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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps up 3% to $505bn in first quarter of 2019

Trading in emerging markets Credit Default Swaps (CDS) reached $505bn in the first quarter of 2019, constituting an increase of 3.5% from $488bn in the first quarter of 2018 and a rise of 41.5% from $357bn in the fourth quarter of 2018. The first quarter results represented the second highest reported quarterly volume since 2009. The most frequently traded sovereign CDS contracts in the first quarter of 2019 were those of Brazil at $61bn, followed by Mexico at $49bn, and China at $45bn. As such, traded sovereign CDS contracts on Brazil accounted for about 12.1% of total trading in emerging market CDS in the covered quarter, followed by CDS contracts on Mexico (9.7%) and China (8.9%). The most frequently traded corporate CDS contracts in the first quarter of 2019 were those of Mexico's state-oil company Pemex at $2.5bn, which accounted for 0.5% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, as well as from 12 major international banks and broker-dealers.

Source: EMTA

External debt issuance down 9% to $286bn in first five months of 2019

Figures compiled by Citi Research show that emerging markets (EMs) issued $286bn in external sovereign and corporate bonds in the first five months of 2019, down by 8.6% from $313bn in the same period of 2018. The debt issued in Asia excluding Japan reached $140bn or 49% of the total, followed by bond issuance in the Middle East & Africa (ME&A) with $69bn (24.1%), Latin America with $39bn (13.6%), and Emerging Europe with $38bn (13.3%). Further, EM corporates issued $208bn in bonds in the covered period, equivalent to 72.7% of total sovereign and corporate bond issuance. Asia ex-Japan issued $131bn, or 63% of total corporate issuance in the first five months of 2019, followed by the ME&A region with $34bn (16.3%), Latin America with $25bn (12%), and Emerging Europe with $18bn (8.7%). Also, EM sovereigns issued $78bn in bonds, or 27.3% of new sovereign and corporate bonds, in the covered period. The ME&A region issued $35bn, or 45% of total new sovereign bonds, followed by Emerging Europe with $20bn (25.6%), Latin America with $14bn (17.9%), and Asia ex-Japan with $9bn (11.5%). In parallel, Citi projected the EMs' upcoming sovereign external debt service payments at $16.1bn between June and August 2019, of which $5.6bn or 34.8% of the total, would be from the ME&A region, $4.2bn (26.1%) from Latin America, $4bn (24.8%) from Emerging Europe, and $2.3bn (14.3%) from Asia ex-Japan. It expected upcoming EM corporate external debt service payments at $41.6bn in the same period, of which $23.1bn, or 55.5% of the total, would be from Asia ex-Japan.

Source: Citi Research, Byblos Research

MENA

FDI in Arab world down 0.4% to $31bn in 2018, equivalent to 1.2% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in 18 Arab economies totaled $30.8bn in 2018, constituting a marginal decrease of 0.4% from $30.9bn in 2017. The UAE was the largest recipient of FDI in the region last year with $10.4bn, or 33.7% of total FDI in Arab countries, followed by Egypt with $6.8bn (22.1%), Oman with $4.2bn (13.6%), Morocco with $3.64bn (11.8%), and Saudi Arabia with $3.2bn (10.4%) as the top five destinations for FDI inflows. Also, Iraq, Qatar and Yemen posted negative flows of $4.9bn, $2.2bn and $282.1m, respectively, in 2018. In parallel, FDI in Saudi Arabia rose by 2.3 times last year, followed by flows to Djibouti (+60.6%), Oman (+43.6%), Morocco (+35.5%), Algeria (+22.2%), Tunisia (+17.6%), Lebanon (+14.2%), Palestine (+11.2%), Sudan (+6.6%), Bahrain (+6.2%) and the UAE (+0.3%). In contrast, inflows to Mauritania fell by 88% in 2018, followed by inflows to Jordan (-53.2%), Egypt (-8.2%), and Kuwait (-0.6%). Further, FDI inflows to the 18 Arab countries were equivalent to 1.2% of their aggregate GDP in 2018 compared to 1.3% of GDP in 2017. FDI inflows to Djibouti were equivalent to 12.1% of its GDP last year, followed by Lebanon and Oman (5.1% of GDP each), and Bahrain (4% of GDP).

