of living varies among Arab cities

The 2019 Cost of Living survey, produced by crowd-sourced global database Numbeo, ranked Abu Dhabi as the most expensive city among 22 Arab cities and the 185th most expensive among 433 cities worldwide. Beirut followed in 196th place, then Al Ain in the UAE (199th), Doha (203rd) and Amman (209th) as the five Arab cities with the highest cost of living. The Arab cities that have the lowest cost of living are Casablanca (341st), Algiers (367th), Cairo (398th), Alexandria (404th) and Tunis (407th). The Cost of Living survey is a relative indicator of the prices of consumer goods and services, such as groceries, restaurants, transportation and utilities. Based on the same cities included in the 2018 and 2019 surveys, the rankings of 14 out of 20 Arab cities rose, reflecting an increase in the cost of living relative to other cities worldwide, while the rankings of six cities regressed from the 2018 survey. Further, the Rent Index shows that Abu Dhabi has the highest apartment rents regionally, while rents in Alexandria are the lowest. Also, the Groceries Index indicates that Al Ain is the most expensive city in terms of grocery prices in the region, while grocery prices in Alexandria are the lowest. In addition, the Restaurant Index shows that Abu Dhabi has the highest prices of meals and drinks at restaurants and pubs, while Tunis has the lowest such prices regionally. Numbeo relies on residents' inputs and uses data from official sources to compute the indices.

Source: Numbeo, Byblos Research

GCC

Fixed income issuance at \$106bn in 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$105.9bn in 2018, down by 14.1% from \$123.3bn in 2017. Aggregate fixed income in 2018 included \$37.4bn in sovereign bonds, or 35.3% of the total, followed by corporate bond issuance at \$35bn (33.1%), sovereign sukuk at \$21.3bn (20.1%) and corporate sukuk at \$12.1bn (11.4%). Aggregate bonds and sukuk issued by GCC sovereigns reached \$58.7bn, or 55.5% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$47.1bn or 44.5% of the total. On a country basis, total fixed income issuance in Saudi Arabia reached \$32.5bn in 2018 and accounted for 30.7% of the region's total issuance, followed by Qatar with \$29.1bn (27.5%), the UAE with \$28.2bn (26.6%), Oman with \$11.7bn (11%), Bahrain with \$3.5bn (3.3%) and Kuwait with \$1bn (0.9%). On a monthly basis, GCC sovereigns issued \$11.5bn in bonds and sukuk in January, \$300m in February, \$1.8bn in March, \$27.2bn in April, \$800m in May, \$3.6bn in June, \$3.3bn in July, \$400m in August, \$5.3bn in September, \$3.2bn in October, \$1bn in November and \$300m in December 2018. In parallel, corporates in the GCC issued \$2.2bn in bonds and sukuk in January, \$8bn in February, \$6.4bn in March, \$6.1bn in April, \$3.4bn in May, \$800m in June, \$500m in July, \$1.3bn in August, \$7.6bn in September, \$4.9bn in October, \$4.2bn in November and \$1.7bn in December 2018.

Source: KAMCO

OUTLOOK

GCC

Economic growth to moderate to 2% in 2019 amid lower oil prices and output

The Institute of International Finance projected real GDP growth in Gulf Cooperation Council (GCC) economies to moderate from 2.3% in 2018 to 2% in 2019, due to lower oil production under the recent OPEC oil output agreement. As such, it forecast the region's real hydrocarbon sector growth to decelerate from 2% in 2018 to 0.4% this year. But it projected growth in the non-hydrocarbon sector to accelerate from 2.5% in 2018 to 3.3% in 2019, supported by an expansionary fiscal policy stance. It anticipated that global trade tensions would indirectly weigh on growth in the region, as the resulting global economic slowdown would reduce oil demand and prices. It added that the fragile investment sentiment and ongoing regional tensions continue to constrain private non-oil sector activity in the region.

