

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### EMERGING MARKETS

#### Corporate downgrades surpass upgrades in first quarter of 2019

S&P Global Ratings indicated that it downgraded 19 corporate issuers in emerging markets (EMs) that represent \$26.4bn in rated debt in the first quarter of 2019, while it upgraded four EM corporate issuers with \$11.7bn in rated debt. It noted that the downgrade ratio, which is the proportion of downgrades to total rating actions, stood at 83% in the first quarter of 2019, significantly higher than the historical average of 56% since 1995. It said the downgrade risk for corporate issuers is presently low, given a negative bias of 14% in EMs in the first quarter of 2019, below the historical average of 20%. S&P defines negative bias as the proportion of issuers that either have a 'negative' outlook or whose ratings are on CreditWatch Negative. On a regional level, Emerging Asia had nine corporate downgrades representing \$9.8bn in debt in the covered period; Latin America had six downgrades (\$14.4bn) and one upgrade (\$5bn); while the Eastern Europe, the Middle East & Africa region had four downgrades (\$2.3bn) and three upgrades (\$6.7bn). On a country basis, China had seven corporate downgrades, the highest number of downgrades in the first quarter of 2019, while Russia accounted for 50% of the upgrades in the covered period. Also, the number of corporate downgrades of homebuilders and real estate companies reached 32% of total downgrades, while the oil & gas sector represented 50% of the corporate upgrades in the first quarter of 2019.

Source: S&P Global Ratings

#### Lending conditions improve in first quarter of 2019

The Emerging Markets Lending Conditions Index reached 49.4 points in the first quarter of 2019 relative to 48.1 in the fourth quarter of 2018, which reflects easing but still tight lending conditions, as the Index remained below the 50-point threshold. The Trade Finance Index expanded to 52.6 in the first quarter of 2019 from 52.2 in the fourth quarter of 2018. Also, the Demand for Loans Index increased to 50 in the covered quarter from 49.2 in the previous quarter, reflecting higher demand for consumer loans that has offset lower demand for commercial property and corporate loans. Further, the Funding Conditions Index rose to 49.3 in the first quarter of the year from 43.9 in the fourth quarter of 2018, as domestic and international funding conditions improved. In addition, the Non-Performing Loans (NPLs) Index increased to 48 in the covered quarter from 47.7 in the preceding quarter, due to slower growth in NPLs, mainly in the Middle East & North Africa (MENA) region. Further, the Credit Standards Index grew to 47.6 in the first quarter of 2019 from 47.2 in the previous quarter. In parallel, the Lending Conditions Index in Sub-Saharan Africa was nearly unchanged quarter-on-quarter at 52.5 in the first quarter of 2019, while it surged in Emerging Europe to 51 in the covered quarter from 49.8 in the fourth quarter of 2018. It also expanded in Emerging Asia to 50.8 in the first quarter from 48.7 in the preceding quarter, while it improved to 49.3 in the covered quarter in Latin America from 49.1 in the fourth quarter of 2018. In addition, the Index increased in the MENA region to 42.7 in the first quarter of 2019 from 40.2 in the preceding quarter.

Source: Institute of International Finance

### MENA

#### More than half of young Arabs concerned about rise in cost of living

The ASDA'A Burson-Marsteller 2019 Arab Youth Survey shows that 56% of young Arabs cited a rise in the cost of living as the biggest obstacle facing the Middle East, followed by unemployment (45%), the lack of Arab unity (35%) and slow economic growth (31%). Also, the survey revealed that 65% of young Arabs expressed concerns that their governments are not doing enough to address the current economic situation. Further, the majority of surveyed Arab youth indicated that authorities in their country should be responsible to provide safety (96% of respondents), education (89% of participants) and healthcare services (88% of surveyed youth) to all citizens. In parallel, the survey noted that 78% of Arab youth are concerned about the quality of education in their country, with a share of 84% in the Levant region & Yemen, 81% in North Africa and 70% in the GCC having this concern. It added that 49% of respondents believe that their country's education system does not prepare them for the job market, with a share of 73% of participants in the Levant & Yemen, 53% in North Africa, and 20% in GCC countries sharing this perception. As such, it noted that only 32% of surveyed participants would pursue higher education in their own country, while 53% of youth would like to attend a college or university in western countries. The survey was conducted between January 6 and 29, 2019 on a sample size of 3,300 respondents who are between 18 and 24 years-old in 15 Arab countries.

