

## COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

## EMERGING MARKETS

**Sovereign borrowing from commercial sources to reach \$1.4 trillion in 2019**

S&P Global Ratings projected the long-term sovereign borrowing from commercial sources by emerging economies at \$1,409bn in 2019, which would reflect an increase of 5.6% from \$1,334bn in 2018. The figures cover 20 emerging markets with the highest estimated debt stock. S&P expected Emerging Asia to account for 64.4% of total commercial long-term borrowing in 2019, followed by Latin America (19.7%), Emerging Europe (9.5%), the Middle East & North Africa (5.2%) and Sub-Saharan Africa (1.2%). It forecast China's gross sovereign commercial borrowing to account for 46.5% of the total, followed by Brazil with 14.5% and India with 6.3%. It indicated that \$655bn, or about 46.5% of sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of about \$755bn in 2019. In parallel, S&P forecast the aggregate sovereign commercial debt stock of the 20 countries at \$7,794bn at the end of 2019 relative to \$7,182bn at end-2018, which would consist of \$573bn in short-term debt and \$7,221bn in medium- and long-term debt. It projected China's debt to account for 30.3% of the commercial debt stock at end-2019, followed by Brazil and India (14.2% each) and by Mexico (5.3%). Further, gross long-term sovereign commercial borrowing would be equivalent to 5% of the aggregate GDP of the 20 economies this year, while the commercial debt stock would be equivalent to 27.5% of their combined GDP. S&P projected Egypt's debt rollover ratio at 35.6% of GDP in 2019, followed by Pakistan (31.4% of GDP), Hungary (19% of GDP) and Argentina (11.7% of GDP).

Source: S&P Global Ratings

## MENA

**Rule of law in region near emerging markets' levels**

The World Justice Project's Rule of Law Index for 2019 shows that the average score for the eight countries of the MENA region included in the survey reached 0.5 points relative to an average score of 0.51 points in the 2017-18 survey, and was lower than the global average score of 0.56 points. The region's average score came below that of the European Union & North America (0.74 points), East Asia & the Pacific region (0.6 points) and Latin America & the Caribbean (0.53 points). However, it was similar to the average score of Eastern Europe & Central Asia and exceeded the average scores of Sub-Saharan Africa (0.47 points) and South Asia (0.45 points). The UAE was the region's top-ranked country and came in 32<sup>nd</sup> place globally on the index, followed by Jordan (49<sup>th</sup> place), Tunisia (61<sup>st</sup>), Algeria (72<sup>nd</sup>), Morocco (74<sup>th</sup>), Lebanon (89<sup>th</sup>), Iran (102<sup>nd</sup>), and Egypt (121<sup>st</sup>). Based on the same set of countries, the rankings of one MENA country improved, four regressed and two were unchanged from the 2017-18 survey, while the scores of four countries dropped and three were unchanged. The UAE ranked first regionally on the Absence of Corruption, the Order & Security, the Regulatory Enforcement, the Civil Justice, and the Criminal Justice factors. Also, Tunisia came in first place on the Constraints on Government Powers, the Open Government and the Fundamental Rights factors.

Source: World Justice Project, Byblos Research

**E-commerce market at \$28.5bn by 2020**

Bain & Company estimated the size of the e-commerce market in the Middle East & North Africa (MENA) at \$8.3bn in 2017. It noted that the size of the e-commerce industry stood at \$4.2bn in 2014, \$5.3bn in 2015 and \$6.7bn in 2016. As such, it pointed out that the size of the e-commerce market grew by a compound annual growth rate (CAGR) of 25% between 2014 and 2017. It indicated that the size of the e-commerce industry in Gulf Cooperation Council (GCC) countries and Egypt accounted for 80% of the region's e-commerce market. It said that the e-commerce market includes all business-to-consumer sales of groceries, fashion, personal care, beauty and electronics products. But it noted that the figures exclude business-to-business and consumer-to-consumer e-commerce transactions, as well as food delivery, travel-related purchases, entertainment and other services, and the sale of automobiles. Further, it noted that e-commerce sales in the MENA region represented only 1.9% of the region's total retail sales in 2017, with the GCC region's e-commerce sales at 3% of their retail sales. It added that the UAE's e-commerce sales represented 4.2% of the country's retail sales, followed by Saudi Arabia (3.8% of retail sales), and Egypt (2.5% of retail sales). Further, Bain & Company anticipated that e-commerce in the MENA region could reach \$28.5bn by 2022, which would constitute an expansion of 3.5 times from 2017. Still, it considered that a lack of trust for online payment methods as well as challenges related to the speed and cost of product delivery continue to hinder the development of e-commerce in the region.