In parallel, the IIF indicated that the GCC countries' external and fiscal positions improved temporarily in 2018 due to higher hydrocarbon export revenues from the increase in oil prices. However, it projected the region's aggregate fiscal deficit to widen from 1.4% of GDP in 2018 to 3.8% of GDP in 2019, mainly due to lower hydrocarbon receipts. Also, it forecast the aggregate public debt level of GCC economies to increase from 37.6% of GDP at the end of 2018 to 42.4% of GDP at end-2019, and expected authorities to continue relying on international and domestic borrowing to fund their deficits. In parallel, it anticipated the GCC's aggregate current account surplus to narrow from \$153.4bn, equivalent to 9.3% of GDP in 2018, to \$86.2bn or 5.2% of GDP in 2019, amid lower oil prices and export volumes. It pointed out that GCC countries have ample foreign currency reserves, and projected their consolidated public foreign assets to increase from \$2.64 trillion, or 159.6% of aggregate GDP in 2018, to \$2.7 trillion, or 162.9% of GDP in 2019. Further, the IIF considered that banking sectors in the GCC region are sound, with strong capitalization and adequate liquidity, and anticipated the gradual pick-up in growth beyond 2019 to improve private sector credit demand. But it noted that a further increase in policy rates this year would tighten financing conditions and weigh on credit growth and on non-oil activity.

Source: Institute of International Finance

EGYPT

Growth to accelerate in FY2018/19 on higher investments and exports

Deutsche Bank projected Egypt's real GDP growth to accelerate from 5.8% in the fiscal year that ends in June 2019 to 6.1% in FY2019/20, supported by higher investments and exports of goods & services, as well as by a gradual recovery in private consumption. Also, it forecast the inflation rate at 17% at the end of June 2019, up from 14.4% at end-June 2018, but expected it to decline to 9% by end-June 2020. It anticipated the Central Bank of Egypt (CBE) to keep policy rates on hold and to adopt a wait-and-see approach until mid-2019, given the current inflationary pressures. It considered that the main upside risk to inflation stems from the continued volatility of food prices, but it pointed out that the government has stepped up its efforts to reduce price volatility. It added that authorities have introduced reforms that aim to eliminate the market inefficiencies that drive inflation, but

it noted that such measures could take time before their impact on inflation is evident.

Further, Deutsche Bank anticipated the current account deficit to narrow from 2.4% of GDP in FY2017/18 to 1.7% of GDP in FY2018/19 and to 1% of GDP in FY2019/20, while it expected the CBE's foreign currency reserves to rise from \$43.5bn at end-June 2018 to \$48bn at end-June 2019 and to \$51bn at the end of June 2020. Still, it considered that a deterioration in domestic security conditions could result in capital flight and a disruption in foreign currency inflows, which would widen the current account deficit, affect the sources of external financing, and reduce foreign currency reserves. In addition, the bank projected the fiscal deficit to narrow from 9.8% of GDP in FY2017/18 to 9% of GDP in FY2018/19 and to 7.8% of GDP in FY2019/20. It considered that renewed inflows into the local debt markets could alleviate fiscal pressure, support the country's external financing needs and raise foreign currency liquidity in the banking sector, given that the main fiscal pressures arise from the cost of debt servicing.

Source: Deutsche Bank

SAUDI ARABIA

Low oil prices to impact fiscal and external balances in 2019

The Institute of International Finance projected Saudi Arabia's real GDP growth to moderate from 2.4% in 2018 to 2% in 2019, due to lower oil production amid OPEC's recent production cut agreement. As such, it forecast real hydrocarbon output growth to decline from 3.2% last year to 0.2% in 2019. It expected activity in the non-oil sector to accelerate from 1.8% in 2018 to 3.3% in 2019, mainly due to the ongoing fiscal stimulus and a gradual recovery in private sector non-oil growth. But it noted that private consumption and investment remain subdued. Still, it anticipated non-oil real GDP growth to increase over the medium term amid the implementation of large infrastructure projects and measures to improve the business environment. It expected the average inflation rate to decline from 2.5% in 2018 to 0.6% in 2019, due to base effects and in case of weak domestic demand and no further increase in energy prices.