Source: ASDA'A Burson-Marsteller

### UAE

#### Earnings of Abu Dhabi companies down 8%, profits of Dubai firms up 2% in first quarter of 2019

The net income of 59 companies listed on the Abu Dhabi Securities Exchange totaled AED10.1bn, or \$2.75bn, in the first quarter of 2019, constituting a decrease of 8.4% from AED11bn or \$3bn in the first quarter of 2018. Listed banks generated net profits of \$1.5bn and accounted for 55.8% of the total earnings of publicly-listed firms in the first quarter of 2019. Telecommunication companies followed with \$723.6m (26.3%), then energy companies with \$193.9m (7%), real estate companies with \$157.5m (5.7%), services firms with \$64.2m and insurers with \$63.8m (2.3% each), and industrial firms with \$22m (0.8%). In parallel, the cumulative net income of 54 companies listed on the Dubai Financial Market totaled AED10.4bn, or \$2.84bn, in the first quarter of 2019, constituting an increase of 1.6% from AED10.25bn or \$2.8bn in the same quarter of 2018. Listed banks generated net profits of \$1.5bn, or 54.4% of total net earnings in the covered period. Real estate & construction firms followed with \$860.2m or 30.3% of the total, then transportation companies with \$125.5m (4.4%), telecommunication firms with \$121.45m (4.3%), insurers with \$91.2m (3.2%), industrial firms with \$88.7m (3.1%), investment & financial services providers with \$33.6m (1.2%), and services firms with \$26.9m (0.9%).

Source: KAMCO

# OUTLOOK

## GCC

### **Persistent budget deficits require resumption of fiscal consolidation**

The World Bank projected economic growth in the Gulf Cooperation Council (GCC) countries at 2.1% in 2019, similar to a growth rate of 2% in 2018, and to average 3% annually in the 2020-21 period, driven by capital investment in mega projects and in new hydrocarbon ventures. Still, it anticipated that lower global oil prices and hydrocarbon production in the GCC region would likely constrain growth in the 2019-21 period. The Bank considered that more openness to foreign direct investment (FDI) and higher non-oil exports would allow GCC authorities to achieve further economic diversification. It noted that authorities have already implemented measures to encourage non-oil exports, including the introduction of relevant legislation, the creation of free trade zones, and generous incentives for investors. Still, it said that FDI inflows to the GCC region underperformed the inflows to other emerging markets and developing economies, while non-oil exports, including petrochemicals and aluminum, have been growing but from a very low base.

In parallel, the World Bank forecast the GCC region's fiscal deficit to slightly widen from 3.4% of GDP in 2018 to 3.7% of GDP in 2019, and to narrow to 2.7% of GDP in 2020. It expected fiscal deficits to persist in the 2019-21 period in four of the six GCC countries, which highlights the need for authorities to resume fiscal consolidation. It added that, while some economies, such as Saudi Arabia and the UAE, have introduced the value-added tax, others postponed its adoption, thereby delaying plans to broaden their revenue base. Also, it projected the region's current account surplus to decrease from 7.6% of GDP in 2018 to 7% of GDP in 2019 and to 6.7% of GDP by 2021, mainly due to lower global oil prices and reduced hydrocarbon production in the region. Further, the Bank considered that the creation of private sector jobs for GCC nationals constitutes a major challenge facing the region. It noted that the inadequate skills of nationals, as well as public sector jobs with attractive pay and benefits have led private sector jobs to be largely held by expatriate workers.