Source: Bain & Company

**Women's empowerment varies in Arab world**

The World Bank's 2019 Women, Business and the Law Index indicated that Morocco's legislation provides the most empowerment to women among 20 Arab countries, ranking the country in first place regionally and in 114<sup>th</sup> place among 187 economies globally in terms of women empowerment. Djibouti followed in 149<sup>th</sup> place, then Lebanon, Tunisia and Comoros (150<sup>th</sup> each) and Algeria (158<sup>th</sup>), while laws in Syria (182<sup>nd</sup>), Qatar (183<sup>rd</sup>), the UAE and Sudan (185<sup>th</sup> each) and Saudi Arabia (187<sup>th</sup>) provided the least empowerment to women in the region. The index assesses how a country's legislation influences the equality of opportunities for women during different phases of their working lives and how this, in turn, affects women's participation in the labor force. The index is an unweighted average of eight indicators that are Going Places, Starting a Job, Getting Paid, Getting Married, Having Children, Running a Business, Managing Assets and Getting a Pension. The Arab region's average score stood at 45.3 points, nearly unchanged from the previous survey, and significantly lower than the global average score of 74.7 points. The region's average score shows that legislation in Arab countries provides women with nearly 45% of the legal rights provided to men on the eight indicators. In addition, Morocco's legislation extends to women 73% of the legal rights that it gives men, followed by Djibouti (59%), and Comoros, Lebanon and Tunisia (59% each). In comparison, Belgium, Denmark, France, Latvia, Luxembourg and Sweden are the only countries in the world that provide women with 100% of the legal rights that men have.

Source: World Bank, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### **Non-life insurance premiums to increase by 8%, life premium growth to average 9% in 2019-20**

Global reinsurer Swiss Re indicated that the outlook for the insurance sector in emerging markets (EMs) is strong despite the cyclical and structural headwinds that are weighing on their overall economic growth prospects, such as financial volatility, trade-related uncertainties, rapidly ageing populations in some markets, high indebtedness, and stagnating productivity. It noted that, despite the economic slowdown, the current level of income per capita in EMs is favorable for the insurance industry and has supported demand for insurance products. It expected growth in insurance markets in Latin America, Central & Eastern Europe, as well as Asia excluding China, to accelerate in coming years. It anticipated that Brazil, China, Mexico, Russia and Turkey will lead the growth in EM premiums in the medium term. In this context, it expected the EM share of global insurance premiums to increase by about 50% over the next 10 years, mainly driven by premium growth in EM Asia. It anticipated China to become the largest insurance market in the world in the next 15 years.

In addition, Swiss Re forecast non-life insurance premiums in EMs to post a real growth rate of 8% annually in the 2019-20 period, supported by stronger non-life business in emerging Asia excluding China, as well as Africa, Central & Eastern Europe, and Latin America. In comparison, it projected non-life premiums in advanced economies to expand by a real rate of 2% annually in the 2019-20 period. In parallel, it expected life insurance premiums in EMs to increase by 9% in real terms in the 2019-20 period, following an expansion rate of 1% in 2018. It attributed the recovery in EM life premiums in the next two years to increases of 11% and 4% in life premiums in China and Latin America, respectively, following contractions of 2% and 1%, respectively, in 2018. In comparison, it forecast life premiums in advanced economies to increase by a real rate of 1% annually in the next two years.