In addition, the IIF forecast the Kingdom's fiscal deficit to widen from 4.6% of GDP in 2018 to 8.1% of GDP in 2019, due to expectations of lower oil revenues. It noted that the government has adequate fiscal space to continue with a looser fiscal stance in order to support non-oil sector activity in 2019. It projected the public debt level to increase from 19.4% of GDP at end-2018 to 26.4% of GDP at end-2019, as authorities will continue to tap domestic and foreign debt markets to finance the deficit. It noted that the government could face challenges in keeping the public debt-to-GDP ratio below 30% if oil prices decline below \$60 p/b. In parallel, the IIF forecast the current account surplus to narrow from 10.2% of GDP in 2018 to 6.5% of GDP in 2019, due to lower oil export receipts amid the moderation in oil prices. Also, it projected foreign currency reserves to decrease slightly from \$504bn at end-2018 to \$501bn at end-2019, amid net capital outflows. It expected the recent monetary tightening and the rise in borrowing costs as a result of U.S. interest rate hikes, along with the sharp slowdown in bank lending, to partially offset gains from the expansionary fiscal policy and to weigh on economic activity.

Source: Institute of International Finance



ECONOMY & TRADE

AFRICA

Region faces persistent challenges from fiscal and external vulnerabilities

Moody's Investors Service indicated that the 'negative' outlook on the sovereign ratings of Sub-Saharan African (SSA) countries reflects the persistent credit challenges that stem from their fiscal and external vulnerabilities, amid tightening global financial conditions and rising global trade tensions. But it said that the region's growth prospects are gradually improving and expected credit pressures to ease in 2019 relative to previous years, despite a more challenging external environment. It projected real GDP growth of SSA sovereigns to recover from an estimated 2.8% in 2018 to 3.5% in 2019. In parallel, the agency indicated that most governments in the region are planning further fiscal consolidation this year, although progress remains gradual. It added that the presence of IMF programs in the region supports the sovereigns' fiscal outlook and reform drive in 2019. In addition, Moody's expected the government debt levels of SSA countries to deteriorate marginally or to stabilize this year, due to ongoing fiscal consolidation and the positive impact of higher growth rates on the debt-to-GDP ratio. But it noted that the debt trajectory of SSA sovereigns is subject to lower-than-expected growth, exchange rate depreciations and contingent liability risks from weak state-owned enterprises. It also said that exposure to tightening global liquidity conditions varies across the region, as sovereigns with wide current account deficits, high external debt repayments or large shares of foreign-currency debt would experience external pressure. It added that political risks remain a major credit constraint for the region.

Source: Moody's Investors Service

MENA

Foreign direct investment in tourism projects at \$15.6bn in the 2013-17 period

Figures issued by fDi Markets show that greenfield foreign direct investment (FDI) in the tourism sector in the Middle East & Africa (ME&A) region reached \$15.6bn between 2013 and 2017, and accounted for 15.4% of the aggregate capital invested in tourism projects worldwide. Also, the value of greenfield FDI in tourism projects in the region stood at \$3.2bn in 2017, up by 18.5% from \$2.7bn in 2016. In parallel, there were 199 greenfield FDI projects targeting the tourism sector in the ME&A region during the 2013-17 period, which accounted for 13% of total FDI in tourism projects globally. The UAE attracted 61 FDI projects in the tourism sector during the covered period and accounted for 30.7% of the total. Saudi Arabia followed with 26 projects or 13.1% of the total, then South Africa with 13 projects (6.5%), Morocco and Qatar with 10 projects each (5% each), Egypt with nine projects (4.5%), Nigeria and Oman with six projects each (3% each), and Bahrain, Iraq and Jordan with five projects each (2.5% each). Also, the number of greenfield FDI in tourism projects in the ME&A region stood at 35 in 2017 relative to 34 projects in 2016. In parallel, the total number of jobs created from FDI in tourism projects in ME&A reached 23,075 between 2013 and 2017, and represented 8.8% of the number of jobs created from such investments globally. The figures cover cross-border greenfield FDI projects in the tourism sector that lead to the direct creation of jobs and capital investment.

