

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

External debt issuance down 13% to \$239bn in first four months of 2019

Figures compiled by Citi Research show that emerging markets (EMs) issued \$239bn in external sovereign and corporate bonds in the first four months of 2019, down by 12.5% from \$273bn in the same period of 2018. The debt issued in Asia excluding Japan reached \$115bn or 48.1% of the total, followed by bond issuance in the Middle East & Africa (ME&A) with \$61bn (25.5%), Emerging Europe with \$34bn (14.2%), and Latin America with \$30bn (12.6%). Further, EM corporates issued \$168bn in bonds in the covered period, equivalent to 70.3% of total sovereign and corporate bond issuance. Asia ex-Japan issued \$108bn, or 64.3% of total corporate issuance in the first four months of 2019, followed by the ME&A region with \$28bn (16.7%), Latin America with \$18bn (10.7%), and Emerging Europe with \$14bn (8.3%). Also, EM sovereigns issued \$71bn in bonds, or 29.7% of new sovereign and corporate bonds, in the covered period. The ME&A region issued \$33bn, or 46.5% of total new sovereign bonds, followed by Emerging Europe with \$20bn (28.2%), Latin America with \$12bn (16.9%), and Asia ex-Japan with \$7bn (9.9%). In parallel, Citi projected the EMs' upcoming sovereign external debt service payments at \$15.4bn between May and July 2019, of which \$5.6bn or 36.4% of the total, would be from the ME&A region, \$3.8bn (24.7%) from Emerging Europe, \$3.6bn (23.4%) from Latin America, and \$2.3bn (15%) from Asia ex-Japan. It expected upcoming EM corporate external debt service payments at \$49.6bn in the same period, of which \$29.4bn, or 59.3% of the total, would be from Asia ex-Japan.

Source: Citi Research, Byblos Research

Nine out of 10 adults own a mobile phone

A survey conducted by the U.S.-based Pew Research Center indicated that a median of 89% of respondents in 11 emerging markets (EMs) owned a mobile phone in 2018. It noted that 97% of surveyed participants in Vietnam had a mobile phone last year, the highest rate among EMs, while 68% of respondents in Venezuela owned a mobile phone, the lowest percentage among countries covered in the survey. The 11 surveyed EMs are Colombia, India, Jordan, Kenya, Lebanon, Mexico, the Philippines, South Africa, Tunisia, Venezuela and Vietnam. Further, the survey pointed out that a median of 53% of respondents use a smartphone, with the highest share in Lebanon (86% of respondents). It also indicated that younger adults in EMs are more likely to have a smartphone than older respondents. In fact, it noted that a median of 79% of surveyed participants aged between 18 and 29 used a smartphone in 2018, relative to the median utilization rate of only 26% for adults that are aged 50 years or older. In parallel, the survey shows that a median of 67% of respondents believe that the increasing use of mobile phones had a favorable impact on education. It added that a median of 93% of EM adults said that mobile phones helped them stay in touch with people who live far away. But it pointed out that a median of 40% of surveyed participants believed that mobile phones had a negative impact on their physical health.

Source: Pew Research Center

MENA

Economic openness varies among Arab countries

The 2019 Global Index for Economic Openness (GIEO) ranked the UAE in 30th place among 157 countries around the world and in first place among 18 Arab countries. Qatar followed in 39th place, then Bahrain (46th), Oman (53rd), and Saudi Arabia (55th) as the top ranked Arab countries, while Sudan (142nd), Syria (145th), Mauritania (149th), Libya (150th) and Yemen (155th) had the lowest level of economic openness among Arab countries. The GIEO is a joint initiative between the Legatum Institute and the Templeton World Charitable Foundation. It measures an economy's openness to commerce by assessing the environment that enables or hinders a country's ability to trade domestically and internationally. The index is based on 22 variables grouped into four equally-weighted pillars that are Market Access & Infrastructure, the Investment Environment, Enterprise Conditions, and Governance. The rankings of eight Arab countries improved between the 2009 and 2019 surveys, while the ranks of 10 Arab countries declined over the 10-year period. The ranks of Iraq and the UAE improved by seven notches each, the highest increase among Arab countries; while Tunisia's rank regressed by 20 spots, the steepest decline in the region. The UAE came in first place on each of the "Market Access & Infrastructure", the "Investment Environment", the "Enterprise Conditions" and the "Governance" pillars.