*Source: Swiss Re*

## MENA

### **Oil importers to recover gradually in 2019-20**

The Institute of International Finance anticipated a gradual economic recovery in the oil-importing countries of the Middle East & North Africa (MENA) region during the 2019-20 period, supported by ongoing reforms and the de-escalation of conflicts in Iraq and Syria. It pointed out that confidence is gradually improving in the region's oil importers, especially in Egypt, Jordan, Lebanon, and Tunisia. It expected investments and exports, improving security and political conditions, as well as the implementation of reforms, to drive the region's growth in coming years. It forecast Egypt's real GDP growth at 5.8% in the fiscal year that ends in June 2019 and at 5.1% in FY2019/20, due to a recovery in tourism activity and rising natural gas production. Further, it projected Tunisia's economy to grow by 3% in 2019 and 3.2% in 2020, while it anticipated Jordan's real GDP growth to pick up to 2.7% this year and 3% in 2020, supported by the end of the war in Syria and Iraq. Also, it expected Morocco's economic growth to stabilize at about 3% in 2019 and 2020, while it forecast Lebanon's real GDP growth at 1.7% in 2019 and 1.9% in 2020. In contrast, it projected Sudan's real GDP to contract for

the second consecutive year amid large macroeconomic imbalances and the prevailing political instability.

Further, the IIF indicated that the fiscal and current account deficits of the region's oil importers remain wide, and that their public debt level has increased sharply, especially in Jordan and Sudan. But it projected the region's aggregate fiscal deficit to narrow in coming years due to restrained public-sector wages, lower subsidies and efforts to increase tax revenues. It anticipated the fiscal deficit to remain above 7% of GDP during the 2019-20 period in Egypt and Lebanon, and less than 5% of GDP in Jordan, Morocco, Sudan and Tunisia. It considered that some oil importers should maintain a prudent fiscal policy to limit the increase in their public debt level. It added that the monetary policy in Lebanon and Jordan should focus on preserving the currency peg, and on reducing inflationary pressure in Egypt. The IIF indicated that downside risks to the outlook include slower reform implementation, which would undermine private investment and macroeconomic stability, and further U.S. monetary tightening that would raise borrowing costs for the issuers in the region.

*Source: Institute of International Finance*

## EGYPT

### **Macroeconomic risks to remain contained over the medium term**

Goldman Sachs indicated that Egypt's moderate real GDP growth continues to be driven by the recovery in the tourism, hydrocarbon and construction sectors. However, it noted that foreign direct investment in the hydrocarbon sector is low and domestic private sector investment is weak. It anticipated the country's fiscal, economic and political risks to remain contained in the medium term. It added that inflationary pressures are broadly manageable in the medium term. As such, it expected the Central Bank of Egypt (CBE) to continue its monetary easing cycle in 2019, and anticipated a reduction of up to 300 basis points in policy rates this year. But it questioned whether lower interest rates would stimulate higher demand for corporate loans, while it projected a pickup in consumer credit. Further, it anticipated the continued improvement in Egypt's current account, as well as the strong inflows to the local bond market, to support the country's external balance sheet and the currency in the medium term. It said that the CBE considered that the removal of the repatriation mechanism would result in greater currency volatility, and emphasized the CBE's willingness to intervene to limit speculation. It expected foreign currency reserves to stay adequate, as the majority of \$10bn in GCC deposits at the CBE will likely be rolled over.

In parallel, Goldman Sachs indicated that the fiscal deficit has narrowed in recent years to below 10% of GDP, and forecast the primary deficit to remain at its current level of 2% of GDP in the near term. It anticipated a further reduction in the energy subsidy bill, and expected the fiscal savings to be directed to other priority spending. Further, it projected the government to issue between €1.5bn and €2bn in Euro-denominated Treasury bonds, which will require an increase in the approved borrowing limit of \$5bn, following a \$4bn Eurobond issuance earlier this year. In parallel, it noted that increased demand from investors for domestic long-term Treasury bonds is allowing the government to extend the average maturity of Treasury bonds.