Source: fDi Markets, Byblos Research

UAE

Dubai's 2019 budget targets subdued spending

Regional investment bank EFG Hermes indicated that Dubai's 2019 budget targets a fiscal deficit of AED5.8bn, or 1.4% of Dubai's GDP, compared to a budgeted deficit of AED6.2bn, or 1.5% of GDP, in 2018. It noted that the 2019 budget stipulates a marginal increase of 0.4% in government spending to AED56.8bn, or 14.1% of GDP, that includes a 7% rise in spending on wages and a 12% growth in general administrative expenditures, which would partly be offset by a 23% drop in infrastructure spending. It noted that the reduction in infrastructure expenditures follows two consecutive years of significant growth, and reflects the completion of a number of big projects. It added that authorities aim to raise spending on wages and administrative expenses in 2019 in order to support economic activity. In parallel, the bank noted that the 2019 budget stipulates a 1.2% increase in government revenues to AED51bn, equivalent to 12.6% of GDP. It said that the growth in public revenues would reflect a 50% increase in the profits of government-related entities, a 33% rise in oil revenues and a 19% growth in tax receipts, which would be partly offset by a 10% drop in revenues from fines and fees. In this context, it said that authorities plan to reduce revenues from fines and fees in 2019 for the second consecutive year, which shows their policy of reducing the cost of doing business in Dubai. Further, EFG indicated that the Dubai economy continues to face a number of headwinds, including subdued regional and global economic growth, low global oil prices, and weaker currencies in key trading partners. As such, it projected Dubai's economic growth at 2.6% in 2019.

Source: EFG Hermes

MOROCCO

Economic growth at 3.1% in 2018 as agricultural output moderates

Morocco's High Commission for Planning indicated that the Moroccan economy expanded by 3% year-on-year in the third quarter of 2018, compared to a growth rate of 2.4% in the second quarter of 2018 and 3.9% in the third quarter of 2017. It noted that agricultural output moderated to 3.8% in the third quarter of 2018 following a strong growth rate of 15% in the same quarter of 2017, while non-agricultural sector activity accelerated to 3% in the covered quarter from 2.5% in the third quarter of 2017. Further, it said that private consumption grew at a solid rate of 3.8%, relative to a growth of 2.4% in the third quarter of 2017, while the contribution of net exports to growth shifted to negative amid a slowdown in export growth and a strong increase in imports. In parallel, IHS Markit estimated Morocco's real GDP growth at 3.1% in 2018 relative to 4% in 2017 due to a moderate increase in agricultural output. It anticipated economic activity to accelerate to 3.4% in 2019, following signs of a positive outlook for the agricultural sector this year. However, it said that volatility in weather conditions represents significant risks to the outlook. Also, it projected a slight increase in non-agricultural activity to about 3.3% in 2019, supported by stronger industrial production, as well as modest increases in exports and consumer demand. However, it expected economic growth to remain constrained by tight fiscal conditions this year.

Source: IHS Markit, High Commission for Planning



BANKING

GCC

M&A activity to support banks' profitability

Moody's Investors Service pointed out that the increase in merger and acquisition (M&A) activity among banks in the Gulf Cooperation Council (GCC) region is credit positive for the banks, as it would enhance their profitability, help contain their rising funding costs and give them greater pricing power. It noted that bank consolidation across the region has been driven by slower economic growth and subdued credit demand as a result of lower global oil prices, as well as by strong competition. It said that the slowdown in lending growth has put pressure on the banks to either ease their underwriting standards or try to attract higher quality borrowers by cutting their lending rates. It added that this has weighed on the banks' core business and has driven shareholders to seek M&As to secure higher returns on their equity. In parallel, the agency indicated that bank mergers in the GCC will increase the banks' pricing power when competing for deposits and will create cost efficiencies by removing duplication in some operating functions. It added that the consolidation will ease competition and reduce pressure on the banks' margins, as the merged banks will gain market share and benefit from cost synergies. In parallel, Moody's pointed out that softer operating conditions in the GCC region means that growth prospects for the banks will not be similar to pre-2014 levels, which could lead to further consolidation in the sector.

