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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Stock markets up 12% in first four months of 2019

Arab stock markets improved by 12.1% and Gulf Cooperation Council equity markets increased by 13.1% in the first four months of 2019, relative to expansions of 9.1% and 8.8%, respectively, in the same period of 2018. In comparison, global stocks grew by 15.1% and emerging markets equities increased by 12.3% in the first four months of 2019. Activity on the Saudi Stock Exchange jumped by 18.9% in the covered period, the Egyptian Exchange increased by 14.5%, the Dubai Financial Market improved by 9.4%, the Khartoum Stock Exchange expanded by 8.9%, the Bahrain Bourse rose by 7.2%, the Abu Dhabi Securities Exchange grew by 7%, the Boursa Kuwait increased by 1.9%, and the Qatar Stock Exchange improved by 0.8%. In contrast, activity on the Beirut Stock Exchange regressed by 10.8% in the first four months of 2019, the Iraq Stock Exchange declined by 8.9%, the Muscat Securities Market decreased by 8.7%, the Tunis Bourse retreated by 5.3%, the Amman Stock Exchange dropped by 5.1%, the Damascus Securities Exchange regressed by 1.6%, the Casablanca Stock Exchange declined by 1.5%, and the Palestine Exchange decreased by 0.3%. In parallel, activity on the Tehran Stock Exchange improved by 34.2% in the first four months of 2019.

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

M&A deals at $95bn in first quarter of 2019

Figures released by Mergermarket show that there were 89 merger & acquisition (M&A) deals targeting companies in the Middle East & Africa (ME&A) region for a total of $95.2bn in the first quarter of 2019, their highest quarterly amount on record. In comparison, there were 114 M&A deals worth $18.6bn in the first quarter of 2018. The figures show a decline of 21.9% in the volume of deals and a rise of 412.1% in their amount year-on-year in the covered period. The surge in the aggregate deal value was mainly due to the $70.4bn transaction between Saudi Aramco and Saudi Basic Industries Corporation (SABIC), the largest deal announced in the region and the second largest so far this year globally. The ME&A region accounted for 11.9% of the amount of global M&A deals in the covered period, up from a share of 2% in the first quarter of 2018. The amount of inbound deals in the ME&A region reached $17.7bn, or 18.6% of the region's aggregate deals in the first quarter of 2019, while outbound deals totaled $2.8bn, or 2.9% of the total value in the region. On a sectoral basis, the industrial & chemicals sector accounted for $70.8bn, or 74.4% of the region's aggregate deals in the covered period, followed by the energy, mining & utilities industry with $11.5bn (12.1%), the financial sector with $5bn (5.3%), the technology industry with $4.6bn (4.8%) and the telecommunications sector with $0.9bn (0.9%).

Source: Mergermarket, Byblos Research

GCC

Corporate earnings up 3.5% to $69bn in 2018

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $68.6bn in 2018, constituting an increase of 3.5% from $66.3bn in 2017. Earnings reached $18.1bn in the first quarter of 2018, $18.7bn in the second quarter, $19bn in the third quarter and $12.8bn in the fourth quarter of the year. Listed companies in Saudi Arabia accounted for $28.2bn, or 41.2% of total corporate earnings in 2018, followed by listed firms in Qatar with $11.3bn (16.5%), Abu Dhabi with $10.5bn (15.3%), Dubai with $9.1bn (13.3%), Kuwait with $5.8bn (8.5%), Bahrain with $2bn (2.9%), and Oman with $1.6bn (2.3%). Further, the earnings of listed firms in Kuwait increased by 10.7% in 2018, followed by profits of listed corporates in Dubai (+8.8%), Qatar (+6.3%), Bahrain (+6%), Saudi Arabia (+1.3%) and Oman (+0.7%). In contrast, total earnings of listed companies in Abu Dhabi decreased by 1.3% last year. In parallel, the earnings of listed banks in the GCC region reached $36.9bn in 2018 and accounted for 53.8% of total corporate earnings, followed by materials firms with $10.1bn (14.7%), telecommunications companies with $7.7bn (11.2%), real estate firms with $5.5bn (8%) and companies in the capital goods sector with $2.1bn (3.1%). Also, the earnings of listed companies in the capital goods sector increased by 31.3% in 2018, followed by materials firms (+13.5%), banks (+11.8%), telecom firms (+11.6%), and real estate companies (+1.9%). In contrast, the profits of listed firms in the healthcare industry decreased by 62.5%, followed by companies in the utilities sector (-56.2%), and corporates in the food, beverage & tobacco industry (-41.7%).

