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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign upgrades surpass downgrades in 2018

S&P Global Ratings indicated that sovereign upgrades surpassed downgrades in 2018 for the first time in eight years. It upgraded 14 sovereigns and downgraded 10 economies in 2018, compared to 13 sovereign upgrades and 22 downgrades in 2017. It noted that it upgraded 10 sovereign ratings and downgraded three ratings for economic reasons, while financial conditions triggered three downgrades and one upgrade. Also, it said that debt conditions caused two upgrades and two downgrades, while political and legal reasons led to one downgrade and one upgrade, respectively. Further, it pointed out that only one sovereign, Barbados, defaulted in 2018, which constitutes the lowest number of sovereign defaults since 2015. In parallel, S&P indicated that 79% of rating actions in 2018 covered sovereigns with speculative-grade ratings. It said that it downgraded 10 economies and upgraded nine countries with speculative-grade ratings in 2018, while it took positive rating actions on all five sovereigns that have investment-grade ratings. It pointed out that 55% of the sovereigns that it rates had an investment grade rating in 2018, up from a share of 53% in 2017, but lower than a share of 62% in 2000. However, it said that sovereigns rated in the 'B' category or lower reached a record-high of 32% of total rated sovereigns relative to 25% in 2010. S&P noted that the average global sovereign credit rating declined from 'BBB' to 'BBB-' over the past 10 years, while the GDP weighted average sovereign rating declined from 'A+' at the end of 2008 to 'A' currently.

Source: S&P Global Ratings

EMERGING MARKETS

Private capital investments up 27% to $70bn in 2018

The Emerging Markets Private Equity Association indicated that Emerging Market (EM)-focused private equity and venture capital, private credit, and private infrastructure & real assets funds raised $90bn in 2018, constituting a rise of 38.5% from $65bn raised in 2017, and relative to $34bn raised in 2010. EM-focused funds accounted for 22.8% of the funds raised globally in 2018, compared to a share of 14.5% in 2017. Also, capital raised by EM-focused funds were lower than capital raised by U.S.-focused funds ($235bn), while it was higher than capital raised by Western Europe-focused funds ($62bn), and funds focusing on other developed markets ($8.5bn), including Australia, Canada and Japan. In parallel, private capital invested in emerging markets totaled $70bn in 2018, up by 27.3% from $55bn in 2017, compared to $37bn of such investments in 2016 and $32bn in 2008. Private capital investments in emerging markets accounted for 11% of private capital invested globally in 2018, relative to a share of 8.7% in 2017. The amount of investments in emerging markets in the covered year was lower than investments in the United States ($375bn) and Western Europe ($153bn), while it was higher than in other developed markets ($40bn).

Source: Emerging Markets Private Equity Association

MENA

Quality of living varies across Arab world

The 2019 Mercer survey on the quality of living in 231 cities around the world shows that Dubai is the city with the highest living standards in the Arab region and ranks in 74th place globally. Abu Dhabi followed in 78th place, then Muscat (105th), Doha (110th) and Tunis (114th) as the best cities for overall quality of living among 22 Arab cities; while Nouakchott (221st), Damascus (225th), Khartoum (227th), Sana'a (229th) and Baghdad (231st) are the least appealing Arab cities in terms of living conditions. The study evaluates the cities on the basis of 39 key quality-of-living determinants grouped in 10 categories that include political, economic and socio-cultural factors, in addition to healthcare & sanitation, schools & education, public services & transportation, recreation, consumer goods, housing, and the natural environment. Based on the 22 Arab cities that were included in both the 2010 and 2019 surveys, the rankings of 11 cities in the region improved, eight declined and three were unchanged over the 2010-19 period. Amman's rank rose by eight spots and constituted the best improvement regionally. In contrast, the rank of Damascus regressed by 42 spots, representing the steepest decline globally between 2010 and 2019. Also, 12 Arab cities ranked in the bottom third globally in 2019 and six cities came among the bottom 20 cities worldwide. The survey is conducted annually to help multinational companies assess international hardship allowances and incentives for their expatriate workers.

