

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Remittance inflows up 9% to \$59bn in 2018

The World Bank estimated remittance inflows to Arab countries at \$59bn in 2018, constituting an increase of 9.2% from \$54bn in 2017, compared to an increase of 6.8% in 2017 and a contraction of 0.5% in 2016. It attributed the growth in remittances to the Arab region mainly to a surge in remittance inflows to Egypt, Palestine and Sudan. It anticipated that improved economic growth in Europe would support remittance inflows to Morocco and Tunisia in 2018. Further, it said that inflows to Arab countries would account for 4.3% of global remittance flows and for 11.4% of remittances to developing economies in 2018. The Arab region ranked as the second smallest recipient in developing markets, ahead of only Sub-Saharan Africa (8.7%). Also, the figures show that the increase in remittance inflows to Arab countries in 2018 is the second lowest among developing economies, ahead of only East Asia & Pacific (+6.6%). In parallel, the Bank expected Egypt to be the largest Arab recipient of remittances this year with \$25.7bn or 43.5% of the total, followed by Lebanon with \$7.8bn (13.2%), Morocco with \$7.4bn (12.5%), Jordan with \$4.4bn (7.4%), Yemen with \$3.35bn (5.7%), Palestine with \$2.7bn (4.6%), Algeria with \$2.2bn (3.7%) and Tunisia with \$2bn (3.4%), while the remaining eight Arab countries will receive \$3.5bn in remittances, or 5.9% of the total. Remittance inflows to Palestine are estimated to be equivalent to 18% of GDP in 2018, the highest in the region, followed by Lebanon at 13.7% of GDP, Yemen at 11.7% of GDP, Jordan at 10.5% of GDP and Egypt at 10.3% of GDP. Excluding Syria, remittance inflows to Arab countries would be equivalent to about 2.1% of the region's GDP this year relative to 2.2% of GDP in 2017.

Source: World Bank, Byblos Research

M&A deals down 4% to \$33bn in first 11 months of 2018

Figures issued by Bureau Van Dijk and Zephyr show that there were 415 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$32.7bn in the first 11 months of 2018. In comparison, there were 559 M&A deals worth \$34.2bn in the first 11 months of 2017. The figures show declines of 25.8% in the volume of deals and of 4.3% in their amount year-on-year in the covered period. The amount of M&A transactions in the UAE reached \$11.1bn in the first 11 months of the year, which accounted for 34% of the region's aggregate deal value. Saudi Arabia followed with M&A deals of \$8.3bn (25.4%), then Egypt with \$6bn (18.4%), Morocco with \$1.6bn (4.8%), Kuwait with \$1.4bn (4.3%), Oman with \$1.1bn and Iran with \$1bn (3.2% each), Jordan with \$636m (1.9%), Libya with \$450m (1.4%) and Qatar with \$371m (1.1%), while the remaining \$721m of deals, or 2.2% of the total, targeted other MENA countries. In volume terms, the UAE had 109 M&A deals in the covered period, followed by Egypt with 98 transactions, Jordan with 36 deals, Saudi Arabia with 35 transactions, Oman with 34 deals, Kuwait with 28 transactions, Morocco with 26 deals and Tunisia with 15 transactions, while the remaining deals were in seven other MENA countries.

Source: Zephyr, Bureau Van Dijk, Byblos Research

GCC

Fixed income issuance at \$97bn in first 11 months of 2018

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached \$96.6bn in the first 11 months of 2018 compared to \$122.6bn in full year 2017. Aggregate fixed income in the first 11 months of 2018 included \$37.1bn in sovereign bonds, or 38.4% of the total, followed by corporate bond issuance at \$32.9bn (34.1%), sovereign sukuk at \$14.8bn (15.3%) and corporate sukuk at \$11.8bn (12.2%). Aggregate bonds and sukuk issued by GCC sovereigns reached \$51.9bn, or 53.7% of total fixed income issuance in the region, while bonds and sukuk issued by corporates in the GCC amounted to \$44.7bn or 46.3% of the total. On a monthly basis, GCC sovereigns issued \$10.3bn in bonds and sukuk in January, \$300m in February, \$1.6bn in March, \$25.3bn in April, \$800m in May, \$3.6bn in June, \$900m in July, \$400m in August, \$5.3bn in September, \$2.4bn in October and \$1bn in November 2018. In parallel, corporates in the GCC issued \$2.2bn in bonds and sukuk in January, \$7.7bn in February, \$6.4bn in March, \$5.7bn in April, \$3.4bn in May, \$800m in June, \$500m in July, \$1.3bn in August, \$7.6bn in September, \$4.9bn in October and \$4.2bn in November 2018.