Source: KAMCO

Retail sales to grow at CAGR of 4% between 2018 and 2023

Alpen Capital projected retail sales in the Gulf Cooperation Council (GCC) countries to reach $308bn by 2023, and to grow at a compound annual growth rate (CAGR) of 4% from $253.2bn in 2018. It expected the increase in retail sales to be driven by an expansion in the region's population and a rise in tourist arrivals to the GCC. It also forecast non-food retail sales at $193.7bn in 2023, equivalent to 62.9% of overall GCC retail sales; while it projected food retail sales at $114.3bn, or 37.1% of the total. It anticipated retail sales in Saudi Arabia to reach $132.7bn or 43.1% of total GCC retail sales in 2023, followed by sales in the UAE with $104bn (33.8%), Qatar with $28.5bn (9.3%), Kuwait with $20.5bn (6.7%), Oman with $16bn (5.2%) and Bahrain with $6.3bn (2.1%). Also, it forecast retail sales in the UAE to grow at a CAGR of 5.1% between 2018 and 2023, followed by Kuwait and Qatar (+4.2% each), Saudi Arabia (+3.3%), Oman (+3.1%), and Bahrain (+2.2%). It attributed the high growth in retail sales in Kuwait, Qatar and the UAE to an expected rise in their tourism activity and of their GDP per capita, as well as to the increased penetration of organized retail stores in these countries. In addition, Alpen Capital forecast duty free sales at GCC airports to reach $4.8bn by 2023 and to grow at a CAGR of 8.8% from 2018 as a result of an expansion in airport passenger traffic for events such as World Expo 2020 and the FIFA World Cup 2022.

Source: Alpen Capital

OUTLOOK

MENA

Oil production cuts and price volatility are risks to growth outlook of oil exporters

The International Monetary Fund forecast real GDP growth in the oil-exporting economies of the Middle East & North Africa (MENA) region to remain subdued at 0.4% in 2019 compared to a growth rate of 0.6% in 2018. It noted that the weak economic growth in the region's oil exporting economies this year reflects lower global oil prices, oil production cuts in line with the 2018 OPEC agreement, tighter domestic financial and monetary conditions in some countries, as well as slowing global growth. It forecast real GDP in Gulf Cooperation Council (GCC) economies to grow by 2.1% in 2019 relative to an expansion of 2% in 2018, mainly due to higher government spending and large public investment projects, which will support economic activity mainly in Kuwait, Qatar, Saudi Arabia and the UAE. In parallel, it expected the real GDP of non-GCC oil exporters in the MENA region to shrink by 1.7% in 2019, compared to a contraction of 1.1% in 2018, driven by a deeper recession in Iran this year amid the re-imposition of U.S. sanctions. Further, the IMF considered that geopolitical uncertainties, global trade tensions, volatile oil prices and slower global growth constitute downside risks to the outlook of MENA oil exporters.

In parallel, the Fund projected GCC countries to post fiscal deficits of 3.1% of GDP in 2019 and 2.2% of GDP in 2020, while it anticipated the fiscal deficit of non-GCC oil exporters at 6.1% of GDP this year and 4.6% of GDP in 2020. Further, the IMF expected the gross public debt level of GCC countries to increase from 25.3% of GDP at end-2018 to 29.1% of GDP at end-2019, while it forecast the public debt level of the region's non-GCC oil exporters to slightly rise from 41.7% of GDP at end-2018 to 42.2% of GDP at the end of this year. Further, it projected the current account surplus of GCC economies to decline from 7.3% of GDP in 2018 to 3.9% of GDP in 2019, while it anticipated the current account balance of the region's non-GCC oil exporters to shift from a surplus of 1.6% of GDP in 2018 to a deficit of 4.1% of GDP in 2019.

