

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Insurers' losses from disasters down 47% to \$79bn in 2018

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at \$155bn in 2018, constituting a drop of 55.7% from \$350bn in 2017, and below the 10-year annual average losses of \$220bn. Total economic losses include insured and uninsured losses from catastrophes. Losses from natural catastrophes reached \$146bn and represented 94.2% of overall losses in 2018, while those from man-made disasters reached \$9bn and accounted for 5.8% of the total. In parallel, insurers' overall losses declined by 47.3% from \$150bn in 2017 to \$79bn in 2018, the fourth costliest year in terms of losses covered by the insurance industry, and compared to a 10-year annual average of \$71bn in insurers losses. Further insurers' overall losses accounted for 51% of total economic losses last year. Also, insurers' losses from natural catastrophes amounted to \$71bn, or 89.9% of total insured losses in 2018, while those from man-made disasters reached \$8bn (10.1%). In addition, Swiss Re indicated that about 11,000 people died or went missing in disaster events in 2018, similar to the number of victims in 2017. It noted that this year's devastating natural catastrophe events included Hurricanes Michael and Florence; Typhoons Jebi, Trami and Mangkhut; heat waves, droughts and wildfires in California and Europe; winter and thunderstorms around the world; floods in India and Japan; earthquakes in Indonesia, Japan and Papua New Guinea; and volcanic eruptions in Hawaii.

Source: Swiss Re

EMERGING MARKETS

Fixed income trading down 7% to \$1,205bn in third quarter of 2018

Trading in emerging markets debt instruments reached \$1,205bn in the third quarter of 2018, constituting declines of 9.2% from \$1,327bn in the second quarter of 2018 and of 7.2% from \$1,299bn in the third quarter of 2017. Turnover in local-currency instruments reached \$791bn in the third quarter of 2018, down by 3.7% from \$821bn in the second quarter of 2018, but up by 7.5% from \$736bn in the third quarter of 2017. In parallel, trading in Eurobonds stood at \$409bn in the third quarter of 2018, down by 17.7% from \$497bn in the preceding quarter and by 26% from the same quarter of 2017. The volume of traded sovereign Eurobonds reached \$230bn and accounted for 56.2% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds reached \$172bn, or 42.1% of the total. In addition, turnover in warrants and options stood at \$4bn, while loan assignments reached \$208m in the third quarter of 2018. The most frequently-traded instruments in the third quarter of 2018 were Mexican fixed income assets with a turnover of \$223bn, or 18.5% of the total, followed by securities from Brazil with \$163bn (13.5%) and instruments from India with \$99bn (8.2%). Other frequently-traded instruments consisted of fixed income securities from South Africa at \$98bn (8.1%) and from China at \$89bn (7.4%).

Source: EMTA

MENA

Stock markets up 6% in 2018

Arab stock markets improved by 6.2% and Gulf Cooperation Council equity markets increased by 7.3% in 2018, relative to a growth of 0.9% and a decline of 0.2%, respectively, in 2017. In comparison, global equities regressed by 11.7%, and emerging market equities declined by 15.7% in 2018. Activity on the Khar-toum Stock Exchange jumped by 217% in 2018, the Qatar Stock Exchange rose by 20.8%, the Tunis Bourse surged by 15.8%, the Abu Dhabi Securities Exchange expanded by 11.7%, the Saudi Stock Exchange increased by 8.3%, the Damascus Securities Exchange improved by 3.5% and the Bahrain Bourse grew by 0.4%. In contrast, activity on the Beirut Stock Exchange declined by 25.1% in 2018, the Dubai Financial Market dropped by 24.9%, the Muscat Securities Market retreated by 15.2%, the Egyptian Exchange regressed by 13.2%, the Iraq Stock Exchange dropped by 12.1%, the Amman Stock Exchange declined by 10.2%, the Casablanca Stock Exchange decreased by 8.3%, the Palestine Exchange regressed by 7.9%, and the Bursa Kuwait contracted by 1.9% in 2018. In parallel, activity on the Tehran Stock Exchange increased by 68.9% in 2018.