*Source: World Bank*

## SAUDI ARABIA

### **Real GDP growth at 2.5% in medium term**

The International Monetary Fund projected Saudi Arabia's real GDP growth to decelerate from 2.2% in 2018 to 1.9% in 2019. It expected the oil sector's real GDP to grow by 0.7% this year, in case the Kingdom remains committed to its oil production cuts under the OPEC agreement in the second half of 2019, while it forecast the non-oil sector's real growth at 2.9% in 2019, supported by higher global oil prices that are boosting investor confidence. It projected real GDP growth to stabilize at about 2.5% over the medium term, supported by stronger non-oil activity. The Fund said that the Saudi government should prioritize reforms that aim to develop the non-oil economy, and should implement labor market reforms that support the employment of Saudi nationals in the private sector. Further, it considered that the economic footprint of the public sector is large, and stressed that government interventions in the economy should focus on areas where public spending crowds-in private sector investment.

In parallel, the IMF forecast the fiscal deficit to widen from 5.9% of GDP in 2018 to 7% of GDP in 2019. It did not expect the deficit to narrow over the medium term based on current policies and on the oil price path presently embedded in financial markets. It said that the central government's debt level stood at 19.1% of GDP at end-2018 relative to less than 2% of GDP at end-2014, while the central government's net financial assets were equivalent to 0.1% of GDP at end-2018 compared to about 50% of GDP at end-2014. In this context, the Fund stressed the need for fiscal consolidation in order to reduce medium-term vulnerabilities. It said that authorities should step up efforts to implement the reforms set out in the Fiscal Balance Program, including energy and water price reforms, increases in fees of expatriate labor, a lower public sector wage bill, and a more measured increase in capital spending. The IMF cautioned that the Kingdom could face large fiscal deficits in case of lower-than-budgeted global oil prices, unless public spending is reduced. It encouraged authorities to maintain spending at a level that is sustainable across different oil price scenarios in order to minimize volatility in growth.

*Source: International Monetary Fund*

## PAKISTAN

### **Macroeconomic stability dependent on adherence to reforms under IMF program**

The Institute of International Finance indicated that Pakistan faces persistent economic challenges that include subdued growth prospects, high inflation rates, an elevated public debt level and a weak external position. It noted that loose monetary and fiscal policies have led to the build-up of macroeconomic imbalances, while the country's external financing needs remain substantial as drivers of foreign currency inflows continue to weaken. It said that stronger domestic demand, increased capital imports, as well as relatively higher oil prices in the past two years, have led to the widening of the current account deficit to 6.1% of GDP and to the decline in foreign currency reserves to below two months of import coverage in the fiscal year that ended in June 2018. Also, it forecast Pakistan's gross external requirements at \$25.5bn, or about 9% of GDP in FY2018/19 and at \$23.4bn, or about 8% of GDP in FY2019/20.

Further, the IIF considered that the potential \$6bn Extended Fund Facility from the IMF will serve as an anchor of macroeconomic stability in the medium term and will send a positive signal to investors. However, it noted that Pakistan has historically shown limited willingness to implement and adhere to structural reforms under previous IMF programs. As such, it said that there is high skepticism about the country's ability to address macroeconomic imbalances and its willingness to implement fundamental adjustments. It noted that restoring foreign currency reserves to a three-month import coverage ratio would require an IMF support package of \$8bn. It added that the \$2bn gap could be funded through disbursements from other multilateral institutions, decisions of bilateral donors to roll over their maturing debt, as well as new bond issuances. Overall, it considered that Pakistan will need decisive policy action and substantial external financing to achieve macroeconomic stability, and that the success of the IMF-supported program will depend on the government's deep fiscal adjustment, monetary tightening and more exchange rate flexibility, among other reforms.