Source: Mercer, Byblos Research

Logistics infrastructure in Arab world slightly better than in emerging markets

Transport International's 2019 Agility Emerging Markets Logistics Index indicated that the UAE has the third most attractive market for the logistics industry among 50 emerging economies and ranks in first place among 13 Arab countries. Saudi Arabia followed in sixth place, then Qatar (8th) and Oman (12th). In contrast, Tunisia (33rd), Algeria (35th) and Libya (46th) have the least favorable market conditions for the logistics industry in the Arab region. The 2019 index compares a country's prevailing operational environment to its current logistics opportunities and potential. The index ranks emerging markets (EM) based on the size of their economy, business conditions, infrastructure and other factors that make them attractive to logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution firms. The index is an average of three equally weighted sub-indices that are Domestic Logistics Opportunities, International Logistics Opportunities and Business Fundamentals. The Arab region's average score stood at 5.08 points, and was above the EMs' average of 5 points. Also, Gulf Cooperation Council (GCC) countries and non-GCC Arab countries had average scores of 5.55 points and 4.69 points, respectively. The UAE (5th), Qatar (6th) and Saudi Arabia (8th) were the top ranked Arab countries on the Domestic Logistics Opportunities Sub-Index. Further, the UAE (11th), Saudi Arabia (12th) and Morocco (19th) led emerging markets on the International Logistics Opportunities Sub-Index; while the UAE (1st), Qatar (3rd) and Oman (4th) were the top ranked Arab countries on the Business Fundamentals Sub-Index.

Source: Transport International, Byblos Research

AFRICA

Growth of Western African economies to average 6.7% in 2019-23 period

The International Monetary Fund projected real GDP growth in the economies of the West African Economic & Monetary Union (WAEMU), which consist of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo, to average 6.7% annually during the 2019-23 period, compared to 6.3% in 2018. It noted that the region's economic activity has been driven by strong domestic demand, despite security concerns in the region and lower terms of trade. It expected the inflation rate to remain subdued at about 1.8% annually in the 2019-23 period, which will support the union's economic activity. The Fund indicated that the region's medium-term growth outlook is positive but depends on the implementation of the planned reforms. It said that the outlook is subject to significant downside risks that include persistent security issues, delays in implementing fiscal consolidation and structural reforms, higher imports or lower capital flows, weaker-than-expected global economic activity and tighter global financing conditions.

The IMF forecast the WAEMU's aggregate fiscal deficit to narrow from 3.8% of GDP in 2018 to 3.1% of GDP in 2019 and 2.6% of GDP by 2023, as the eight economies are committed to meet the regional fiscal deficit convergence criterion of 3% of GDP. It noted that the union's public debt level increased from 50.1% of GDP at the end of 2017 to 52.5% of GDP at end-2018 due to increased Eurobond issuances, but expected the debt level to decline to 46.5% of GDP by end-2023. Further, it said that the aggregate current account deficit of WAEMU economies widened from 6.6% of GDP in 2017 to 6.8% of GDP in 2018 due to strong public capital spending and worsening terms-of-trade amid higher oil prices, while it projected the deficit to narrow to 5% of GDP by 2023. It anticipated the region's gross foreign currency reserves to rise from $12.4bn in 2018 to $23.6bn in 2023.

Source: International Monetary Fund

BAHRAIN

Favorable economic prospects in medium term

Goldman Sachs indicated that Bahrain's medium-term outlook is favorable, supported by the country's strong growth performance, credible fiscal balance program and robust policy framework, as well as sustained donor support from neighboring countries. First, it anticipated Bahrain's growth prospects to remain positive, driven by infrastructure investments funded by the GCC development fund, the implementation of other key infrastructure projects, external demand from Saudi Arabia, as well as by increased foreign investments.