Source: Local stock markets, Dow Jones Indices, Byblos Research

Arab world trails most regions in connectivity to global shipping networks

The United Nations Conference on Trade and Development included 19 Arab countries on its 2018 Liner Shipping Connectivity Index (LSCI), which assesses how well countries are connected to global shipping networks. The index is a composite of five components that capture the deployment of container ships by liner shipping companies to a country's ports. A higher score reflects a better performance on the LSCI index. The UAE has the highest connectivity to global shipping networks in the region and ranked 13th globally. Morocco (17th), Egypt (18th), Saudi Arabia (21st) and Oman (24th) followed as the five Arab countries with the highest connectivity to global shipping networks; while Mauritania (91st), Algeria (96th), Syria (105th), Yemen (120th) and Tunisia (132nd) were the lowest ranked regionally. Also, the Arab region's simple average stood at 35 points and came above the global average of 27 points. The average score of Gulf Cooperation Council (GCC) countries stood at 50.8 points, while the average of non-GCC Arab countries was 27.6 points. In parallel, the Arab region's average score was higher than Latin America & the Caribbean (18 points) and Sub-Saharan Africa (14.7 points), but lower than North America (50 points), Europe & Central Asia (38.9 points), South Asia (38.1 points), and East Asia & the Pacific (35.2 points).

Source: UNCTAD, Byblos Research

OUTLOOK

AFRICA

Growth outlook facing several challenges

Regional bank Ecobank projected real GDP growth in Sub-Saharan Africa (SSA) to accelerate from an estimated 2.9% in 2018 to 3.6% in 2019, supported by stronger activity in major economies such as Angola, Ghana, Nigeria and South Africa. It anticipated economic activity to vary across SSA regions in 2019. It expected the East African region to lead growth, mainly supported by a high growth rate of 8.5% in Ethiopia amid a pickup in exports and higher FDI inflows. It added that higher agricultural production in Uganda, a recovery in the tourism sector in Kenya, as well as improved activity in Rwanda and Tanzania would support economic growth in East Africa. Also, it expected growth in West Africa to be mainly driven by stronger activity in Nigeria and Ghana. Further, it said that economic activity in the Central Africa region has improved but remains below potential, and projected the region's real GDP growth to accelerate from 1.7% in 2018 to 3.2% in 2019 on the back of stronger growth prospects in Cameroon and Gabon. Overall, Ecobank expected the SSA region's economic activity to face challenges due to poor infrastructure and weak revenue generation capacity, which could expose the region to another debt crisis in the absence of significant fiscal consolidation efforts and strong revenue mobilization measures. It added that other risks to the outlook include high currency risks, as well as rising global trade tensions and fluctuations in oil and commodity prices.

In parallel, Ecobank projected inflationary pressure in the SSA region to recede in 2019 from previous years, mainly due to the normalization of high base effects in Angola and Kenya. Still, it expected the region's inflation rate to remain elevated for the region's net oil importers. As such, it considered that the scope for monetary easing has significantly narrowed, and anticipated monetary authorities in SSA to adopt a broadly tight policy stance during 2019. It expected currencies in the SSA region to face downside pressures, mainly from the African countries' dependence on imports, as well as from further U.S. interest rate hikes, domestic challenges and rising political risk premiums. Further, it anticipated capital flows to the SSA region to remain constrained amid increased global challenges, including growing U.S.-China trade tensions and a stronger US dollar, which have raised investors' risk aversion and weakened the appeal for SSA markets as a high-yielding destination.

Source: Ecobank

GCC

Renewed pressure on growth from lower oil output

Standard Chartered Bank (SCB) expected growth in Gulf Cooperation Council (GCC) countries to come under renewed pressure in 2019 following OPEC's decision to reduce oil production in the first half of the year. As such, it lowered its 2019 real GDP growth forecast for GCC economies to about 2% from about 2.8% previously, reflecting its expectations of slower oil output growth. Still, it anticipated non-hydrocarbon sector activity to improve in most GCC economies, supported by higher fiscal spending. For instance, it noted that a coordinated increase in federal and emirate-level spending in the UAE would support the country's growth prospects in 2019. Also, it said that higher spending in Saudi Arabia would support domestic demand this

year, but that labor force localization measures could constitute a downside risk to growth in the non-oil-sector.

In parallel, SCB expected the fiscal and external balances of most GCC economies to improve gradually despite higher spending. It projected the countries' fiscal deficits and financing requirements to narrow in 2019 but at a gradual pace depending on the degree of oil production cuts. Further, it anticipated the current account balances of most GCC economies to improve this year and to support the foreign currency reserves of central banks in the region. It forecast the current account balances to range from a surplus of about 12% of GDP for Saudi Arabia to a deficit of close to 4% of GDP in Oman. It added that Oman and Bahrain's twin deficits would likely persist despite higher oil prices. It anticipated that Bahrain's Fiscal Balance Program would help narrow its fiscal deficit but that authorities would face challenges in achieving the program's targets. Further, it noted that policymakers in the GCC region will need to balance support for growth with their reform plans. It considered that higher oil prices and fiscal spending may raise uncertainties about the governments' commitment to economic reforms and diversification.

