

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate debt of \$10.6 trillion maturing between January 2019 and 2023

S&P Global Ratings indicated that \$10,584bn in corporate debt worldwide will mature between January 2019 and the end of 2023, constituting an increase of 5% from \$10,081bn that mature between January 2018 and end-2022. It noted that \$1,801bn in corporate debt is due in 2019, \$2,125bn in 2020, \$2,182bn mature in 2021, \$2,269bn in 2022 and \$2,207bn are due in 2023. The U.S. has \$4,640bn in maturing corporate debt between January 2019 and 2023 or 43.8% of the total, followed by Europe with \$4,079bn (38.5%), other developed countries with \$1,123bn (10.6%), and emerging markets with \$741bn (7%). Also, investment-grade corporate debt that matures during the covered period totals \$8,316bn, or 78.6% of the maturing debt. In parallel, non-financial corporate debt that matures during the 2019-23 period totals \$6,339bn and accounts for 60% of the due debt during the five-year period. Also, maturing debt in the oil & gas sector totals \$650.1bn and accounts for 10.3% of non-financial maturing corporate debt, followed by the debt of consumer products companies with \$632.9bn (10%), and the telecommunications sector's debt with \$596.5bn (9.4%). S&P noted that corporate debt issuance is slowing due to several factors, including the normalization of monetary policy in the U.S. and Europe, the uncertain terms of Brexit, as well as slowing economic growth in China and in several developed countries.

Source: S&P Global Ratings

GCC

Majority of high net worth individuals invest locally

Emirates Investment Bank's 2019 GCC Wealth Insight Report shows that high net worth individuals (HNWIs) in Gulf Cooperation Council (GCC) countries are more optimistic about economic conditions in the GCC than they were over the past three years. HNWIs are defined as individuals with \$2m or more in investable assets. In fact, the survey noted that 71% of HNWIs consider that economic conditions in the GCC region have improved significantly, compared to 31% of participants in the 2018 survey, 20% of surveyed HNWIs in the 2017 report, and 17% of respondents in the 2016 survey. It also pointed out that 96% of surveyed HNWIs are optimistic about economic prospects in the GCC in the next five years, compared to 69% of respondents who had similar views in the previous survey. It added that the confidence of HNWIs in the GCC region's strong growth prospects for 2019 has prompted them to invest locally, especially in their own businesses. In fact, it said that 75% of respondents indicated that they are focused on local investment opportunities rather than on investing globally. It added that 40% of surveyed HNWIs prefer investing in their own business, relative to 31% of participants in the 2018 survey. In addition, the survey shows that currency fluctuations have a significant impact on the investment decisions of 79% of HNWIs, followed by global oil price movements (76% of surveyed participants) and the introduction of the value-added tax in GCC countries (73% of respondents).

Source: Emirates Investment Bank

MENA

Level of global connectedness varies across Arab world

The DHL's 2018 Global Connectedness Index indicated that the UAE was the most connected country among 16 Arab countries and ranked in fifth place among 169 countries globally. Bahrain followed in 22nd place, then Qatar (45th), Saudi Arabia (47th) and Lebanon (50th). In contrast, Mauritania (112th), Algeria (121st), Iraq (130th), Yemen (165th) and Sudan (169th) were the least connected economies in the Arab region. The index measures a country's level of connectedness in terms of the size and geographical distribution of the flow of trade, capital, information, and people. The index is a composite of the Depth Sub-Indicator and the Breadth Sub-Indicator, each measured on a scale of zero to 50 points. As such, a country's overall score on the index ranges from zero to 100 points, with a higher score reflecting a better performance in terms of global connectedness. The Arab region's average score stood at 48.9 points, which is slightly lower than the global average score of 49.7 points. Also, GCC and non-GCC Arab countries had average scores of 63 points and 40.5 points, respectively. Further, the UAE (sixth), Bahrain (20th), Oman (41st), Qatar (59th) and Kuwait (71st) were the top ranked Arab countries on the Depth Sub-Indicator; while the UAE (23rd), Saudi Arabia (30th), Bahrain (42nd), Qatar (49th) and Lebanon (53rd) were the best ranked countries on the Breadth Sub-Indicator.