Source: Legatum Institute

SAUDI ARABIA

Profits of listed firms down 10% to \$6.3bn in first quarter of 2019

The cumulative net income of 166 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR23.6bn, or \$6.3bn, in the first quarter of 2019, constituting a decrease of 9.7% from SAR26.1bn, or \$7bn in the first quarter of 2018. Listed banks generated net profits of \$3.8bn and accounted for 59.8% of total net earnings in the covered period. Basic materials companies followed with \$1.4bn (22.2%), then telecommunications firms with \$785.7m (12.5%), retailers with \$138m (2.2%), energy firms with \$124m (2%), the food & beverage industry with \$99.2m (1.6%), healthcare firms with \$56.3m and real estate management & development companies with \$54m (0.9% each), insurers with \$53m and diversified financial services providers with \$48.1m (0.8% each), and transportation companies \$36.4m (0.6%). Further, the net earnings of media firms increased by 6.85 times year-on-year in the first quarter of 2019, followed by insurers (+46%), telecommunications firms (+22%), the food & beverages industry (+21.4%), banks (+12.7%), diversified financial services providers (+12.2%), retailers (+9%), and energy firms (+5%). In contrast, the profits of capital goods companies fell by 69% year-on-year in the first quarter of 2019, followed by real estate management & development firms (-44.9%), basic materials companies (-43.3%), consumer services firms (-41%), healthcare providers (-31.4%), commercial & professional services providers (-20.6%), food & staples retailers (-18.2%), and transportation firms (-6%). Further, the net losses of utilities firms widened by 19.4% year-on-year in the covered period.

Source: KAMCO

OUTLOOK

WORLD

Retail banking to face technological disruptions

S&P Global Ratings anticipated that traditional retail banks will need to digitize their business models in order to maintain and expand their franchises. It noted that digital solutions would allow banks to attract more clients, find new revenue channels, and become more efficient. It considered that the banks' new technologies would enable under-banked individuals and small- and medium-sized enterprises (SMEs) to have better access to banking services, especially in emerging markets. It said that traditional banks have already started to prepare for technological disruptions, as figures by KPMG show that 73% of the global fintech investments in the 2012-17 period were spent to upgrade banking services that are extended to retail and SME clients.

In parallel, S&P expected mobile banking, cloud computing, artificial intelligence and blockchain to alter retail banking sectors in coming years. First, it noted that mobile banking would enable banks to retain existing clients, while facilitating greater financial inclusion. Second, it said that cloud computing provides banks with the flexibility to adjust their information technology infrastructure. Third, it considered that artificial intelligence would help banks improve their understanding of client behavior and, in turn, expand revenues. Fourth, it said that ledger technologies and blockchain would allow banks to make business transactions more efficient and secure.

Further, the agency considered that client preference for emerging technologies will be the main catalyst for technological change, as banks would use such technologies to prevent customers from switching to more sophisticated service providers. But it pointed out that the banks' ability to respond to technological change will depend on their digital readiness. It also considered that market regulation and legal frameworks remain key in promoting competition and innovation. It said that authorities would need to protect banking systems from the negative effects of technological disruption that could reduce the quality of banking services and result in weaker and more vulnerable banking systems.

Source: S&P Global Ratings

AFRICA

Debt vulnerability varies across region

IHS Markit assessed the total debt vulnerability of 53 African countries in the 2019-23 period based on several indicators that include growth in real GDP per capita, debt-to-GDP ratios, reliance on commodity exports, roll-over debt needs, political risks and concessional debt holdings, among others. It placed 15 countries in the "high debt vulnerability" category, 23 economies under the "medium debt vulnerability" group and 15 sovereigns in the "low debt vulnerability" segment. It said that debt vulnerabilities are the highest in Eritrea, Somalia and the Republic of Congo, while they are the lowest in Mauritius, Botswana and Morocco.