Source: International Monetary Fund

ARMENIA

Economic growth to average 4.6% annually in 2019-20 period

The International Monetary Fund projected Armenia's real GDP to grow by 4.6% in 2019 and by 4.5% in 2020, compared to a growth rate of 5% in 2018. It forecast the country's nominal GDP at $13.1bn in 2019 and at $13.9bn in 2020. The Fund indicated that downside risks to Armenia's growth prospects include increased regional uncertainty as well as reduced and more volatile remittance inflows. Further, it projected the average inflation rate at 2.1% in 2019 and 3% in 2020 relative to 2.5% in 2018. Also, it anticipated broad money to grow by 10% in 2019 and by 9.7% in 2020, down from a growth rate of 11.6% in 2018.

In parallel, the Fund projected Armenia's fiscal deficit to widen from 1.8% of GDP in 2018 to 2.5% of GDP in 2019, and to narrow to 2% of GDP in 2020. It estimated government revenues, excluding grants, to grow from 21.2% of GDP in 2018 to 21.9% of GDP in 2019 and 22.4% of GDP in 2020, and for total expenditures to expand from 24% of GDP in 2018 to 26.3% of GDP in 2019 and to decline to 25.1% of GDP in 2020. Further, it expected the public debt level to reach 48% of GDP at end-2019 and 48.2% of GDP at end-2020, relative to 48.5% of GDP at end-2018. It also forecast the gross external debt at 80.3% of GDP at end-2019 and at 78.5% of GDP at end-2020.

The IMF projected Armenia's exports of goods & services at $4.7bn in 2019 and $5bn in 2020, and the country's imports of goods & services at $6.5bn in 2019 and to $6.7bn in 2020. As such, it projected the country's current account deficit to narrow from 6.2% of GDP in 2018 to 4.6% of GDP in 2019 and 4.3% of GDP in 2020. It also forecast the country's gross official reserves to grow from $2.1bn or 3.9 months of import cover at end-2018, to $2.2bn or 4 months of import cover at end-2019, and to $2.4bn or 4.1 months of import cover at end-2020.

Source: International Monetary Fund

EGYPT

Large public sector and informal economy weighing on growth outlook

BNP Paribas indicated that the implementation of economic reforms and the large external financial support have improved macroeconomic conditions in Egypt and restored the confidence of foreign investors. It said that Egypt's medium-term economic prospects are favorable, amid improving foreign currency liquidity, a narrowing current account deficit, a declining inflation rate, as well as a gradual improvement in public finances. It noted that real GDP growth averaged 5% annually between the fiscal year that ended in June 2015 and FY2017/18, and expected growth to accelerate in the short term, supported by improved household purchasing power, favorable investment prospects and high infrastructure spending. However, it considered that the macroeconomic recovery has failed to trigger a momentum that would create sufficient jobs and allow growth to accelerate at a faster pace. It added that the public sector's excessive weight in several economic sectors, the large informal sector and persistent structural challenges continue to reduce the economy's responsiveness to positive macroeconomic signals. As such, it expected that growth would not exceed 6% by FY2019/20. Further, it projected the average inflation rate to decline from 21.5% in FY2017/18 to 13.8% in FY2018/19 and 10.7% in FY2019/20, but to remain high at between 8% and 10% on average in the medium term.

In parallel, BNP Paribas indicated that the implementation of fiscal reforms has reduced the fiscal deficit and improved the primary fiscal balance. It expected the primary fiscal balance to shift from a deficit of 0.3% of GDP in FY2017/18 to surpluses of 1.7% of GDP in FY2018/19 and 3.3% of GDP in FY2019/20, due to the ongoing reduction in energy subsidies and a modest increase in tax revenues. However, it expected the overall fiscal deficit to remain wide at 7.6% of GDP in FY2018/19 and 6.3% of GDP in FY2019/20, given the elevated debt servicing costs, which it forecast at 9.3% of GDP in FY2018/19. Also, it anticipated the public debt level to decline from 93% of GDP at end-June 2018 to 87% of GDP at end-June 2021, while it expected the external debt level to regress from 38% of GDP at end-June 2018 to 30% of GDP at end-June 2020 in case the deficit remains under control. In parallel, it noted that the current account deficit narrowed from an average of 6% of GDP annually between FY2015/16 and FY2016/17 to 2.4% of GDP in FY2017/18, and expected it to further narrow in the next two years due to an improving trade balance, as the country gradually becomes a net gas exporter.

