

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Insurers' losses from disasters at \$85bn in 2018

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at \$165bn in 2018, constituting a decline of 53% from \$350bn in 2017, and below the 10-year annual average losses of \$220bn. Total economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached \$155bn and represented 94% of overall losses in 2018, while those from man-made disasters reached \$10bn and accounted for 6% of the total last year. Economic losses in North America amounted to \$80bn and were equivalent to 0.36% of the region's GDP, followed by Asia with \$55bn (0.18% of GDP), Europe with \$21bn (0.09% of GDP), Latin America & the Caribbean (LAC) with \$5bn (0.08% of GDP), Oceania & Australia with \$2bn (0.14% of GDP), and Africa with \$1bn (0.06% of GDP). In parallel, the losses of insurers declined by 43.3% from \$150bn in 2017 to \$85bn in 2018, and accounted for 51.5% of total economic losses last year. Insurers' losses from natural catastrophes and man-made disasters in North America reached \$52.9bn in 2018 and accounted for 62.5% of the total, followed by losses in Asia with \$20.4bn (24%), in Europe with \$7.7bn (9.1%), in Oceania & Australia with \$1.6bn (1.9%), in LAC with \$1.3bn (1.5%) and in Africa with \$200m (0.2%), while insurers' losses from seas and space catastrophes amounted to \$600m, or 0.7% of the total. Also, insurers' losses from natural catastrophes stood at \$76bn, or 89.4% of total insured losses in 2018, while those from man-made disasters reached \$9bn or 10.6% of the total.

Source: Swiss Re

E-commerce sales up 13% to \$29 trillion in 2017

Figures released by the United Nations Conference on Trade & Development (UNCTAD) show that global e-commerce sales reached about \$29.4 trillion in 2017, constituting an increase of 13% from 2016, with business-to-business (B2B) sales accounting for \$25.5 trillion, or 87% of e-commerce sales, and business-to-consumer (B2C) sales representing \$3.9 trillion, or 13% of the total. UNCTAD indicated that the United States had sales of \$9 trillion in 2017, followed by Japan with \$3 trillion in sales, China (\$1.9 trillion), Germany (\$1.5 trillion), South Korea (\$1.3 trillion), the United Kingdom (\$755bn), France (\$734bn), Canada (\$512bn), India (\$400bn) and Italy (\$333bn). Further, B2C sales increased by 22% in 2017, which is faster than the growth of B2B sales. In parallel, the figures showed that the number of online shoppers globally increased by 12% from 1.2 billion people in 2016 to reach 1.3 billion people in 2017, which is equivalent to 25% of the world's population, with China having the largest number of internet buyers at 440 million people. It added that 1.1 billion internet buyers, or 79% of the total, purchased goods and services from domestic vendors. However, it noted that the share of individuals buying goods from another country rose from 15% in 2015 to 21% in 2017, with 277 million online shoppers making cross-border purchases. As a result, UNCTAD indicated that cross-border B2C sales increased by 4% to an estimated \$412bn in 2017, and accounted for about 11% of total B2C e-commerce.

Source: UNCTAD, Byblos Research

MENA

Cost of mobile data varies sharply in Arab world

The Worldwide Mobile Data Pricing survey published by Cable.co.uk shows that Djibouti had the highest cost of mobile data among 20 Arab countries and the fifth highest among 230 countries worldwide in 2018. Yemen (29th), Oman (58th), the UAE (64th) and Lebanon (72nd) followed as the Arab countries with the highest cost for one gigabyte (1GB) of mobile data, while Kuwait (191st), Jordan (199th), Morocco (203rd), Egypt (207th) and Sudan (225th) had the lowest cost of 1GB of mobile data regionally last year. The survey noted that the cost of buying 1GB of mobile data averaged \$37.92 per month in Djibouti in 2018, while the average price reached \$0.68 per month in Sudan. In parallel, the average cost of 1GB of mobile data in the Arab region stood at \$6.76 per month, which is lower than the global average of \$8.53, and the regional averages of North America (\$20.71), of Sub-Saharan Africa (\$9.16), of Latin America & the Caribbean (\$8.84), and of East Asia & the Pacific (\$8.69). In contrast, the Arab region's average cost of 1GB of mobile data per month was higher than the average price in Europe & Central Asia (\$6.31) and in South Asia (\$1.78). Further, the average cost of 1GB of mobile data in GCC countries stood at \$6.1 per month in 2018, while prices in non-GCC Arab countries averaged \$7.05 per month. Cable.co.uk compiled the figures from 6,313 mobile data plans across the world between October 23 and November 28, 2018. The average cost of 1GB per month in a country is the simple average of all qualified plans sampled in that country.