Source: KAMCO

IRAQ

Profits of listed firms up 6% to \$304m in first nine months of 2018

The cumulative unaudited pre-tax profits of 79 out of 123 companies listed on the Iraq Stock Exchange totaled IQD371.4bn in the first nine months of 2018, constituting an increase of 2% from IQD364.2bn in the same period of 2017. In US dollar terms, the profits of listed companies reached \$304m in the first nine months of 2018 and increased by 6% from \$286.8m in the same period of 2017. The dollar figures reflect the prevailing official exchange rate that appreciated from an average of IQD1,270 per US dollar in the first nine months of 2017 to an average of IQD1,222 per US dollar in the first nine months of 2018. Listed telecommunication firms generated profits of \$215.7m and accounted for 71% of total earnings in the covered period. Banks followed with \$46.9m (15.4%), then industrial firms \$32.3m (10.6%), companies in the hotel & tourism sector with \$6.1m (2%), services firms with \$2.2m (0.7%), insurers with \$0.9m (0.3%) and money transfer operators with \$0.2m (0.1%). Further, the profits of firms operating in the hotel & tourism sector rose by 181.5% year-on-year in the first nine months of 2018, followed by the earnings of telecommunication companies (+155.4%), the earnings of firms in the services sector (+28%), and companies in the industrial sector (+22.9%). In contrast, the profits of money transfer operators decreased by 90% annually in the first nine months of 2018, followed by the income of banks (-72.4%) and insurers (-6.3%).

Source: Rabee Securities, Iraq Stock Exchange

OUTLOOK

AFRICA

Impact of lower oil prices varies across region

Bank of America Merrill Lynch (BofAML) assessed the impact of a drop in global oil prices from \$70 per barrel (p/b) to between \$50 p/b and \$60 p/b in 2019 on the fiscal and external balances of several economies in Sub-Saharan Africa (SSA). It estimated the external financing needs of Angola and Gabon to be the most vulnerable to lower oil prices. It anticipated Angola's and Gabon's current account deficits to widen by 2.2% of GDP and 3.3% of GDP, respectively, in 2019, in case oil prices drop by \$10 p/b to \$60 p/b. In addition, it forecast Angola's current account position to shift from a surplus of 1.3% of GDP to a deficit of 3.2% of GDP in 2019 in case oil prices decline to \$50 p/b next year. In this context, it expected Angolan authorities to increase domestic and international debt issuances in order to fund the country's wide current account deficits in 2019, despite the support from the IMF program.

In addition, BofAML projected Nigeria's current account surplus to narrow from 3.6% of GDP in 2018 to 0.5% of GDP in 2019 in case of lower oil prices. Also, it forecast Nigeria's federal fiscal deficit to widen from 2.8% of GDP in 2019 to over 4% of GDP in case oil prices drop by \$10 p/b to \$60 p/b next year. It said that Nigeria is well-positioned to increase its external debt issuance, given its low external debt burden. It added that the country has become more resilient to lower oil prices, given its improved external balance position and higher foreign currency reserves. However, it anticipated lower oil prices, higher spending in the run-up to the 2019 general elections, and increased capital outflows to weigh on the Nigerian naira.

Further, BofAML forecast Kenya's current account deficit to narrow from 5.9% of GDP in 2018 to 4.6% of GDP in 2019 in case oil prices average \$60 p/b, and to reach 3.3% of GDP in case oil prices average \$50 p/b next year. It added that lower oil prices and robust growth prospects could alleviate the pressure from the country's high external financing needs. Further, it expected subdued copper prices to weigh on Zambia's fiscal and external positions amid the lack of fiscal consolidation, low foreign currency reserves and high external financing needs.