*Source: Goldman Sachs*

# ECONOMY & TRADE

## ARMENIA

### IMF agreement to support public finances

Moody's Investors Service expected Armenia's three-year precautionary Stand-By Arrangement with the International Monetary Fund to support the government's efforts to narrow its fiscal deficit, reduce its debt burden, and reform the tax code. It anticipated the IMF to provide technical expertise that would help authorities implement the country's economic and institutional reform agenda, which aims to raise the competitiveness of the economy, improve the quality of governance, and reduce corruption. In turn, it expected the reforms to strengthen Armenia's sovereign credit profile. It noted that authorities are reforming the tax code in order to simplify the tax system and reduce incentives for tax evasion. It said that the proposed changes to the tax code include setting a flat personal income tax rate of 23%, which the government intends to reduce by one percentage point annually to 20%, as well as lowering the corporate income tax rate to 18%, among other reductions. It added that authorities plan to offset the lower revenues with higher excise taxes on alcohol and soft drinks, and an increase in gambling and environmental taxes. Further, Moody's expected the government to meet its fiscal deficit targets of 2.3% of GDP in 2019 and 2.1% of GDP in 2020, given its track-record of meeting previous fiscal targets. Further, it forecast the public debt level to regress from 51.4% of GDP at end-2018 to less than 50% of GDP by end-2020. It also projected the current account deficit to narrow from 7.4% of GDP in 2018 to 5.5% of GDP in 2019. In addition, it said that foreign currency reserves remained stable at about \$2bn at end-January 2019, or 3.4 months of imports of goods and services.

Source: Moody's Investors Service

## GHANA

### Banks' recapitalization affecting public finances

Barclays Capital estimated Ghana's overall fiscal deficit at 3.9% of GDP in 2018, relative to a targeted deficit of 4.5% of GDP under the IMF program. It noted that the deficit excludes the cost of recapitalizing the banking sector and includes arrears equivalent to 0.3% of GDP. It said that the narrower-than-expected fiscal deficit is due to a higher nominal GDP, which it attributed to the rebasing of the GDP rather than to faster economic activity. It estimated that the rebased nominal GDP in 2018 is 24% higher than the projections in the IMF program and added that the fiscal deficit would have reached 4.8% of GDP in 2018 when using the GDP figure prior to the rebasing. In parallel, it estimated the fiscal deficit, when including the cost of recapitalizing the banking sector, at 7.2% of GDP in 2018. In fact, it said that the cost of the banking sector's recapitalization was originally estimated at 1.9% of GDP under the IMF program, but it reached about 3.3% of GDP last year. It indicated that the public debt level reached 57% of GDP at end-September 2018, up from 55.6% of GDP at the end of 2017. Further, it forecast the fiscal deficit at 5.2% of GDP in 2019, relative to a deficit of 4.2% of GDP in the 2019 budget, due to higher public spending in the 2019-20 period, lower revenues relative to 2018, and assuming that the government does not have to settle any arrears in 2019. It considered that, in the absence of an IMF program, authorities could face challenges in meeting fiscal targets, mainly through expenditure cuts to match lower government receipts.

Source: Barclays Capital

## BAHRAIN

### Sovereign rating affirmed, outlook 'stable'

Fitch Ratings affirmed Bahrain's long-term foreign-currency Issuer Default Rating at 'BB-' with a 'stable' outlook. It indicated that the rating balances strong financial support from GCC peers, a large and developed financial sector and elevated GDP per capita, with weak public finances, high fiscal dependence on oil revenues and political limitations to enact reforms. It indicated that the fiscal deficit narrowed from 12.3% of GDP in 2017 to 7.6% of GDP in 2018, mainly due to higher oil prices. It forecast the fiscal deficit to further narrow to 6.1% of GDP in 2019 and 5.3% of GDP in 2020, driven by lower debt servicing costs and new measures implemented under the government's Fiscal Balance Plan (FBP). It added that the FBP, which is supported by \$10bn in funding from GCC peers, will allow Bahrain to eliminate its fiscal deficit by 2022 and put the public debt level on a sustainable downward path. In this context, Fitch projected the public debt level to stabilize at just over 95% of GDP in the 2019-20 period and to gradually decline thereafter. Further, it said that Bahrain faces \$5.3bn in maturing external debt and an annual average of \$2.3bn in financing needs to cover the budget deficit in the 2019-20 period. The agency indicated that authorities could face risks in implementing the FBP, which include the sustainable reduction in operational spending and the planned cuts in subsidies, among others. In parallel, the agency expected hydrocarbon sector activity to remain flat and non-oil growth to average just above 3% in the next two years.