*Source: Institute of International Finance*



## ECONOMY & TRADE

### EGYPT

#### Government aims for budget primary surplus in medium term

The International Monetary Fund indicated that it reached a staff-level agreement with Egyptian authorities on the fifth and final review of Egypt's economic program, bringing total disbursements under the program to about \$12bn. It noted that Egyptian authorities have implemented ambitious economic reforms during the previous three years that aim to correct significant external and domestic imbalances, support inclusive growth and job creation, as well as strengthen social spending. It claimed that the government succeeded in stabilizing the economy, in stimulating growth and in improving the business environment. It estimated real GDP growth to have increased from 4.2% in the fiscal year that ended in June 2017 to 5.3% in FY2017/18, the unemployment rate to have declined from 12% to less than 9%, and the current account deficit to have narrowed from 5.6% of GDP to 2.4% of GDP in FY2017/18. It added that foreign currency reserves increased from \$17bn at end-June 2016 to \$44bn at end-March 2019. Further, the Fund considered that the Central Bank of Egypt has appropriately adjusted its monetary policy stance, which led the inflation rate to decline from 33% in July 2017 to 13% in April 2019. In parallel, it said that Egypt is on track to achieve its primary surplus target of 2% of GDP in FY2018/19, and that authorities intend to maintain a primary surplus at this level over the medium term in order to reduce the public debt level. As such, it forecast the public debt level to decline from 103% of GDP at end-June 2017 to 85% of GDP at end-June 2019.

Source: International Monetary Fund

### ARMENIA

#### Structural reforms to further reduce macroeconomic imbalances

The International Monetary Fund approved a 36-month Stand-By Arrangement (SBA) for Armenia amounting to \$248.2m, which aims to support the authorities in strengthening the country's economic fundamentals and implementing structural reforms. It noted that Armenian authorities would treat the arrangement as precautionary, and would only draw on the new SBA in case of external shocks. Also, it indicated that Armenia has made progress in recent years in maintaining macroeconomic and financial stability. However, the Fund called on authorities to continue implementing reforms in order to reduce macroeconomic imbalances, improve the business climate, and strengthen governance. It projected real GDP growth to decelerate from 5.2% in 2018 to 4.6% in 2019, and to stabilize at an average of 4.5% in the 2020-23 period. Also, it forecast the fiscal deficit to narrow from 2.5% of GDP in 2019 to 2.1% of GDP in 2020 and to 1.8% of GDP by 2023, while it projected the public debt level to decline from 55.8% of GDP at the end of 2018 to 54.6% of GDP at end-2019 and to 50% of GDP by the end of 2023. It called on authorities to raise public revenues in order to create the fiscal space that would allow spending on growth-enhancing infrastructure and on social programs. In parallel, the Fund projected the current account deficit to narrow from 9.1% of GDP in 2018 to 7.3% of GDP in 2019 and to 6.2% of GDP by 2023. It also stressed that strengthening the monetary policy framework would help reduce inflation to the medium-term target.

Source: International Monetary Fund

### IRAQ

#### Government revenues to increase by 4% of GDP annually after 2020

Moody's Investors Service expected the \$53bn energy deal, which the Iraqi government plans to sign with Exxon Mobil and PetroChina, to boost economic growth and government finances, as well as to support the country's external position and strengthen foreign currency reserves. It also anticipated the construction phase of the project to boost non-oil growth and employment. It estimated Iraq's fiscal surplus at 6.5% of GDP in 2018 and forecast the fiscal balance to shift to a deficit in 2019 and 2020, and for the public debt level to increase from 51.5% of GDP in 2018 to around 55% of GDP in 2020 amid moderate oil prices. It also projected foreign currency reserves to decline over the next two years from a peak of around \$60bn at end-2018. However, the agency expected that, beyond 2020, the completed project will increase the country's oil and natural gas production capacity, boost its export volumes, and add the equivalent of about 4% of GDP annually to government revenues and export receipts. It noted that the deal will raise production at two southern oil fields from around 125,000 barrels per day (b/d) currently to 500,000 b/d, and will generate \$400bn in additional government revenues over a 30-year time horizon. It added that the agreement includes building new storage tanks, pumps, pipelines and offshore terminals that will simultaneously increase Iraq's oil export capacity. Further, Moody's cautioned that higher oil production could reduce the urgency of reforms aimed at decreasing vulnerability to lower oil prices, which remains a constraint on Iraq's credit profile.