Source: Cable.co.uk, Byblos Research

GCC

Fixed income issuance up 21% to \$37bn in first quarter of 2019

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$36.6bn in the first quarter of 2019, up by 21.2% from \$30.2bn in the same quarter of 2018. Aggregate fixed income in the first three months of 2019 consisted of \$21.7bn in sovereign bonds, or 59.3% of the total, followed by sovereign sukuk at \$6.6bn (18%), corporate bond issuance at \$4.8bn (13.1%), and corporate sukuk at \$3.5bn (9.6%). Aggregate bonds and sukuk issued by GCC sovereigns reached \$28.3bn, or 77.3% of total fixed income issuance in the region in the first quarter of the year, while bonds and sukuk issued by corporates in the region amounted to \$8.3bn or 22.7% of the total. On a monthly basis, GCC sovereigns issued \$12.6bn in bonds and sukuk in January, \$1.9bn in February and \$13.8bn in March 2019. In parallel, corporates in the GCC issued \$1.7bn in bonds and sukuk in January, \$2.3bn in February and \$4.3bn in March 2019. Sovereign issuance in March 2019 consisted of \$12bn in sovereign bonds issued by Qatar, \$981.3m in sovereign sukuk issued by Saudi Arabia and \$750m in sovereign bonds issued by the UAE. In parallel, corporate issuance in the covered month included \$1.65bn in corporate bonds and \$1.25bn in corporate sukuk issued by Qatar, \$500m in corporate sukuk issued by Saudi Arabia, and \$238.8m in corporate bonds issued by the UAE.

Source: KAMCO

OUTLOOK

SUDAN

New leadership, fiscal adjustment and monetary discipline needed to restore confidence

The Institute of International Finance projected Sudan's real GDP to retreat by 1.4% in 2019 following a contraction of 1.1% in 2018 due to subdued domestic demand, and then to expand by 2.3% in 2020, in case a new leadership reduces political uncertainties, and if investment and net exports pick up. The IIF said that, in the absence of access to international capital markets and of support from official sources due to longstanding sanctions, the government resorted to the monetization of the deficit, which led to an average inflation rate of 64.7% in 2018. It pointed out that the sharp depreciation of the Sudanese pound has exacerbated the increase in prices and forecast the inflation rate to average 36.5% in 2019 and 30% in 2020, even if authorities commit to a tighter monetary policy.

In parallel, the IIF projected the fiscal deficit to widen from 1% of GDP in 2018 to 1.3% of GDP in 2019, and to narrow to 0.8% of GDP in 2020, in case authorities step up fiscal consolidation efforts, including by reorienting spending and lifting inefficient subsidies. It said that the government debt level surged to 148.6% of GDP in 2018 following the sharp depreciation of the pound, as 90% of the public debt stock is denominated in US dollars. It forecast the debt level to decline from 158.7% of GDP in 2019 to 120% of GDP in 2020 in case of fiscal consolidation, but considered the lifting of subsidies to be politically challenging.

Further, the IIF projected the current account deficit to narrow from 12.6% of GDP in 2018 to 10.9% of GDP in 2019 and to 7.3% of GDP in 2020, in case exports pick up after the recent sharp depreciation of the pound. It estimated foreign currency reserves at \$260m, or 0.3 months of import coverage at end-2018, and expected them to decline to \$221m, or 0.2 months of imports at end-2019, but to recover to \$943m, or one month of import coverage at end-2020. It said that fiscal adjustment and monetary discipline are critical to stabilize the inflation rate, mitigate external vulnerabilities and stimulate long-term growth prospects.