Source: UNCTAD, Institute of International Finance, International Monetary Fund, Byblos Research

BAHRAIN

Aggregate earnings of listed firms down 22% to $486m in first quarter of 2019

The net income of 35 companies listed on the Bahrain Stock Exchange totaled BHD183m, or $486.2m in the first quarter of 2019, constituting a decrease of 21.6% from BHD233.2m, or $620m, in the same quarter of 2018. Listed commercial banks generated net profits of $321.8m in the first quarter of 2019 and accounted for 66.2% of the total earnings of publicly-listed firms. Investment companies followed with $122.5m, or 25.2% of the total, then services firms with $66.8m (13.7%), insurers with $8.2m (1.7%) and hotels & tourism companies with $6m (1.2%). In parallel, industrial firms posted net losses of $39.2m in the first quarter of 2019. Further, the net earnings of insurers grew by 16.1% year-on-year in the first quarter of 2019, followed by the profits of commercial banks (+9.4%), and hotels & tourism companies (+8.1%). In contrast, the net profits of investment companies regressed by 16.5% year-on-year in the first quarter of 2019, and the earnings of services firms decreased by 8.9% annually.

Source: KAMCO

OUTLOOK

AFRICA

Growth to average 3.4% annually in 2020-21

The World Bank projected economic growth in Sub-Saharan Africa (SSA) to accelerate from 2.5% in 2018 to 2.9% in 2019, supported by higher oil production, improved investor sentiment, as well as by strong agricultural output and sustained public investment. It noted that the weaker-than-expected recovery also takes into account subdued demand growth in major trading partners and an increasingly challenging business environment in Sudan amid heightened political uncertainties. It expected growth in the region to average 3.4% annually during the 2020-21 period on the back of a stronger recovery in economic activity in Angola, Nigeria and South Africa, the region's largest economies. It forecast Angola's real GDP growth to average 2.9% annually in the 2020-21 period, supported by a more favorable business environment and higher oil production. In addition, it projected economic activity in Nigeria to grow by 2.1% this year amid foreign exchange restrictions, supply disruptions to oil production and a lack of much-needed reforms to boost capacity in the hydrocarbon sector, and to accelerate to 2.4% by 2021.

Further, the Bank projected real GDP growth in the SSA region, excluding Angola, Nigeria and South Africa, to increase from 4.6% in 2019 to an average of 5% annually in the 2020-21 period. Also, it expected investment in new oil and natural gas capacity to boost growth in several SSA oil exporters, while it anticipated increased mining production to support economic activity in some metal-exporting countries as new capacity comes on stream. It also anticipated that sustained spending on public infrastructure projects and increased private sector participation would promote growth among the region's non-resource intensive economies. In parallel, the Bank expected the SSA region's primary budget deficit to gradually narrow to 1.2% of GDP in 2019, while it anticipated the overall deficit to remain above 3% of GDP due to higher debt servicing costs that raise concerns about debt sustainability in the region. Further, it considered that the region's outlook is subject to significant external downside risks, such as weaker-than-expected growth, lower-than-anticipated commodity prices and tighter global financing conditions. It added that domestic risks include adverse weather conditions, fiscal slippages, as well as the intensification of geopolitical and security tensions.
Source: World Bank

ANGOLA

IMF program vulnerable to implementation risks

The International Monetary Fund projected Angola's real GDP growth at 0.3% in 2019 relative to a contraction of 1.7% in 2018 and compared to a target growth of 2.5% under the IMF-supported program. It attributed the slight rebound in economic activity to a modest recovery in the non-hydrocarbon sector, which would partly offset decreasing oil production. It forecast the country's hydrocarbon output to contract by 1.9% this year but to grow by 3.3% in 2020, while it anticipated non-oil real GDP growth to accelerate from 1.3% in 2019 to 2.5% next year. The Fund noted that the IMF-supported program could face implementation risks that include sharp fluctuations in global oil prices, a decline in hydrocarbon output and tighter external financing conditions.