Source: Moody's Investors Service

ARMENIA

Sector's exposure to external funding to remain high in next two years

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, Paraguay, 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 noted that Armenia's economic risks are elevated, given its low-income economy and its reliance on maintaining good economic relations with Russia. It said that financial intermediation in Armenia is expanding but remains low relative to global standards, due to the limited wealth of the population and the high unemployment rate. In parallel, S&P noted that the industry score reflects the country's "high risk" in its competitive dynamics, as well as "very high risk" in its institutional framework and system-wide funding. It considered that the banking sector's regulations and supervision are one of the strongest in the Commonwealth of Independent States, but still lag international standards. Further, it considered the banking industry to be moderately stable given the absence of bank failures, but it said that the number of banks decreased from 22 in 2010 to 17 currently due to mergers and acquisitions. It anticipated the banking sector's reliance on external funding to remain elevated in the coming two years. In parallel, it indicated that the trend for the banking sector's economic and industry risks is 'stable'.

Source: S&P Global Ratings

ANGOLA

Banking sector has stable outlook

Fitch Ratings indicated that the outlook on the Angolan banking sector is stable, and is closely correlated to the country's operating environment and the 'stable' outlook on the sovereign rating. It noted that lending by Angolan banks increased by 22.5% in the first nine months of 2018 relative to a growth rate of about 2% in 2017, and expected credit expansion to further improve in 2019, contingent on the performance of global oil prices this year. It added that Angolan banks are able to request foreign currency directly from the Banco Nacional de Angola (BNA) on behalf of their customers. It also anticipated that a broader range of importers would have access to foreign currency over time in case customers and banks improve their documentation procedures which, in turn, would further support credit growth. Further, the agency considered the sector's asset quality to be weak, with the banks' impaired loans accounting for 32% of gross loans at the end of 2017 relative to a share of 25% at end-2016. In this context, it noted that state-owned banks account for approximately 80% of the sector's impaired loans. In addition, Fitch indicated that banks that failed to comply with the BNA's latest paid-in capital requirements by the end of 2018 could be forced to merge in 2019. It also considered that the profitability of Angolan banks is weak, but noted that gains from foreign currency translation would support the performance of banks that operate with net long open foreign currency positions.

Source: Fitch Ratings

GHANA

Consolidation to strengthen banks' capital metrics and profitability

Moody's Investors Service indicated that figures published by the Bank of Ghana (BOG) show that the number of banks in the Ghanaian banking sector declined from 34 at the end of 2017 to 23 at end-2018, following the increase in the banks' minimum regulatory capital to GHS400m. The agency noted that the consolidation is credit positive for the banking sector as it eliminated weaker and undercapitalized banks that posed risks to the sector's financial stability, while supporting the banks' efficiency and profitability. It added that the banks' consolidation has led to higher capital ratios, which resulted in better loan-loss absorption capacity for the banks. It noted that the remaining banks have increased their minimum regulatory capital either internally or through capital injections and mergers. It estimated the sector's capital adequacy ratio to have increased from 17% at end-October 2016 to 20% at end-October 2018 due to capital injections, and projected it to further rise following additional recapitalization and liquidations measures. As such, it anticipated banks to be better positioned to address their high levels of non-performing loans (NPLs). In addition, Moody's anticipated consolidation measures to lead to better economies of scale for banks, help alleviate the negative pressure on interest margins and improve the banks' ability to underwrite larger corporate loans. However, the agency pointed out that Ghanaian banks still face high asset quality risks, as the sector's NPLs ratio stood at 20.1% at the end of October 2018, while interest rates are declining, which is weighing on the banks' income from government securities.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Brent oil prices at \$60 p/b in first quarter of 2019

ICE Brent crude oil front-month prices traded at between \$59 per barrel (p/b) and \$61 p/b in the week to January 16, 2019. Oil prices have been under pressure by expectations of a robust increase in U.S. oil output in the short term. The U.S. Energy Information Administration projected U.S. oil output to reach 12.1 million barrels per day (b/d) in 2019 and to increase to about 13 million b/d in 2020, which could undermine OPEC's efforts to reduce its oil production. Consequently, OPEC might have to extend the cuts beyond mid-2019 in order to rebalance the market. On the demand side, oil prices have been constrained by mounting concerns about signs of a global economic slowdown, which could weigh on global oil demand. In this context, Chinese trade data showed a decline in the country's exports and imports due to the impact of trade tensions between the U.S. and China. In addition, the global economic outlook was affected by the British Parliament's vote to cancel Prime Minister Theresa May's deal to leave the European Union, which could result in a disorderly Brexit. In contrast, oil prices were supported by a decline of 2.7 million barrels in U.S. oil inventories in the week to January 11, relative to expectations of a drop of 1.3 million barrels. Brent oil prices are expected to average \$60 p/b in the first quarter of 2019 and \$63 p/b in the second quarter of the year, while WTI oil prices are projected at \$55.5 p/b in the first quarter and at \$58.3 p/b in the second quarter of the year.