Source: Standard Chartered Bank

SAUDI ARABIA

Fiscal deficit to surpass government target in 2019

Goldman Sachs projected Saudi Arabia's fiscal deficit at SAR237.7bn, or 7.9% of GDP, in 2019, which would be much wider than the official target of SAR131bn, or 4.3% of GDP, mainly due to its expectation of lower-than-budgeted oil revenues. It forecast hydrocarbon revenues to decline by 8.5% to SAR555.3bn, or 18.4% of GDP, in 2019, while it said that the Kingdom's 2019 budget stipulates a 9% rise in oil receipts to SAR662bn, or about 22% of GDP. It noted that the authorities' budgeted revenues for 2019 take into account an oil price assumption of \$79 per barrel (p/b), which is significantly higher than Goldman Sachs' oil price projection of \$65 p/b. In parallel, it anticipated non-oil receipts to rise by 8.9% to SAR313bn, or 10.4% of GDP, in 2019. Overall, it projected Saudi Arabia's total revenues to decline by 2.9% to SAR868.3bn, or 28.8% of GDP, in 2019. Further, it pointed out that the Kingdom plans to raise spending by 7.4% to SAR1,106bn, or about 37% of GDP, in 2019, due to the extension of the 'cost of living' allowance that was introduced to compensate vulnerable Saudis for the rising energy prices and tax burden. It expected the fiscal deficit to further widen to SAR258.3bn, or 8.4% of GDP, by 2021 in case fiscal consolidation measures are delayed.

In parallel, Goldman Sachs considered that risks of further external debt issuance, domestic borrowing from local banks and a drawdown in reserves are significant and could adversely affect domestic liquidity. As such, it anticipated Saudi Arabia's public debt level to rise from an estimated 19.7% of GDP at the end of 2018 to 27.1% of GDP at end-2019 and 43.3% of GDP by the end of 2021, based on fiscal breakeven oil prices of about \$90 p/b. It also forecast Saudi Arabia's fiscal reserves to decline from 21.4% of GDP at the end of 2018 to 20% of GDP at end-2019 and 18% of GDP by the end of 2021. In turn, it projected the Kingdom's net public debt position at 7.1% of GDP at the end of 2019 and 25.3% of GDP by the end of 2021, compared to a net asset position of 1.7% of GDP at the end of 2018.

Source: Goldman Sachs

ECONOMY & TRADE

GCC

Stable outlook on the ratings of most corporates

Fitch Ratings indicated that it has a 'stable' outlook on the ratings of most corporates in Gulf Cooperation Council (GCC) countries, which include real estate, energy, telecommunications, utilities and engineering & construction companies. It pointed out that it has a 'stable' outlook on the ratings of 80% of GCC firms, and a 'negative' outlook on the ratings of 13% of GCC entities, while it noted that the remaining 7% of GCC companies are on 'rating watch evolving'. It attributed the 'stable' outlook on the majority of rated GCC firms to strong sector fundamentals, elevated global oil prices and a favorable macroeconomic environment. Further, it expected market liquidity to remain strong in Qatar, Saudi Arabia and the UAE. In fact, it indicated that the UAE has taken measures to establish a debt capital market for local issuances in order to ensure adequate funding for the non-oil sector and non-government-related entities (GREs). It added that most rated entities in the GCC are issuing sukuk in order to refinance their facilities, improve liquidity and diversify their funding options. It anticipated GCC sukuk issuance to persist and to cover a wider regional and local investor pool, which includes Islamic investors. On a sectoral basis, it indicated that the outlooks on the ratings of GCC telecommunication firms, which are all GREs, are supported by the ratings of GCC sovereigns, and did not expect any weakening in the links between GREs and their sovereigns. It also expected the real estate sectors in Abu Dhabi and Saudi Arabia to benefit from the authorities' initiatives to boost home ownership and launch national housing programs.