In parallel, the Fund expected Angola's average inflation rate to decline from 17.5% in 2019 to 11.1% in 2020, mainly due to weak economic activity. However, it noted that upside pressure on the inflation rate could materialize in the near term through the effects of the introduction of value-added tax and lower subsidies. It encouraged authorities to tighten their monetary policy stance in an attempt to achieve single-digit inflation rates and to limit depreciation pressures on the kwanza.

Further, the IMF forecast the fiscal balance to shift from a deficit of 0.1% of GDP in 2019 to a surplus of 0.3% of GDP next year, while it anticipated the government's debt level to decline from 90.6% of GDP at end-2019 to 83.6% of GDP at end-2020. It expected fiscal consolidation to continue in 2019 through cautious public spending and the introduction of a value-added tax in mid-2019, among other measures to increase non-oil revenues, as well as through the government's conservative supplementary budget for 2019. It called on authorities to adopt a prudent fiscal stance and to adhere to the recently published debt management strategy in order to ensure debt sustainability. Also, the Fund projected the current account balance to shift from a surplus of 6.6% of GDP in 2018 to a deficit of 2% of GDP in 2019 due to lower oil export receipts, but to shift back to a surplus of 0.4% of GDP in 2020. As such, it forecast foreign currency reserves to decrease from $16.2bn at end-2018 to $15.2bn at end-2019, amid a decline in capital inflows, and to recover to $16.5bn at end-2020.
Source: International Monetary Fund

CÔTE d'IVOIRE

Fiscal deficit to converge to regional norm in 2019

The International Monetary Fund expected Côte d'Ivoire's medium-term growth outlook to remain robust, supported by sound policies that would ensure macroeconomic stability and improve the business environment. It projected the country's real GDP growth at 7.5% in 2019 and 7.3% in 2020 compared to a growth rate of 7.4% in 2018. Also, it forecast the fiscal deficit to narrow from 4% of GDP in 2018 to 3% of GDP in each of 2019 and 2020, and to converge to the regional norm of 3% of GDP for members of the Western Africa Economic and Monetary Union. It considered that authorities would be able to achieve their fiscal target through additional tax revenue mobilization, which would create the fiscal space for socio-economic and infrastructure spending. Further, the IMF projected the public debt level to decline from 53.2% of GDP at the end of 2018 to 52.5% of GDP at end-2019 and to 51.2% of GDP by the end of 2020. It called on authorities to maintain a prudent borrowing policy that would assess the cost and benefits of new loans, which would keep the country's debt level on a sustainable path.

In addition, the Fund forecast Côte d'Ivoire's current account deficit to narrow from 4.7% of GDP in 2018 to 3.5% of GDP in 2019 and to 3.3% of GDP in 2020, while it projected the country's external debt to decline from 37.8% of GDP at end-2019 to 35.3% of GDP by the end of 2020. Overall, it considered that the country's IMF-supported program aims to promote inclusive growth, expand revenue mobilization, ensure debt sustainability and achieve a sustainable balance of payments position. In parallel, the IMF indicated that its Executive Board completed the fifth review of Côte d'Ivoire economic program supported by the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements, which enabled the immediate disbursement of $133.9m, bringing total disbursements under the ECF and EFF arrangements to around $765.8m.
Source: International Monetary Fund