Source: DHL, Byblos Research

IPOs down 58% to \$1.1bn in fourth quarter of 2018

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled \$1.1bn in the fourth quarter of 2018, down by 58.3% from \$2.6bn in the same quarter of 2017. There were seven IPOs in the MENA region in the fourth quarter of 2018 relative to nine IPOs in the same quarter of 2017. In comparison, there were six IPOs that raised \$629.6m in the first quarter of 2018, nine IPOs that raised \$881.5m in the second quarter and four IPOs that raised \$350m in the third quarter of last year. Capital raised through IPOs in the MENA region accounted for 2% of total capital raised through IPOs worldwide in the fourth quarter of 2018, while the number of IPO deals in the region represented 2.1% of the number of global IPOs. There was one IPO deal in Qatar that raised \$745.6m in the covered quarter, equivalent to 68.7% of the MENA region's total deal value. Also, there were two IPOs in Saudi Arabia that raised \$130.8m (12.1%), and one IPO in each of Egypt, Morocco, Bahrain and Algeria that raised \$123.2m (11.4%), \$44m (4.1%), \$32m (2.9%) and \$9.5m (0.9%), respectively. Further, IPOs in the mining and metals sector raised \$745.6m, or 68.7% of the MENA region's total, followed by the financial services sector with \$123.2m (11.4%), the consumer services sector with \$66.7m (6.1%), the real estate sector with \$64.1m (5.9%), the consumer goods sector with \$44m (4.1%), the transportation industry with \$32m (2.9%), and the leisure and tourism sector with \$9.5m (0.9%).

Source: EY

OUTLOOK

EMERGING MARKETS

Banking systems to face three major risks in 2019

S&P Global Ratings indicated that global financial conditions in early 2019 are tighter than they were a year ago. But it noted that emerging markets (EMs) have recently benefitted from a recovery in investor appetite following the U.S. Federal Reserve's decision to keep interest rates stable in January 2019. Still, it expected the 10 largest EM banking systems to face three major risks in 2019, amid prospects of slow global growth and higher cost of external funding.

First, the agency anticipated the non-performing loans and the cost of risks of EM banking sectors to rise in 2019, as banks are operating in a less favorable economic environment and are adopting the International Financial Reporting Standard 9. It said that most banking systems, such as in China, Mexico and GCC countries, will report at best stable asset quality indicators this year, while it projected the asset quality of Turkey's banking sector to significantly deteriorate. It cautioned that a more pronounced slowdown in the global economy or lower commodity prices could weaken EM banking sectors' asset quality. In contrast, it anticipated India's asset quality indicators to improve this year due to the new bankruptcy framework.

Second, S&P considered that the 10 largest EM banking systems' dependence on external debt is a source of risk, as it makes them vulnerable to capital flows. It noted that this risk is most prevalent in Turkey and Qatar, as the remaining EM banking sectors have limited external debt or operate in countries with a net external asset position. It cautioned that deposit outflows or a decline in the debt rollover rate would force Turkish banks to use their deposits at the Central Bank of Turkey, which reached about \$95bn at the end of September 2018. Further, it pointed out that the Qatari government continues to show strong willingness and capacity to support the banking system, as it injected about \$42.5bn to help banks cope with capital outflows that were triggered by the political crisis with other Gulf countries in 2017. Third, S&P considered that EM banks are vulnerable to changes in investors' sentiment towards EMs. It said that investors have accelerated their exit from several EMs due to challenges in these countries, as well as due to higher returns in more mature markets.

Source: S&P Global Ratings

SAUDI ARABIA

Non-oil sector growth to pick up to 2.3% in 2019

Jadwa Investment projected Saudi Arabia's real GDP growth to slightly decelerate from 2.2% in 2018 to 2% of GDP in 2019, mainly due to lower hydrocarbon output. It forecast growth in the hydrocarbon sector to slow down from 2.8% in 2018 to 1.6% this year, as output is expected to be constrained by production cuts under the OPEC agreement. However, it anticipated non-hydrocarbon sector growth to slightly accelerate from 2.1% in 2018 to 2.3% in 2019 amid an expansionary fiscal policy as well as stronger activity in the non-oil manufacturing, construction and transportation sectors. It considered that global economic and regional political developments, lower global oil prices, as well as tight global financing conditions constitute the main external risks, while the increase in expatriate levies in 2019 is the most significant domestic risk.