Source: Bank of America Merrill Lynch

QATAR

Real GDP growth to average 2.6% in 2018-19

The Institute of International Finance indicated that Qatar's large capital buffers, proactive policies, sustained deposit injections at banks by the Qatar Investment Authority (QIA), as well as the establishment of new trade routes, have mitigated the adverse impact of the country's ongoing diplomatic rift with Arab countries. It added that Qatar's recent decision to exit from OPEC reflects its commitment to pursuing an independent energy policy, as well as its plans to expand its natural gas production in coming years. It projected real GDP growth to accelerate from 2.2% in 2018 to 2.9% in 2019, supported by an increase in natural gas production and higher public infrastructure spending ahead of the 2022 FIFA World Cup. It forecast the country's gas output to increase from 3.01 million barrels of oil equivalent (boe) this year to 3.1 million boe next year. Further, it projected the average inflation rate to remain low at 1.5% in 2019 compared to 0.6% in 2018, before the implementation of the value-added tax by end-

2019 or in early 2020. In parallel, it anticipated that further increases in U.S. interest rates could lead to tighter financing conditions and constrain growth in credit to the private sector.

Further, the IIF projected Qatar's fiscal surplus to increase from 0.7% of GDP in 2018 to 1.2% of GDP in 2019, supported by higher hydrocarbon prices, stronger investment income transfers and generally restrained spending. It noted that Qatar has sufficient fiscal space to continue with its fiscal consolidation, even if oil prices decline below \$60 p/b. It forecast the public debt level at 77.4% of GDP at end-2018 and 76.5% of GDP at end-2019. It expected the country's public foreign assets, which include official reserves and the assets of the QIA, to remain substantial at 173% of GDP at end-2018 and 177% of GDP at end-2019. In parallel, it projected Qatar's current account surplus at 12% of GDP in 2018 and 9.5% of GDP in 2019, due to higher hydrocarbon export receipts and the resumption of non-resident capital inflows. It forecast the assets of the QIA at \$303.4bn, or 159% of GDP, at end-2018 and at \$310.2bn, or 163% of GDP, at end-2019.

Source: Institute of International Finance

ETHIOPIA

Growth to average 8% in medium term

The International Monetary Fund projected Ethiopia's real GDP growth to accelerate from 7.7% in the fiscal year that ended on July 7, 2018 to 8.5% in FY2018/19, supported by improved confidence as a result of receding political uncertainties, as well as by higher external financial inflows and sustained growth in the manufacturing and services sectors. It anticipated growth to average 7% annually in the medium term amid rising FDI, strong public infrastructure investment and an expansion in export-oriented industries. Further, it forecast the average inflation rate to decline from 13% in FY2017/18 to 10.6% in FY2018/19 and to stabilize at about 8% annually in the medium term, as the impact of the 2017 currency devaluation recedes, and due to a tight monetary policy. The IMF said that downside risks to the outlook could arise from adverse external shocks that may hamper the sentiment of foreign investors, from tighter global financing conditions, from additional negative terms-of-trade shocks, weak external demand, as well as from adverse weather conditions.

In parallel, the Fund projected Ethiopia's fiscal deficit, including grants, to narrow from 3.7% of GDP in FY2017/18 to 3.1% of GDP in FY2018/19, supported by the government's sustained fiscal consolidation efforts. It said that the authorities' budget for FY2018/19 is built on prudent expenditures control, and added that the government is committed to refrain from non-concessional financing for new projects and to shift ongoing projects to concessional financing when possible. It anticipated the government's ambitious deficit target of 2% of GDP over the medium term, and further reductions in the borrowing requirements of state-owned enterprises, to reduce Ethiopia's external imbalances and improve its public debt dynamics. In this context, it expected the public debt level to decline from 61% of GDP at end-June 2018 to 57.5% of GDP at end-June 2019. Also, it projected the current account deficit to narrow from 6.4% of GDP in FY2017/18 to 6.2% of GDP in FY2017/18, and to gradually improve over the medium term amid policy restraints and sustained export growth. It forecast foreign currency reserves to increase from \$2.8bn at end-June 2018 to \$3.4bn at end-June 2019.