Source: Fitch Ratings

## NIGERIA

### Presidential elections outcome to support activity

Bank of America Merrill Lynch (BofAML) considered that the re-election of President Muhammadu Buhari will support the stability of the Nigerian naira and a gradual recovery in economic activity this year, on the back of stronger activity in the hydrocarbon sector. It noted that the authorities' commitment to a stable naira is contingent on the stability of global oil prices, high foreign currency reserves and a surplus in the external position. It projected the current account surplus at 1.4% of GDP in 2019, while it said that foreign currency reserves have stabilized at around \$42bn. It expected the issuance of at least \$3bn in external debt in the second half of 2019 to provide additional buffers for the stability of the naira. BofAML anticipated that limited reform momentum and global growth concerns would constrain the medium-term economic outlook, and projected growth at 2.4% in 2019 and 3% in 2020, driven mainly by exports. In parallel, Barclays Capital indicated that the turnover in Nigeria's foreign exchange window for investors and exporters rose to its highest level on record following the February 2019 presidential elections. It noted that the turnover reached \$15.5bn so far in 2019 relative to \$11.2bn in the same period of 2018. It added that the turnover in the two weeks that followed the elections reached \$6.1bn, which reflects portfolio investors re-taking positions they previously exited ahead of the elections. It said that the naira stood at NGN360.17 against the US dollar on the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) market, its strongest level so far in 2019.

Source: Bank of America Merrill Lynch, Barclays Capital

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# BANKING

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## MENA

### Lending conditions tighten in fourth quarter of 2018

The Emerging Markets Lending Conditions Index for the Middle East & North Africa (MENA) region decreased from 42.9 in the third quarter of 2018 to 40.2 in the fourth quarter of 2018. The MENA region had the least favorable lending conditions among emerging markets in the covered quarter, behind Sub-Saharan Africa (52.5), Emerging Europe (49.8), Latin America (49.1), and Emerging Asia (48.7). The decline in the MENA region's Index was mainly due to a rise in NPLs, as reflected by the decrease in the Non-Performing Loans Index from 35 in the third quarter of last year to a record low of 32.5 in the fourth quarter of 2018. Also, the Funding Conditions Index reached 38.1 in the covered quarter, down from 43.8 in the third quarter of 2018, due to tighter international and domestic funding conditions. In addition, the Credit Standards Index slightly declined to 38.8 in the fourth quarter of 2018 from 39.1 in the preceding quarter, mainly due to further tightening in credit standards for commercial and residential real estate loans. In addition, the MENA region's Demand for Loans Index decreased from 42.8 in the third quarter of 2018 to 40.3 in the fourth quarter of last year due to a decline in the demand for corporate loans, as well as for commercial and residential real estate loans. Also, the Trade Finance Index dropped from 53.8 in the third quarter of 2018 to 48.8 in the covered quarter due to a decrease in the supply of and demand for international trade finance.