GCC

Geopolitical tensions to have adverse impact on sovereigns

Fitch Ratings indicated that the elevated tensions between the United States and Iran have raised the prospects of disruptions to oil and gas shipments in the Arabian Gulf region. It noted that an escalation of the conflict and the resulting disruptions could significantly weigh on the fiscal balances of economies in the region, and could negatively affect the ratings of these sovereigns. As such, it estimated that a complete one-month closure of the Strait of Hormuz could widen the fiscal deficits of most Gulf-based oil exporting countries by one percentage point to three percentage points of GDP in 2019. It considered that Iraq, Kuwait and Qatar would be the most affected by the closure, given their limited export base. It added that Saudi Arabia and the UAE would continue to export hydrocarbon products through pipelines that bypass the Strait, which would partially offset the impact on their fiscal balances; while Oman's export infrastructure is located outside the Strait. In addition, Fitch indicated that higher oil prices could partly offset the fiscal impact of lower export volumes in Abu Dhabi and Saudi Arabia. In parallel, it pointed out that heightened tensions could also have a negative impact on the tourism and logistics sectors in the UAE, on airline hubs in Qatar and the UAE, as well as on non-resident funding for Qatar's banking sector. It noted that a temporary loss of exports or heightened tensions could weigh on the ratings of sovereigns with weak balance sheets and budgetary positions. It considered that Abu Dhabi and Kuwait are the most resilient given their large external assets, projected fiscal surpluses and low debt levels. In contrast, it said that Qatar has a weaker asset position, high debt level and large potential contingent liabilities, while Saudi Arabia is forecast to post a wide fiscal deficit in 2019.

Source: Fitch Ratings

TURKEY

Sovereign rating downgraded on rising risk of balance-of-payments crisis

Moody's Investors Service downgraded Turkey's long-term issuer rating from 'Ba3' to 'B1', and maintained the 'negative' outlook on the rating. It attributed the downgrade to the increasing risk of a balance-of-payments crisis and, as such, the risk of a government default. It noted that the impact of the sustained erosion in institutional strength and policy effectiveness on investor confidence is increasingly outweighing the country's credit strengths. It said that Turkey is highly reliant on external capital flows, and that the country's ability to attract the needed funds is declining. As such, it indicated that Turkey is highly vulnerable to a prolonged period of economic and financial volatility. In parallel, the agency said that the government's willingness or ability to implement policies that will sustain external investor confidence is uncertain. It noted that government measures continue to focus on supporting economic activity at the expense of eroding the resilience of the economy and of exposing its banking system to external shocks. It expected these conditions to increase the country's vulnerability to external shocks, which could lead to capital outflows, diminishing foreign currency reserves, higher inflation rates and severe damage to Turkey's medium-term growth.

Source: Moody's Investors Service

TUNISIA

Reforms facing high implementation risks

The International Monetary Fund indicated that Tunisia's economic activity improved in the previous two years and that the government's policy efforts started to yield results. It noted that strong revenue measures and energy subsidy reforms have narrowed the fiscal deficit, while monetary tightening has started to reduce inflationary pressure. However, it said that economic growth remains subdued and that the country's performance under the IMF-supported program has been mixed, amid the challenging socio-political environment and external pressures. As such, it noted that authorities should address these vulnerabilities by implementing stabilization measures, such as narrowing the fiscal and external deficits, lowering the inflation rate, and strengthening the social safety net. It considered that narrowing the fiscal deficit to 3.9% of GDP in 2019 will require strong discipline. But it noted that there is no room for reducing current spending after the recent increase in the public-sector wage bill. Further, it said that monetary policy should focus on maintaining price stability, and that additional policy rate hikes would be necessary if the inflation rate exceeds its end-2019 target. In parallel, it indicated that competitive foreign currency auctions, along with reduced interventions from the Central Bank of Tunisia and effective communication to the market, would reduce the country's external imbalances. The Fund considered that the reform agenda remains subject to high implementation risks, which will require the authorities' commitment to the reforms, as well as strong financial support from Tunisia's external partners.

