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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

External debt issuance down 9% to $167bn in first quarter of 2019

Figures compiled by Citi Research show that emerging markets (EMs) issued $167bn in external sovereign and corporate bonds in the first quarter of 2019, down by 8.7% from $183bn in the first quarter of 2018. The debt issued in Asia excluding Japan reached $76bn or 45.5% of the total, followed by bond issuance in the Middle East & Africa (ME&A) with $42bn (25.1%), Emerging Europe with $30bn (18%), and Latin America with $20bn (12%). Further, EM corporates issued $103bn in bonds in the covered period, equivalent to 61.7% of total sovereign and corporate bond issuance. Asia ex-Japan issued $69bn, or 67% of total corporate issuance in the first quarter of 2019, followed by Latin America with $12bn (11.7%), and each of Emerging Europe and the ME&A region with $11bn (10.7% each). Also, EM sovereigns issued $64bn in bonds, or 38.3% of new sovereign and corporate bonds, in the covered period. The ME&A region issued $31bn, or 48.4% of total new sovereign bonds, followed by Emerging Europe with $19bn (29.7%), Latin America with $8bn (12.5%) and Asia ex-Japan with $7bn (10.9%). In parallel, Citi projected the upcoming EM's sovereign external debt service payments at $24.1bn between March and May 2019, of which $7.9bn or 32.8% of the total, would be from Latin America, $6.6bn (27.4%) from the ME&A region, $5.1bn (21.2%) from Emerging Europe and $4.5bn (18.7%) from Asia ex-Japan. It expected upcoming EM corporate external debt service payments at $40.4bn over the same period, of which $25.4bn, or 63% of the total, would be from Asia ex-Japan, $6.5bn (16.1%) from Emerging Europe, $4.5bn (11.1%) from Latin America, and $4bn (10%) from the ME&A region.

Source: Citi Research, Byblos Research

MENA

Knowledge level varies across the region

The 2018 Global Knowledge Index indicated that the UAE has the 19th highest level of knowledge among 134 countries worldwide and the highest among 18 countries in the Middle East & North Africa (MENA) region. Israel followed in 20th place, then Qatar (43rd), Bahrain (44th) and Kuwait (50th) as the countries with the highest level of knowledge regionally. In contrast, Egypt (99th), Algeria (104th), Syria (130th), Mauritania (131st) and Yemen (134th) have the lowest level of knowledge among MENA countries. The index measures the multidimensional concept of knowledge, and aims to introduce a comprehensive approach to "knowledge-based development". It is composed of seven sub-indices that are Pre-University Education (15%); Technical Vocational Education & Training (TVET) (15%); Higher Education (15%); Research, Development & Innovation (RDI) (15%); Information & Communications Technology (ICT) (15%); the Economy (15%); and the General Enabling Environment (10%). The MENA region's average score stood at 44.3 points in 2018, and was lower than the global average of 47.6 points. The UAE ranked first on the Pre-University Education, TVET, Higher Education, ICT, and the Economy Sub-Indices; while Qatar ranked first in terms of the General Enabling Environment and Israel ranked first on the RDI Sub-Index.

Source: Knowledge4all, Byblos Research

Remittance inflows up 9% to $62bn in 2018

The World Bank estimated remittance inflows to Arab countries at $61.9bn in 2018, constituting an increase of 9.1% from $56.7bn in 2017, compared to a contraction of 13.4% in 2016 and an increase of 11.5% in 2017. It attributed the rise in remittances to the Arab region mainly to a growth of 17% in remittance flows to Egypt last year. Further, it said that inflows to Arab countries accounted for 9% of global remittance flows and for 11.7% of remittances to developing economies in 2018. The Arab region ranked as the third smallest recipient among developing markets, ahead of only Europe & Central Asia (11.2%) and Sub-Saharan Africa (8.7%). Also, the Bank estimated the increase in remittance inflows to Arab countries in 2018 to be the second smallest among developing economies, after only East Asia & Pacific (+6.7%). In parallel, it indicated that Egypt was the largest Arab recipient of remittances with $28.9bn or 46.7% of the total in 2018, followed by Morocco with $7.38bn (11.9%), Lebanon with $7.2bn (11.6%), Jordan with $4.37bn (7.1%), Yemen with $3.35bn (5.4%), Palestine with $2.56bn (4.1%), Tunisia with $2.03bn (3.3%), Algeria with $1.93bn (3.1%) and Syria with $1.62bn (2.6%); while the remaining seven Arab countries were the recipients of $2.56bn in remittances, or 4.1% of the total. Remittance inflows to Palestine were equivalent to 17.7% of GDP in 2018, the highest in the region, followed by Lebanon at 12.7% of GDP, Yemen at 11.7% of GDP, Egypt at 11.6% of GDP and Jordan at 10.4% of GDP. When excluding Syria, remittance inflows to Arab countries were equivalent to about 2.8% of the region's GDP last year.