Source: International Monetary Fund



ECONOMY & TRADE

QATAR

Outlook revised to 'stable' on ability to mitigate impact of diplomatic rift

S&P Global Ratings affirmed at 'AA-/A-1+' Qatar's long- and short-term foreign and local currency sovereign ratings, and revised the outlook from 'negative' to 'stable'. It attributed its outlook revision to its expectations that Qatari authorities have sufficient resources to continue to effectively mitigate the economic and financial consequences of the boycott imposed by several Arab countries. It noted that the government will continue to pursue prudent macroeconomic policies over the 2018-21 period that would support the large recurrent fiscal and external surpluses. It forecast the fiscal balance, including the estimated investment income from government assets, to shift from a deficit of 1.5% of GDP in 2017 to an average surplus of 5.2% of GDP annually during the 2018-21 period. Further, S&P expected the current account surplus to widen from 3.8% of GDP in 2017 to an average of 5.3% of GDP annually in the 2018-21 period on the back of higher hydrocarbon export receipts. In parallel, it anticipated that Qatari banks would not require further government support following liquidity injections from the Qatar Central Bank and a gradual increase in non-resident deposits to pre-boycott levels. However, it noted that the maturity profile of these deposits is relatively short, which weakens Qatar's external liquidity position. As such, it estimated Qatar's gross external financing needs to rise from 157% of current account receipts (CARs) in 2017 to an average of 179% of CARs annually during the 2018-21 period.

Source: S&P Global Ratings

NIGERIA

Credit profile constrained by sovereign balance sheet exposure to shocks

Moody's Investors Service indicated that Nigeria's credit profile is constrained by the sovereign balance sheet's sustained exposure to shocks, given that authorities have been unable to sufficiently expand the country's non-oil revenue base. It said that authorities have stepped up their efforts to increase non-oil receipts following the sharp decline in oil prices in 2014, which severely weakened Nigeria's public finances and weighed on revenues. However, it noted that despite these efforts and the recovery in oil prices, government revenues, estimated at about 6% of GDP, remain below target and significantly lower than the pre-oil crisis level. Further, it considered that debt affordability in Nigeria is still weak but is improving, and expected the public debt level to be contained at about 20% of GDP in 2019. In parallel, it pointed out that increasing non-oil tax receipts is one of Nigeria's biggest challenges and, as such, only a sustainable increase in non-oil revenues would improve the country's resilience to oil price fluctuations. Further, Moody's indicated that Nigeria's credit profile is underpinned by the large size of the economy and strong medium-term growth prospects amid strong domestic demand. It said that the stable outlook on the sovereign rating reflects the low probability of a shock that would impair the country's economic and fiscal strength. It added that external vulnerabilities have receded, supported by a rebound in oil prices and output.

Source: Moody's Investors Service

ANGOLA

IMF program to support economic reform agenda

The International Monetary Fund approved on December 7, 2018 a \$3.7bn three-year Extended Fund Facility (EFF) to support Angola's economic reform program. The IMF disbursed about \$990.7m immediately to Angola, while the balance will be phased in over the duration of the program. It noted that the program will support Angola's economic diversification efforts and restore the country's external and fiscal sustainability. It added that the program includes fiscal consolidation to reduce the public debt level, increased exchange rate flexibility to regain external competitiveness, as well as a supportive monetary policy to contain inflation and allow the accumulation of foreign currency reserves. It noted that authorities plan to increase non-oil revenues by introducing a value-added tax, eliminating subsidies and clearing domestic arrears. It considered that upfront fiscal consolidation in 2018 and gradual consolidation over the medium term are necessary to reduce the public debt level and create space for much-needed infrastructure and social spending. It added that the commitment to a market-determined exchange rate is a critical step towards eliminating foreign exchange shortages and restoring the economy's external competitiveness. In parallel, it noted that other pillars of the program include strengthening the banking system, improving the business environment, and updating the anti-money laundering and combating the financing of terrorism legal framework, among others.