Source: International Monetary Fund

OMAN

Fiscal outlook vulnerable to drop in oil prices

Barclays Capital considered Oman's fiscal outlook to be vulnerable to the recent sharp decline in global oil prices amid the country's large financing needs and delayed fiscal adjustment. It noted that the fiscal deficit narrowed from 13.8% of GDP in 2017 to 5.3% of GDP in 2018, but it pointed out that reductions in expenditures have been limited. It said that government spending rose by 7.3% last year, while Oman's expenditures-to-GDP ratio remained one of the highest across emerging markets. But it noted that Oman's revenues-to-GDP ratio was in line with regional peers. Further, it expected authorities to introduce excise taxes on tobacco, alcohol and energy drinks as of June 15, 2019, which would increase non-oil receipts by OMR100m annually, and would account for 0.5% of revenues in 2019. It added that non-oil revenues would grow by an additional OMR176m, or 0.6% of GDP, in case authorities introduce the value-added tax in 2020. But it noted that authorities need to implement measures that would reduce spending rather than adopting revenue-side adjustments, in order to maintain a sustainable fiscal consolidation. Further, Barclays pointed out that Oman's elevated financing needs prompted authorities to rely on the sale of assets in order to reduce the country's dependence on external debt issuance, including the sale of a 10% stake in the Khazzan gas field. But it said that a permanent decline of $5 per barrel in global oil prices would add $1.4bn to the country’s financing gap. It anticipated that authorities would likely draw down their foreign currency reserves in the absence of capital spending reductions.

Source: Barclays Capital

UAE

Agency affirms ratings of 14 banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Emirates Development Bank (EDB) at 'AA-', the ratings of Abu Dhabi Islamic Bank (ADIB), Emirates Islamic Bank (EIB) and Al Hilal Bank (AHB) at 'A+', the IDRs of Mashreqbank (Mashreq) and Arab Bank for Investment & Foreign Trade (Al Masraf) at 'A', and the ratings of Commercial Bank of Dubai (CBD) and Noor Bank at 'A-'. It also maintained the IDRs of Sharjah Islamic Bank (SIB), National Bank of Ras Al-Khaimah (Rakbank), Bank of Sharjah (BOS), Commercial Bank International (CBI), United Arab Bank (UAB) and Ajman Bank (Ajman) at 'BBB+'. It kept the 'stable' outlook on all the banks' ratings. The agency indicated that the banks' IDRs are underpinned by the UAE government's strong capacity and willingness to support the banks, in case of need. Further, it noted that the IDRs of EIB and AHB are in line with the ratings of their parent banks, Emirates NBD and Abu Dhabi Commercial Bank, respectively, given that EIB and AHB are considered to be key and integral subsidiaries. In parallel, Fitch maintained the Viability Rating (VR) of Mashreq at 'bbb-', the ratings of CBD and SIB at 'bb+', the VRs of ADIB and Rakbank at 'bb', the ratings of EIB, Noor Bank and BOS at 'bb-', and the VRs of AHB, Al Masraf, CBI, UAB and Ajman at 'b+'. It said that Mashreq's VR is supported by the bank's sound asset quality, strong capitalization and solid liquidity, but is constrained by its rising single-borrower and deposit base concentrations, as well as its higher funding costs. It added that the VR of ADIB balances the bank's weak asset quality and capitalization, and low coverage of impaired financing, against its strong profitability, sound liquidity and stable funding.

Source: Fitch Ratings

NIGERIA

CBN claims on government up significantly since 2015

Barclays Capital indicated that the Central Bank of Nigeria's (CBN) claims on the Nigerian government increased significantly since early 2015 and reached NGN10.8 trillion, or $30bn, in April 2019, mainly driven by rising cash advances or overdrafts to the federal government. It noted that large government deposits at the CBN have been sufficient to cover the gradual increase of the CBN's claims on the federal government in recent years. But it pointed out that the CBN's claims on the government have exceeded the latter's deposits at the CBN since December 2018, due to the rapid growth of the CBN's lending to the government, as well as to a significant decline in government deposits. As such, it said that the CBN breached its 5% limit on its overdrafts to the government, given the constraints to the government's financing conditions. It indicated that the government's domestic issuance has declined since 2016, mainly as a result of higher competition from Open Market Operations (OMOs). It added that the weighted average OMOs yield has been above the 3-month treasury yield, making investment in OMOs more attractive for investors. As such, it said that the government received lower levels of financing from domestic sources as banks preferred to invest in OMOs. Barclays expected these dynamics to persist as long as the CBN continues its liquidity draining operations, which are an important pillar of the current exchange rate policies.