Second, it indicated that Bahrain's growth prospects provide the government with space for further fiscal consolidation. It noted that the government's consolidation efforts focus on the reduction of the public sector wage bill through an early retirement program, the introduction of consumption taxes, and an increase in gas revenues. It pointed out that the cost of the early retirement package will exceed $1.5bn in the near term and will be borne by the state pension fund, which could raise concerns about future sovereign contingent liabilities. But it said that the package will significantly improve Bahrain's fiscal dynamics and allow the government to adopt longer-term financing plans for these contingent liabilities. Also, it considered that the introduction of a value-added tax would support the country's fiscal dynamics but could face structural resistance, given the desire to maintain Bahrain's competitive advantage as a tax-free economy. Further, it noted that the government plans to increase its gas revenues over the coming five years through a ramp up in sales of gas to the Aluminium Bahrain (Alba) company. It considered that the government's fiscal targets are realistic and achievable, and expected it to succeed in narrowing its fiscal deficit in coming years.

In parallel, Goldman Sachs estimated Bahrain's funding requirements at $20bn over the coming four years, with $10bn covered by the GCC support package announced in October 2018. It anticipated most of the funding to be allocated to servicing existing debt, while it forecast the implied borrowing requirements of the government at about $2.5bn annually to be raised through external and domestic issuances. It noted that upside risks to the outlook include an increase in hydrocarbon production following the recent shale discovery, while downside risks include fiscal slippages and delays in funding by donor countries.

Source: Goldman Sachs

IRAQ

Growth at 4% in 2019 amid reconstruction plans

The Institute of International Finance indicated that the domestic political gridlock has impeded Iraq's recovery path, as the government remains incomplete since the May 2018 elections. Still, it noted that economic conditions in Iraq are improving, amid rising oil production and the defeat of Islamic State militants. It projected real GDP growth to accelerate from 2.3% in 2018 to 4% in 2019, and to continue rising over the medium term, driven by reconstruction plans. It forecast growth in the non-hydrocarbon sector to accelerate from 3.4% in 2018 to 8% in 2019 and 7% in 2020, supported by construction projects and infrastructure investments. It anticipated hydrocarbon output to expand by 1.5% in 2019 and 2% in 2020, relative to 1.7% in 2018, as it projected oil output to increase from 4.54 million barrels per day (b/d) in 2018 to 4.61 million b/d in 2019 and 4.71 million b/d in 2020, despite the recent OPEC production cut agreement. It added that the increase in output from the Baji refinery would support economic growth and reduce the need to imports petroleum products.

In parallel, the IIF projected Iraq's fiscal balance to shift from a surplus of 2.4% of GDP in 2018 to a deficit of 0.9% of GDP in 2019, as oil prices moderate. It forecast the public debt level to increase slightly from 50.8% of GDP at end-2018 to 52% of GDP at end-2019. Further, it expected the current account surplus to narrow from 10.9% of GDP in 2018 to 2.3% of GDP in 2019, while it anticipated foreign currency reserves to increase from $58.4bn at end-2018 and $65.7bn at end-2019. The IIF pointed out that Iraq is in desperate need of international assistance and reforms to support private sector growth, which include reducing corruption, strengthening institutions, reforming the electricity sector, and ensuring water security. Further, it considered that the state-dominated domestic banking sector lacks the capacity to finance the economic recovery despite the rapid pickup in credit activity. It noted that security conditions and political instability remain the key downside risks to the outlook.