Source: World Bank, Byblos Research

Equity issuance down 93% to $120m in first quarter of 2019

Equity Capital Markets (ECM) issuance in the Middle East & North Africa (MENA), which includes equity and equity-related issuances, totaled $119.8m in the first quarter of 2019, down by 93% from the same period of 2018. ECM issuance in the consumer staples industry reached $98.8m and accounted for 82.5% of ECM activity in the covered period, while ECM issues in the industrial sector stood at $21m and represented the remaining 17.5%. Also, initial public offerings did not raise any proceeds in the region in the first quarter of 2019 for the first time since the same quarter of 2002. In parallel, debt issuance in the region reached $31.3bn in the first quarter of 2019, up by 27% from the same period of 2018, and represented the highest level on record. Further, the value of announced mergers and acquisitions (M&A) in the MENA region, which includes inbound, outbound and domestic deals, totaled $101.7bn in the covered period, and increased by 498% from the first quarter of 2018. The rise in the value of M&A deals in the covered quarter was mainly driven by Saudi Aramco's acquisition of 70% of Saudi Basic Industries Corporation for $69.1bn. In addition, investment banking fees in the region stood at $143.8m in the first quarter of 2019, down by 50.3% from the same period of 2018. Debt capital market underwriting fees totaled $83m in the first quarter of 2019, and accounted for 57.7% of the overall fee pool, followed by syndicated lending fees with $47m (32.6%), fees from M&A deals at $11.1m (7.7%), and fees from equity capital markets transactions at $2.8m (2%).

Source: Refinitiv

OUTLOOK

EMERGING MARKETS

Growth at 4.4% in 2019, varies across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.4% in 2019, down from its January 2019 forecast of 4.5%, and compared to growth rates of 1.8% for advanced economies and 3.3% for the global economy. It attributed its revised forecast mainly to lower growth in China, the recession in Turkey and a deepening contraction in Iran. However, it anticipated economic conditions in emerging markets and developing economies to improve in the second half of 2019, due to stimulus measures in China and the gradual easing of recessions in Argentina and Turkey. Further, it considered that downside risks to the region's outlook include a re-escalation in global trade tensions, slower growth in advanced economies, tighter global financial conditions, increased policy uncertainty, as well as heightened geopolitical tensions.

The IMF projected economic growth in Emerging & Developing Asia at 6.3% in 2019, unchanged from its January 2019 forecast, reflecting the anticipated slowdown in China's economic activity, as well as the pickup in India's growth due to higher consumption and a recovery in investment. Further, it projected Sub-Saharan Africa's real GDP growth at 3.5%, unchanged from an earlier forecast, mainly due to lower oil prices that caused downward revisions to Angola and Nigeria's growth prospects. In addition, the Fund anticipated economic activity in the Commonwealth of Independent States at 2.2% in 2019, unchanged from its January 2019 forecast, due to weaker growth prospects in Russia. In parallel, it forecast growth in the Middle East, North Africa, Afghanistan & Pakistan region at 1.5% in 2019, down from an earlier projection of 2.4%, due to lower oil output in Saudi Arabia, ongoing macroeconomic adjustment challenges in Pakistan, the impact of U.S. sanctions on Iran, as well as ongoing geopolitical tensions. Further, it projected real GDP growth in Latin America & the Caribbean at 1.4% this year, down from its January forecast of 2%, amid weaker activity in Mexico and contractions in Argentina and Venezuela. Also, it forecast growth in Emerging & Developing Europe at 0.8% in 2019 relative to 0.7% previously.