*Source: Institute of International Finance*

## UAE

### Real estate and construction sectors to weigh on banks' loan quality

Moody's Investors Service expected the asset quality of UAE banks to deteriorate over the next 12 to 18 months, due to the banks' increasing exposure to the weakening real estate and construction sectors. It noted that lending to the two sectors increased from 16% of aggregate loans end-2015 to 20% at end-2018. It attributed the growth in lending to the banks' significant involvement in large real estate projects ahead of Dubai's Expo 2020, large-scale infrastructure projects, and an increased focus on collateralized lending. It noted that banks are also indirectly exposed to the real estate sector through personal loans, as the latter could be extended for the purchase of real estate or have real estate as underlying collateral, as well as through the financing of private and government-related real-estate developers. In parallel, the agency expected declining real estate prices to lower rental prices and rising interest rates to increase financing costs, which would reduce the cash flow of borrowers and, in turn, drive banks to increase their loan-loss reserves. It added that lower property prices will also reduce the value of real estate collateral held by banks against their lending, which will lead them to boost their loan-loss provisioning. However, Moody's considered that the strengthened regulations and tighter underwriting practices will help mitigate risks to the banking sector. It added that UAE banks benefit from high buffers due to strong capital adequacy and solid profitability metrics, as well as a sound provisioning of problem loans, as loan-loss reserves accounted for 104% of the banks' problem loans at end-June 2018.

*Source: Moody's Investors Service*

## OMAN

### Agency takes rating actions on seven banks

Moody's Investors Service downgraded from 'Baa3' to 'Ba1' the long-term local currency deposit ratings of Bank Muscat, Bank Dhofar, National Bank of Oman (NBO), and HSBC Bank Oman (HBON). It also affirmed at 'Ba1' the long-term local currency deposit ratings of Bank Sohar and Oman Arab Bank (OAB), and at 'Ba2' the rating of Bank Nizwa. It maintained the 'negative' outlook on the long-term deposit ratings of all seven banks. The agency attributed the rating downgrades to the Omani government's weakened fiscal capacity to support the banks in case of need, as reflected by the sovereign downgrade. Further, Moody's downgraded the baseline credit assessment (BCA) of Bank Muscat from 'baa3' to 'ba1', given the vulnerability of the bank's stand-alone profile to a weakening operating environment. It also affirmed the BCA of HBON at 'ba1', those of Bank Dhofar, NBO and OAB at 'ba2', the BCA of Bank Sohar at 'ba3', and that of Bank Nizwa at 'b1', which shows the resilience of the banks' standalone credit profiles to a weaker operating environment. In parallel, the agency considered the suspension of merger discussions between Bank Dhofar and NBO to be credit negative for the Omani banking system. It noted that the completion of the merger would have helped consolidate the banking sector, which, in turn, would have eased competition for funding, reduced funding cost pressures and supported profitability. It said that the sector's consolidation would have also increased the banks' capital base, allowing them to make sizable investments, including in projects of national importance.

*Source: Moody's Investors Service*

## GHANA

### Additional measures required to address strategic AML/CFT deficiencies

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), stated that Ghanaian authorities have 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 the local AML/CFT regime. It indicated that Ghana has taken several steps since then in this direction, which include raising awareness about risk-based supervision in the financial sector, as well as developing templates to collect and maintain statistics on terrorism financing investigations. However, the FATF considered that the government should continue to address its strategic deficiencies. As such, it called on authorities to develop and enforce a comprehensive national AML/CFT policy based on the risks identified in the National Risk Assessment (NRA). It also encouraged authorities to improve risk-based supervision by enhancing the capacity of the regulators and the awareness of the private sector, as well as to allow for the timely access to adequate, accurate and current basic and beneficial ownership information. Further, it called on authorities to ensure that the actions of the Financial Intelligence Unit (FIU) are in accordance with the risks identified in the NRA, and to secure adequate resource allocation to the FIU. In addition, it recommended that authorities should adequately and effectively investigate and prosecute terrorism financing, and apply a risk-based approach in monitoring non-profit organizations.