Source: Institute of International Finance

ANGOLA

Economic activity to improve in 2019

Barclays Capital projected Angola's economic activity to recover in 2019, due to the stabilization in oil production and an easing in the government's sharp fiscal consolidation measures of 2018. It forecast real GDP to grow by 1.5% in 2019 compared to contractions of 2.6% in 2018 and of 2.5% in 2017, supported by two projects by Total and ENI that would help stabilize oil output at around 1.5 millions of barrels per day. But it noted that Angola's hydrocarbon sector requires further investment to boost oil production in the medium term, and added that authorities intend to attract investors with a licensing round to be announced by mid-2019. It projected real GDP growth at 2.9% in 2020.

Further, it forecast Angola's fiscal surplus to widen from 0.6% of GDP in 2018 to 1.5% of GDP in 2019, while it expected the public debt level to decline from 80% of GDP at end-2018 to 76.4% of GDP at end-2019. It said that the fiscal balance improved in 2018, as it shifted from a deficit of 6.1% of GDP in 2017 to a surplus of 0.6% of GDP in 2018 due to the authorities'

large upfront fiscal adjustment. But it noted that additional fiscal adjustment in 2019 requires difficult reforms. It pointed out that the objectives of the IMF-supported program include the imposition of the value-added tax and other tax collection measures, as well as reducing the public debt level, cutting subsidies and privatizing state-owned enterprises, among other targets.

Further, it noted that the current account balance improved significantly in 2018, as it shifted from a deficit of 0.5% of GDP in 2017 to a surplus of 5.2% of GDP in 2018, due to strong oil export receipts and continued weakness in imports. It projected the current account surplus to slightly narrow to 4.5% of GDP in 2019. It also expected foreign direct investment to recover in 2019 in both the oil and non-oil sectors, which would allow a small increase in reserves. As such, it anticipated net international reserves to rise from \$10.6bn at end-2018 to \$12.5bn at end-2019.

Source: Barclays Capital

ALGERIA

Growth to remain subdued in near term

The Institute of International Finance projected Algeria's real GDP growth to slightly decelerate from 1.7% in 2018 to 1.6% in 2019, as it expected the hydrocarbon sector to contract by 0.5% and activity in the non-hydrocarbon sector to expand by 2% this year. It anticipated delays in bringing new gas capacity online, underinvestment in mature fields and uncertainties about reforming the hydrocarbon law, to constrain hydrocarbon output and, in turn, overall economic growth in the near term. It indicated that Algeria has significant potential to attract foreign investment and for robust growth prospects, which it considered contingent on the authorities' level of commitment to structural reforms that would diversify the economy, create jobs and empower the private sector. However, the IIF expected regulatory uncertainty, cumbersome administrative procedures, endemic corruption, and the rule that compels foreign investors to cede a 51% stake of any investment to the state, to continue to weigh on the business climate. Further, it expected a potential decline in global oil prices, as well as political uncertainties following the resignation of President Abdelaziz Bouteflika to weigh on growth prospects, while it considered stable political and security conditions to be necessary for sustained higher growth in the medium term.

In parallel, the IIF indicated that Algeria's fiscal and current account deficits remain wide, despite the authorities' fiscal adjustment and subdued imports. It projected the fiscal deficit to narrow from 8.5% of GDP in 2019 to 7.7% of GDP in 2020. It said that the government has recently adopted a new budget law that aims to balance the budget by 2023. However, it anticipated the phasing out of subsidies as well as the removal of other social benefits to exacerbate popular unrest. It also expected the introduction of new taxes to be counterproductive in an environment of weak economic activity. It anticipated authorities to continue to rely on domestic debt rather than on external debt issuance to finance the wide fiscal deficits. It forecast the public debt level to increase from 38.2% of GDP at end-2019 to 43.8% of GDP at end-2020. Further, it expected the current account deficit to widen from 8.3% of GDP in 2019 to 9.2% of GDP in 2020, in case of lower global oil prices and subdued hydrocarbon production. It projected foreign currency reserves to drop from \$71.1bn at end-2019 to \$57bn at the end of 2020.