Source: International Monetary Fund

AFRICA

External and domestic risks to persist in 2019

The World Bank projected economic growth in Sub-Saharan Africa (SSA) to accelerate from 2.3% in 2018 to 2.8% in 2019, supported by exports and private consumption, as well as due to a rebound in agricultural activity, a rise in mining production, and steady growth in the services sector in some SSA economies. But it noted that the growth projection for 2019 is slightly lower than the previous forecast of 3.3% for 2019, due to slower economic growth in Nigeria an Angola amid challenges in the oil sector, as well as subdued investments in South Africa. It noted that the region's external environment remains challenging, given the slowdown in global growth, tighter financing conditions, and uncertainties about the trade dispute between the U.S. and China. It added that domestic risks to the growth outlook include weaker fiscal consolidation in some SSA countries, especially those holding elections, as well as a deterioration in security conditions and the recurrence of severe weather conditions. In addition, it projected the region's median inflation rate at 4.9% in 2019 relative to 3.8% in 2018, with Angola, Liberia, Nigeria, Sudan and Zimbabwe facing double-digit inflation rates.

Further, the World Bank projected the median fiscal deficit of SSA economies to narrow from 3.8% of GDP in 2018 to 3% of GDP in 2019. It expected the fiscal surplus of oil-exporting countries to increase, supported by ongoing fiscal consolidation in Angola and among oil producers in the Central African Economic and Monetary Community sub-region. It anticipated the fiscal balance in non-resource-intensive countries to improve, but to deteriorate in metal-exporting economies. In addition, it forecast the median government debt level of SSA countries to regress from 54.4% of GDP at end-2018 to 53% of GDP at end-2019, due to fiscal consolidation. In parallel, it projected the region's median current account deficit to widen from 5.4% of GDP in 2018 to 6.1% of GDP in 2019, but to vary across SSA countries.

Source: World Bank

NIGERIA

Addressing economic challenges is key to unlock growth prospects

Barclays Capital projected Nigeria's real GDP growth to increase from 1.9% in 2018 to 2.5% in 2019, as the impact of higher elections-related spending in the fourth quarter of 2018 would carry over into 2019. It noted that President Muhammadu Buhari focused on Nigeria's security and corruption challenges during his first term, while economic activity was subdued. It anticipated that President Buhari's second term will be marked by almost the same economic policies that characterized his first term. As such, it considered that addressing economic challenges should be a top priority for the president's second term in order to raise economic growth. It pointed out that the slowdown in economic activity in recent years was due to a steady decline in capital investments, as well as to elevated inflation rates and an overvalued currency. It considered that the Central Bank of Nigeria's (CBN) tight monetary policy constrains economic growth. Further, it noted that the CBN is using import restrictions to limit access to foreign currency. In this context, it said that the CBN added the importers of textiles and garments to the import restriction list, which could weigh on the trade sector.

In parallel, Barclays indicated that Nigeria's expansionary fiscal stance, coupled with increased external and domestic borrowing, has not succeeded in stimulating growth in recent years, given the country's low capital spending levels. It noted that the fiscal deficit widened from 0.9% of GDP in 2014 to 2.7% of GDP in 2018, mainly due to a decline in oil and non-oil revenues, while capital expenditures decreased from 1.4% of GDP in 2013 to 0.8% of GDP in 2018. Also, it said that the share of the foreign-currency denominated debt more than doubled from 14% of total public debt in 2014 to 30% in 2018. It indicated that the 2019 budget targets a narrower fiscal deficit of 1.3% of GDP, despite a 34% increase in the public sector's wage bill. Barclays noted that the near-term outlook for the oil sector is positive, with the Egina offshore oil field coming online. However, it said that the long-term outlook for the oil sector is contingent on enacting outstanding petroleum reforms that have been rejected by President Buhari during his first term.