Source: Moody's Investors Service

### IRAN

#### Current account deficits in next five years may reduce usable foreign currency reserves

Bank of America Merrill Lynch (BofAML) considered that Iran will need to reduce its imports significantly in order to balance its external account, given the adverse impact of U.S. sanctions on Iran's oil export receipts and the country's limited access to foreign currency reserves. It noted that Iran's usable foreign currency reserves of \$60bn would be depleted if the country posts modest current account deficits in the coming four to five years. Further, it pointed out that a sustained weakening of Iran's external position would likely result in the continued depreciation of the Iranian rial, which, in turn, would increase the inflation rate and exacerbate ongoing social concerns. But it said that a weaker currency would limit the widening of the fiscal and external deficits. Further, BofAML indicated that, despite Iran's positive international investment position, a large portion of Iran's foreign assets are not accessible to finance the country's balance of payments, which likely reflects Iran's inability to maintain and expand its correspondent banking relationships. It also pointed out that Iran had to accumulate receivables from trading partners as a result of delays or difficulties in receiving external payments. It added that the country's oil exports receipts for 2018 have been locked in escrow accounts to finance its imports. BofAML estimated that around 50% of Iran's gross foreign currency assets and reserves, which the International Monetary Fund estimated at \$124.9bn at end-2018, could be encumbered.

Source: Bank of America Merrill Lynch





# BANKING

## NIGERIA

### Central Bank to maintain tight monetary policy

Barclays Capital considered that the reappointment of the Central Bank of Nigeria's (CBN) governor, Godwin Emefiele, for a second five-year term would allow the CBN to continue implementing its current policies and to prioritize the stability of the multiple exchange rate system. It said that the CBN introduced in 2017 a new foreign currency window for investors and exporters, which led to a resurgence in portfolio inflows and improved foreign currency liquidity domestically. It noted that the increase in foreign currency liquidity allowed the parallel exchange rate to converge with the Investor & Exporters' exchange rate of between NGN360 per US dollar and NGN365 per dollar. Also, Barclays expected the CBN to continue to restrict access to foreign currency for the import of 42 categories of products, in order to contain domestic foreign currency demand, protect the growth of non-oil domestic sectors and, in turn, promote economic diversification. It also anticipated that the CBN would continue to build its foreign currency reserves and maintain a tight monetary policy stance. It noted that the CBN issued around NGN1.5 trillion in Treasury bills in 2018 with real yields of 6% that benefitted investors, including non-resident investors, which held around 33% of the total stock of Treasury bills as at end-2018. It also anticipated that the CBN would continue to offer attractive opportunities for investors. But it pointed out that the CBN's policies have crowded out lending to the private sector, and considered that the difficulties faced by some domestic sectors in accessing foreign currency constitute a constraint on Nigeria's economic growth.

Source: *Barclays Capital*

## ANGOLA

### Central Bank's review may expose capital shortages at banks

Fitch Ratings expected that the Banco Nacional de Angola's upcoming review of asset quality at Angola's 12 largest banks will highlight capital shortages at some banks. It noted that the review will assess the quality of loans, placements, securities and real estate assets at Angolan banks, which would give a comprehensive analysis of potential capital shortfalls. It added that the review would improve the consistency of how banks classify their assets and report asset quality. Fitch considered that the banks' capital could come under pressure, given the banking sector's high impaired loans-to-gross loans ratio of 28%, the deficiencies of some banks' valuations of collateral, and the track record of difficulties in realizing collateral. However, it said that the international accounting standard IFRS 9 has required banks to strengthen their loan-loss coverage, and helped to alleviate pressure on their capital. It noted that the banks' net impaired loans represented 1.7% of the sector's equity at end-March 2019, well below the 20% of equity registered at end-2018. It added that the banks' equity was equivalent to 13.5% of their aggregate assets, while their Tier One capital adequacy ratio was at 27.8%, which reflects robust loss absorption capacity. But it expected the banks' capitalization to remain weak, due to the volatile operating environment, which would affect the debt-servicing capacity of borrowers, as well as to the high exposure of most banks to large single-name obligors and foreign currency risk.