In parallel, Jadwa forecast the Kingdom's fiscal deficit to widen from 4.6% of GDP in 2018 to 5.5% of GDP in 2019 and to miss the government's target of 4.2% of GDP, due to lower-than-budgeted oil revenues and record-high public spending. However, it noted that its revenue projections for this year exclude potential receipts from privatization or proceeds from corruption probes. It anticipated fiscal financing requirements to reach about SAR118bn in 2019, and expected authorities to issue external bonds this year, and to drawdown government deposits held at the Saudi Arabian Monetary Agency (SAMA) to finance the deficit. In turn, it projected the gross public debt level to rise from 19% of GDP at end-2018 to 22% of GDP at the end of 2019. Further, it projected the current account surplus to decrease from 9.1% of GDP in 2018 to 7.9% of GDP in 2019, due to lower export receipts, but to recover to 8.3% of GDP in 2020 in case of higher oil and non-oil export revenues. In this context, it did not anticipate a significant buildup in foreign currency reserves at SAMA, amid sizable net outflows from the non-reserve financial account. It forecast official reserve assets at \$508bn, or about 62.2% of GDP at end-2019 and at \$516bn, or about 59.4% of GDP at end-2020.

Source: Jadwa Investment

AFRICA

Economies face elevated external vulnerabilities

Goldman Sachs considered that public debt sustainability in Sub-Saharan Africa (SSA) has improved since 2016 as a result of large fiscal adjustments, especially on the expenditures side. However, it projected that around 50% of SSA economies would continue to have public debt levels that exceed 50% of GDP in the coming five years, despite their sustainable debt trajectory and continued fiscal adjustment. It considered that fiscal vulnerabilities are the highest in Zambia, followed by Namibia, South Africa, Ghana, Kenya, Angola, Nigeria, Ethiopia, Gabon, Côte d'Ivoire, Cameroon and Senegal.

Further, it indicated that the majority of SSA sovereigns face elevated external vulnerabilities. But it anticipated that vulnerable sovereigns have sufficient foreign currency reserves to cover short-term external debt. The Bank pointed out that Gabon has the highest external vulnerability, followed by Namibia, Kenya, Angola and Ethiopia, when taking into account the sustainability of the current account balance and the coverage ratio for short-term external debt. In contrast, it noted that Côte d'Ivoire, Nigeria and Senegal have the lowest external vulnerabilities.

In parallel, Goldman Sachs pointed out that the public debt sustainability of SSA sovereigns is highly sensitive to currency depreciation. As such, it expected the public debt of the majority of SSA economies to destabilize, in case these countries face steeper currency depreciation than their average historical depreciation rate. It also anticipated that most SSA countries, especially those with elevated debt levels like Angola, would be sensitive to interest rate shocks. It pointed out that SSA economies continue to account for a high share of emerging markets (EM) that have IMF programs. It expected Kenya, which recently exited an IMF program, to re-enter a new program in 2019. Further, Goldman Sachs forecast SSA sovereigns to issue \$12bn in Eurobonds this year that will be concentrated among a few large issuers.

Source: Goldman Sachs



ECONOMY & TRADE

OMAN

Sovereign ratings downgraded on deteriorating debt metrics

Capital Intelligence Ratings (CI) downgraded Oman's long-term local and foreign currency issuer ratings from 'BBB' to 'BBB-', and revised the outlook from 'negative' to 'stable'. It attributed the downgrade to its expectations that the public and external debt levels would significantly increase in the 2019-20 period due to wide fiscal and current account deficits. It forecast the fiscal deficit to average 9.5% of GDP annually in the 2019-20 period, which would increase the central government's debt level from 47.1% of GDP at end-2018 to 64.7% of GDP at end-2020. It noted that the introduction of the value-added tax in September 2019 would raise non-oil revenues by around 1% of GDP this year. However, it said that authorities need to implement additional fiscal consolidation measures on the revenue and spending sides, in order to put public finances on a sustainable path. It added that large expenditure rigidities, including from the very high public-sector wage bill that was equivalent to 18.5% of GDP in 2017, complicate the fiscal adjustment. Further, it anticipated the current account deficit to average 6.2% of GDP annually in the 2019-20 period, while it projected the total external debt level to rise by 10% of GDP in the 2018-20 period. In parallel, CI indicated that Oman's sovereign ratings are supported by potential support from other GCC countries in case of financial distress, as well as by the country's substantial external buffers that reached 43% of GDP at end-2018. In contrast, it noted that the ratings are constrained by Oman's high reliance on hydrocarbon revenues and by substantial geopolitical risks.