Source: BNP Paribas

ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Saudi Arabia's long-term foreign- and local-currency issuer default ratings at 'A+' with a 'stable' outlook. It indicated that the ratings balance strong fiscal and external positions against the country's dependence on the hydrocarbon sector and geopolitical risks. It expected the fiscal deficit to narrow from 5.9% of GDP in 2018 to 5.4% of GDP in 2019, due to a $33bn dividend payment from Saudi Aramco to the government in the first quarter of 2019. But it forecast the deficit to widen to 6.6% of GDP in 2020, and anticipated that lower oil prices and the loosening of fiscal policy in 2018 would constrain the authorities' plan to rebalance the budget by 2023. Further, it projected the government's debt to rise from 16% of GDP at end-2018 to 22% of GDP by end-2020. The agency also noted that the current account surplus expanded from 1.5% of GDP in 2017 to 9.2% of GDP in 2018. It added that Saudi Arabia's sovereign net foreign assets declined from 87% of GDP at end-2017 to 74% of GDP at the end of 2018, and forecast the net foreign assets to decrease further to 70% of GDP by 2020. It also expected the foreign currency reserves of Saudi Arabia Monetary Authority to decline slightly but to remain elevated in the 2019-20 period amid a narrowing of the current account surplus and sustained resident investment abroad. In parallel, Fitch forecast economic growth to remain well below the 'A'-rated sovereigns' historical median growth rate of 4%. It considered that the fiscal policy stance would allow non-oil growth to accelerate from 2.1% in 2018 to 2.5% annually in the 2019-20 period.

Source: Fitch Ratings

IRAQ

Non-hydrocarbon activity to grow by 5.4% in 2019

The International Monetary Fund projected Iraq's real GDP growth to accelerate from 0.6% in 2018 to 2.8% in 2019 and 8.1% in 2020, compared to a contraction of 1.7% in 2017. It expected Iraq’s economic activity to be supported by the recovery from conflict, a rise in fiscal spending, as well as by a modest increase in oil production following an agreement between the federal government and the Kurdistan Regional Government about the terms of oil exports. It forecast the country's non-oil GDP growth at 5.4% in 2019 relative to a growth rate of 4% in 2018, while it expected hydrocarbon output to expand by 1.3% in 2019 following a contraction of 1.3% in 2018. Also, it forecast Iraq's average inflation rate at 2% in each of 2019 and 2020 compared to 0.4% in 2018. Further, the IMF expected the fiscal balance to shift from a surplus of 6.2% of GDP in 2018 to a deficit of 5.2% of GDP in 2019, but expected the deficit to narrow to 2% of GDP by 2020. As such, it projected the public debt level to rise from 48.4% of GDP at the end of 2018 to 50.2% of GDP at end-2019, but to decline to 47.4% by end-2020. It also forecast the current account balance to shift from a surplus of 4.9% of GDP in 2018 to a deficit of 6.7% of GDP in 2019, and anticipated the deficit to narrow to 2.9% of GDP in 2020. The Fund forecast Iraq's foreign currency reserves to decrease from $59.7bn or 7.2 months of import cover at end-2018, to $53.2bn or 6.4 months of imports at end-2019. In addition, it expected the country's external debt to increase from 30.4% of GDP at end-2018 to 32.1% of GDP at the end of 2019, but to decline to 30.9% of GDP by end-2020.