Source: Institute of International Finance

JORDAN

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B+/B' Jordan's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It indicated that the ratings are supported by the authorities' fiscal consolidation efforts, measures to reduce losses at state-owned enterprises, and international support from the U.S. and GCC countries. But it noted that the ratings are mainly constrained by an elevated public debt level, large external financing needs and wide current account deficits, as well as by ongoing regional conflicts that increased refugee inflows and weighed on public resources. The agency expected economic activity to be driven by public and private investments in priority sectors such as energy, water and transport; by rising exports of goods and services to Iraq; and by higher tourism receipts. It also anticipated the pace of reforms to slow down, as the government prioritizes growth-enhancing policies and increases capital expenditures. It added that the government intends to issue additional external debt, primarily on concessional terms, over the 2019-22 period, in order to meet its funding needs and extend its debt maturity profile. It forecast the public debt level to decline from 76.4% of GDP in 2019 to 69.4% of GDP in 2022. In parallel, S&P projected the current account deficit to narrow from 8.6% of GDP in 2019 to 6.9% of GDP in 2022, in case the trade deficit narrows and tourism receipts rebound. It also expected Jordan's external financing needs at about 153% of current account receipts and usable reserves over the 2019-22 period.

Source: S&P Global Ratings

SOUTH SUDAN

Stability requires urgent policy adjustments

The International Monetary Fund indicated that the resumption of conflicts in South Sudan since July 2016 has severely affected the economy, as it led to a significant loss of income, a rise in the inflation rate, foreign-currency shortages, the loss of fiscal discipline and weaker public institutions. As such, it considered that the country is in deep economic crisis, and that rebuilding policy credibility and regaining access to external financial support will require urgent policy adjustments and robust oil management. It considered that the peace agreement between warring parties in South Sudan signed in September 2018 has significantly increased prospects for restoring macroeconomic stability and for returning to positive economic growth. It added that the peace agreement has contributed to an increase of 20% in daily oil production and to a decline in the inflation rate to about 40% by end-2018. Further, it called on the government to restore budgetary discipline, strengthen oil management and transparency, and prioritize spending. As such, it encouraged authorities to formulate a balanced budget with prioritized allocations for the peace process, and for paying salary arrears to civil servants, among others. In parallel, the IMF urged the Bank of South Sudan to continue its tight monetary policy and to refrain from lending to the government, in order to keep the inflation trajectory on a declining trend and gradually replenish foreign currency reserves. It said that the current dual foreign exchange rate system is a risk to foreign currency inflows. It stressed the need to normalize the foreign exchange market by allowing banks to freely determine their buying and selling rates.

Source: International Monetary Fund

EGYPT

Sovereign ratings upgraded on reform progress

Fitch Ratings upgraded Egypt's long-term foreign-currency Issuer Default Rating (IDR) from 'B' to 'B+', with a 'stable' outlook. It attributed the upgrade to improved macroeconomic stability, ongoing fiscal consolidation and stronger external finances. It considered that authorities made additional progress in implementing economic and fiscal reforms under the IMF supported-program, and expected reforms to continue to generate better economic outcomes even after the IMF agreement expires in 2019. It indicated that the average inflation rate regressed from 30% in 2017 to 14.4% in 2018 and forecast it at 12% in 2019; and projected real GDP growth to remain robust at 5.5% in the fiscal year that ends in June 2019 and in FY2019/20. In addition, it expected the fiscal deficit to narrow to about 8.6% of GDP in FY2018/19, with a primary surplus of 1.6% of GDP. It added that the government's debt-to-GDP ratio is on a downward path due to structural improvements in the budget and the surplus in the primary budget balance. It considered that there is political commitment for additional fiscal consolidation, even though the elevated debt servicing cost constitutes a challenge for reforms. In parallel, it forecast the current account deficit to average 2.3% of GDP annually in the 2019-20 period, supported by higher tourism revenues, non-oil exports and rising gas production. It added that official international reserves increased from $36bn at end-2017 to $42bn at end-2018. Fitch noted that the sustained strength of Egypt's external finances will depend on the flexibility of the Egyptian pound.