Source: Oxford Institute for Energy Studies, Thomson Reuters

OPEC reduces oil output by 2.3% in December

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 31.58 million barrels per day (b/d) in December 2018, down by 2.3% from 32.3 million b/d in the preceding month. Saudi Arabia produced 10.55 million b/d in December 2018, or 33.4% of OPEC's total oil output, followed by Iraq with 4.7 million b/d (14.9%), the UAE with 3.2 million b/d (10.2%), and Kuwait and Iran with 2.8 million b/d each (8.9% each).

Source: OPEC, Byblos Research

Angola's diamond production at 9.43 million carats in 2018

Diamond production in Angola totaled 9.43 million carats in 2018, nearly unchanged from 9.44 million carats in 2017. It generated revenues of \$1.2bn last year relative to earnings of \$1.1bn in 2017. The increase in revenues reflects the government's new policy that allows companies to directly sell up to 60% of their production, and which ended the sale of diamonds to preferential customers. Industrial diamond production reached 9.22 million carats in 2018, while semi-industrial and artisanal production totaled 212,540 carats.

Source: Endiama E.P., Byblos Research

OPEC's oil basket price down 13% in December

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$56.94 per barrel (p/b) in December 2018, down by 12.8% from \$65.33 p/b in the preceding month. The UAE's Murban posted a price of \$59.33 p/b, followed by Saudi Arabia's Arab Light at \$58.24 p/b, and Nigeria's Bonny Light at \$57.82 p/b. All prices included in the OPEC reference basket posted monthly decreases between \$7.45 p/b and \$16 p/b in December 2018.

Source: OPEC, Byblos Research

Base Metals: Zinc prices down 26% in 2018

LME zinc 3-month future prices reached \$2,467 per ton at the end of 2018, down by 25.7% from \$3,319 per metric ton at end-2017 and constituting the steepest annual decline among base metals, mainly due to concerns about oversupply in the zinc market. However, prices rebounded to \$2,497 per ton on January 16, 2019, constituting an increase of 1.2% from end-2018, due to an unprecedented tightness in the supply of zinc. In fact, China's zinc production regressed by 4.6% in 2018, its steepest plunge since 2013 due to tight raw material supply, longer maintenance periods of factories, and the relocation of the country's top smelter. As such, LME zinc inventories reached 110,700 tons in December 2018, their lowest level since January 2008. Further, the rise in zinc prices was driven by easing U.S.-China trade tensions and a weaker US dollar. In addition, prices were supported by expectations of higher demand for zinc as China, the world's top consumer of the metal, announced its plan to take further measures to support economic growth and inject liquidity in the financial system. Still, global zinc production is expected to increase by 1.4% in 2019, mainly due to a rebound in Chinese and Indian zinc output. Further, ABN Amro forecast a more stable price trend for zinc in 2019, as zinc supply is projected to continue growing at a similar pace to demand for the metal in 2019.

Source: ABN Amro, Thomson Reuters, Byblos Research

Precious Metals: High risks of palladium-to-platinum substitution

Palladium prices increased by 18.4% to an average of \$1,030.5 an ounce in 2018, and continued to rise so far in 2019 to reach a record-high of \$1,345 per ounce on January 16, 2019 due to ongoing production deficits in the palladium market. Prices also rose by around 50% in the last six months and exceeded gold prices in December 2018 for the first time in 16 years. Demand for the metal has been supported by increased usage of catalytic converters, by stricter Euro 6 emissions standards in China and, more recently, by an announcement by Chinese authorities that they are considering implementing policies to encourage domestic purchases of cars. In parallel, the global production of platinum is estimated to have trailed consumption by 603,000 ounces in 2018 due to stagnating mining output. In addition, the production deficit in the palladium market is expected to persist throughout 2020, but risks of a palladium-to-platinum substitution in catalytic converters are high, given that platinum prices are currently trading at around \$800 an ounce. As such, palladium prices are expected to moderate from record highs and to reach \$1,100 per ounce by end-2019.