Source: Barclays Capital

ECONOMY & TRADE

EGYPT

Sovereign ratings upgraded, outlook 'stable'

Moody's Investors Service upgraded Egypt's long-term foreign- and local-currency issuer ratings from 'B3' to 'B2', which is five notches below investment grade. It also revised the outlook from 'positive' to 'stable'. It also upgraded the country's foreign-currency senior unsecured ratings from 'B3' to 'B2', its foreign-currency bond ceiling from 'B2' to 'B1', its foreign-currency deposit ceiling from 'Caa1' to 'B3', as well as its local-currency bond and deposit ceilings from 'Ba2' to 'Ba1'. It attributed its rating action to its expectations that ongoing economic and fiscal reforms will encourage a gradual improvement in Egypt's growth potential and fiscal metrics, and that the country's large domestic funding base will support its resilience to refinancing shocks. It expected Egypt's fiscal metrics to improve in the medium term, with the fiscal deficit narrowing from a targeted 8.4% of GDP in the fiscal year ending in June 2019 to 7.5% of GDP in FY2019/20. Also, it projected the public debt level to decline from 92.6% of GDP at end-June 2018 to 80% of GDP by end-June 2021, in case of sustained primary budget surpluses and strong nominal GDP growth. However, it noted that weak debt affordability and elevated financing needs expose Egypt's credit profile to a sharp tightening in global financing conditions. Still, it expected the sovereign's vulnerability to financing shocks to decline in coming years, in case of improved fiscal metrics. It added that the completion of energy subsidy reforms would reduce the inflation rate to single digits, which would prompt the Central Bank of Egypt to gradually reduce interest rates. It said that this would allow the government to extend the average maturity of its domestic debt, to reduce rollover needs and to limit the public debt's high sensitivity to interest rate shocks.

Source: Moody's Investors Service

TUNISIA

Economic activity constrained by economic and political uncertainties

The International Monetary Fund indicated that the Tunisian economy is experiencing a modest recovery in 2019. It noted that authorities have continued to implement reforms, but it considered that the country's elevated macroeconomic vulnerabilities threaten economic stability. It forecast real GDP growth at 2.7% in 2019 relative to 2.6% in 2018, supported by the agricultural and services sectors. Still, it noted that economic activity is constrained by elevated political and economic uncertainties, as well as by structural bottlenecks. It said that the country's economic activity is overly dependent on consumption, and that the growth of investments and exports continues to be subdued. Further, the Fund indicated that Tunisian authorities tightened monetary policy in order to contain inflationary pressures. But it noted that the inflation rate declined only slightly and still exceeds 7%, which threatens the purchasing power of the population, especially of more vulnerable segments. Further, The IMF said that authorities succeeded in narrowing the fiscal deficit in 2018, and noted that it agreed with authorities on the policy and reform steps that would allow the government to meet the 2019 budget deficit target of 3.9% of GDP. It added that Tunisia's elevated external and public debt levels have contributed to large financing needs.

Source: International Monetary Fund

OMAN

Non-hydrocarbon sector activity to improve to 4% in medium term

The International Monetary Fund indicated that the Omani economy is gradually recovering, with real GDP growing by 2.2% in 2018, supported by improved hydrocarbon and non-hydrocarbon sector activities. It estimated growth in the non-hydrocarbon sector at 1.5% in 2018, driven by improved confidence due to a rebound in global oil prices and higher government spending. It projected non-hydrocarbon sector activity to increase to about 4% in the medium term, amid sustained reform efforts to diversify the economy. It noted that the government's reform efforts aim to strengthen the fiscal position, enhance private sector-led growth and encourage economic diversification. Further, it said that the fiscal deficit narrowed from 13.9% of GDP in 2017 to about 9% of GDP in 2018 due to higher oil revenues. It anticipated the deficit to narrow to about 8% of GDP this year, as the impact of lower oil prices would be offset by a decline in spending, one-off revenues, and the implementation of new excise taxes. However, it noted that the fiscal deficit could widen in coming years in case of higher interest payments and lower oil prices and production. As such, it considered that authorities should implement deeper fiscal consolidation to ensure fiscal and external sustainability. It said that reforms should include tackling current spending rigidities, streamlining public investment and increasing non-oil revenues. In parallel, it noted that Oman's external buffers are adequate, with foreign currency reserves increasing by $1.3bn to $17.4bn at end-2018.