Source: Fitch Ratings

ARMENIA

Elections to support reform implementation

Moody's Investors Service indicated that the results of the Armenian parliamentary elections that were held on December 9, 2018 are credit positive for the sovereign, as they allow the government to push through and accelerate the implementation of reforms, which would support Armenia's economic and institutional strength. It noted that the government's policy agenda focuses on institutional reforms, including strengthening the rule of law, reducing corruption and improving the quality of public services. In this context, it said that the government plans to set up an anti-graft agency with prosecutorial powers, to strengthen the court's independence in order to protect economic and property rights, as well as to increase transparency in public procurements. Further, it indicated that the government aims to broaden the country's industrial base and develop its services sector, including the information technology sector, which will support economic diversification. It added that the planned introduction of competition by breaking up economic monopolies would help attract foreign direct investment and increase competitiveness. Further, Moody's noted that the government enacted in 2018 measures to cut spending and improve public expenditure efficiency, and expected it to maintain its path of fiscal consolidation and debt reduction in coming years. It said that the government's Medium-Term Expenditure Framework for the 2019-21 period aims to reduce the public debt level to below 50% of GDP by 2023. In addition, it pointed out that geopolitical tensions remain a potential risk and credit constraint.

Source: Moody's Investors Service

ANGOLA

IMF recommends economic diversification

The International Monetary Fund welcomed the Angolan authorities' efforts to reduce the wide fiscal deficit and shift to a more flexible exchange rate regime. It noted that the government's Macroeconomic Stabilization Program and National Development Plan for 2018-22 focuses on growth-friendly fiscal consolidation measures, greater exchange rate flexibility, and structural reforms that aim to support productivity. Still, it considered that further economic diversification away from the oil sector is key for the government's development strategy. As such, the Fund encouraged the government to implement reforms in order to reduce Angola's dependence on the hydrocarbon sector and, in turn, limit its vulnerability to oil price fluctuations. It said that key reforms that would allow economic diversification include improving the business climate, promoting foreign direct investment and competition in domestic markets, as well as reducing monopolies. It also stressed the importance of domestic revenue mobilization to maintain the country's public debt levels on a sustainable path. Further, it pointed out that the \$3.7bn IMF-supported program provides authorities with resources, policy advice and technical assistance to implement their policies, and would allow for sustainable economic growth.

Source: International Monetary Fund

NIGERIA

Current account surplus of 3% of GDP to maintain naira stability and foreign currency reserves

Goldman Sachs indicated that the sharp drop in global oil prices from a peak of \$85 per barrel (p/b) in early October 2018 to about \$60 p/b in mid-December 2018 has significantly weighed on Nigeria's balance-of-payment dynamics, given that the hydrocarbon sector accounts for 85% of the country's export receipts. As such, it assessed the impact of changes in oil prices on Nigeria's current account balance by using estimated sensitivities to oil export receipts and to the exchange rate. It indicated that, assuming a stable exchange rate, a \$5 p/b rise in global oil prices from mid-December 2018 levels could lead to an improvement of between 0.8 and 0.9 percentage points of GDP in the current account balance. In contrast, a \$5 p/b drop in oil prices could result in a decrease of between 0.8 and 0.9 percentage points of GDP in the current account surplus. In parallel, it said that an exchange rate adjustment of NGN20 per US dollar, given stable oil prices, would lead to a change of +/- 0.5 percentage points of GDP in the current account balance. As such, it estimated Nigeria's current account surplus at about 3.7% of GDP at mid-December 2018, given oil prices of around \$62 p/b. Further, Goldman Sachs considered that the country's current account surplus at mid-December of last year was high enough to offset net capital outflows equivalent to 2.5% to 3% of GDP. It added that such a surplus also stabilizes foreign currency reserves and maintains a fairly-valued Nigerian naira, even if oil prices dropped to \$55 p/b. It added that, assuming oil prices of about \$60 p/b and net foreign inflows of about 1% of GDP, a current account surplus of between 2.5% and 3% of GDP would be sufficient to maintain the stability of foreign currency reserves and of the naira.