Source: Capital Intelligence Ratings

TUNISIA

Failure to pass key reforms threatens timely support from official donors

Moody's Investors Service considered that the Tunisian government's decision to raise public sector wages and its failure to reform the public pension system threaten the timely disbursement of lending support from the International Monetary Fund and foreign donors. It noted that the government agreed to a salary increase package for 670,000 public sector workers, which would raise the wage bill from 14% of GDP in 2018 to 14.5% of GDP in 2019, or by around \$400m or about 1% of GDP in the coming two years. Also, Moody's noted that Parliament rejected in December the public pension reform proposal, which required the government to borrow \$180m to cover the gap between benefits disbursed and resources available to the pension funds. It anticipated that this gap could increase to \$600m, or 1.5% of GDP, in 2019, if Parliament fails to enact the pension reform in 2019. Further, it noted that continued support from the IMF and from other international funding programs is essential, given the country's reliance on multilateral donors to meet about 50% of its gross financing needs in each of 2019 and 2020. It added that international donors are calling on the government to reform energy subsidies and to reduce the energy subsidy bill from 2% of GDP in 2018 to less than 1% of GDP in 2020. It expected international support to continue, but it noted that reform delays could create uncertainties about the disbursement schedule, and weigh on Tunisia's government effectiveness and institutional strength.

Source: Moody's Investors Service

TURKEY

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Turkey's long-term foreign-currency sovereign credit rating at 'B+', and its local currency rating at 'BB-', with a 'stable' outlook. It indicated that the ratings are constrained by risks to the balance of payments and by weak institutions. It considered that Turkey's response to last year's financial and balance-of-payments pressures have mostly focused on "relieving symptoms" rather than on addressing the fundamental vulnerabilities of the economy. Still, it considered that authorities have fiscal space to support state-owned entities in case of need, given the relatively low government debt level. It expected the economy to contract by 0.5% in 2019, following growth rates of 7.4% in 2017 and 2.7% in 2018, amid tight financing conditions and elevated inflation rates. Further, it noted that Turkey's balance-of-payment risks remain high, mainly due to the significant rise in the level of the external private sector debt from 25% of GDP at end-2010 to 40% of GDP at end-2018. It added that the external debt has a front-loaded repayment schedule, with almost 50% maturing over the next 12 months. In addition, it pointed out that the Central Bank of the Republic of Turkey (CBT) has limited buffers to counter a potential deterioration in the balance of payments. It estimated the CBT's net foreign currency reserves at \$40bn, or 5% of GDP, when excluding foreign-currency liabilities to domestic banks. In parallel, S&P projected the fiscal deficit to be contained at 3% of GDP or below in the 2019-22 period. As such, it forecast the government's debt to average 28.5% of GDP annually in the same period.

Source: S&P Global Ratings

RWANDA

Sovereign ratings affirmed, outlook 'positive'

S&P Global Ratings affirmed Rwanda's long-term foreign and local currency sovereign credit ratings at 'B', with a 'positive' outlook. It indicated that the ratings are constrained by the country's low GDP per capita and the government's high rate of debt accumulation to fund infrastructure projects. It noted that the ratings also reflect its expectations that the government would keep its net debt level at about 48% of GDP by 2022. The agency indicated that political and institutional stability, along with the support of international donors, have developed the Rwandan economy. It anticipated authorities to continue to implement policies that improve the business environment and gradually shift from a public sector-led to a private sector-led inclusive economic growth. As such, it projected real GDP growth to average 6.7% in the 2019-22 period, supported by upcoming investment projects, higher exports and consumption. S&P also anticipated that the government's policies to diversify exports and raise domestic production would reduce external imbalances in the medium term. As such, it expected the current account deficit to narrow from a peak of about 16% of GDP in 2016 to an average of 9.5% of GDP in the 2019-22 period. Still, it estimated external financing needs to remain high at over 110% of current account receipts (CARs) and usable reserves over the 2019-22 period. It also projected Rwanda's external debt to rise from an estimated 110% of CARs at end-2018 to 140% of CARs at the end of 2022, as the government moves away from grant financing towards concessional loans and project financing.