Source: *Fitch Ratings*

## JORDAN

### Construction and trade account for 43.2% of overall lending at end-March 2019

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD26.4bn, or \$37.2bn, at the end of March 2019, constituting an increase of 0.9% from JD26.1bn at end-2018 and a rise of 4.6% from JD25.2bn at end-March 2018. Credit in foreign currency represented 11.7% of the total at the end of March 2019 relative to 10.7% a year earlier. The resident private sector accounted for 88.4% of total credit at end-March 2019 relative to 88% a year earlier, followed by the central government with 7.3%, down from 8.2% at end-March 2018, the non-resident private sector with 2.5% compared to 2.1% a year earlier, and public entities with 1.7%, up from 1.6% at end-March 2018. The distribution of credit by sector shows that construction represented JD6.8bn or 25.8% of the total at end-March 2019, down from 26.5% a year earlier, while general trade accounted for JD4.6bn or 17.4% of the total relative to 17.2% at end-March 2018. Public services & utilities followed with JD3.8bn or 14.5% of the total, then industry with JD3.1bn (11.6%); financial services with JD809.6m (3.1%); tourism, hotels & restaurants with JD633.8m (2.4%); transportation with JD360.3m (1.4%), and mining with JD337.3m and agriculture with JD335.8m (1.3% each). Further, other sectors accounted for JD5.6bn, or 21.2% of total credit. In parallel, loans & advances reached JD17.1bn at end-March 2019, followed by Islamic banks' receivables with JD5.7bn, overdrafts with JD3.2bn, discounted bills with JD227.6m and credit cards with JD167.8m.

Source: *Central Bank of Jordan, Byblos Research*

## TURKEY

### Further currency depreciation to dent banks' capital adequacy ratios

Citi Research indicated that the adverse macroeconomic conditions in Turkey could weigh on the performance of domestic banks in 2019. But it noted that the banking sector has remained resilient in the face of the ongoing weakness of the Turkish lira. Also, it said that private banks have sufficient capital buffers, while state-owned banks are already receiving significant government support. It anticipated the Turkish government to continue to support state-owned banks and to boost their capital adequacy ratios (CARs) through recapitalization schemes, in case of need. Further, Citi indicated that it performed a stress test to assess the impact of currency depreciation on the banks' capital levels. It estimated that the CAR of most banks would remain above the Banking Regulation and Supervision Agency's (BRSA) minimum requirement under a scenario where the lira trades at TRY7.25 against the US dollar. However, it noted that the CAR for private banks would only start to test the BRSA's threshold if the currency further depreciates to TRY8.8 per dollar. Citi noted that syndicated debt rollovers reflect sentiment about the health of the Turkish banking sector, given the sector's elevated open net foreign currency position of \$209bn. It said that the banks' rollover rates are still high but have started to decline as the banks reduce their foreign currency debt. It added that banks are targeting rollover rates of 60% to 80% currently compared to a rate of 100% in the fourth quarter of 2018.

Source: *Citi Research*



## ENERGY / COMMODITIES

### Natural gas market to rebalance by 2021

Goldman Sachs indicated that global natural gas prices have been volatile in recent months, due to increased liquefied natural gas (LNG) supply and slower growth in demand for gas in Asia. It noted that global liquefaction capacity has increased to an unprecedented level, especially in Australia, Russia and the United States. It considered that the current downside trend in gas prices follows a cycle that was initiated by the increase in LNG output in Australia during the 2015-16 period, which was mainly imported by China as it aimed to increase the share of natural gas in its energy mix. It expected the downward trend in gas prices to last through 2020, as the excess LNG supply to Europe in the past few months drove European gas stocks to significantly high levels. It anticipated that peak-summer demand in Asia would help reduce LNG supply to Europe in the coming months, but would not be sufficient to balance the market. It projected the global market to rebalance by 2021 with the slowdown of global liquefaction capacity, which will coincide with an expected gradual shift in Europe from coal-fired and nuclear generation capacity to gas. In parallel, the U.S. natural gas Henry Hub prices declined from an average of \$4.24 per thousand cubic feet in November 2018, their highest level in four years, to an average of \$2.64 per thousand cubic feet so far in May 2019, amid a sustained increase in output. Goldman Sachs indicated that the main upside risk to U.S. gas prices is a lower-than-expected increase in production.