Source: International Monetary Fund

OMAN

Outlook on sovereign ratings revised to 'negative'

S&P Global Ratings affirmed at 'BB/B' Oman's long- and short-term foreign and local currency sovereign credit ratings, and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to its expectation that the pace and scope of the government's planned fiscal measures might be insufficient to limit the deterioration in the government's balance sheet and to contain external debt accumulation during the 2019-22 period. S&P expected the fiscal deficit to narrow from an average of 15.3% of GDP annually during the 2015-18 period to 8.7% of GDP annually in the 2019-22 period, supported by fiscal gains from the implementation of excise taxes on several products, stable capital expenditures, a freeze on public sector hiring, as well as the introduction of the value-added tax in 2020. It anticipated the authorities to continue to finance the deficit mostly through external and domestic debt issuance, followed by asset drawdown and asset monetization. It anticipated the government's debt level to increase from 49% of GDP at end-2018 to 64% of GDP by end-2022. It noted that the share of foreign currency-denominated debt held by non-residents rose significantly from 26% of total debt in 2015 to 80% in 2018, which makes the debt structure vulnerable to a sharp decline in foreign investor confidence. Further, it expected the current account deficit to average 10.2% of GDP annually during the 2019-22 period, which would lead to gross external financing needs of about 143% of current account receipts and usable reserves.

Source: S&P Global Ratings

ANGOLA

Growth outlook vulnerable to oil price shocks

Fitch Ratings indicated that Angola's ratings balance the country's substantial foreign currency revenues from hydrocarbon production, the government's significant fiscal adjustments and the recently negotiated program with the IMF, with its diminished fiscal and external reserves, high public debt burden, as well as low governance level. It noted that economic performance in 2018 was below expectations, while the Angolan kwanza depreciated by 46% against the US dollar. However, it forecast real GDP to grow by 2.5% in 2019 and 2.8% in 2020, following a contraction of 1.1% in 2018, as non-oil growth increases amid improved foreign currency liquidity. It expected growth over the medium term to be driven by hydrocarbon output and government spending, which would expose the country to oil price shocks and to declines in oil production levels. Further, it indicated that the authorities' fiscal consolidation measures in 2018 caused the fiscal balance to shift from a deficit of 6% of GDP in 2017 to a surplus of 0.4% of GDP in 2018. It forecast the fiscal surplus at 0.7% of GDP in 2019 and 0.5% of GDP in 2020, in case of sustained fiscal consolidation. It anticipated the public debt level at 66.1% of GDP at end-2019 and 59.1% of GDP at end-2020, amid modest currency depreciation. But it said that the debt level could increase if the government fails to address the weaknesses in state-owned enterprises. Further, it noted that the IMF's program will support the authorities' adjustments to the foreign-exchange regime and fiscal consolidation, and would facilitate access to external financing, which would allow the government to meet its financing needs of 6% of GDP in 2019.

Source: Fitch Ratings

BANKING

UAE

Banking sector risk assessment maintained

S&P Global Ratings maintained the UAE's banking sector in 'Group 5' under its Banking Industry Country Risk Assessment (BICRA), and the sector's economic and industry risk scores at '5' each. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 5' include Bermuda, India, Italy, Malta, Panama, Peru, the Philippines, Poland, Qatar, Slovenia and South Africa. S&P indicated that the UAE's economic risk score reflects "low risks" in economic resilience, as well as "high risks" in economic imbalances and in credit risks in the economy. It expected the recovery in economic activity and the stabilization of global oil prices to support the financial profiles of UAE banks in the 2019-20 period. It anticipated lending growth to remain in mid-single digits in the next two years. Further, it said that the banks' asset quality deteriorated slightly in 2018 amid subdued growth and pressure in the real estate sector. However, it noted that banks have adequate cushions to face a deterioration in asset quality, given their improved regulatory oversight and sufficient loan-loss reserves. In parallel, S&P said that the industry score reflects the country's "intermediate risks" in its institutional framework and its system-wide funding, as well as "high risks" in its competitive dynamics. It anticipated the banks to maintain healthy levels of profitability and capitalization in the medium term. It said that the trend for economic and industry risks is "stable".