Source: International Monetary Fund

SYRIA

Quality of basic infrastructure improves since 2016

A survey by the United Nations Development Program (UNDP) of 1,511 respondents in Syria to assess the components of the 2016-19 UNDP Syria Country Program indicated that 96% of respondents said that the quality of basic infrastructure has improved since 2016. In parallel, the survey noted that 54% of surveyed inhabitants considered that infrastructure rehabilitation did not have an effect on business activity, while 75% of surveyed participants stated that the rehabilitation of the infrastructure did not create new jobs. Further, it said that 64% of surveyed Syrians who returned to their towns and villages considered that the rehabilitated infrastructure contributed positively to their decision to return, albeit to varying extents. In addition, the survey pointed out that 95% of respondents believed that the removal of debris had a positive impact on market activity, while it said that 93% of surveyed Syrians recognized that debris removal contributed to the re-opening of shops and businesses in their communities. It added that 54% of surveyed participants considered that the rehabilitation of social infrastructure facilities, including of schools and hospitals, has contributed to some extent to an increase in market activity; while 56% of respondents indicated that the rehabilitated social infrastructure facilities supported job creation. In parallel, it noted that 94% of surveyed participants considered renewable energy sources to be, to some extent, more effective and reliable than conventional energy sources.

Source: United Nations Development Program

BANKING

AFRICA

Banking sector frameworks improve

The International Monetary Fund indicated that Sub-Saharan African (SSA) countries have made progress in strengthening their banking sectors. It said that the economies of the Central African Economic and Monetary Community (CEMAC) adopted a number of new regulations, such as the clarification of the definition of systemically important institutions in line with the Basel Committee recommendations, and the establishment of a sound emergency liquidity assistance framework. Also, it noted that countries of the West African Economic and Monetary Union (WAEMU) adopted new prudential regulations aligned with Basel II and Basel III principles, which should help consolidate the balance sheets of the region's banks and address current vulnerabilities. In parallel, the Fund considered that transitioning to the International Financial Reporting Standard 9 (IFRS 9) requires the strengthening of SSA banks' balance sheets. It anticipated that SSA banks will need to raise their regulatory capital due to the increased loan-loss provisions under IFRS 9, but noted that this transition could be costly for many banks. Further, the IMF indicated that SSA countries differed in their transitions to IFRS 9, as some central banks responded by allowing banks to adjust their capital metrics over an extended period of time, while other monetary authorities took a further step by setting the provisioning for government securities at zero. In parallel, the Fund noted that the decline in correspondent banking relationships (CBRs) in a number of SSA countries has resulted in a higher concentration among the CBRs that remain, which increases the risk to financial stability. It expected ongoing reforms to anti-money laundering and combating the financing of terrorism frameworks to help reduce the risk of further loss of CBRs.

Source: International Monetary Fund

IRAQ

Stable banking sector amid sound liquidity and deposit base

Figures released by the Central Bank of Iraq (CBI) indicate that the Iraqi banking sector is stable, with sound liquidity levels and a stable depositor base. The ratio of private sector deposits at banks to broad money supply M2 increased marginally from 27.6% at the end of September 2017 to 27.8% at end-September 2018. Also, the ratio of currency in circulation to M2 declined from 46.2% at the end of September 2017 to 43.2% at end-September 2018. In parallel, the sector's loans-to-deposits ratio stood at 50.9% at the end of September 2018, below the CBI's ceiling of 70%, and which reflects the banks' sufficient liquidity to weather sudden deposit withdrawals. Further, the banks' return on assets rose from 0.42% in the third quarter of 2017 on an annualized basis to 0.53% in the third quarter of 2018, while their return on equity declined from 5.41% in the third quarter of 2017 on an annualized basis to 4.36% in the third quarter of 2018, due to a rise in the banks' capital levels. Also, the non-performing loans (NPLs) ratio increased from 8.8% at end-September 2017 to 12.4% at end-September 2018, while NPL provisions declined from 74.8% at end-September 2017 to 71.8% at end-September 2018. The CBI indicated that banks should increase their provisions in order to improve their coverage of NPLs and protect the banking system from default events.