Source: Goldman Sachs, Byblos Research

### OPEC oil output unchanged in April 2019

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 30.03 million barrels per day (b/d) in April 2019, nearly unchanged from the preceding month. Saudi Arabia produced 9.74 million b/d in April 2019, or 32.4% of OPEC's total oil output, followed by Iraq with 4.63 million b/d (15.4%), the UAE with 3.06 million b/d (10.2%), Kuwait with 2.7 million b/d (9%) and Iran with 2.55 million b/d (8.5%).

Source: OPEC, Byblos Research

### Libya's oil & gas receipts at \$1.5bn in March 2019

Libya announced plans to increase its oil output from existing fields from about 0.97 million barrels per day (b/d) in 2018 to 1.4 million b/d by the end of 2019 and 2.1 million b/d by 2023, mainly through the implementation of 56 major projects, including the drilling of 38 test wells and 70 development wells. Also, the country aims to invest in the development of existing fields and to rehabilitate shut-in wells. Libya's oil & gas revenues reached \$1.5bn in March 2019, up by 21.3% from \$1.26bn in February. The rise in oil & gas receipts in March reflects the end of the three-month armed blockade and the lifting of *force majeure* at the Sharara oil field during the covered month.

Source: National Oil Corporation, International Monetary Fund

### Iraq's oil supply to grow by 1.4% in 2019

The International Monetary Fund expected Iraq's crude oil production to reach 4.47 million barrels per day (b/d) in 2019, which would constitute an increase of 1.4% from 4.41 million b/d in 2018. Also, it projected the country's crude oil exports to average 3.95 million b/d in 2019, up by 2.3% from 3.86 million b/d last year. Iraq is currently OPEC's second largest oil producer.

Source: International Monetary Fund, Byblos Research

### Base Metals: Aluminum prices reach lowest level since January 2017

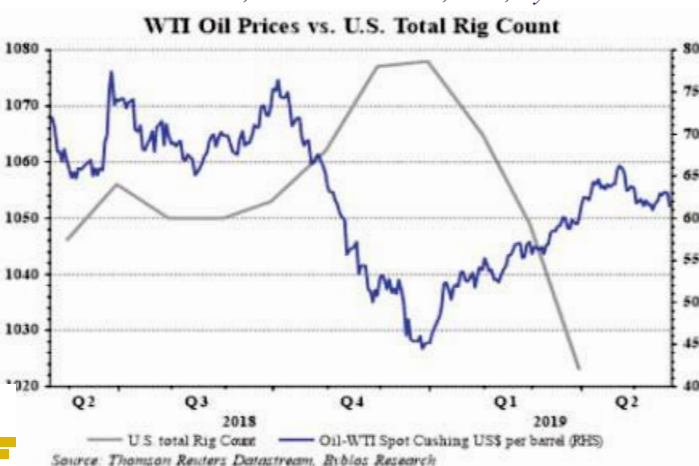
The LME cash price of aluminum reached \$1,745 per ton on May 22, 2019, down by 6.3% from \$1,863 per ton at the end of 2018, and its lowest level since January 10, 2017. The decline in the metal's price so far this year was mainly due to easing supply conditions following the U.S. decision to lift the sanctions it imposed on the Russian company Rusal, the world's second-largest aluminum producer. The metal's price declined as a result of increased concerns about the global economy and demand amid the ongoing U.S.-China trade tensions. In addition, aluminum prices regressed due to expectations of higher output from the Albras aluminum smelter in Brazil, after a local federal court lifted production restrictions on the major alumina plant. In fact, Norsk Hydro, the smelter's part owner, expected that the utilization rate of the plant could reach 75% to 85% within two months, up from about 50% currently. In parallel, investment bank UBS anticipated that the price of aluminum would remain under pressure from lower demand and from expectations of higher aluminum production in China, the metal's top producer. Also, Deutsche Bank projected aluminum prices to decline from an average of \$2,108 per ton in 2018 to an average of \$2,022 per ton in 2019.