Source: Fitch Ratings

NIGERIA

Agency affirms sovereign ratings, outlook 'stable'

S&P Global Ratings affirmed at 'B' Nigeria's short- and long-term sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by Nigeria's relatively low general government debt level, as well as the country's moderate external indebtedness and international reserves. But it noted that the ratings are constrained by low economic wealth, weak institutional capacity and lower real GDP per capita than peers. It pointed out that the re-election of President Muhammadu Buhari provides his government with another opportunity to strengthen the economic policy framework and consolidate public finances. Further, it projected the fiscal deficit to gradually narrow from 4% of GDP in 2018 to 2.3% of GDP by 2022, in case of higher non-oil revenues and moderate capital spending after the elections. It also forecast the government's debt level to average 26% of GDP annually during the 2019-22 period, which compares favorably to the debt level of similarly-rated peers. But it expected debt servicing to absorb about 30% of government revenues during the 2019-22 period, which is significantly higher than the 10% share in 2014. In addition, it projected the current account to nearly balance in the 2019-22 period, relative to a surplus of 1.8% of GDP in 2018, global oil prices decline. It also forecast gross external financing needs at about 100% of current account receipts plus usable reserves in the 2019-22 period. It anticipated that the government would likely cover its external financing needs through concessional credit lines and by accessing international capital markets.

Source: S&P Global Ratings

OMAN

Banks' asset quality to weaken amid slow economic activity

Moody's Investors Service considered that the asset quality of Omani banks is steadily weakening due to lower public spending and declining consumer confidence amid low global oil prices. It said that the banks' ratio of problem loans to gross loans increased from 2.3% at end-2017 to 2.7% at end-2018, reflecting portfolio cleanups at some banks following the adoption of the International Financial Reporting Standard IFRS 9 in 2018. It added that the performance of consumer loans is weak as borrowers face a rising cost of living, limited wage increases, and job redundancies in sectors such as the oil & gas industry. Further, it pointed out that the banks' loss absorption buffers have declined due to higher problem loans and the adoption of IFRS 9. In parallel, Capital Intelligence Ratings (CI) downgraded the long-term foreign currency ratings of Bank Muscat (BM), the National Bank of Oman (NBO) and Ahli Bank from 'BBB' to 'BBB-'. In parallel, it lowered the Financial Strength Rating (FSR) of BM from 'BBB+' to 'BBB', and the FSR of NBO and Ahli Bank from 'BBB' to 'BBB-'. It also revised the outlook on all the ratings from 'negative' to 'stable'. It indicated that the rating actions follow its earlier downgrade of Oman's sovereign rating and reflect the deterioration in the government's ability to support banks in case of need. Also, it expected the operating environment to remain challenging, as slow economic growth and high credit risks from delays in government payments will continue to weigh on lending growth. As such, it projected the banks' loan asset quality to further weaken in 2019, but it noted that the sector's current metrics are sound given the banks' capitalization.

Source: Moody's Investors Service, Capital Intelligence Ratings

TUNISIA

Banks' credit profile affected by challenging operating environment

Moody's Investors Service expected Tunisia's challenging operating environment and weak external position to weigh on the banks' credit profiles through deteriorating asset quality and lower profitability. It also expected non-performing loans (NPLs) to remain high, as new NPL formation amid rising interest rates will constrain borrowers' repayment capacity. Also, it considered that the banks' modest provisioning levels could translate, under a stress scenario, into a drop in capital buffers to levels below the minimum regulatory requirements imposed by the Central Bank of Tunisia (CBT). The agency anticipated the banks' capitalization level to remain broadly stable. It also expected the profitability of banks to come under pressure due to the recently imposed loans-to-deposit cap that will limit bank lending activity. It projected lending growth to exceed deposit formation, which could exacerbate competition for deposits and increase the banks' funding costs, amid further liquidity tightening by the CBT. Further, it said that weak regulations, regulatory forbearance and poor governance raise risks for Tunisian banks. It considered that ongoing reforms to enhance regulations and improve supervision will take time to significantly improve the banks' solvency and liquidity. Moody's indicated that banks are highly dependent on collateralized CBT funding, which, combined with the banks' large holdings of government debt securities, links their creditworthiness to that of the sovereign.