Source: S&P Global Ratings

NIGERIA

NPLs ratio at 12% at end-2018, capital adequacy ratio at 15.2%

The International Monetary Fund indicated that the capitalization, asset quality and liquidity of Nigerian banks improved in 2018, while the sector's profitability was stable. It noted that the sector's capital adequacy ratio increased from 10.5% at the end of 2017 to 15.2% at end-2018, supported by the introduction of three-year transitional arrangements for the implementation of the international accounting standard IFRS 9. Also, the Fund pointed out that the banks' non-performing loans (NPLs) ratio declined from 14.8% at the end of 2017 to 11.7% at end-2018 as a result of a pick-up in economic growth, higher global oil prices and the transfer of NPLs to private asset management companies. However, it said that the high level of restructured loans, especially in the oil & gas sector, masked a deterioration in the asset quality of the banking sector. It added that the banks' liquid assets represented 22.6% of total assets at end-2018, up from 18.8% at end-2017; while they were equivalent to 34.1% of total short-term liabilities at the end of 2018 compared to 27.2% at the end of 2017. Further, the IMF pointed out that the profitability of Nigerian banks was relatively unchanged last year, as their rising fee & commission income offset declining net interest margins. In this context, it indicated that the banks' return on assets reached 2% in 2018 relative to 2.4% in 2017, while their return on equity stood at 22.7% last year compared to 23.5% in 2017.

Source: International Monetary Fund

EGYPT

Banks' ratings upgraded, outlook 'stable'

Moody's Investors Service upgraded the long-term local currency deposit ratings of National Bank of Egypt (NBE), Banque Misr (BM), Banque Du Caire (BdC) and Commercial International Bank (CIB) from 'B3' to 'B2', as well as the rating of Bank of Alexandria from 'B2' to 'B1'. It also upgraded the five banks' long-term foreign currency deposit ratings from 'Caa1' to 'B3'. The agency revised the outlook on the banks' long-term local currency deposit ratings from 'positive' to 'stable'. It noted that the upgrades follow a similar action on the sovereign ratings and reflect more favorable operating conditions for the banks, given the economic recovery and the implementation of structural reforms. It added that funding conditions, mainly those related to foreign currency, have normalized following the liberalization of the exchange rate. However, it said that the banks' credit conditions remain challenging, mainly due to gaps in the legal framework for secured lending, high borrower concentrations and the significant increase in higher-risk loans to small- and medium-sized enterprises. Further, Moody's noted that the ratings of NBE and BM are supported by their strong franchises, stable deposit-based funding structure, good liquidity buffers and improving profitability. It said that BdC's ratings are driven by its stable deposit-based funding structure, solid core liquidity buffers, strong profitability and moderate non-performing loans ratio. Further, it indicated that CIB's and Bank of Alexandria's ratings are supported by their solid financial performance, resilient deposit-based funding structure and high liquidity buffers. It added that all the banks' ratings are constrained by their high exposure to the Egyptian sovereign.

Source: Moody's Investors Service

ARMENIA

Growth of card issuance and transactions is credit positive for banks

Moody's Investors Service considered that the growing number of payment cards and of transactions is credit positive for rated Armenian banks, as higher fee income will result in an increase in the banks' net earnings. It said that card payments increased by 47.2% in 2018 to almost AMD400bn, or $820m, and payments through the Internet rose by 73%, due to a 20% increase in card issuance to more than two million cards, as well as to a 33% growth in the number of card transactions to 48 million transactions. The agency expected this trend to continue and to be supported by growing e-commerce in Armenia and an increase in non-cash transactions. It added that the latter accounted for only 20% of all payments in 2018, but expected this share to increase in the long term. Further, Moody's noted that card maintenance and payments are the single largest source of fees and commission income for Armenian banks. It said that fees from card maintenance and payments accounted for 32%, on average, of the rated banks' fees and commission income in 2018. It added that 50% of the banks reported a significant growth in earnings from their card business in 2018, with card fees exceeding 40% of total fees and commission income. In comparison, fees from card maintenance and payments of the remaining banks ranged between 4% and 30% of total fees and commission income.