Source: Goldman Sachs

BANKING

CÔTE d'IVOIRE

NPLs ratio at 8.7% at end-June 2018, provisions at 65.3% at end-2017

The International Monetary Fund considered that Côte d'Ivoire's banking system is generally sound and profitable and continues to support solid credit expansion. It noted that the risk-weighted capital adequacy ratio of banks operating in the country reached 9.8% at the end of 2017, relative to 8% at end-2016, and above the standard of 8% in the West African Economic and Monetary Union (WAEMU), to which Côte d'Ivoire belongs. The Fund said that, in October 2018, the Central Bank of West African States withdrew the license of a small bank that did not comply with prudential norms, and pointed out that four other banks, which account for less than 2.5% of the sector's aggregate assets, remain undercapitalized and non-compliant with the minimum capital standard of CFA10bn. Also, the banking sector's liquid assets accounted for 50.6% of total assets at the end of 2017 compared to 50.8% a year earlier, while they were equivalent to 74.1% of total deposits at end-2017, up from 73.8% at end-2016. In addition, the banks' loans accounted for 55.9% of their total assets at the end of 2017 compared to 56.2% a year earlier, while the loans-to-deposits ratio stood at 87.4% at the end of 2017 relative to 81.7% at the end of 2016. Further, the non-performing loans (NPLs) ratio was 8.7% at the end of June 2018, relative to 9.9% at end-2017 and 9% at end-2016, while the banks' provisions-to-NPLs ratio stood at 65.3% at end-2017 compared to 71.1% at end-2016. The banks' NPLs net of provisions were equivalent to 3.9% of total loans and to 38.5% of capital at end-2016, up from 2.8% of total loans and 36.5% of capital at end-2016. It expected lending growth at 13.5% in 2018 and at 12% over the medium term.

Source: International Monetary Fund

GHANA

Authorities committed to strengthen AML/CFT regime

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Ghanaian authorities made in October 2018 a high-level political commitment to work with the FATF and the FATF-style regional body GIABA to strengthen the effectiveness of their AML/CFT regime and address any related technical deficiencies. It noted that Ghanaian authorities plan to develop and implement a comprehensive national AML/CFT policy based on the risks identified in the national risk assessment, including measures to mitigate money laundering and terrorism financing risks associated with legal entities. It added that the authorities aim to improve risk-based supervision by enhancing the capacity of the regulators and the awareness of the private sector, as well as to ensure the timely access to beneficial ownership information. Further, it said that the government seeks to ensure that the actions of the Financial Intelligence Unit (FIU) are in accordance with the risks identified in the national risk assessment and to secure the adequate resources to the FIU. In addition, it noted that Ghanaian authorities plan to adequately and effectively investigate and prosecute terrorism financing, as well as to apply a risk-based approach in monitoring non-profit organizations.

Source: Financial Action Task Force

TURKEY

Weak growth prospects to weigh on banks' outlook

Fitch Ratings indicated that it has a 'negative' outlook on 26 out of the 28 Turkish banks that it rates. It said that the 'negative' outlook reflects significant risks to the banks' credit profiles due to weaker growth prospects, the depreciation of the Turkish lira and the higher interest rates, which have weighed on the banks' asset quality, margins and capitalization metrics. It added that the 'negative' outlook points to refinancing and liquidity pressures, given the banking sector's reliance on foreign markets for funding, as well as to the risk of a reduction in market access amid the volatility of the Turkish operating environment and tightening global financing conditions. Fitch expected credit growth to be subdued in 2019, given the banks' low risk appetite and high pressure on asset quality. Also, it noted that the sector's non-performing loans (NPLs) ratio was at about 3% at end-September 2018. But it said that asset-quality risks have increased due to weaker growth prospects and high lending in foreign currency, as a weaker lira has weighed on borrowers' capacity to service their debt in foreign currency. It anticipated the NPLs ratio to rise to between 4% and 5% by end-2019, in the absence of significant shocks. Also, it noted that the banks' total regulatory capital ratio rose from 17% at end-2017 to 18.1% at end-September 2018, which mainly reflects regulatory forbearance and internal capital generation. But it said that the banks' real capital position has come under pressure from the depreciation of the lira and rising interest rates.