In parallel, IHS considered that African economies should maintain high real GDP growth rates in order to limit their debt vulnerability, given that a higher potential growth path would facilitate the countries' repayment capacity. Further, it noted that the fiscal revenues of governments in Sub-Saharan Africa are low at 18% of GDP, due to the region's large informal sector, narrow tax base and weak tax administration. In addition, it considered that the persistent current account deficits in Africa reflect the

region's debt vulnerability given structural challenges, a small manufacturing sector, a low savings rate, the high concentration of exports, and slow remedial fiscal and monetary policies after experiencing external liquidity pressures. It said that higher external liquidity pressures increase the risk of default on external debt repayment, as currency depreciation would increase external debt servicing costs and fiscal needs. It added that other factors that affect the region's debt vulnerability include a solid relationship with foreign donors, access to IMF concessional lending and a strong debt repayment profile.

Further, IHS indicated that a significant or rapid increase in the public debt-to-GDP ratio leaves countries more vulnerable to economic stress. As such, it expected Somalia, Sudan and Eritrea to post the highest public debt-to-GDP ratios in the 2019-23 period, given the small size of these economies and their weak level of economic development and diversification. It considered that these factors could pose risks to the countries' debt-servicing capacity, given their high vulnerability to external factors such as lower global commodity prices and adverse weather conditions. In contrast, it expected Djibouti, Botswana and the Democratic Republic of Congo to post the lowest debt-to-GDP ratios in Africa in the next five years, due to a slower pace of debt accumulation compared to nominal GDP growth.

Source: IHS Markit

ETHIOPIA

External debt sustainability is main risk to outlook

European credit insurance group Credo considered that the sustainability of Ethiopia's external debt continues to be one of the largest risks to the country's medium- and long-term outlooks. It attributed this trend to Ethiopia's heavy borrowing in recent years to fund multiple infrastructure projects. It said that these projects supported the country's economic development and contributed to stronger economic growth. But it pointed out that the infrastructure projects have also increased the country's debt levels in recent years. It mainly attributed the build-up of debt to Ethiopia's small export base, and to the low level of current account receipts that are equivalent to only 15% of GDP. It noted that Ethiopia's external debt was equivalent to more than 215% of export receipts in 2017. It added that the current account receipts are highly concentrated, given that exports of agricultural products, air passenger transportation and private transfers provide the majority of the country's export receipts.

However, Credo anticipated that the new export-oriented infrastructure projects, including the Hawassa Industrial Park, the new railway to Djibouti and a number of new power lines, would support export growth. Further, it noted that Ethiopia has been strengthening its public debt management mainly through scaling back non-concessional borrowing and limiting borrowing by state-owned enterprises, which has slowed down the rise in external debt. Still, it considered that the main risk to Ethiopia's external debt sustainability comes from whether the new infrastructure projects would be able to generate export receipts that would justify the financing of these projects. In addition, it indicated that China announced that it will restructure part of Ethiopia's debt. It noted that the restructured debt is expected to cover only a small portion of Ethiopia's borrowing from China, which it estimated at \$13bn, but that it would still help reduce Ethiopia's short-term external pressures.

Source: Credo

ECONOMY & TRADE

ARMENIA

Sovereign ratings affirmed, outlook 'positive'