Source: Institute of International Finance



ECONOMY & TRADE

SAUDI ARABIA

Recovery in oil output and pick-up in non-oil sector drive growth to 2.2% in 2018

Samba Financial Group indicated that Saudi Arabia's real GDP grew by 2.2% in 2018 compared to a contraction of 0.7% in 2017, due to a recovery in oil production and a modest pick-up in the non-oil sector from a growth rate of 1.2% in 2017 to 1.5% in 2018. It noted that higher government consumption in 2018 helped several sectors withstand a number of challenges, including higher fuel costs and the impact of the new value-added tax. Further, it pointed out that activity in the manufacturing sector, which largely consists of petrochemicals production, was strong in 2018, especially in the first half of the year, which reflects robust demand for petrochemicals by Emerging East Asia. However, it expected manufacturing activity to be weaker in 2019, as it considered that the lagged effect of the credit squeeze that Chinese authorities initiated in the 2017-18 period represents headwinds to the Saudi manufacturing sector. In addition, it pointed out that Saudi Arabia's construction sector has been facing several challenges in recent years, including delayed receivables, lower capital spending and higher fuel costs. But it noted that the Kingdom's 2019 budget envisages an increase of 20% in capital spending in 2019, with the recent announcement of a number of projects in Riyadh worth SAR86bn. Further, Samba projected an average inflation rate of -0.6% in 2019 compared to a rate of 2.5% in 2018, from weaknesses in housing and utilities prices after a sharp reduction in the number of expatriates.

Source: Samba Financial Group

MOROCCO

Agencies affirm sovereign ratings

S&P Global Ratings affirmed Morocco's long-term foreign and local currency sovereign credit ratings at 'BBB-', with a 'negative' outlook. It indicated that the ratings are mainly supported by a moderate public debt level and manageable current account deficit, but are constrained by lower-than-peers GDP per capita, high reliance on agriculture and slow fiscal consolidation. It expected real GDP growth at 3.1% in 2019 due to the economic slowdown in Europe, the country's largest trade partner, as well as to weaker growth in agricultural output. Further, it projected the fiscal deficit at 3.7% of GDP in 2019, and at 3.3% of GDP when including proceeds from the authorities' privatization plans. It forecast the public debt level to stabilize at 52.5% of GDP in the medium term. Further, it anticipated Morocco's current account deficit to narrow from about 5.3% of GDP in 2018 to 3.6% of GDP in 2019 and to 3.1% of GDP by 2022, amid rising export capacity in higher value-added industries, and in the absence of a sharp decline in external demand. In parallel, Fitch Ratings affirmed Morocco's long-term foreign-currency Issuer Default Rating at 'BBB-', with a 'stable' outlook. It noted that the rating is supported by macroeconomic stability, comfortable external buffers and a low level of debt in foreign currency, while it is constrained by the country's weak structural indicators, as well as wider fiscal deficits than similarly-rated peers. Further, the agency anticipated the government to narrow the fiscal deficit over the medium term by broadening the tax base, strengthening tax enforcement and containing the public-sector wage bill.