Source: International Monetary Fund

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 and tensions with some neighboring countries. It forecast real GDP growth at 5% in 2018, supported by private consumption and investment. Further, the agency noted that authorities are reviewing spending across all areas to identify inefficiencies, which has resulted in lower-than-budgeted spending. As such, it expected Armenia's fiscal deficit to narrow from 4.8% of GDP in 2017 to 2.2% of GDP in 2018 relative to the budgeted deficit of 2.7% of GDP. It also projected the general government debt level to decline from 58.9% of GDP at the end of 2017 to 56.2% of GDP by end-2020. However, it noted that the country's debt is exposed to exchange rate risks, given that 80.8% of total debt was denominated in foreign currency as at end-October 2018. In addition, Fitch expected the current account deficit to widen from 2.4% of GDP in 2017 to 5.1% of GDP in 2018 amid strong domestic demand, and to average 4.3% of GDP annually in the 2019-20 period, mainly due to sustained import growth. It anticipated that the deficit would be mostly financed by foreign direct investments and external borrowing of the public sector. In parallel, it forecast foreign currency reserves to cover about 3.5 months of current external payments by end-2018, which is in line with the median of 'B'-rated peers.

Source: Fitch Ratings



BANKING

MOROCCO

Banking sector faces significant economic risks

S&P Global Ratings maintained Morocco's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' include Bahrain, Croatia, Costa Rica, Indonesia and Romania. S&P indicated that Morocco's economic risk score reflects its "very high risk" in its economic resilience and in credit risk in the economy, as well as its "low risk" in its economic imbalances. It said that economic risks arise from domestic economic conditions, which include low income per capita and high social needs. It expected the non-performing loans ratio to stabilize at between 6.8% and 6.9% over the next 12 to 24 months. It forecast lending growth to reach about 3% in 2018 and 4% annually during the 2019-20 period, with corporate lending modestly recovering and retail lending growing at a slower pace in the next few years. Further, S&P said that the industry score reflects Morocco's "high risk" in its competitive dynamics and in its system-wide funding, and its "intermediate risk" in its institutional framework. It considered that the banks' risk appetite is aggressive given their rapid expansion in riskier African countries and their concentration in vulnerable sectors. It noted that the banks have strong access to non-interest bearing retail deposits, including from Moroccan expatriates, but have limited access to external funding. It added that the trend for the banking sector's economic and industry risk is 'stable'.

Source: S&P Global Ratings

NIGERIA

Agency takes rating actions on six banks

Fitch Ratings downgraded from 'B-' to 'CCC' the long-term Issuer Default Rating (IDR) of Diamond Bank, while it affirmed at 'B-' the IDRs of Union Bank, Fidelity Bank, Wema Bank, Sterling Bank and First City Monument Bank (FCMB). It pointed out that all the banks' IDRs carry a 'stable' outlook and are supported by their standalone credit profiles, as reflected by their Viability Ratings (VRs), which are dependent on Nigeria's operating environment. In this context, the agency downgraded from 'b-' to 'ccc' the VR of Diamond Bank, while it affirmed at 'b-' the VRs of the other banks. It attributed the two-notch downgrade of Diamond Bank's VR to its very weak asset quality, highly vulnerable capital position and limited foreign currency liquidity. Also, the agency noted that Fidelity Bank's VR is constrained by its moderate franchise, large credit concentration, as well as weak funding and liquidity profiles and profitability. It added that the VR of Union Bank reflects significant asset quality challenges and adequate capitalization, while the VR of Wema Bank is constrained by weak profitability, low capitalization relative to peers, a weak funding profile and a potential deterioration in its asset quality. Further, it pointed out that Sterling Bank's VR is supported by its resilient asset quality and coherent strategy, but is constrained mainly by the bank's modest franchise, volatile funding base and low capital buffers. Finally, it noted that FCMB's VR reflects its weak financial metrics due to its higher-risk business model.