Source: S&P Global Ratings

BANKING

WORLD

Downgrades outweigh upgrades in second half of 2018

Fitch Ratings indicated that it downgraded the Issuer Default Ratings (IDRs) of 42 banks worldwide in the second half of 2018, including 36 banks in emerging economies and six banks in developed countries. It indicated that banks in the Middle East & Africa region accounted for 64.3% of total downgrades, followed by banks in Emerging and Developed Europe (9.5% each), Emerging Asia (7.1%), Emerging Americas (4.8%), and Developed Americas and Developed Asia Pacific (2.4% each). It noted that the number of downgrades doubled from the first half of 2018, mainly due to the downgrade of 25 Turkish banks. It added that the downgrades in developed markets were mainly due to pressures on capitalization, while the banks' downgrades in emerging markets, notably in the Middle East & Africa region, reflected a challenging operating environment and the reduced ability of authorities or of foreign parent banks to provide support in case of need. In parallel, the agency upgraded the ratings of 28 banks globally in the second half of 2018, including 14 banks in emerging markets and 14 in developed economies. It said that banks in Developed Europe accounted for 46.4% of upgrades globally, followed by banks in Emerging Europe (21.4%), the Middle East & Africa region (14.3%), Emerging Asia (10.7%), and Developed and Emerging Americas (3.6% each). It noted that 50% of the banks' upgrades is due to the improvement in their standalone profiles. Further, it said that the banks' upgrades in emerging markets reflect similar actions on the sovereign ratings, a positive reassessment of the country risk, and/or a stabilization in the banks' asset quality, among others.

Source: Fitch Ratings

JORDAN

Lending to resident private sector up 5% in 2018

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD50.9bn or \$71.8bn at the end of 2018, constituting an increase of 3.6% from the end of 2017. The banking sector's assets were equivalent to 170.2% of GDP in 2018 relative to 172.6% of GDP in 2017. Claims on the resident private sector grew by 5.2% from end-2017 to JD23.7bn, while credit facilities to the non-resident private sector rose by 31% to JD655.3m, leading to an increase of 5.8% in overall private sector credit facilities in 2018. Lending to the resident private sector accounted for 46.5% of total assets at the end of 2018 compared to 45.8% a year earlier. In parallel, resident private sector deposits reached JD26.9bn at the end of 2018, nearly unchanged from end-2017, while non-resident private sector deposits grew by 5.7% from the end of 2017 to JD3.8bn. The government's deposits totaled JD946.8m and those of public non-financial institutions reached JD245.7m. Further, claims on the public sector accounted for 22% of total assets at end-2018 compared to 21% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD5bn, or \$7.1bn at end-2018, down by 13.7% from JD5.9bn at end-2017; while capital accounts and allowances increased by 3.6% from end-2017 to JD7.8bn. Deposits at foreign banks reached JD3.8bn, or \$5.4bn, at the end of 2018, down by 5.6% from end-2017; while the sector's foreign liabilities increased by 8.4% from end-2017 to JD7.4bn.

Source: Central Bank of Jordan

EGYPT

Monetary easing depends on impact of subsidy cuts

J.P. Morgan Chase indicated that the Central Bank of Egypt (CBE) reduced unexpectedly its key policy interest rates by 100 basis points, citing moderate inflationary pressure and a more favorable external environment. It noted that expectations of fewer U.S. interest rate hikes this year significantly improved foreign investors' risk appetite and increased foreign portfolio inflows to Egypt, which, in turn, resulted in the strengthening of the Egyptian pound from EGP18 against the US dollar to about EGP17.5 per dollar. As such, it said that the CBE's decision to reduce interest rates also aims to address the strengthening of the pound in order to avoid an overvalued currency. It expected the CBE to further cut its key policy rates this year amid more favorable global financial conditions. But it pointed out that the CBE would likely wait until after the planned subsidy cuts in June 2019. In parallel, Goldman Sachs considered that several factors encouraged the CBE to start its monetary easing cycle. These include an improving current account balance and favorable capital inflow prospects that strengthened the value of the pound, low domestic inflationary pressures, and high positive real rates. It anticipated interest rate cuts to be front-loaded this year, with a potential reduction of between 100bps and 150bps in March 2019. It said that the CBE would delay additional rate cuts until the liberalization of fuel prices. It added that the CBE would only resume monetary easing when market conditions become more supportive, and projected the CBE to cut its interest rates by an average of 100bps per quarter in the next two years.