Source: S&P Global Ratings, Fitch Ratings

EGYPT

Elevated risks of fiscal slippage in FY2019/20 budget

Goldman Sachs indicated that the Budget Statement for the fiscal year ending in June 2020 projects a fiscal deficit of 7.2% of GDP and a primary surplus of 2% of GDP for the year. It noted that the budget for FY2019/20 stipulates a 17% increase in revenues to EGP1,134bn, or around 18.4% of GDP. It pointed out that the authorities' budgeted revenues take into account a real GDP growth of 6% in FY2019/20, which is higher than Goldman Sachs' growth projection of 5.6%. It added that the rise in revenues will depend on improvements in tax administration, higher receipts from state-owned companies and proceeds from the planned partial privatizations. In parallel, it said that the budget forecasts a 12% rise in spending to EGP1,574bn, or 25.5% of GDP, in FY2019/20, reflecting a rise in the civil services' salary scale and the associated increase in pension payments to retired civil servants. It considered that raising current spending by 1% of GDP while maintaining the primary surplus at 2% of GDP will be challenging and will add further pressure on authorities in meeting their revenue targets, which increases risks of potential fiscal slippage. In parallel, Moody's Investors Service projected Egypt's fiscal deficit at 7.5% of GDP and the primary surplus at 1.7% of GDP in FY2019/20, based on a lower real GDP growth forecast than the budget's assumption. It considered that the authorities' continued fiscal consolidation efforts is credit positive, and would contribute to reducing Egypt's general government debt from 92.6% of GDP in FY2017/18 to 82.3% of GDP in FY2019/20. It also anticipated that debt servicing will remain the largest spending item in the budget at 9.2% of GDP, and expected the interest bill to decrease to 8.5% of GDP in FY2020/21.

Source: Goldman Sachs, Moody's Investors Service

ARMENIA

Real GDP growth accelerates to 5.8% in 2018

Barclays Capital indicated that Armenia's real GDP growth was solid at 5.8% in 2018 compared to a growth rate of 3.3% in 2017, supported by a sharp pick-up in agricultural production in the first half of the year, despite lower economic activity in the second half of 2018. But it projected real GDP growth to slow down to 4.8% in 2019, mainly as a result of tight fiscal policy and weaker external conditions. Also, it pointed out that the country's fiscal balance is improving as the recently adopted fiscal rule has controlled spending growth. As such, it noted that the fiscal deficit narrowed from 3.6% of GDP in 2017 to 2.9% of GDP in 2018, and expected the deficit to narrow further to 2.5% of GDP in 2019 compared to the budgeted deficit of 2.3% of GDP for the year. It added that tight fiscal policy helped reduce the public debt level from 59% of GDP at end-2017 to 55% of GDP at end-2018, and anticipated the debt level to decline to 53% of GDP by end-2019. Further, Barclays indicated that authorities seem reluctant to tap international markets, and are instead looking to continue to borrow from bilateral sources and international financial institutions. It also noted that the ongoing dispute on the Amuser gold mine between the government and the company that is developing the mine is likely to weigh on Armenia's investment and exports outlook.

Source: Barclays Capital



BANKING

EGYPT

Breach of regulatory limits on open foreign exchange positions is risk to financial stability

The International Monetary Fund considered that the Egyptian banking system is liquid, profitable and well-capitalized, with limited and well-provisioned non-performing loans (NPLs). It indicated that the sector's capital adequacy ratio stood at 15.6% at end-June 2018, which is above the Basel-recommended floor of 9.875% and the Central Bank of Egypt's (CBE) mandated ratio of 11.875%. It also noted that the banks' non-performing loans ratio declined from 4.9% at the end of 2017 to 4.3% at end-June 2018. However, the IMF pointed out that some large state-owned banks have breached the regulatory limits on net open foreign exchange positions, which could weaken banking supervision, hinder financial stability, and may expose banks to exchange rate risks. As such, it welcomed the CBE's decision to strengthen the enforcement of regulatory rules on open foreign exchange positions and to penalize any bank that violates the limits. Further, the Fund noted that Egypt's two largest public banks are financially stable, but could require additional capital in the coming two years in case strong lending growth persists. It said that authorities are reviewing the National Investment Bank's operations and finances, given the bank's systematic importance, and will develop a plan with a revised mandate, business model and financial structure. It added that several smaller banks with below-average financial metrics require the CBE's continued monitoring.