Source: Central Bank of Iraq, Byblos Research

TURKEY

Capital support likely to be used for future lending

Barclays Capital considered that the lack of details about the Turkish government's newly-unveiled reform program that focuses on supporting the banking system raises uncertainties. It indicated that the reform program aims to increase domestic savings, ease inflationary pressures, support credit growth, and contribute to a faster economic recovery. It noted that the plan envisages capital support of TRY28bn for state banks, which is equivalent to around 0.8% of GDP, as well as the clean-up of the problem loans of the construction and energy sectors from the banks' balance sheets. It said that the announcement of the TRY28bn capital injection raises uncertainties about the asset quality of the sector, and prompted questions about whether the injection aims to address potential bad loans on the banks' balance sheets. It anticipated that most of the capital injection would likely be used for future lending rather than to address current problem loans, given that capital ratios for most of the state banks are currently well above the minimum requirements. However, it said that any potential conditions attached to this lending could put pressure on asset quality and lead to the further recapitalization of banks. In addition, it pointed out that the plan stipulates a mechanism that would unload energy and construction problem loans from the banks' balance sheets. It considered that it is difficult to assess the effectiveness of this mechanism without further details, while it indicated that the attempts to clean up problem loans from the banks' balance sheets are positive.

Source: Barclays Capital

QATAR

Banking sector assessment maintained

S&P Global Ratings maintained Qatar's banking sector in 'Group 5' under its Banking Industry Country Risk Assessment (BICRA), with economic and industry risk scores of '5' each. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 5' include Bermuda, India, Italy, Malta, Panama, Peru, the Philippines, Poland, Slovenia, South Africa and the UAE. S&P indicated that Qatar's economic risk score reflects its "high risks" in economic imbalances, as well as "intermediate risks" in economic resilience and in credit risk in the economy. It projected the banks' asset quality to deteriorate and credit losses to increase in 2019, mainly due to increasing pressure on the hospitality sector from the boycott imposed by several Arab countries. As such, it projected the non-performing loans ratio to increase from 2.3% at the end of 2018 to 2.7% at end-2019. In parallel, it pointed out that the industry score reflects the country's "high risks" in its system wide funding and "intermediate risks" in its institutional framework and its competitive dynamics. It noted that the banking sector benefits from adequate regulation and supervision. It also pointed out that the banking system's high reliance on external funding remains a significant source of risk, and projected the sector's net external debt at around 23% of domestic loans at the end of 2019. However, it anticipated that authorities would provide support if needed, as demonstrated in the second half of 2017. It said that the trend for economic risk is "stable", while it considered that the trend for industry risk is "negative".

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $67.4 p/b in 2019

ICE Brent crude oil front-month prices continued to trade at between $70 per barrel (p/b) and $72 p/b in the last two weeks, near their highest levels since mid-November 2018. Oil prices were supported by declines in Iranian and Venezuelan oil exports, by the OPEC and non-OPEC output cuts, as well as by supply concerns due to the fighting in Libya. Deutsche Bank expected OPEC to extend its oil production cut agreement for six months at its meeting in June 2019, which, along with continued difficulties in Venezuela and instability in Libya, would support the upward trend in oil prices. It added that the main upside risk to oil prices over the near term is the U.S. tightening on Iran's oil sector through the expiry of the waivers in May 2019, which are allowing several countries to import Iranian oil. On the demand side, it pointed out that still-strong oil demand from China offsets weaker oil demand from Europe and the United States. As such, Deutsche Bank projected the oil market to post a production deficit of 0.5 million barrels per day in the second half of 2019. Also, it expected Brent oil prices to reach a peak of $72 p/b in the third quarter of 2019 and to average $67.4 p/b in 2019. However, it pointed out that OPEC members could move towards easing their production cuts by December 2019, given that the OECD's total liquid fuels inventory remains below its five-year average. As such, it projected oil prices to decline to an average of $65 p/b in 2020.
Source: Deutsche Bank, Thomson Reuters, Byblos Research

OPEC's oil basket price up 4% in March 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $66.37 per barrel (p/b) in March 2019, up by 4% from $63.83 p/b in the preceding month. The UAE's Murban posted a price of $68.01 p/b, followed by Nigeria's Bonny Light at $67.71 p/b, and Saudi Arabia's Arab Light at $67.4 p/b. All prices included in the reference basket posted monthly rises between $1.86 p/b and $3.24 p/b in March 2019.
Source: OPEC, Byblos Research