Source: Barclays Capital

ARMENIA

Foreign currency buffers insufficient to withstand adverse shocks

The International Monetary Fund indicated that Armenian banks are well-capitalized with improving asset quality and profitability metrics, but it considered that vulnerabilities in the sector persist. It noted that the banks' aggregate capital adequacy ratio reached 17.6% at the end of February 2019 relative to 17.7% at the end of 2018 and to 18.6% at the end of 2017. Also, it pointed out that the sector's non-performing loans (NPLs) ratio declined from 5.5% at end-2017 to 4.8% at the end of 2018, while the provisions-to-NPLs ratio was 56.6% at end-2018 compared to 51.5% at end-2017. Further, it noted that the dollarization rate of resident loans and deposits decreased significantly in 2018, which reflects Armenia's stable macroeconomic and financial conditions in recent years. In parallel, the IMF said that lending growth accelerated from 6% in 2016 to 16.5% in 2017 and to 17.2% in 2018. However, it indicated that foreign currency buffers at banks are insufficient to withstand adverse shocks. In response, it pointed out that the Central Bank of Armenia is preparing an action plan and a communication strategy, in line with the 2018 Financial Sector Assessment Program (FSAP), that aims to boost the banks' foreign currency liquidity cushions. In addition, it said that the banks' return on average assets rose from 1.2% in each of 2017 and 2018 to 1.4% on an annualized basis in February 2019, while the return on average equity was at 9.6% on an annualized basis in February 2019 relative to 7.6% in 2018 and to 7.7% in 2017.

Source: International Monetary Fund

QATAR

Improved liquidity conditions lead to reduction of public sector deposits

The International Monetary Fund indicated that the Qatari banking sector is healthy due to its strong capitalization and profitability, low non-performing loans (NPLs) ratio, adequate provisioning, and comfortable liquidity. It noted that the sector's capital adequacy ratio was 16%, while the NPLs ratio was 1.7% at the end of September 2018. Also, it pointed out that the provisions-to-NPLs ratio was adequate at 83.3% at the end of September 2018, nearly unchanged from the end of 2017. Further, it indicated that the banks' liquid assets represented 29.7% of total assets at end-September 2018, up from 28.2% at end-2017; while they were equivalent to 64.1% of total short-term liabilities at the end of September 2018 compared to 54.2% at the end of 2017. Still, it pointed out that strong lending growth outperformed the rise in deposits, which led the banks' loans-to-deposits ratio to increase to 103% at end-2018 and to exceed the Qatar Central Bank’s guidance of 100%. In addition, the Fund noted that the banking system has adjusted to Qatar's diplomatic rift with neighboring countries, as non-resident deposits and placements have expanded. In turn, it said that the improved liquidity conditions led to a reduction of public sector deposits placed in the banking system. In addition, it pointed out that the banks' return on assets stood at 1.6% on an annualized basis in September 2018 relative to 1.5% in 2017, while the return on equity rose from 13.9% in 2017 to 15.5% on an annualized basis in September 2018.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil price volatility increases as supply- and demand-side risks intensify

ICE Brent crude oil front-month prices were volatile over the past week, trading at between $59 per barrel (p/b) and $62 p/b. In fact, supply-side risks, which include tensions between the U.S. and Iran, OPEC's lower oil output, as well as lower production in Venezuela, have been pushing prices upward, while demand-side risks that consist mainly of trade tensions between the U.S. and China are putting downward pressure on oil prices. Commerzbank considered that the response of oil prices to last week's attack on oil tankers in the Gulf of Oman, near the Strait of Hormuz, has been relatively subdued, even though 30% of global oil shipments pass through the strait. In fact, concerns about a global economic slowdown are outweighing geopolitical tensions in the Middle East, limiting any significant increase in oil prices. In parallel, Fitch Ratings expected the global oil market to remain broadly balanced, as it anticipated OPEC members to extend their production cut deal until the end of 2019. As such, the agency maintained its forecast for Brent oil prices at an average of $65 p/b in 2019. In contrast, Bank of America Merrill Lynch revised downward its forecast for Brent oil prices from $68 p/b in the second half of 2019 to $63 p/b, as it lowered its expectations for global oil demand growth in 2019. It added that downside risks to the oil price outlook include China's decision to continue importing Iranian oil, which could lead to another wave of U.S. tariffs on Chinese imports, putting further pressure on the global economy.