*Source: Financial Action Task Force*



## Investments in oil sector needed to avoid supply gap

The International Energy Agency expected the U.S. to become the largest contributor to the growth in global oil supply and to represent 70% of the increase in global production capacity during the 2018-24 period. It added that other non-OPEC countries, including Brazil, Canada, Guyana and Norway, will also contribute to the growth in oil output in the covered period. As such, it expected total non-OPEC oil production to increase by 6.1 million barrels per day (b/d) in the 2018-24 period. Further, it anticipated the U.S. to become a net oil exporter by 2021. As such, it considered that Asian oil importers will have a wider choice of supply sources, which would reduce their reliance on traditional exporters. In comparison, it expected OPEC's effective production capacity to decline by 0.4 million b/d by 2024, given that only Iraq and the UAE have significant plans to increase their production capacity, which might not be sufficient to offset output losses from Iran and Venezuela. On the demand side, the IEA expected global oil demand to increase, albeit at a moderate pace, despite challenging global economic conditions. It attributed the projected growth mainly to an anticipated economic expansion in leading developing economies, such as China and India, which will account for 44% of the 7.1 million b/d expected growth in global demand over the forecast horizon. Also, it pointed out that demand for plastic is growing strongly, which is leading to higher demand for petrochemicals that are projected to contribute to 30% of the growth in global oil consumption. The IEA considered that investments in the oil sector are necessary to avoid a supply gap and ensure adequate spare production capacity.

Source: IEA, Byblos Research

## OPEC oil output down by 0.7% in February 2019

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 30.55 million barrels per day (b/d) in February 2019, down by 0.7% from 30.77 million b/d in the preceding month. Saudi Arabia produced 10.09 million b/d in February 2019, or 33% of OPEC's total oil output, followed by Iraq with 4.63 million b/d (15.2%), the UAE with 3.07 million b/d (10.1%), Iran with 2.74 million b/d (9%) and Kuwait with 2.71 million b/d (8.9%).

Source: OPEC, Byblos Research

## Kuwait gas production capacity to reach 3.5 billion scf per day in 2032

The Kuwaiti government plans to raise its natural gas production capacity from 1.9 billion cubic feet (scf) per day currently to 3.5 billion scf per day by 2032. The state-owned Kuwait Petroleum Corporation (KPC) indicated that Jurassic gas fields in northern Kuwait will become fully operational by 2024 and will raise the country's gas output to 3 billion scf per day.

Source: Kuwait News Agency

## OPEC's oil basket price up 8.7% in February 2019

The oil reference basket price of the Organization of Petroleum Exporting Countries averaged \$63.83 per barrel (p/b) in February 2019, up by 8.7% from \$58.74 p/b in the preceding month. The UAE's Murban posted a price of \$65.64 p/b, followed by Angola's Girassol at \$65.3 p/b, and Nigeria's Bonny Light at \$65.19 p/b. All prices included in the reference basket posted monthly rises between \$4.63 p/b and \$5.32 p/b in February 2019.

Source: OPEC, Byblos Research

## Base Metals: Zinc prices reach eight-month high amid tight supply conditions

LME zinc cash price reached \$2,890 per ton on March 12, 2019, their highest level in eight months, and increased by 14.8% from \$2,519 per ton at end-2018. The rise in prices was mainly driven by concerns about potential supply disruptions and a very low level of inventories in the zinc market. In fact, LME-registered zinc stocks currently stand at about 59,000 tons, their lowest level since October 2007. In addition, prices have been supported by expectations of solid demand for the metal in 2019 from China, the world's largest zinc consumer, following the announcement in early 2019 that Chinese authorities will lower reserve requirements for commercial banks and stimulate lending. Further, the metal's price increased on the back of easing U.S.-China trade tensions and a weaker US dollar. In parallel, figures released by the International Lead and Zinc Study Group (ILZSG) show that global zinc production reached 1.1 million tons in January 2019, down by 4.2% from December 2018; and that global zinc demand declined by 6.8% month-on-month to 1.15 million tons in January. As such, the supply deficit in the zinc market narrowed from 62,000 tons to 28,000 tons in January 2019. Further, Citi projected a supply deficit of 12,000 tons in the zinc market in 2019, and for prices to decline from an average of \$2,921 per ton in 2018 to an average of \$2,550 per ton in 2019.