Iraq's oil exports up 3% in March 2019

Preliminary figures show that Iraq's crude oil exports totaled 104.7 million barrels in March 2019, constituting an increase of 3.3% from 101.4 million barrels in February 2019. They averaged 3.38 million barrels per day (b/d) in March 2019 compared to 3.62 million b/d in the previous month. Crude oil exports that originated from the country's central and southern fields reached 100.9 million barrels in March, followed by shipments from the Kirkuk fields with 3.1 million barrels and those from the northern Qayara oil field with 722,954 barrels. Oil export receipts stood at $6.7bn in March 2019, up by 8.1% from $6.2bn in February.
Source: Iraq Ministry of Oil, 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 12.56 million barrels per day (b/d) in 2019, which would constitute an increase of 1.1% from 12.42 million b/d in 2018. The region's demand for oil would represent 38% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 4.81 million b/d in 2019, an increase of 1.9% from 4.72 million b/d in 2018.
Source: OPEC, Byblos Research

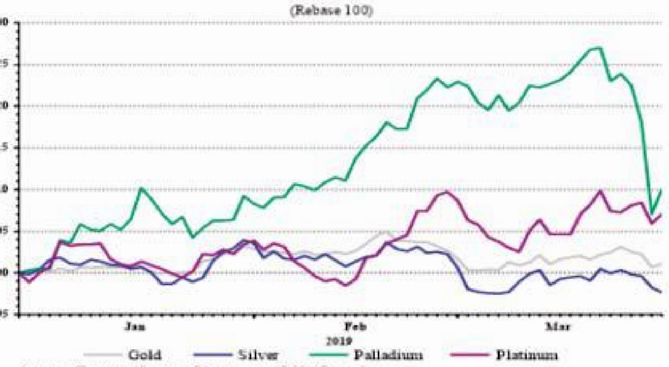
Base Metals: Nickel prices up 21% amid recovering demand and tight supply

The LME cash price of nickel reached $12,868 per metric ton on April 16, 2019, constituting an increase of 21.3% from $10,605 per ton at the end of 2018. The rise in nickel prices was mainly driven by concerns over supply tightness as LME-registered nickel inventories remain around their lowest levels since 2013, as well as by expectations of a supply deficit in the nickel market this year. Further, the metal's price increased due to a recovery in nickel demand amid a rebound in Chinese stainless steel output, given that nickel is used in the production of stainless steel. Also, a faster rise in Chinese housing prices, which signaled that China's stimulus policies are translating into stronger growth, supported the increase in prices. In fact, official data showed that China's economy grew at a steady pace of 6.4% in the first quarter of 2019 from the first quarter of 2018, given that industrial production increased sharply and consumer demand showed signs of improvement. In parallel, Fitch Solutions expected the rise in base metal prices to be capped in the coming weeks, unless the U.S. and China reach a trade agreement, as concerns over global growth continue to weigh on prices. However, it anticipated non-ferrous metal prices to increase in the second half of 2019, supported by robust demand from China.
Source: Fitch Solutions, Thomson Reuters

Precious Metals: Silver prices down 8% in 2018 amid trade dispute between the U.S. and China

Silver prices averaged $15.7 per troy ounce in 2018, down by 7.8% from 2017, and traded at a high of $17.5 an ounce and a low of $14 per ounce last year. The Silver Institute attributed the decline in prices in 2018 to the trade dispute between the U.S. and China. It pointed out that, contrary to expectations, investors perceived the US dollar as the ultimate safe haven asset, which led to the latter's strengthening and to weaker silver and gold prices. Further, it indicated that global silver mine production declined by 2% in 2018 to 885.7 million ounces, which constitutes the third consecutive annual drop in the metal's mine supply, mainly due to lower production in the Americas. But it projected silver production to recover in 2019 as a result of a ramp-up of operations in Argentina, India and Mexico. On the demand side, it noted that global demand for the metal rose by 4% to 1,033.5 million ounces in 2018, as the recovery in bar & coin demand, as well as in jewelry and silverware consumption, more than offset the contraction in the metal's industrial usage. As such, the silver market shifted from a production surplus 34.2 million ounces in 2017 to a supply deficit of 29.2 million ounces in 2018.
Source: The Silver Institute