Fitch Ratings affirmed Armenia's long-term foreign- and local-currency Issuer Default Ratings (IDRs) at 'B+', with a 'positive' outlook. It indicated that the ratings are supported by the country's credible monetary policy framework and higher income per capita than similarly-rated peers, but are constrained by Armenia's elevated public and external debt levels. It forecast real GDP growth to decelerate from 5.2% in 2018 to 4.6% in 2019, as it anticipated that lower remittance inflows would likely weigh on private consumption. Also, the agency projected Armenia's fiscal deficit to widen from 1.6% of GDP in 2018 to 2.3% of GDP in 2019 due to increased public expenditures, but to remain narrower than the 'B'-rated sovereigns' median deficit of 4.3% of GDP. Further, it expected the public debt level to decline from 55.8% of GDP at end-2018 to 54.5% of GDP at end-2020, mainly reflecting continued economic growth and tighter fiscal policy in the medium term. In parallel, Fitch forecast Armenia's current account deficit to narrow from 9.1% of GDP in 2018 to 5% of GDP in 2019, supported by exports from the tourism, agricultural and manufacturing sectors. But it noted that foreign direct investments would be insufficient to finance the current account deficit this year, which would lead to a rise in net external debt to 48.8% of GDP at end-2019. It added that foreign currency reserves declined from 4.2 month of current external payments in 2017 to 3.5 months of external payments in 2018, due to a widening of the current account deficit last year. But it said that Armenia's precautionary \$248.2m Stand-By Agreement with the IMF provides an external buffer to potential shocks.

Source: Fitch Ratings

TURKEY

Tightening financial conditions accelerating economic downturn

Bank of America Merrill Lynch (BofAML) considered that Turkey's economic downturn, tax cuts and higher expenditures are affecting the country's public finances. It indicated that the central government's 12-month trailing fiscal deficit that ended in April 2019 reached TRY104bn, which is wider than the budgeted deficit of TRY81bn, reflecting subdued government revenue growth and rising expenditures. In this context, it noted that the central government's revenues were flat in the first four months of 2019 compared to the same period last year. It said that authorities recently reintroduced a financial transaction tax on the purchase and sale of foreign currency, which aims to add 0.1% of GDP to public revenues. In parallel, it pointed out that government spending grew by 27% year-on-year in the first four months of 2019. Further, BofAML anticipated that tightening financial conditions since April 2019, which include negative credit growth and higher interest rates, would weigh on economic activity starting in the second quarter of the year. But it noted that the tighter financial conditions would also help reduce inflation. It added that the Central Bank of the Republic of Turkey (CBRT) remains committed to reducing the inflation rate by limiting policy rate reductions. In addition, it noted that the CBRT's net international reserves stabilized at \$26.6bn, supported by foreign currency swaps with residents.

Source: Bank of America Merrill Lynch

QATAR

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Qatar's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA-', with a 'stable' outlook. It indicated that the ratings balance the country's return to fiscal and external surpluses, strong net external and public sector asset position, as well as high GDP per capita, against an elevated government debt level, a high reliance on the hydrocarbon sector, as well as moderate scores on measures of governance and the ease of doing business. It added that Qatar is exposed to regional geopolitical shocks that increase the risks of disruption to its economy. The agency expected the general government's fiscal surplus, including the estimated investment income from the public sector's external assets, to narrow from 4.6% of GDP in 2018 to 2.8% of GDP in 2019. It attributed the expected narrowing of the fiscal surplus to the moderation in global oil prices and a rebound of nearly 9% in government spending amid higher capital spending ahead of the 2022 Football World Cup. Further, it forecast the public debt level to increase, despite the fiscal surplus, from 59% of GDP at end-2018 to 63% of GDP at end-2019, well above the median of about 40% of GDP for similarly-rated peers. In parallel, it estimated that Qatar's sovereign net foreign assets were broadly stable at about \$229bn, or 119% of GDP at end-2018, which is significantly higher than the net foreign assets of most 'AA'- and 'A'-rated sovereigns.