Source: J.P. Morgan Chase, Goldman Sachs

UAE

Higher interest rates and lower cost of risk drive earnings of large banks

Moody's Investors Service indicated that the aggregate net income of the UAE's four largest banks, First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank and Dubai Islamic Bank, reached AED32bn, or \$8.7bn, in 2018, up by 14% from 2017. It noted that the banks' combined net interest income rose by 9% last year, supported by higher interest rates and solid lending growth, mainly in wholesale, corporate and investment banking. It pointed out that lending increased by 7% in 2018, customer deposits grew by 11% and that the aggregate net loans-to-deposits ratio reached 87% at the end of 2018. In addition, it said that non-interest income declined by 3% last year due to lower receipts from fees and commissions, as well as from investments. Further, the agency indicated that the banks' operating costs increased by 2% in 2018 due to investments in technology and higher staff costs. It added that the banks' overall cost-to-income ratio stood at 30% in 2018 compared to 31% in 2017. In parallel, Moody's considered that the adoption of the international accounting standard IFRS 9, as well as the de-risking of unsecured retail portfolios by the four banks resulted in lower loan-loss provisioning needs that declined by 22% in 2018. It added that the banks' aggregate Tier One capital ratio marginally regressed from 16.5% at the end of 2017 to 16.2% at end-2018, due to the implementation of IFRS 9 and to lower capital retention. The agency expected the banks' profitability metrics to decrease in 2019 due to higher provisioning charges and funding costs.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average \$66 p/b in 2019

ICE Brent crude oil front-month prices reached \$67.1 per barrel (p/b) on February 20, their highest level since November 2018, driven by the OPEC output cut agreement and by U.S. sanctions on Iran and Venezuela. However, the increase in prices was limited by expectations of higher U.S. shale oil output in March. Citi Research indicated that the potential recovery of oil production in Libya, concerns about global growth, and uncertainties related to trade talks between the U.S. and China have constrained oil prices. Further, it pointed out that the International Energy Agency (IEA), the U.S. Energy Information Administration (EIA) and the OPEC, slightly lowered their forecasts for global oil demand, while they revised upward their non-OPEC oil supply projections for 2019. Also, Citi expected OPEC to phase out the output cuts in the second half of 2019. As a result, it anticipated global oil inventories to increase by 0.3 million barrels per day (b/d) in 2019, which will result in a production surplus in the global oil market. In comparison, Jadwa Investment expected the global oil market to remain broadly balanced, due to the expiry of U.S. waivers for Iranian oil importers in May 2019 and its expectation of an extension of the OPEC agreement into the second half of 2019. However, it said that the global oil market could post a surplus of 1.5 million b/d in the second half of 2019, in case the OPEC agreement expires in June. Jadwa projected oil prices to increase gradually in coming months and to average \$66 p/b in 2019.

Source: Citi Research, Jadwa Investment, Thomson Reuters

OPEC oil output down by 2.5% in January 2019

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 30.81 million barrels per day (b/d) in January 2019, down by 2.5% from 31.6 million b/d in the preceding month. Saudi Arabia produced 10.21 million b/d in January 2019, or 33.2% of OPEC's total oil output, followed by Iraq with 4.67 million b/d (15.2%), the UAE with 3.08 million b/d (10%), Iran with 2.75 million b/d (8.9%) and Kuwait with 2.71 million b/d (8.8%).

Source: OPEC, Byblos Research

Middle East's demand for gold bars and coins up 102% in 2018

Net demand for gold bars and coins in the Middle East totaled 87.1 tons in 2018, up by 101.5% from 43.2 tons in 2017, and represented 8% of global demand for bars and coins. Demand from Iran for gold bars and coins reached 61.8 tons last year, representing 70.9% of the region's total demand. Saudi Arabia followed with 10.2 tons (11.7%), then the UAE with 5.8 tons (6.6%), Kuwait with 3 tons (3.4%), and Egypt with 2.6 tons (3%).

Source: World Gold Council, Byblos Research

ME&A's oil demand to grow by 1.2% in 2019

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.58 million barrels per day (b/d) in 2019, which would constitute an increase of 1.2% from 12.43 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, which would reflect an increase of 1.5% from 4.73 million b/d in 2018.