Price Performance of Precious Metals in First Quarter of 2019



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-6.1	32.9*	2.1	-	-	-	-9	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Stable	-	Stable	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Stable	Stable	-	Stable	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-3.8	48.8	33.5**	-	-	-	-4.6	-
Libya	-	-	B	-	B-								
	-	-	Stable	-	Stable	-25.1	112.1	-	-	-	-	-1.5	-
Dem Rep	CCC+	B3	-	-	CCC								
Congo	Stable	Negative	-	-	Stable	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	Stable	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-4.1	167.5	166.6	-	-	-	-14.2	-
Tunisia	-	B2	B+	-	BB-								
	-	Negative	Negative	-	Negative	-5.2	70.5	82.6	-	-	-	-9.6	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
Rwanda	B	B2	B+	-	B+								
	Positive	Stable	Stable	-	Stable	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
Middle East													
Bahrain	B+	B2	BB-	BB	BB+								
	Stable	Stable	Stable	Stable	Stable	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
Iran	-	-	-	B+	BB-								
	-	-	-	Negative	Negative	-3.2	44.2	2.1	-	-	-	1.3	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
Jordan	B+	B1	-	BB-	A								
	Stable	Stable	-	Negative	Stable	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
Lebanon	B-	Caa1	B-	B	B-								
	Negative	Stable	Negative	Negative	Stable	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
Oman	BB	Ba1	BB+	BBB-	BBB								
	Stable	Negative	Stable	Stable	Stable	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Stable	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	0.6	17.8	54.9	-	-	-	7.2	-0.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Negative	-10.7	62.5	19.4	-	-	-	-9.3	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	IHS	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 (%)
Asia													
Armenia	-	B1	B+	-	B-								
	-	Positive	Positive	-	Stable	-2.7	52.5	82.8	-	-	-	-3.8	-
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
Pakistan	B-	B3	B-	-	CCC								
	Stable	Negative	Stable	-	Negative	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Positive	Stable	Stable	-	Stable	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
Turkey	B+	Ba3	BB	BB-	B+								
	Stable	Negative	Negative	Negative	Negative	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0

** Central Government*

*** External debt, official debt, debtor based*

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	20-Mar-19	No change	01-May-19
Eurozone	Refi Rate	0.00	10-Apr-19	No change	06-Jun-19
UK	Bank Rate	0.75	21-Mar-19	No change	02-May-19
Japan	O/N Call Rate	-0.10	15-Mar-19	No change	25-Apr-19
Australia	Cash Rate	1.50	02-Apr-19	No change	07-May-19
New Zealand	Cash Rate	1.75	27-Mar-19	No change	08-May-19
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Mar-19	No change	13-Jun-19
Canada	Overnight rate	1.75	06-Mar-19	No change	24-Apr-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	21-Mar-19	No change	20-Jun-19
South Korea	Base Rate	1.75	18-Apr-19	No change	31-May-19
Malaysia	O/N Policy Rate	3.25	05-Mar-19	No change	07-May-19
Thailand	1D Repo	1.75	20-Mar-19	No change	08-May-19
India	Reverse repo rate	6.00	04-Apr-19	Cut 25bps	06-Jun-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	15.75	28-Mar-19	No change	23-May-19
Turkey	Repo Rate	24.0	06-Mar-19	No change	25-Apr-19
South Africa	Repo rate	6.75	28-Mar-19	No change	23-May-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	26-Mar-19	Cut 50bps	21-May-19
Ghana	Prime Rate	16.00	01-Apr-19	No change	27-May-19
Angola	Base rate	15.75	01-Apr-19	No change	30-May-19
Mexico	Target Rate	8.25	28-Mar-19	No change	16-May-19
Brazil	Selic Rate	6.50	20-Mar-19	No change	08-May-19
Armenia	Refi Rate	5.75	12-Mar-19	No change	30-Apr-19
Romania	Policy Rate	2.50	02-Apr-19	No change	13-May-19
Bulgaria	Base Interest	0.00	01-Apr-19	No change	01-May-19
Kazakhstan	Repo Rate	9.00	15-Apr-19	Cut 25bps	03-Jun-19
Ukraine	Discount Rate	18.00	14-Mar-19	No change	25-Apr-19
Russia	Refi Rate	7.75	22-Mar-19	No change	26-Apr-19

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