Source: Fitch Ratings

EGYPT

Central Bank ends currency repatriation mechanism

The Central Bank of Egypt (CBE) terminated its foreign exchange repatriation mechanism on December 4, 2018 amid the increased availability of foreign currency in the domestic market. The CBE reactivated the mechanism in March 2013 in order to guarantee the availability of foreign currency for foreign portfolio investors when they sell their holdings of local currency Treasury bills and bonds and/or stocks listed on the Egyptian Stock Exchange. Following the termination, the CBE noted that new foreign currency portfolio investments will be channeled through the interbank market. EFG Hermes did not expect the CBE's decision of ending the repatriation mechanism to have any material impact on the Egyptian pound in the short term, as it anticipated lower foreign portfolio inflows in coming months. It said that the CBE's decision coincided with a period of limited portfolio inflows to the country, given the current risk aversion among emerging market investors. It added that foreign investors hold 16% of Egypt's outstanding Treasury bills at end-October 2018. In parallel, it considered that high interest rates, a manageable current account deficit and limited short-term external debt rollover limit major pressure on the currency over the short term. As such, it projected the pound to trade at between EGP18 and EGP18.67 against the US dollar in the next six to 12 months. It added that the CBE has foreign currency reserves of \$44.5bn, equivalent to eight months of imports cover, in addition to about \$8bn in Tier II reserves, which provides a comfortable cushion against potential portfolio outflows. However, it anticipated a weaker exchange rate towards the end of 2019, when authorities resume the easing of monetary policy.

Source: EFG Hermes, Central Bank of Egypt

KUWAIT

Banks' earnings up 19% to \$1.9bn in first nine months of 2018

Regional investment bank EFG Hermes indicated that the aggregate net income of National Bank of Kuwait, the Commercial Bank of Kuwait, Burgan Bank, Kuwait Finance House and Gulf Bank, reached KD570m, or \$1.88bn, in the first nine months of 2018, constituting an increase of 19% from the same period of 2017. It noted that the growth in the Kuwaiti banks' earnings in the first nine months of the year outperformed that of UAE banks (+14%), Qatari banks (+12%) and Saudi banks (+10%). It mainly attributed the year-on-year rise in the banks' profits to a 15% growth in the banks' net interest income. EFG expected the earnings of Kuwaiti banks to increase by 15% in 2019, mainly driven by higher net interest income and lending growth. It projected the banks' aggregate loans to rise on the back of the authorities' accommodative monetary policy, double-digit growth in public spending in the next two years, as well as higher consumer confidence. Further, EFG pointed out that the banks' retail lending grew by 5% at end-September 2018 from a year earlier, and expected it to continue to increase, supported by improved private consumption and higher retail lending limits. In this context, it said that the Central Bank of Kuwait raised in early November the lending ceiling per customer from 15 times the monthly salary to 25 times.

Source: EFG Hermes

ENERGY / COMMODITIES

Oil prices to average \$72.5 p/b in 2018

ICE Brent crude oil front-month prices have traded at \$60 per barrel (p/b) to \$62.1 p/b so far in December 2018. Also, crude oil prices increased by 2.5% from the end of November 2018 to close at \$60.2 p/b on December 12, 2018, mainly due to increased investors' expectations that an OPEC-led supply cut announced last week would stabilize the oil market. Following two days of negotiations, OPEC and non-OPEC members agreed on December 8 to reduce their oil production, starting in January 2019 by 1.2 million barrels per day (b/d). The production cuts will be divided into a reduction of 800,000 b/d by OPEC members and a decline of 400,000 b/d by non-OPEC countries. In addition, oil prices increased due to several factors, including a drawdown in U.S. crude oil inventories, signs of easing trade tensions between the U.S. and China, as well as disruptions to Libyan oil exports after a local militia seized the country's biggest oil field. However, oil prices are still well below the recent high of \$86 p/b they reached in early October, mainly due to expectations of lower oil demand growth amid a slowdown in global economic activity in 2019. This would add to investors' concerns that the supply cuts may not be enough to balance the oil market, especially amid the persistent increase in U.S. oil output. In addition, uncertainties remain about the exact implementation of the output cuts, given the lack of country allocation and the exemption of Libya, Venezuela and Iran from the cuts. In parallel, Brent oil prices are expected to average \$72.5 p/b in 2018 and \$65 p/b in 2019.

Source: Fitch Ratings, Thomson Reuters, CNBC, Byblos Research

Investments in Egypt's hydrocarbon sector at \$14bn during 2014-18 period

Egypt signed 63 oil and gas agreements that totaled \$14bn during the 2014-18 period. There were 24 projects implemented during the five-year period for the development of natural gas fields, including the projects of al-Zohr, Atoll, Nooros and the North of Alexandria gas fields. These four projects have increased Egypt's gas output by 60%. As such, Egypt became self-sufficient in terms of gas production at the end of September 2018.