Source: Commerzbank, Fitch Ratings, Bank of America Merrill Lynch, Oilprice, Thomson Reuters

OPEC oil output down 0.8% in May 2019

Crude oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 29.88 million barrels per day (b/d) in May 2019, down by 0.8% from an average of 30.11 million b/d in the preceding month. Saudi Arabia produced 9.69 million b/d in May 2019, or 32.4% of OPEC's total oil output, followed by Iraq with 4.72 million b/d (15.8%), the UAE with 3.06 million b/d (10.2%), Kuwait with 2.71 million b/d (9.1%) and Iran with 2.37 million b/d (7.9%).

Source: OPEC, Byblos Research

Power generation remains biggest consumer of gas

The global industrial use of gas is expected to grow at an average annual rate of 3% and to account for 46% of the growth in global natural gas consumption between 2018 and 2024. The usage of gas in power generation is anticipated to rise but at a slower pace due to strong competition from renewables and coal. Power generation is projected to remain the biggest source of demand for natural gas, accounting for 40% of global gas demand by 2024.

Source: International Energy Agency

ME&A's oil demand to grow by 1% in 2019

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.58 million barrels per day (b/d) in 2019, which would constitute an increase of 1% from 12.45 million b/d in 2018. The region's demand for oil would represent 37.9% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 4.8 million b/d in 2019, an increase of 1.7% from 4.72 million b/d in 2018.

Source: OPEC, Byblos Research

Base Metals: Nickel prices reach two-week high amid supply disruptions

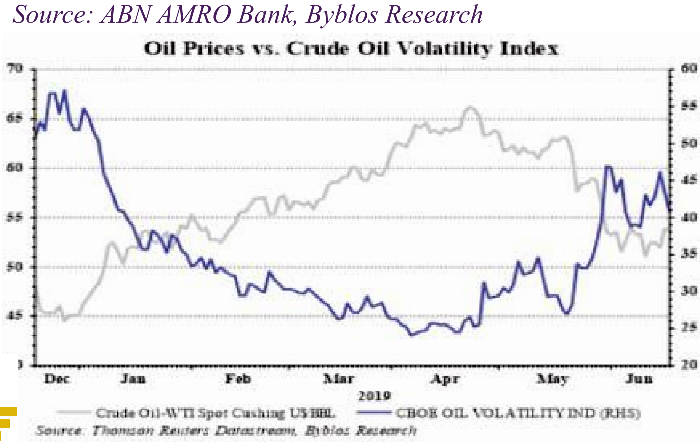
The LME cash price of nickel reached $11,871 per metric ton on June 18, 2019, constituting an increase of 12% from $10,605 per ton at end-2018, and its highest level in more than two weeks. The rise in metal's price was mainly driven by expectations of a supply deficit in the nickel market in 2019, which was exacerbated by a drop in LME-nickel inventories that reached their lowest levels since 2013 earlier this year. Also, nickel prices increased due to concerns about supply disruptions, as flooding hit the mines of a major nickel producer in Indonesia that produces between 50,000 to 100,000 tons of nickel ore a month. In parallel, the metal's price decreased by 8% so far in the second quarter of 2019, following an increase of 21.6% in the first quarter of the year, mainly due to heightened concerns about demand for metals and global economic slowdown amid the re-escalation of U.S.-China trade tensions. But nickel prices were supported by renewed hopes that the ongoing U.S.-China trade war will be resolved soon as talks between the two economies resume later this month following a recent hiatus. Still, Citi projected nickel prices to decrease from an average of $13,140 per ton in 2018 to $13,090 per ton in 2019.