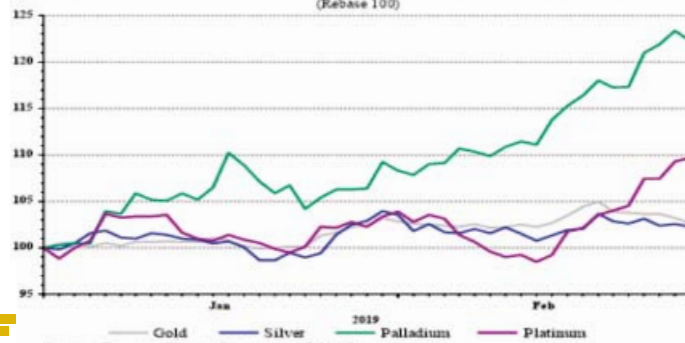
Source: International Lead and Zinc Study Group, Citi Research, Thomson Reuters

## Precious Metals: Gold prices to rise on strong demand growth and subdued mine production

Gold prices traded at between \$1,280 per troy ounce and \$1,345.5 an ounce so far in 2019, and exceeded the average of \$1,269 an ounce in 2018. They also rose from an average of \$1,291.5 per ounce in January to \$1,320 an ounce in February 2019. The upward trend in gold prices so far this year was caused by the partial shutdown of the U.S. government in January, concerns about an economic slowdown in the U.S. this year, as well as continued uncertainties about Britain's exit from the European Union, factors that have boosted demand for the safe haven asset. Further, strong jewelry demand for gold, especially in China, has also supported prices. On the supply side, the metal's mine production is projected to post subdued growth in 2019, as the slight increase in gold output from new projects in Argentina, Canada and Ghana would be more than offset by the ongoing decline in Chinese production and by the adverse impact of tighter governmental regulations on mine supply in Asia and South America. As such, gold prices are projected to rise by 2.6% to an average of \$1,302 per troy ounce in 2019, and to an average of \$1,355 an ounce in 2020.

Source: Thomson Reuters, Byblos Research

Price Performance of Precious Metals in the First Two Months of 2019 (Rebase 100)



# COUNTRY RISK METRICS

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



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
<b>Asia</b>													
Armenia	-	B1	B+	-	B-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Stable	Stable	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
	Stable	Negative	Stable	-	Negative								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

\* Central Government

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

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



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	30-Jan-19	No change	20-Mar-19
Eurozone	Refi Rate	0.00	07-Mar-19	No change	10-Apr-19
UK	Bank Rate	0.75	07-Feb-19	No change	21-Mar-19
Japan	O/N Call Rate	-0.10	23-Jan-19	No change	15-Mar-19
Australia	Cash Rate	1.50	05-Mar-18	No change	02-Apr-19
New Zealand	Cash Rate	1.75	13-Feb-19	No change	27-Mar-19
Switzerland	3 month Libor target	-1.25(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	06-Mar-19	No change	24-Apr-19
<b>Emerging Markets</b>					
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	28-Feb-19	No change	18-Apr-19
Malaysia	O/N Policy Rate	3.25	05-Mar-19	No change	07-May-19
Thailand	1D Repo	1.75	06-Feb-19	No change	20-Mar-19
India	Reverse repo rate	6.25	07-Feb-19	Cut 25bps	04-Apr-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	15.75	14-Feb-19	Cut 100bps	28-Mar-19
Turkey	Repo Rate	24.0	06-Mar-19	No change	25-Apr-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-Jan-19	No change	27-Mar-19
Nigeria	Monetary Policy Rate	14.00	22-Jan-19	No change	26-Mar-19
Ghana	Prime Rate	16.00	28-Jan-19	Cut 100bps	25-Mar-19
Angola	Base rate	15.75	28-Jan-19	Cut 75bps	28-Mar-19
Mexico	Target Rate	8.25	07-Feb-19	No change	28-Mar-19
Brazil	Selic Rate	6.50	06-Feb-19	No change	20-Mar-19
Armenia	Refi Rate	5.75	12-Mar-19	No change	30-Apr-19
Romania	Policy Rate	2.50	07-Feb-19	No change	02-Apr-19
Bulgaria	Base Interest	0.00	01-Mar-19	No change	01-Apr-19
Kazakhstan	Repo Rate	9.25	04-Mar-19	No change	16-Apr-19
Ukraine	Discount Rate	18.00	14-Mar-19	No change	25-Apr-19
Russia	Refi Rate	7.75	08-Feb-19	No change	22-Mar-19





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