Source: Thomson Reuters

OPEC's oil basket price down 18% in November

The oil reference basket price of the Organization of Petroleum Exporting Countries (OPEC) averaged \$65.33 per barrel (p/b) in November 2018, down by 17.7% from \$79.39 p/b in the preceding month. The UAE's Murban posted a price of \$68.05 p/b, followed by Saudi Arabia's Arab Light at \$66.36 p/b, and Nigeria's Bonny Light at \$65.9 p/b. In parallel, all prices included in the OPEC reference basket posted monthly decreases between \$9.38 p/b and \$16.58 p/b in November 2018.

Source: OPEC, Byblos Research

DRC's mining revenues up 148% to \$1.2bn in first nine months of 2018

The revenues of the Democratic Republic of Congo's (DRC) mining sector grew by 147.4% year-on-year to \$1.21bn in the first nine months of 2018. In parallel, receipts from the hydrocarbon sector rose by 1.4% annually to \$120.1m in the covered period. The mining and hydrocarbon sectors account for about 95% of Congo's total export revenues. The DRC is Africa's leading copper producer and the world's top miner of cobalt.

Source: Thomson Reuters

Base Metals: Copper prices rise on easing trade tensions

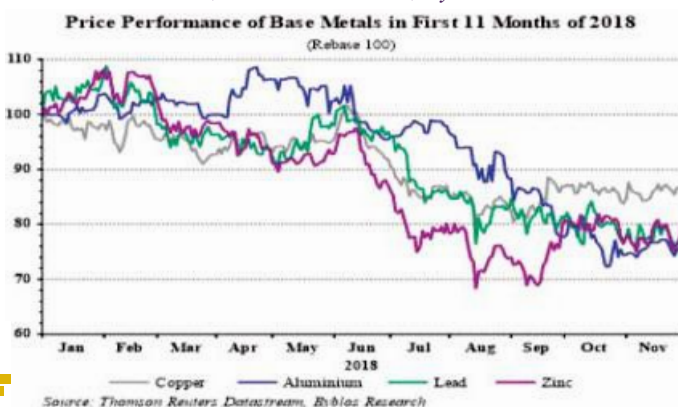
LME copper three-month future prices closed at \$6,140 per metric ton on December 12, 2018, constituting an increase of 1.2% from a one-month low of \$6,070 per ton on December 6, 2018. The rise in the metal's price was mainly due to signs that China is committed to the promises it made to the U.S. as part of a deal to resolve the trade dispute between the two countries, as well as to a softer dollar. In parallel, the International Copper Study Group indicated that world copper mine production rose by 29% from 15.5 million tons in 2008 to 20 million tons in 2017. Copper mine production over the 2008-17 period rose by 1.2 million tons in Peru and by 600,000 tons in China, while annual production in Chile, the world's largest copper mine producer, increased by only 175,000 tons. As such, Chile's share of world mine production dropped from 34% to 27%, while Peru's share increased from 8% to 12% and China's share rose from 7% to 9%. Also, global refined copper production grew by 29.3% from 18.2 million tons in 2008 to 23.5 million tons in 2017, supported by a surge in China's annual refined production, which was partly offset by a drop in Chilean output. Further, world refined usage increased from 17.9 million tons in 2008 to 23.8 million tons in 2017, due to an increase of 6.5 million tons in Chinese demand.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Gold prices to average \$1,388 per ounce in 2019-20 period

Gold prices reached \$1,246.2 per troy ounce on December 12, 2018, which is close to a five-month high, and increased by 2.2% from end-November 2018, mainly due to reduced prospects of US interest hikes in 2019 amid expectations of a slowdown in global economic activity. Prices have been on an upward trend in recent months, gradually rising from an average of \$1,197.9 an ounce in September 2018 to \$1,215.8 per ounce in October and to an average of \$1,220.4 an ounce in November of this year. Further, gold prices are anticipated to continue to increase in the coming two years due to expectations of a weaker US dollar, lower U.S. Treasury yields, and higher jewelry demand for gold in the U.S. and China. A recovery in the Chinese yuan in 2019 would also improve investor demand and, in turn, lead to an increase of gold prices. As such, prices are projected to increase from an average of \$1,275 an ounce in the first quarter of 2019 to \$1,313 per ounce in the second quarter, \$1,338 an ounce in the third quarter and to \$1,375 per ounce in the fourth quarter of next year. Overall, the metal's price is forecast to average \$1,325 per ounce in 2019 and \$1,450 an ounce in 2020.