Source: Moody's Investors Service

Oil prices reach highest level since October 2018 on expiring Iranian waivers

ICE Brent crude oil front-month prices reached $74.6 per barrel (p/b) on April 24, 2019, their highest level since October 2018, before settling at $72.2 p/b on May 1. Further, oil prices averaged $71.6 p/b in April 2019, up by 6.9% from an average of $67 p/b in the previous month, and were nearly unchanged from an average of $71.8 p/b in April 2018. The recent rise in oil prices was driven by the U.S. announcement on April 22 that it will not extend the waivers that allowed eight countries to continue to purchase Iranian oil. In fact, oil prices grew by about $2 p/b on April 22 following the U.S. announcement. However, Goldman Sachs considered that the recent increase in oil prices is relatively modest against expectations of a decline of 1.3 million barrels per day (b/d) in Iranian exports, which shows greater confidence in the available global spare production capacity. It also anticipated that the impact on Iranian exports could be limited to an output decline of 0.9 million b/d, compared to a previous forecast of 2.6 million b/d in October 2018, as China, Iraq and Turkey are expected to continue to import Iranian oil. In parallel, oil prices were supported by OPEC's announcement that it might extend the production cut agreement until the end of 2019. Overall, Brent oil prices are forecast to average $70.1 p/b in the second quarter of 2019, $70.3 p/b in the third quarter and $69 p/b in the fourth quarter of the year, while they are expected to average $68.6 p/b in 2019.

Source: Goldman Sachs, Byblos Research, Thomson Reuters

Iraq to increase imports of Iranian gas in 2019

The Iraqi government indicated that it will increase its imports of Iranian gas from 28 million cubic meters per day currently to 35 million cubic meters per day in summer 2019, when electricity demand is forecast to peak at 24,000 megawatts (MW). It noted that the country produces 14,000 MW on the national grid, and receives an additional 4,000 MW through imported gas and power. It said that the planned increase in imports of Iranian gas would further raise Iraq's electricity supply by 700 MW.

Source: Thomson Reuters

Planned investments in MENA energy projects at $613bn between 2019 and 2023

Total planned investments in the MENA region's energy sector are estimated at $613bn during the 2019-23 period. The power sector would account for $257bn, or 42% of total upcoming energy investments, followed by the oil sector with $166bn (27%), the gas sector with $99bn (16%) and the petrochemicals industry with $90bn (15%). In parallel, Saudi Arabia is expected to lead the region with $111bn in planned investments, or 18% of the total, followed by Iran with $87bn (14%), Iraq with $81bn (13%) and the UAE with $62bn (10%).

Source: APICORP Energy Research, Byblos Research

OPEC oil output down by 1.8% in March 2019

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 30.02 million barrels per day (b/d) in March 2019, down by 1.8% from 30.56 million b/d in the preceding month. Saudi Arabia produced 9.79 million b/d in March 2019, or 32.6% of OPEC's total oil output, followed by Iraq with 4.52 million b/d (15.1%), the UAE with 3.06 million b/d (10.2%), Kuwait with 2.71 million b/d and Iran with 2.70 million b/d (9% each).

Source: OPEC, Byblos Research

Base Metals: Copper prices up 8% in first four months of 2019

LME copper cash prices reached $6,427 per metric ton on April 30, 2019, constituting an increase of 8% from $5,949 per ton at the end of 2018. A weaker dollar, progress in the trade talks between the United States and China, expectations of recovering demand for copper in China, as well as mine disruptions and subsided concerns about weaker global growth, have all supported the surge in copper prices. However, copper prices dropped by 3.1% to $6,225.3 per ton on May 1, 2019, their lowest level in two months, as investors exited their positions due to higher prices and recovering LME inventories. In parallel, the latest available figures show that global demand for refined copper rose by 3.3% year-on-year to 2.06 million tons in January 2019, as Chinese demand grew by 9%, while demand in the rest of the world declined by 2% from January 2018. On the supply side, global refined copper production increased by 3% annually to 2.05 million tons in January 2019, driven by higher output from Australia, Brazil and China, which was partly offset by lower production in Chili and India. Refined output grew by 25% in Oceania, by 7% in Africa, by 6% in Asia and by 2% in Europe, while it declined by 7.5% in North & Latin Americas.