Source: Fitch Ratings

MAURITANIA

Structural reforms to maintain favorable economic outlook

The International Monetary Fund indicated that Mauritania's economic activity continues to be favorable, supported by the Extended Credit Facility arrangement with the IMF. It estimated real GDP growth at 3.6% in 2018 and projected it to accelerate to 6.7% in 2019 due to the robust growth in non-extractive sectors, more favorable terms of trade, and the upcoming development of a large offshore gas field. It said that the implementation of planned structural reforms has maintained macroeconomic stability, created some fiscal space, reduced the external debt level, and boosted foreign currency reserves. In this context, it forecast the external debt level to decline from 69.3% of GDP at end-2018 to 67.3% at end-2019, while it projected foreign currency reserves to improve from \$919.1m at end-2018 to \$1bn at end-2019. In parallel, the Fund noted that the government plans to use the potential fiscal space on priority social spending and on public infrastructure, and to seek concessional financing to improve debt sustainability. As such, it projected a balanced fiscal position in 2019 following a surplus of 3.3% of GDP in 2018, while it forecast the debt level to decline from 83% of GDP at the end of 2018 to 78.5% of GDP in at the end of 2019. Further, the IMF encouraged authorities to maintain policy discipline and to implement broad-based structural reforms, including strengthening tax policy and administration, as well as improving the effectiveness of public spending. It considered that the increasing flexibility of the exchange rate will help address external shocks and preserve foreign currency reserves. It added that downside risks to the growth outlook include commodity price volatility and adverse weather conditions, among others.

Source: International Monetary Fund



BANKING

GCC

New wave of bank consolidation dependent on economic developments

S&P Global Ratings considered that the wave of bank mergers and acquisitions (M&A) in the Gulf Cooperation Council (GCC) region in the past 24 months is an indicator of the desire of banks with the same major shareholders to further strengthen franchises, enhance efficiency and boost pricing power. It pointed out that six out of the eight mergers that took place in the region since 2014 benefited from the presence of the same shareholders on both sides of the transaction, or among the acquiring and targeted banks. As such, it considered that these deals were closer to shareholders reorganizing their assets rather than to genuine mergers. But the agency indicated that the wave of banking sector consolidation in the region is almost over, given the reduced common ownership among the region's remaining major banks, which renders future deals more difficult. It considered that further banking sector consolidation could help improve the banks' performance and financial stability. Further, S&P anticipated that a new wave of acquisitions could emerge in case economic developments prompt shareholders to resort to M&A, and could involve deals across different GCC countries. But it considered that a new consolidation trend could take longer to materialize, as managers could find it difficult to convince boards of directors and shareholders of such moves, given that shareholders could have their assets diluted in case of M&A deals.

Source: S&P Global Ratings

NIGERIA

Sustained weakness in banks' asset quality

Fitch Ratings indicated that the recent financial disclosures by Nigerian banks under the international accounting standard IFRS 9 show sustained weakness in the banks' asset quality. It noted that Stage 3 loans, or non-performing loans, were broadly stable at 9.4% of total loans at the end of 2018, supported by loan recoveries and write-offs, as well as by improving operating conditions. However, it said that the high level of other problem loans and low reserve coverage continue to weigh on the banking sector. It considered that the elevated level of Stage 2 loans, or underperforming loans, would weigh on the banks' profitability, asset quality and capitalization metrics, given their risk of migrating to Stage 3. It noted that Stage 2 loans ranged from 7.5% to 25.7% of gross loans at end-2018, with the highest percentages reported at banks with high exposure to the oil and gas sector and at those with weaker underwriting standards. In parallel, Fitch indicated that the reserve coverage of problem loans, which include Stage 2 and Stage 3 loans, averaged 29% at end-2018, due to the low coverage of Stage 2 loans. Further, it indicated that the additional provisions required by IFRS 9 for expected credit losses have had so far a minimal impact on the banks' regulatory capital, as they were offset against regulatory credit risk reserves (RRR). But it noted that banks with insufficient RRR to meet the additional provisions faced a large erosion of regulatory capital, as they had to make use of their retained earnings. In addition, it expected the banks' strong pre-impairment operating profitability to help Nigerian banks meet regulatory capital requirements, while it anticipated some small- and medium-sized banks to issue Tier two subordinated debt to strengthen their capital buffers.