Source: Moody's Investors Service

QATAR

Agency takes rating actions on nine banks

Fitch Ratings affirmed at 'A+' the long-term issuer default rating (IDR) of Qatar National Bank (QNB), and at 'A' the IDRs of Qatar Islamic Bank (QIB), Commercial Bank, Doha Bank, Al Khalij Commercial Bank (AKB), Barwa Bank, Qatar International Islamic Bank (QIIB), Ahli Bank and International Bank of Qatar (IBQ). It also maintained the 'stable' outlook on the IDRs of all nine banks. It noted that the ratings reflect the government's high probability and capacity to support the banking system in case of need, which is sustained by significant sovereign reserves and government revenues from hydrocarbon production. The agency considered that the planned merger between Barwa Bank and IBQ, which is expected to be completed by April 2019, will be credit neutral for the two banks, as both banks have the same long-term IDRs. In parallel, Fitch upgraded the viability rating (VR) of QIB from 'bbb-' to 'bbb', while it downgraded the VR of Commercial Bank from 'bbb-' to 'bb+'. It also affirmed at 'bbb+' the VR of QNB, at 'bbb-' the VR of Ahli Bank, at 'bb+' the VR of Doha Bank, Barwa Bank, QIIB and IBQ, and at 'bb' the VR of AKB. It indicated that the upgrade of QIB's VR mainly reflects the bank's strong Qatari Islamic franchise, which is highly beneficial to the bank's financial profile. It said that QIB benefits from cheaper cost of funding compared to peers. Further, it noted that the downgrade of the VR of Commercial Bank is due to the bank's weak asset quality and higher impaired loans from its increased exposure to the real estate and contracting sectors, tight capital ratios, as well as high concentration of deposits.

Source: Fitch Ratings

NIGERIA

Banks' local currency issuance on the rise

Fitch Ratings indicated that the local-currency (LC) issuances of Nigerian banks are on the rise, which is credit positive for banks, as it diversifies their funding sources and reduces foreign exchange risks. It noted that the banks' increasing appetite for the issuance of LC bonds reflects their desire to diversify their funding sources, as well as their need to issue securities to meet the forthcoming Basel III capital requirements, and their reduced appetite for foreign currency lending. Further, it said that there are several drawbacks associated with the banks' reliance on deposits, the main current source of funding for Nigerian banks. It considered that foreign currency deposits could be volatile and that LC deposits are short-term, which exposes banks to significant liquidity risks. Also, it said that LC deposits are subject to very high cash reserve requirements of 22.5%, which significantly constrains the banks' ability to fund lending growth in the local currency. In addition, Fitch indicated that banks need to strengthen their capital base, as the implementation of Basel III requirements later this year could weigh on the banks' regulatory capital ratios. It expected banks to build their capital buffers through issuing subordinated debt rather than by raising equity, as the latter could be difficult given the decline in equity markets in 2018. It added that raising longer-term funding through bond issuance would help banks comply with the Basel III net stable funding ratio. The agency noted that investor demand for LC bonds will mainly be domestic, but it anticipated that higher yields and greater exchange rate stability could also attract foreign demand.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to exceed $70 p/b in the near term

ICE Brent crude oil front-month prices reached $68.5 per barrel (p/b) on March 20, 2019, their highest level since November 2018, driven by OPEC and non-OPEC supply cuts and further declines in Venezuela's oil output. Goldman Sachs indicated that major OPEC producers, driven by Saudi Arabia, have exceeded their oil production cut commitment so far in 2019. It also pointed out that the political stalemate in Venezuela increases the risks that the decline in the country's output, due to U.S. sanctions, would more than offset the rebound in Libya's oil production, which would further tighten crude oil supplies. On the demand side, it indicated that, when extrapolating January 2019 data, global oil demand growth would reach about 2 million barrels per day (b/d), driven by stronger global activity. It noted that the easing of the U.S. Federal Reserve policy, which reduces downside risks to the U.S. economic growth outlook, combined with a rebound in emerging markets, limits demand-related concerns. As such, it considered that the recent increase in oil prices has been driven by physical markets rather than by speculation. However, it said that downside risks to oil prices include prospects of increased OPEC and U.S. supply capacity later this year, and a weaker global macroeconomic outlook. Overall, Goldman Sachs expected oil prices to exceed $70 p/b in the near term.