Source: Fitch Ratings

TUNISIA

Negative outlook on banking sector

Fitch Ratings indicated that it has a negative outlook on Tunisia's banking sector for 2019, due to continued tight liquidity, rising funding costs and weak economic activity. It said that the rise in customer deposits was slower than the banks' lending growth, which has resulted in an aggregate loans-to-deposits ratio of 131% at end-June 2018. It noted that the Central Bank of Tunisia (CBT) introduced a 120% limit on the banks' loans-to-deposits ratio in December 2018, in order to slow lending growth and free up liquidity. Still, it did not expect the CBT's measures to accelerate deposit inflows, given the weak confidence in banks, a high inflation rate and concerns about further depreciation of the Tunisian dinar. It considered the banks' non-performing loans ratio to be elevated and expected it to further deteriorate amid subdued economic activity and business environment. In parallel, Capital Intelligence Ratings (CI) affirmed at 'BB-' the long-term foreign currency ratings (FCRs) of Attijari Bank, Arab Tunisian Bank (ATB), Banque de Tunisie, Union Bancaire pour le Commerce et L'Industrie (UBCI) and Banque Internationale Arabe de Tunisie (BIAT), at 'B+' the FCRs of Amen Bank and Société Tunisienne de Banque (STB), and at 'B-' the rating of Banque Nationale Agricole (BNA). It had a stable outlook on all the banks' FCRs. Further, CI downgraded the Financial Strength Rating (FSR) of ATB from 'BB+' to 'BB', and affirmed at 'BB+' the FSR of Banque de Tunisie, at 'BB' the FSRs of Attijari Bank, UBCI and BIAT, at 'B+' the ratings of Amen Bank and STB, and at 'B-' the FSR of BNA.

Source: Fitch Ratings, Capital Intelligence Ratings



ENERGY / COMMODITIES

High oil price volatility in 2018

ICE Brent crude oil front-month prices averaged \$71.6 per barrel (p/b) in 2018, constituting an increase of 30.7% from an average of \$54.8 p/b in 2017, while WTI oil prices reached \$65 p/b last year, up by 27.7% from an average of \$50.8 p/b in 2017. Oil prices were volatile during 2018, as they grew from an average of \$69 p/b in January to a peak of \$86 p/b on October 3 and dropped gradually to \$50.5 p/b on December 24, their lowest level in 2018. Also, oil prices increased from an average of \$67.3 p/b in the first quarter of 2018 to \$75 p/b in the second quarter and \$75.8 p/b in the third quarter, but regressed to an average of \$68.3 p/b in the fourth quarter of the year. Concerns about the re-imposition of U.S. sanctions on Iran, along with heightened geopolitical tensions in the Middle East, supported oil prices in the second and third quarters of 2018. But the issuance of U.S. waivers to eight countries, which allowed them to import Iranian oil, led to concerns about a surge in supply in the oil market, putting downward pressure on oil prices during the fourth quarter of 2018. This was partly offset by the agreement of OPEC and non-OPEC producers in December 2018 to cut output in 2019. Further, concerns about a slowdown in global economic activity, rising trade tensions between the U.S. and China, and higher U.S. interest rates have capped the upward trend in oil prices throughout the year. Brent oil prices are forecast to average \$67.2 p/b in the first quarter of 2019 and \$69.4 p/b in the second quarter, as higher U.S. oil output and slowing global growth could lead to a surplus in the oil market and undermine OPEC-led efforts to support oil prices. *Source: Thomson Reuters, Byblos Research*

Nigeria's oil receipts up 51% to \$4bn in first nine months of 2018

Nigeria's crude oil and condensate export receipts totaled \$4bn in the first nine months of 2018, up by 51.4% from \$2.6bn in the same period of 2017. Export revenues in the first nine months of 2018 consisted of \$2.9bn from crude oil exports (73%), \$937.4m from gas exports (23.5%) and \$139.7m in other receipts (3.5%). The authorities transferred \$38.2m of total hydrocarbon revenues in September 2018 to the Federation Account, while they used \$489.5m to pay global oil companies. *Source: Nigerian National Petroleum Corporation*

Steel output up 5% in first 11 months of 2018

Global steel production reached 1.64 billion tons in the first 11 months of 2018, constituting an increase of 4.7% from 1.57 billion tons in the same period of 2017. Chinese steel production totaled 857.4 million tons in the covered period and accounted for 52.1% of global output. India followed with 96.9 million tons (5.9%), then Japan with 95.9 million tons (5.8%) and the U.S. with 79.2 million tons (4.8%). *Source: World Steel Association, Byblos Research*

Egypt's natural gas output to reach 7.8 billion cubic feet per day in the 2019-20 period

The Egyptian government plans to expand its natural gas production from 6.6 billion cubic feet per day currently to 7.8 billion cubic feet per day in the 2019-20 period. The increase in output will be mainly generated through higher production from the Zohr and North Alexandria gas fields. Egypt became self-sufficient in terms of gas production at the end of September 2018 following the implementation of 24 projects for the development of natural gas fields during the 2014-18 period. *Source: Thomson Reuters*