Source: Deutsche Bank, UBS, Thomson Reuters, Byblos Research

### Precious Metals: Palladium prices to rise by 45% to \$1,490 per ounce in 2019

Palladium prices averaged \$1,420.2 per troy ounce in the first four months of 2019, constituting an increase of 39.3% from 1,019.4 an ounce in the same period of 2018, and compared to an average of 1,030 an ounce in 2018. Also, the metal's price is projected to rise by 45% to an average of \$1,490 an ounce in full year 2019, mainly supported by an expansion of global physical demand for palladium, including a 3.6% increase in autocatalyst consumption to 8.59 million ounces this year. However, short-term downside risks to the price outlook could arise from lower-than-anticipated automotive sales, including in China and the U.S., given that the automotive sector constitutes the metal's major source of palladium demand. Also, longer-term downside risks to the metal's price include the substitution of palladium with cheaper platinum in catalytic converters, which could materialize in the coming two to three years. In parallel, upside risks to the price outlook include potential labor strikes at mining firms in South Africa, one of the largest palladium-producing countries, which could widen the production deficit in the palladium market and, in turn, support prices.

Source: Metals Focus, Thomson Reuters, UBS, 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+	-5.2	36.9*	2.2	-	-	-	-9.1	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
	Negative	Stable	Stable	-	Stable								
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
	Stable	Stable	Stable	Stable	Positive								
Ethiopia	B	B1	B		B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-7.4	-	-	-	-	-	2	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
	Positive	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B	BB-	-4.1	30.0	2.0	-	-	-	-0.4	-
	-	-	-	Stable	Negative								
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	A	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	B-	B	B-	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
	Negative	Stable	Negative	Negative	Stable								
Oman	BB	Ba1	BB+	BBB-	BBB	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Negative	Negative	Stable	Stable	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	-
	-	-	-	-	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-	-1.8	48.5	81.7	-	-	-	-6.2	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
	Stable	Stable	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
	Stable	Negative	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.3	63.9	-	59.3	9.3	129.2	-3.7	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 estimates for 2018



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	01-May-19	No change	19-Jun-19
Eurozone	Refi Rate	0.00	10-Apr-19	No change	06-Jun-19
UK	Bank Rate	0.75	02-May-19	No change	20-Jun-19
Japan	O/N Call Rate	-0.10	25-Apr-19	No change	20-Jun-19
Australia	Cash Rate	1.50	07-May-19	No change	04-Jun-19
New Zealand	Cash Rate	1.50	08-May-19	Cut 25bps	26-Jun-19
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Mar-19	No change	13-Jun-19
Canada	Overnight rate	1.75	24-Apr-19	No change	29-May-19
<b>Emerging Markets</b>					
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	18-Apr-19	No change	31-May-19
Malaysia	O/N Policy Rate	3.00	07-May-19	Cut 25bps	09-Jul-19
Thailand	1D Repo	1.75	08-May-19	No change	19-Jun-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	23-May-19	No change	11-Jul-19
Turkey	Repo Rate	24.0	25-Apr-19	No change	12-Jun-19
South Africa	Repo rate	6.75	23-May-19	No change	18-Jul-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	21-May-19	No change	23-July-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	16-May-19	No change	27-Jun-19
Brazil	Selic Rate	6.50	08-May-19	No change	19-Jun-19
Armenia	Refi Rate	5.75	30-Apr-19	No change	11-Jun-19
Romania	Policy Rate	2.50	15-May-19	No change	04-Jul-19
Bulgaria	Base Interest	0.00	01-May-19	No change	03-Jun-19
Kazakhstan	Repo Rate	9.00	15-Apr-19	Cut 25bps	03-Jun-19
Ukraine	Discount Rate	17.50	25-Apr-19	Cut 50bps	06-Jun-19
Russia	Refi Rate	7.75	26-Apr-19	No change	14-Jun-19





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