Source: Goldman Sachs, Thomson Reuters

Global demand for renewable energy to grow by 7% in 2017-40 period

The global consumption of renewable energy is projected to increase from 571 million tons of oil equivalent (toe) in 2017 to 2,748 million toe in 2040, or by a compound annual growth rate of 7.1%. Demand in the Asia-Pacific region is expected to reach 1,295 million toe, accounting for 47% of global demand for renewable energy in 2040, followed by Europe with 493 million toe (18%), North America with 455 million toe (17%), South and Central America with 183 million toe (7%), Africa with 161 million toe (6%), the Middle East with 132 million toe (5%) and the Commonwealth of Independent States with 29 million toe (1%).

Source: BP, Byblos Research

Iran's gas production to reach 950 million cubic meters per day by 2020

Natural gas production in Iran increased from 622 million cubic meters per day in 2013 to 841 million cubic meters per day currently. The country's gas output is expected to reach 950 million cubic meters per day by 2020. Output from the South Pars gas field reached 610 million cubic meters per day and is expected to exceed 750 million cubic meters per day by late 2019. Iran and Qatar share the offshore field.

Source: Ministry of Petroleum of Iran

ME&A's oil demand to grow by 1.1% in 2019

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.56 million barrels per day (b/d) in 2019, which would constitute an increase of 1.1% from 12.42 million b/d in 2018. The region's demand for oil would represent 38% 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 4.8 million b/d in 2019, an increase of 1.7% from 4.72 million b/d in 2018.

Source: OPEC, Byblos Research

Base Metals: Copper prices increase amid tight supply conditions

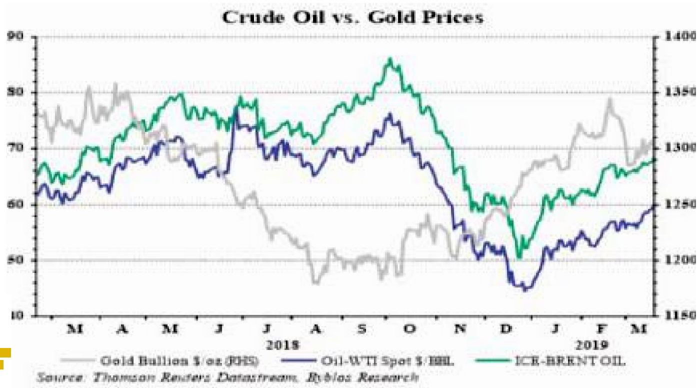
LME copper cash prices reached $6,484 per metric ton on March 20, 2019, constituting an increase of 9% from $5,949 per ton at end-2018. The surge in prices was driven by concerns about supply shortfalls in the copper market amid a low level of inventories as well as expectations of a seasonally strong Chinese demand in the second quarter of 2019. However, the increase in prices was capped by concerns about a global economic slowdown amid weak U.S. manufacturing data and renewed uncertainties about the U.S.-China trade talks. In fact, the U.S. warned that it might keep the tariffs on Chinese imports for a "substantial period" to ensure that Beijing complies with any potential trade agreement with the United States. Also, copper prices are expected to further increase, as the US dollar weakened following the U.S. Federal Reserve's decision to abandon plans of raising interest rates this year. In parallel, the latest available figures show that global demand for refined copper rose by 2% to 24.3 million tons in 2018, as Chinese demand grew by 5%, while demand in the rest of the world was nearly unchanged year-on-year. On the supply side, global refined copper production increased by 1.5% to 23.9 million tons last year, driven by higher output from China, Chili, the Democratic Republic of Congo, Japan and Zambia. Refined output grew by 10% in Africa, by 5% in Oceania, by 1.5% in Europe, and by 1% in each of Asia and Latin America.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Gold prices to increase by 5% to $1,329 per ounce in 2019