Base Metals: Copper prices drop to their lowest level in over three months

LME copper three-month future prices reached \$5,842 per metric ton on January 2, 2019, their lowest since September 4, 2018. The drop in the metal's price is mainly due to weaker growth in China, the world's largest consumer of copper, as official data showed that Chinese factory activity contracted in December 2018, the first time in 19 months, due to a drop in domestic and export orders for copper. Also, the metal's price was affected by higher output in Chile, where copper production touched its highest level in 13 years. In parallel, the latest available figures show that global demand for refined copper was 18.2 million tons in the first nine months of 2018, up by 3.2% year-on-year, as Chinese demand grew by 7%, while demand in the rest of the world regressed by 0.5%. On the supply side, global refined copper production increased by 1.1% annually to 17.6 million tons in the first nine months of 2018, driven by a growth of 3.5% in Chilean production, as well as by higher output in China, Indonesia and Japan, which were partly offset by lower output from Australia, India, the Philippines, the U.S. and Poland. Refined output grew by 10% in Africa, by 2.5% in Latin America and by 1% in Asia, while it declined by 8% in Oceania and by 5% in North America. *Source: International Copper Study Group, Thomson Reuters*

Precious Metals: Platinum prices down 7% in 2018

Platinum prices declined by 7.3% to an average of \$879.2 per troy ounce in 2018, constituting the steepest annual decrease since 2015, mainly due to a decline in the usage of platinum in catalytic converters amid lower demand for diesel cars. Also, average platinum prices in 2018 were below palladium prices for the first time since 2001. In fact, palladium prices significantly increased by 18.4% to \$1,030 an ounce in 2018. However, platinum prices are forecast to recover to \$900 an ounce by the end of 2019, due to prospects of a narrowing production surplus in the platinum market in 2019 amid rising industrial demand. In fact, demand for the metal is projected to increase by 2.4% to 7.65 million ounces in 2019, mainly due to a 4% growth in industrial demand that would be partly offset by a 1% drop in automotive demand. In parallel, global platinum supply is expected at 8.1 million ounces in 2019, up by 1.6% from 8 million ounces in 2018, with South African output accounting for 54.9% of the total. As such, the production surplus in the platinum market is forecast to narrow from 505,000 ounces in 2018 to 455,000 ounces in 2019. *Source: World Platinum Investment Council, Commerzbank, Thomson Reuters*



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-	B3	B	-	B-	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
	Stable	Stable	Stable	-	Stable								
Egypt	B	B3	B	B+	B+	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
	Stable	Positive	Positive	Stable	Positive								
Ethiopia	B	B1	B		B+	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-3.8	48.8	33.5**	-	-	-	-4.6	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-25.1	112.1	-	-	-	-	-1.5	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-4.1	167.5	166.6	-	-	-	-14.2	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.2	70.5	82.6	-	-	-	-9.6	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
	Positive	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B+	BB-	-3.2	44.2	2.1	-	-	-	1.3	-
	-	-	-	Negative	Negative								
Iraq	B-	Caa1	B-	-	CC+	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	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	Negative	Negative	Negative	Stable								
Oman	BB	Baa3	BB+	BBB	BBB	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
	Stable	Negative	Stable	Negative	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
	Stable	Stable	Stable	Negative	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	0.6	17.8	54.9	-	-	-	7.2	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-10.7	62.5	19.4	-	-	-	-9.3	-
	-	-	-	-	Negative								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Stable	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

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



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	19-Dec-18	Raised 25bps	30-Jan-19
Eurozone	Refi Rate	0.00	13-Dec-18	No change	24-Jan-19
UK	Bank Rate	0.75	20-Dec-18	No change	07-Feb-19
Japan	O/N Call Rate	-0.10	20-Dec-18	No change	23-Jan-19
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	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Dec-18	No change	21-Mar-19
South Korea	Base Rate	1.75	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	1.75	19-Dec-18	Raised 25bps	06-Feb-19
India	Reverse repo rate	6.50	05-Dec-18	No change	07-Feb-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	16.75	27-Dec-18	No change	14-Feb-19
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	8.25	20-Dec-18	Raised 25bps	07-Feb-19
Brazil	Selic Rate	6.50	12-Dec-18	No change	06-Feb-19
Armenia	Refi Rate	6.00	26-Dec-18	No change	29-Jan-19
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	7.75	14-Dec-18	Raised 25bps	08-Feb-19



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