Source: OPEC, Byblos Research

Base Metals: Copper prices to drop in 2019

LME copper cash prices reached \$6,428 per metric on February 20, 2019, constituting an increase of 8.1% from \$5,949 per ton at end-2018. The rise in the metal's price was mainly due to increasing concerns about a supply shortfall in the copper market as output from India is likely to be constrained by environmental laws, while a large mine in Indonesia reported that its exports permit has expired. However, Barclays Capital projected copper prices to average \$5,800 per ton in the first quarter of 2019, mainly due to an expected Chinese economic slowdown, and the resulting lower demand for copper from the world's top consumer of the metal. But it said that a seasonal upturn in demand and an anticipated recovery in Chinese growth are likely to push prices higher to \$6,550 per ton in the second quarter of 2019. Overall, it expected global demand for copper to increase by 1.6% relative to 3.8% in 2018, amid tighter global supply conditions. Further, Barclays projected global demand for refined copper at 23.88 million tons in 2019, up from 23.5 million tons in 2018, while it forecast global refined copper production at 23.9 million tons, up by 2.1% year-on-year. In this context, it projected copper prices to decrease from \$6,542 per ton in 2018 to \$6,125 per ton in 2019, as it forecast the copper market to shift from a deficit of 85,000 tons in 2018 to a surplus of 21,000 tons in 2019.

Source: Barclays Capital, Thomson Reuters

Precious Metals: Silver prices to rise by 7% to \$16.75 per troy ounce in 2019

Silver prices are projected to increase by 7% to an average of \$16.75 per troy ounce in 2019, supported by rising physical demand for the metal, higher investment in silver-related exchange-traded products (ETPs), as well as by declining mine production. On the demand side, silver usage in the global industrial sector is forecast to rise modestly in 2019, mainly supported by continued demand from the automotive sector and LED technologies. Also, global photovoltaic (PV) demand for silver has been expanding, as countries continue to diversify their energy generation capacity away from fossil fuels and towards renewable sources. The diversification trend towards PV is expected to continue this year, supported by incentives to promote solar energy projects. Further, demand for silver jewelry is projected to post solid growth this year, mainly supported by rising demand in Thailand and continued consumption in the U.S. as a popular alternative to gold. In addition, investments in silver-related ETPs are forecast to expand in 2019, as volatile global equity markets motivate investors to look for alternative investment options. On the supply side, mine production is expected to decline by 2% this year, while scrap supply is forecast to increase modestly in 2019.

Source: The Silver Institute



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Govt. 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	Positive	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
	Stable	Stable	Negative	Negative	Stable								
Oman	BB	Baa3	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-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Stable	Stable	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
	Stable	Negative	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are projections for 2018



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	30-Jan-19	No change	20-Mar-19
Eurozone	Refi Rate	0.00	24-Jan-19	No change	07-Mar-19
UK	Bank Rate	0.75	07-Feb-19	No change	21-Mar-19
Japan	O/N Call Rate	-0.10	23-Jan-19	No change	15-Mar-19
Australia	Cash Rate	1.50	05-Feb-18	No change	05-Mar-19
New Zealand	Cash Rate	1.75	13-Feb-19	No change	27-Mar-19
Switzerland	3 month Libor target	-1.25(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	09-Jan-19	No change	06-Mar-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Dec-18	No change	21-Mar-19
South Korea	Base Rate	1.75	24-Jan-19	No change	28-Feb-19
Malaysia	O/N Policy Rate	3.25	24-Jan-19	No change	05-Mar-19
Thailand	1D Repo	1.75	06-Feb-19	No change	20-Mar-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	16-Jan-19	No change	06-Mar-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-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	06-Feb-19	No change	20-Mar-19
Armenia	Refi Rate	5.75	29-Jan-19	Cut 25bps	12-Mar-19
Romania	Policy Rate	2.50	07-Feb-19	No change	01-Mar-19
Bulgaria	Base Interest	0.00	01-Feb-19	No change	01-Mar-19
Kazakhstan	Repo Rate	9.25	14-Jan-19	No change	04-Mar-19
Ukraine	Discount Rate	18.00	31-Jan-19	No change	14-Mar-19
Russia	Refi Rate	7.75	08-Feb-19	No change	22-Mar-19



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