Source: International Monetary Fund

TURKEY

Successful implementation of banking reforms crucial to restore confidence

Citi considered that a solid track-record in the implementation of the reform package that Turkey's Ministry of Finance & Treasury presented on April 10, 2019 and that largely focuses on the banking sector, would be crucial to restore investor confidence. It noted that authorities plan to take a number of measures in 2019 to boost the resilience of the financial sector and to strengthen capital adequacy at Turkish banks. Specifically, it indicated that the government intends to issue \$5bn in special purpose bonds and place them at state banks. Also, it noted that authorities plan to continue to strengthen the capital of private banks, in coordination with the Banks Association of Turkey, and with the Banking Regulation and Supervision Agency. It added that the package includes measures that would improve the banks' asset quality, including steps to address the high non-performing loans (NPLs) ratios in the energy and construction sectors. In parallel, ABN AMRO Bank considered the reform package to be a step in the right direction, but indicated that a more concrete guideline is needed on how and when the reforms would be implemented. It noted that the Turkish banking sector is facing pressures from the economic downturn in the country, and added that the government has already recapitalized three state banks in October 2018. Further, it anticipated the ratio of NPLs and loans under close monitoring to total loans, which is currently at 12%, to further increase, given Turkey's unfavorable economic outlook. It pointed out that authorities intend to oversee the formation of two funds to acquire bad loans from banks.

Source: Citi, ABN AMRO Bank

GHANA

Capital adequacy ratio at 19.3% following banking sector recapitalization

The International Monetary Fund indicated that Ghana's banking sector has become well-capitalized and resilient following the completion of the sector's recapitalization that raised the banks' minimum regulatory capital requirement from GHS120m to GHS400m by end-2018. As such, the sector's risk-weighted capital adequacy ratio reached 19.3% at the end of 2018, up from 15.6% at end-2017. Also, the banks' Tier-One capital ratio stood at 18.3% at the end of 2018 relative to 13.5% a year earlier. Further, the banks' aggregate liquid assets represented 26% of total assets at the end of 2018, unchanged from a year earlier, while they were equivalent to 34% of short-term debt at the end of 2018 relative to 33.3% at end-2017. Also, the sector's liquid assets were equivalent to 40.1% of total deposits at the end of 2018 compared to 41.8% a year earlier. In parallel, the IMF indicated that lending to the private sector slowed down following the closing of some banks, but it noted that credit growth accelerated from 10.6% in 2017 to 13.4% in 2018. It added that the banks' non-performing loans (NPLs) ratio declined from 21.6% at the end of 2017 to 18.2% at end-2018, while the banks' provisions to NPLs dropped from 77.7% at end-2017 to 70.8% at end-2018. It expected that the appropriate inclusion of loan write-offs in the banks' 2018 financial statements will further improve asset quality in the banking sector. In addition, the banks' return on assets was 2.3% in 2018 compared to 2.4% in 2017, while their return on equity slightly decreased from 18.7% in 2017 to 18.5% in 2018.

Source: International Monetary Fund

NIGERIA

Reduction in policy rate insufficient to boost lending growth

Fitch Ratings indicated that the reduction by 50 basis points of Nigeria's monetary policy rate to 13.5% is unlikely to trigger substantial growth in lending to priority sectors. Instead, it anticipated credit demand to remain weak and expected banks to continue favoring Treasury bills, given the high yields on these securities and the derived benefits to the banks' capital and liquidity ratios. It also anticipated lending to be constrained by the banks' risk aversion, given their high proportion of non-performing loans, as well as by the Central Bank of Nigeria's actions to reduce excessive liquidity in order to contain inflation and support the naira. Further, it indicated that movements in the policy rates and lending rates do not have a significant impact on lending growth, given the private sector's limited access to financial products and services. Further, it noted that borrowing is expensive for customers, which means that banks consider asset quality risks to be generally high. It added that the banks' ability to lend is also constrained by the high cash reserve requirements on local-currency customer deposits. Still, Fitch forecast lending growth to pick up slightly amid more favorable operating conditions, an easing of NPLs and greater availability in foreign currency. It considered that lending growth in the medium term would depend on the banks' continued recovery from weak asset quality, as well as on the implementation of structural reforms, such as lowering cash reserve requirements and easing open market operations to allow banks to lend their liquidity.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices at highest level since November 2018