Source: Fitch Ratings

ARMENIA

Ratings underpinned by government support

In its periodic review of the ratings of Ameriabank, Ardshinbank, IDBank, Armeconombank, Unibank, Inecobank and VTB Bank Armenia, Moody's Investors Service indicated that the 'B1' long-term local currency deposit ratings of Ameriabank and Ardshinbank reflect the banks' baseline credit assessments (BCAs) of 'b1', as well as the high probability of government support, in case of need. It also noted that Ameriabank's BCA is supported by the bank's healthy liquidity, diversified funding base and robust asset quality, while that of Ardshinbank is supported by good asset quality and solid profitability. Further, the agency said that the 'B1' long-term local currency deposit rating of Inecobank and the 'B2' rating of Unibank are based on the banks' BCAs of 'b1' and 'b3', respectively, as well as on the moderate likelihood of government support, if needed. It added that Inecobank's BCA is supported by good loan book diversification, high capital adequacy and stable funding, while that of Unibank shows a high level of problem loans and low loan-loss reserves coverage. In addition, it said that VTB Bank's 'B1' rating is based on its BCA of 'b3', reflecting the bank's weak standalone credit profile, but a high likelihood of support from its parent company Bank VTB. In parallel, Moody's noted that IDBank's 'B3' rating is based on its BCA of 'b3', indicating concerns about deficiencies in the bank's governance practices and in the transparency of its corporate loan book. The agency added that Armeconombank's 'B2' rating reflects its BCA of 'b2', which is supported by good asset quality, substantial capital buffers and health liquidity.

Source: Moody's Investors Service

KUWAIT

Earnings of largest listed banks up 7% to \$628m in first quarter of 2019

Regional investment bank EFG Hermes indicated that the aggregate net income of five listed banks, National Bank of Kuwait, Commercial Bank of Kuwait, Burgan Bank, Kuwait Finance House (KFH) and Gulf Bank, reached KD191m, or \$627.7m, in the first quarter of 2019, constituting an increase of 6.7% from KD179m, or \$588m in the same quarter of 2018. It attributed the rise in the banks' profits mainly to lower provisioning costs, which dropped to their lowest level in three years. It considered the interest rate environment to be more favorable for Kuwaiti banks in 2019 than it was in the second half of 2018, in case the U.S. Federal Reserve decides not to raise interest rates this year. Still, it anticipated maturing deposits that are booked at higher interest rates to put pressure on net interest margins in 2019. However, it expected lower provisioning costs to offset higher deposit rates, and projected the aggregate net income of the five banks to grow by 16% in 2019. In parallel, EFG Hermes indicated that lending growth at the banks improved from 4.3% in 2018 to 5.2% annually in March 2019, due to a pick-up in retail and corporate loans. It pointed out that the banks' quarter-on-quarter lending growth recovered to 1.7% in the fourth quarter of 2018 and to 1.2% in the first quarter of 2019, following a contraction of 0.9% in the third quarter of 2018. However, it said that aggregate year-on-year credit growth has weakened since the second quarter of 2018, due to the impact of the Turkish lira's devaluation on KFH and Burgan Bank.

Source: EFG Hermes

ENERGY / COMMODITIES

Brent oil prices to average \$65 p/b in 2019

ICE Brent crude oil front-month prices have been volatile in the past two weeks, trading at between \$67 per barrel (p/b) and \$72 p/b. Oil prices were supported by OPEC's output cuts, geopolitical tensions in the Middle East, as well as by a decline in U.S. oil inventories. In contrast, oil prices were constrained by escalating trade dispute between the U.S. and China, as the latter could lead to a slowdown in global economic growth and, therefore, in global oil demand. Fitch Ratings indicated that the expiry of U.S. waivers for Iranian oil importers has already increased oil price volatility. However, it anticipated Iran to continue exporting its oil, mainly to China, but it estimated Iranian exports to decline by 50% from 1 million barrels per day (b/d) at the beginning of the year, as Italy, Greece and Turkey have stopped buying Iranian oil. It also expected OPEC and non-OPEC countries to mitigate the decline in Iran's oil production, as it noted that the group had about 2 million b/d to 2.5 million b/d of unused output capacity at the end of April 2019, mainly in Saudi Arabia. As such, it said that the group could maintain its production broadly unchanged, given that compliance to the cuts reached 168% in April, which shows the group's ability to increase its output by 0.6 million b/d while remaining in line with the guidelines reached in December 2018. It expected Saudi Arabia to gradually increase its output in the second half of 2019 in order to meet global demand. Fitch forecast Brent oil prices to average \$65 p/b in 2019.