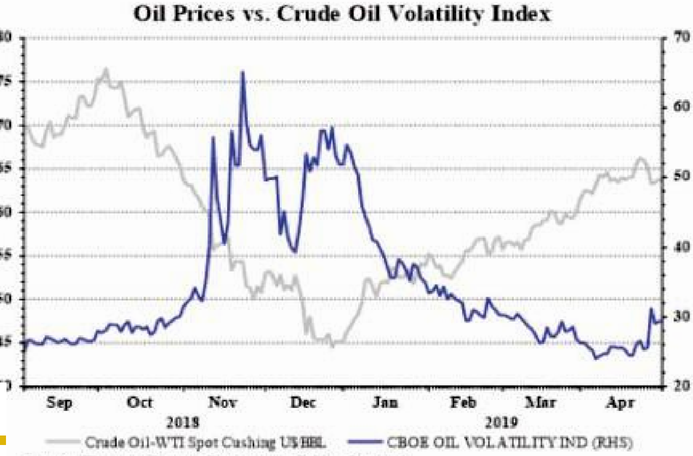
Source: International Copper Study Group, Thomson Reuters

Precious Metals: Gold prices to increase by 4% to $1,320 per ounce in 2019

Gold prices averaged $1,300 per troy ounce in the first four months of 2019 compared to an average of $1,269 an ounce in 2018. Prices were supported so far in 2019 by expectations of weaker global economic activity and lower U.S. interest rates. Further, gold prices are forecast to further increase during the remainder of 2019 due to expectations of declining U.S. Treasury yields, as well as to higher demand for the metal. In fact, global demand for gold is expected to reach 4,370 tons in 2019, which would constitute its highest level since 2013, mainly supported by a 3% growth in global jewelry consumption this year. In parallel, global production of the metal is anticipated to rise by 1% to 4,707 tons in 2019, mainly as a result of higher mine production. As such, gold prices are projected to increase from an average of $1,300 per ounce in the second quarter of 2019 to $1,325 an ounce in the third quarter and to an average of $1,350 per ounce in the fourth quarter of the year. Overall, prices are forecast to rise by 4% to average $1,320 an ounce in 2019.

Source: Deutsche Bank, Metals Focus, Byblos Research, Thomson Reuters

Oil Prices vs. Crude Oil Volatility Index



Source: Thomson Reuters Datastream, Byblos Research

COUNTRY RISK METRICS

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

COUNTRY RISK METRICS

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

** Central Government*
*** External debt, official debt, debtor based*
Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are projections for 2018

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	01-May-19	No change	19-Jun-19
Eurozone	Refi Rate	0.00	10-Apr-19	No change	06-Jun-19
UK	Bank Rate	0.75	02-May-19	No change	20-Jun-19
Japan	O/N Call Rate	-0.10	25-Apr-19	No change	20-Jun-19
Australia	Cash Rate	1.50	02-Apr-19	No change	07-May-19
New Zealand	Cash Rate	1.75	27-Mar-19	No change	08-May-19
Switzerland	3 month Libor target	-1.25-(-0.25)	21-Mar-19	No change	13-Jun-19
Canada	Overnight rate	1.75	24-Apr-19	No change	29-May-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	21-Mar-19	No change	20-Jun-19
South Korea	Base Rate	1.75	18-Apr-19	No change	31-May-19
Malaysia	O/N Policy Rate	3.25	05-Mar-19	No change	07-May-19
Thailand	1D Repo	1.75	20-Mar-19	No change	08-May-19
India	Reverse repo rate	6.00	04-Apr-19	Cut 25bps	06-Jun-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	15.75	28-Mar-19	No change	23-May-19
Turkey	Repo Rate	24.0	25-Apr-19	No change	12-Jun-19
South Africa	Repo rate	6.75	28-Mar-19	No change	23-May-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	26-Mar-19	Cut 50bps	21-May-19
Ghana	Prime Rate	16.00	01-Apr-19	No change	27-May-19
Angola	Base rate	15.75	01-Apr-19	No change	30-May-19
Mexico	Target Rate	8.25	28-Mar-19	No change	16-May-19
Brazil	Selic Rate	6.50	20-Mar-19	No change	08-May-19
Armenia	Refi Rate	5.75	30-Apr-19	No change	11-Jun-19
Romania	Policy Rate	2.50	02-Apr-19	No change	13-May-19
Bulgaria	Base Interest	0.00	01-May-19	No change	03-Jun-19
Kazakhstan	Repo Rate	9.00	15-Apr-19	Cut 25bps	03-Jun-19
Ukraine	Discount Rate	17.50	25-Apr-19	Cut 50bps	06-Jun-19
Russia	Refi Rate	7.75	26-Apr-19	No change	14-Jun-19

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