ICE Brent crude oil front-month prices reached \$71.7 per barrel (p/b) on April 10, 2019, their highest level since November 2018. Oil prices were supported by tightening oil markets due to the OPEC cuts and the U.S. sanctions on Iran and Venezuela. In this context, ING Bank indicated that OPEC reduced production by 1.98 million barrels per day (b/d) from the level in October 2018. It attributed 47% of the drop to decreases in production in Iran and Venezuela, which are exempt from the OPEC cuts. It noted that Venezuelan oil output dropped from 1.19 million barrels per day (b/d) in October 2018 to 890,000 (b/d) in March 2019, while Iran's oil production declined from 3.33 million b/d to 2.71 million b/d in March of this year. In parallel, ING considered that a potential decision by OPEC and non-OPEC countries to end the production cut deal in June 2019 is a key downside risk for oil prices. It pointed out that Russia could exit the deal, as current oil prices tend to be attractive for Russia's fiscal breakeven oil price, while higher prices would support other OPEC nations and U.S. producers. Further, higher production from OPEC to meet their own domestic demand during the summer season could also put in question the compliance to the output level agreement. In addition, ING indicated that another risk to oil prices would be potential pressure from the U.S. administration on Saudi Arabia to increase its oil output in order to reduce oil prices.

Source: ING Bank, Thomson Reuters, Byblos Research

Saudi Arabia to adjust hydrocarbon policy

J.P. Morgan Chase expected Saudi Arabia to adjust its oil policy in order to secure market share beyond 2020. It anticipated the Kingdom to accelerate the sale of oil and oil-related products, amid rising concerns that long-term demand growth will peak in the country due to efficiency gains and substitution in the industrial and transport sectors. It estimated that, in order to return to the 2003-17 period's average market share of 12.5%, the Kingdom should increase its production by 1.2 million barrels of oil equivalent per day by 2025, which would require the Kingdom to capture 18% of global marginal oil demand.

Source: J.P. Morgan Chase

Global electricity demand up 4% in 2018

Global electricity demand increased by 3.9% to 26,672 terawatt hours (TWh) in 2018, its fastest rise since 2010, mainly driven by extreme weather conditions. Coal remained the largest source of electricity generation, as it accounted for 10,116 TWh or 38% of total electricity demand, followed by natural gas with 6,091 TWh (23%), hydroelectricity with 4,239 (16%), nuclear power with 2,724 TWh (10%), and wind power with 1,217 TWh (5%). Renewables and nuclear power met the majority of the growth in demand. Electricity demand in China increased by 8.5% in 2018, followed by demand in India (+5.4%), and in the U.S. (+4%).

Source: International Energy Agency, Byblos Research

Iran and Iraq to develop oilfields on border

Iran and Iraq reached an understanding about developing two oilfields on their joint border, which are the Naft Shahr and Khorramshahr oilfields. Iranian authorities aim to expand bilateral trade with Iraq, and to increase gas, electricity and oil dealings, despite difficulties related to the U.S. sanctions on Iran. Iraq imports about 1.5 billion standard cubic feet of gas per day from Iran. In March 2019, the U.S. granted Iraq a 90-day waiver exempting it from sanctions on buying energy from Iran.

Source: Thomson Reuters, Ministry of Petroleum

Base Metals: Zinc prices decrease due to recovering supply

LME zinc cash prices reached \$2,948 per ton on April 10, 2019, up by 17% from \$2,519 per ton at the end of 2018. The rise in the metal's price is mainly due to a significant tightening in the supply of zinc, as inventories dropped last month to their lowest level since October 1991. Also, prices were supported by easing U.S.-China trade tensions amid progress in the trade talks between the two countries. However, zinc prices decreased by 2.6% from \$3,000 per ton on April 3, 2019, their highest level in nine months, due to concerns about a possible surge in refined zinc supply as smelters raised production amid attractive profit margins. Also, the decline in prices this week was driven by an increase of 18% in LME zinc inventories to 47,925 tons on April 9, 2019, after they reached record lows in late March of this year. Also, Capital Economics anticipated zinc prices to face the most significant downward pressure among base metals this year, despite the supply shortages in the refined zinc market, as strong mine output would soon filter into the refined zinc market. Further, Citi projected the deficit in the zinc market to narrow from 559,000 tons in 2018 to 128,000 tons in 2019.