Source: Fitch Ratings, Thomson Reuters, Byblos Research

ME&A's oil demand to grow by 1% 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% from 12.45 million b/d in 2018. The region's demand for oil would represent 38% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 4.8 million b/d in 2019, an increase of 1.7% from 4.72 million b/d in 2018.

Source: OPEC, Byblos Research

MENA's natural gas exports to grow by 1% in 2019

Natural gas exports from the Middle East & North Africa region are forecast to average 4.74 million barrels of oil equivalent per day (boe/d) in 2019, up by 1% from 4.7 million boe/d in 2018. The GCC countries' natural gas exports would account for 75% of the region's gas exports this year, while non-GCC exporters would represent the balance of 25%. Qatar's natural gas exports are projected at 2.63 million boe/d this year, equivalent to 55.5% of the region's gas exports, followed by Algeria at 0.96 million boe/d (20.3%) and the UAE at 0.51 million boe/d (10.8%).

Source: International Monetary Fund, Byblos Research

Steel output up 5% in first four months of 2019

Global steel production reached 600 million tons in the first four months of 2019, constituting an increase of 4.8% from 572.6 million tons in the same period of 2018. China's steel production totaled 315 million tons in the first four months of 2019 and accounted for 52.5% of global output. India followed with 36.1 million tons (6%), then Japan with 33.6 million tons (5.6%) and the U.S. with 29.6 million tons (4.9%).

Source: World Steel Association, Byblos Research

Base Metals: Copper prices decrease amid ongoing trade tensions

LME copper cash prices reached \$5,854 per metric ton on May 29, 2019, constituting a decline of 9% from the end of April 2019. The decline in copper prices so far this month was mainly driven by heightened concerns about lower demand and reduced global economic growth following the escalation of the trade dispute between the U.S. and China. In fact, trade tensions between the world's two largest economies are expected to intensify amid reports that Chinese authorities are considering restricting exports of rare earths to the United States. In parallel, the latest available figures show that global demand for refined copper was nearly unchanged year-on-year at 3.8 million tons in the first two months of 2019, as Chinese demand grew by about 4%, while demand in the rest of the world declined by 4% from the first two months of 2018. On the supply side, global refined copper production was also nearly unchanged at 3.9 million tons in the first two months of 2019, driven by higher output from Australia, Brazil, China and Poland, which was mostly offset by lower production in Chile, the Democratic Republic of Congo, India and Zambia. Refined output grew by 25% in Oceania and by 2% in Asia, while it declined by 8% in each of Africa and in North & Latin Americas, and was unchanged in Europe.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Silver prices to increase to \$16 per ounce by end-2019

Silver prices have been on a downward trend in recent months, declining from an average of \$15.8 per troy ounce in February 2019 to \$15.3 an ounce in March and to \$15.1 an ounce in April 2019. The metal's price also reached a near sixth-month low of \$14.4 per troy ounce on May 28, 2019. The decline in prices is attributed to the strengthening of the US dollar, as well as to lower-than-anticipated Chinese demand for the metal. However, silver prices are projected to stabilize in coming months and to recover to \$15.9 per troy ounce by the end of 2019. The expected increase in prices would be driven by a widening of the production deficit in the silver market amid higher demand for photovoltaic and bar & coin and lower mine production. Still, headwinds to prices could arise from weaker U.S. automotive sales this year, which could reduce North American industrial demand for silver, as well as from a limited growth in Japan's electronics industry. In addition, growing supply of Chinese silver and lower manufacturing demand for the metal in the country constitute downside risks to the price outlook.

Source: Bank of America Merrill Lynch, Thomson Reuters



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+	-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	29-May-19	No change	10-Jul-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	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-Jul-19
Ghana	Prime Rate	16.00	27-May-19	No change	22-Jul-19
Angola	Base rate	15.50	24-May-19	Cut 25bps	26-Jul-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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