Source: Thomson Reuters, Byblos Research, BMO, Commerzbank



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								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-6.1	32.9*	2.1	-	-	-	-9	-
Angola	B-	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
Egypt	B	B3	B	B+	B+								
	Stable	Positive	Positive	Stable	Positive	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Stable	Stable	-	Stable	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-3.8	48.8	33.5**	-	-	-	-4.6	-
Libya	-	-	B	-	B-								
	-	-	Stable	-	Stable	-25.1	112.1	-	-	-	-	-1.5	-
Dem Rep Congo	CCC+	B3	-	-	CCC								
	Stable	Negative	-	-	Stable	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	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	B+	-	BB-								
	-	Negative	Negative	-	Negative	-5.2	70.5	82.6	-	-	-	-9.6	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
Rwanda	B	B2	B+	-	B+								
	Positive	Stable	Stable	-	Stable	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
Middle East													
Bahrain	B+	B2	BB-	BB	BB+								
	Stable	Stable	Stable	Stable	Stable	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
Iran	-	-	-	B+	BB-								
	-	-	-	Negative	Negative	-3.2	44.2	2.1	-	-	-	1.3	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
Jordan	B+	B1	-	BB-	BB+								
	Stable	Stable	-	Negative	Stable	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
Lebanon	B-	B3	B-	B	B-								
	Stable	Negative	Negative	Negative	Stable	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
Oman	BB	Baa3	BB+	BBB	BBB								
	Stable	Negative	Stable	Negative	Stable	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Negative	Stable	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	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
	Stable	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
	Positive	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-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
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	2.25-2.50	19-Dec-18	Raised 25bps	30-Jan-19
Eurozone	Refi Rate	0.00	13-Dec-18	No change	24-Jan-19
UK	Bank Rate	0.75	20-Dec-18	No change	07-Feb-19
Japan	O/N Call Rate	-0.10	20-Dec-18	No change	23-Jan-19
Australia	Cash Rate	1.50	04-Dec-18	No change	05-Feb-19
New Zealand	Cash Rate	1.75	07-Nov-18	No change	13-Feb-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	09-Jan-19	No change	06-Mar-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Dec-18	No change	21-Mar-19
South Korea	Base Rate	1.75	30-Nov-18	Raised 25bps	18-Jan-19
Malaysia	O/N Policy Rate	3.25	08-Nov-18	No change	24-Jan-19
Thailand	1D Repo	1.75	19-Dec-18	Raised 25bps	06-Feb-19
India	Reverse repo rate	6.50	05-Dec-18	No change	07-Feb-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	27-Dec-18	No change	14-Feb-19
Turkey	Repo Rate	24.0	16-Jan-19	No change	06-Mar-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-May-18	No change	28-Jan-19
Nigeria	Monetary Policy Rate	14.00	22-Nov-18	No change	22-Jan-19
Ghana	Prime Rate	17.00	26-Nov-18	No change	28-Jan-19
Angola	Base rate	16.50	30-Nov-18	No change	25-Jan-19
Mexico	Target Rate	8.25	20-Dec-18	Raised 25bps	07-Feb-19
Brazil	Selic Rate	6.50	12-Dec-18	No change	06-Feb-19
Armenia	Refi Rate	6.00	26-Dec-18	No change	29-Jan-19
Romania	Policy Rate	2.50	08-Jan-19	No change	07-Feb-19
Bulgaria	Base Interest	0.00	03-Dec-18	No change	01-Feb-19
Kazakhstan	Repo Rate	9.25	14-Jan-19	No change	04-Mar-19
Ukraine	Discount Rate	18.00	13-Dec-18	No change	31-Jan-19
Russia	Refi Rate	7.75	14-Dec-18	Raised 25bps	08-Feb-19



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