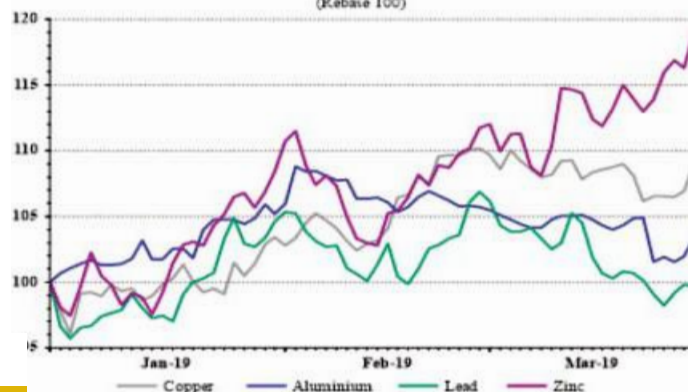
Source: Citi Research, Capital Economics, Byblos Research, Thomson Reuters

Precious Metals: Gold prices rise on trade tensions and slowdown in global growth

Gold prices averaged \$1,303 per troy ounce in the first quarter of 2019, and traded at a low of \$1,280 an ounce and a high of \$1,345.5 per ounce in the same quarter. They also averaged \$1,300 an ounce in March 2019, which constitutes a decline of 1.5% from an average of \$1,320 per ounce in February 2019. However, prices increased for four consecutive days to close at a two-week high of \$1,308 per troy ounce on April 10, 2019, as global equity markets retreated following the International Monetary Fund's reduction of its global growth projection for 2019. Also, trade tensions between Europe and the U.S., after the latter threatened to impose tariffs on European goods, prompted investors to resort to the safe haven asset. Further, gold prices were supported by the continued purchase of the metal by major central banks, especially by the Central Bank of China. In addition, expectations of easing U.S. interest rate hikes in 2019 and declining yields on U.S. Treasury bonds have also increased the attractiveness of gold as an investment. Overall, gold prices are projected to rise to \$1,450 per ounce in the coming 12 months.

Source: Goldman Sachs, Thomson Reuters

Price Performance of Base Metals in First Quarter of 2019
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

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+	-6.1	32.9*	2.1	-	-	-	-9	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
	Negative	Stable	Stable	-	Stable								
Egypt	B	B3	B+	B+	B+	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
	Stable	Positive	Stable	Stable	Positive								
Ethiopia	B	B1	B		B+	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-3.8	48.8	33.5**	-	-	-	-4.6	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-25.1	112.1	-	-	-	-	-1.5	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-4.1	167.5	166.6	-	-	-	-14.2	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.2	70.5	82.6	-	-	-	-9.6	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
	Positive	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B+	BB-	-3.2	44.2	2.1	-	-	-	1.3	-
	-	-	-	Negative	Negative								
Iraq	B-	Caa1	B-	-	CC+	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	A	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	B-	B	B-	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
	Negative	Stable	Negative	Negative	Stable								
Oman	BB	Ba1	BB+	BBB-	BBB	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
	Stable	Negative	Stable	Stable	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	0.6	17.8	54.9	-	-	-	7.2	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-10.7	62.5	19.4	-	-	-	-9.3	-
	-	-	-	-	Negative								



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	10-Apr-19	No change	06-Jun-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	02-Apr-19	No change	07-May-19
New Zealand	Cash Rate	1.75	27-Mar-19	No change	08-May-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	6.00	04-Apr-19	Cut 25bps	06-Jun-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	28-Mar-19	No change	23-May-19
Turkey	Repo Rate	24.0	06-Mar-19	No change	25-Apr-19
South Africa	Repo rate	6.75	28-Mar-19	No change	23-May-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	26-Mar-19	Cut 50bps	21-May-19
Ghana	Prime Rate	16.00	01-Apr-19	No change	27-May-19
Angola	Base rate	15.75	01-Apr-19	No change	30-May-19
Mexico	Target Rate	8.25	28-Mar-19	No change	16-May-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	02-Apr-19	No change	13-May-19
Bulgaria	Base Interest	0.00	01-Apr-19	No change	01-May-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	22-Mar-19	No change	26-Apr-19



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

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BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