ABN AMRO Bank considered the outlook on gold prices in 2019 to be positive. First, it expected a weaker US dollar to support the metal's price in 2019, given that gold prices tend to rally when the US dollar declines, as investors look for alternative investments such as the safe haven metal. Second, it anticipated that the U.S. Federal Reserve will keep interest rates unchanged this year, and that other major central banks will also limit or delay interest rate hikes in 2019, which contributes to a rise in the price of precious metals and, in particular, of gold. It also projected the 10-year US Treasury yield to decline slightly in 2019, which is also supportive of the metal's price outlook. Third, ABN AMRO pointed out that China remains one of the main consumers of gold, including in the retail and official sectors. As such, it anticipated that the ongoing measures by Chinese authorities to support economic activity, along with a potential trade deal between the U.S. and China, would support demand for the metal and, in turn, its price. As such, it forecast gold prices to rise by around 5% to an average of $1,329 per troy ounce in 2019.

Source: ABN AMRO Bank



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-								
	Negative	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	Stable	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	CCC+	B3	-	-	CCC								
Congo	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-	A								
	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-	Caa1	B-	B	B-								
	Negative	Stable	Negative	Negative	Stable	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
Oman	BB	Ba1	BB+	BBB-	BBB								
	Stable	Negative	Stable	Stable	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	Stable	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-								
	-	Positive	Positive	-	Stable	-2.7	52.5	82.8	-	-	-	-3.8	-
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
Pakistan	B-	B3	B-	-	CCC								
	Stable	Negative	Stable	-	Negative	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Positive	Stable	Stable	-	Stable	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
Turkey	B+	Ba3	BB	BB-	B+								
	Stable	Negative	Negative	Negative	Negative	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0

** 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	20-Mar-19	No change	01-May-19
Eurozone	Refi Rate	0.00	07-Mar-19	No change	10-Apr-19
UK	Bank Rate	0.75	21-Mar-19	No change	02-May-19
Japan	O/N Call Rate	-0.10	15-Mar-19	No change	25-Apr-19
Australia	Cash Rate	1.50	05-Mar-18	No change	02-Apr-19
New Zealand	Cash Rate	1.75	13-Feb-19	No change	27-Mar-19
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Mar-19	No change	13-Jun-19
Canada	Overnight rate	1.75	06-Mar-19	No change	24-Apr-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	21-Mar-19	No change	20-Jun-19
South Korea	Base Rate	1.75	28-Feb-19	No change	18-Apr-19
Malaysia	O/N Policy Rate	3.25	05-Mar-19	No change	07-May-19
Thailand	1D Repo	1.75	20-Mar-19	No change	08-May-19
India	Reverse repo rate	6.25	07-Feb-19	Cut 25bps	04-Apr-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	15.75	14-Feb-19	Cut 100bps	28-Mar-19
Turkey	Repo Rate	24.0	06-Mar-19	No change	25-Apr-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-Jan-19	No change	27-Mar-19
Nigeria	Monetary Policy Rate	14.00	22-Jan-19	No change	26-Mar-19
Ghana	Prime Rate	16.00	28-Jan-19	Cut 100bps	25-Mar-19
Angola	Base rate	15.75	28-Jan-19	Cut 75bps	28-Mar-19
Mexico	Target Rate	8.25	07-Feb-19	No change	28-Mar-19
Brazil	Selic Rate	6.50	20-Mar-19	No change	08-May-19
Armenia	Refi Rate	5.75	12-Mar-19	No change	30-Apr-19
Romania	Policy Rate	2.50	07-Feb-19	No change	02-Apr-19
Bulgaria	Base Interest	0.00	01-Mar-19	No change	01-Apr-19
Kazakhstan	Repo Rate	9.25	04-Mar-19	No change	16-Apr-19
Ukraine	Discount Rate	18.00	14-Mar-19	No change	25-Apr-19
Russia	Refi Rate	7.75	08-Feb-19	No change	22-Mar-19

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