Source: ABN Amro, Thomson Reuters, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-6.1	32.9*	2.1	-	-	-	-9	-
	-	-	-	-	Negative								
Angola	B- Stable	B3 Stable	B Stable	- -	B- Stable	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
Egypt	B Stable	B3 Positive	B Positive	B+ Stable	B+ Positive	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
	B Stable	B1 Stable	B Stable	- -	B+ Stable	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
Ghana	B Stable	B3 Stable	B Stable	- -	BB- Stable	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
	-	Ba3	B+	-	B+	-3.8	48.8	33.5**	-	-	-	-4.6	-
Ivory Coast	-	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 Stable	B2 Stable	B+ Stable	- -	BB- Stable	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
	-	-	-	-	CC	-4.1	167.5	166.6	-	-	-	-14.2	-
Sudan	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.2	70.5	82.6	-	-	-	-9.6	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
	B Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
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	Negative	Stable	Stable	Negative								
Iran	-	-	-	B+	BB-	-3.2	44.2	2.1	-	-	-	1.3	-
	-	-	-	Negative	Positive								
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-	BB+	-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-	B3	B-	B	B-	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
	Stable	Stable	Stable	Negative	Stable								
Oman	BB	Baa3	BBB-	BBB	BBB-	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
	Stable	Negative	Negative	Negative	Positive								
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	Negative	Negative								
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
	Negative	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Stable	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+	BB-	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Stable								
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	2.00-2.25	08-Nov-18	No change	18-Dec-18
Eurozone	Refi Rate	0.00	13-Dec-18	No change	24-Jan-19
UK	Bank Rate	0.75	01-Nov-18	No change	20-Dec-18
Japan	O/N Call Rate	-0.10	31-Oct-18	No change	20-Dec-18
Australia	Cash Rate	1.50	04-Dec-18	No change	05-Feb-19
New Zealand	Cash Rate	1.75	07-Nov-18	No change	13-Feb-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	05-Dec-18	No change	09-Jan-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.75	14-Jun-17	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	27-Sep-18	No change	20-Dec-18
South Korea	Base Rate	1.75	30-Nov-18	Raised 25bps	18-Jan-19
Malaysia	O/N Policy Rate	3.25	08-Nov-18	No change	N/A
Thailand	1D Repo	1.50	14-Nov-18	No change	19-Dec-18
India	Reverse repo rate	6.50	05-Dec-18	No change	07-Feb-19
UAE	Repo rate	2.25	14-Jun-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	2.50	14-Jun-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	15-Nov-18	No change	27-Dec-18
Turkey	Repo Rate	24.0	13-Dec-18	No change	11-Jan-19
South Africa	Repo rate	6.75	22-Nov-18	Raised 25bps	15-Jan-19
Kenya	Central Bank Rate	9.50	28-May-18	No change	N/A
Nigeria	Monetary Policy Rate	14.00	22-Nov-18	No change	N/A
Ghana	Prime Rate	17.00	26-Nov-18	No change	28-Jan-19
Angola	Base rate	16.50	30-Nov-18	No change	25-Jan-19
Mexico	Target Rate	8.00	15-Nov-18	Raised 25bps	20-Dec-18
Brazil	Selic Rate	6.50	12-Dec-18	No change	06-Feb-19
Armenia	Refi Rate	6.00	13-Nov-18	No change	26-Dec-18
Romania	Policy Rate	2.50	06-Nov-18	No change	08-Jan-19
Bulgaria	Base Interest	0.00	03-Dec-18	No change	N/A
Kazakhstan	Repo Rate	9.25	04-Dec-18	No change	14-Jan-19
Ukraine	Discount Rate	18.00	13-Dec-18	No change	31-Jan-19
Russia	Refi Rate	7.50	26-Oct-18	No change	14-Dec-18



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