Source: Citi Research, Thomson Reuters

Precious Metals: Gold prices to increase by 5% to $1,331 an ounce in 2019

ABN AMRO Bank maintained a positive outlook on gold prices amid expectations of easing monetary policy, continued Chinese demand for gold, and a weaker US dollar. First, it considered that recent U.S.-China trade tensions reduced the likelihood of U.S. monetary tightening in the coming year. In fact, it anticipated that the U.S. Federal Reserve would cut interest rates by 75 basis points by the first quarter of 2020. It also expected the European Central Bank and other central banks to postpone their monetary tightening cycle. Second, it indicated that Chinese authorities would increase economic stimulus to support growth and to shield the Chinese economy from the impact of the country's trade conflict with the United States. Overall, it anticipated China to continue to purchase gold. Third, it pointed out that the US dollar has been struggling to rally due to uncertainties about U.S. President Donald Trump's trade policies, which has supported gold prices. As such, ABN AMRO projected prices to increase from an average of $1,309 per troy ounce in the second quarter of 2019 to $1,338 an ounce in the third quarter and to an average of $1,375 an ounce in the fourth quarter of the year. As such, it projected prices to rise by 4.9% to an average of $1,331 per ounce in 2019.

Source: ABN AMRO Bank, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch (LT Foreign currency rating)	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 (%)
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Stable	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Stable	Stable	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Stable	Stable	-	Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Ivory Coast	-	Ba3	B+	-	B+								
	-	Stable	Stable	-	Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	B	-	B-								
	-	-	Stable	-	Stable	-7.4	-	-	-	-	-	2	-
Dem Rep	CCC+	B3	-	-	CCC								
Congo	Stable	Negative	-	-	Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	Stable	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	-	B2	B+	-	BB-								
	-	Negative	Negative	-	Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B	B2	B+	-	B+								
	Positive	Stable	Stable	-	Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+	B2	BB-	BB	BB+								
	Stable	Stable	Stable	Stable	Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	B	BB-								
	-	-	-	Stable	Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+	B1	-	B+	A								
	Stable	Stable	-	Stable	Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	B-	Caa1	B-	B	B-								
	Negative	Stable	Negative	Negative	Stable	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB	Ba1	BB+	BBB-	BBB								
	Negative	Negative	Stable	Stable	Stable	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A-	A1	A+	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Negative	-5.1	54.7	18.1	-	-	-	0.7	

COUNTRY RISK METRICS

Countries	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 (%)
	LT Foreign currency rating												
Asia													
Armenia	-	B1	B+	-	B-								
	-	Positive	Positive	-	Stable	-1.8	48.5	81.7	-	-	-	-6.2	-
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
Kazakhstan	BBB-	Baa3	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
Pakistan	B-	B3	B-	-	CCC								
	Stable	Negative	Stable	-	Negative	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB								
	Positive	Stable	Stable	-	Stable	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Stable	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
Russia	BBB-	Ba1	BBB-	-	BBB-								
	Stable	Positive	Positive	-	Stable	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
Turkey	B+	B1	BB	BB-	B+								
	Stable	Negative	Negative	Negative	Negative	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
Ukraine	B-	Caa2	B-	-	B-								
	Stable	Positive	Stable	-	Stable	-2.3	63.9	-	59.3	9.3	129.2	-3.7	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 estimates for 2018

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	19-Jun-19	No change	30-Jul-19
Eurozone	Refi Rate	0.00	06-Jun-19	No change	25-Jul-19
UK	Bank Rate	0.75	20-Jun-19	No change	01-Aug-19
Japan	O/N Call Rate	-0.10	20-Jun-19	No change	30-Jul-19
Australia	Cash Rate	1.25	04-Jun-19	Cut 25bps	02-Jul-19
New Zealand	Cash Rate	1.50	08-May-19	Cut 25bps	26-Jun-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Jun-19	No change	19-Sep-19
Canada	Overnight rate	1.75	29-May-19	No change	10-Jul-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-Jun-19	No change	19-Sep-19
South Korea	Base Rate	1.75	31-May-19	No change	18-Jul-19
Malaysia	O/N Policy Rate	3.00	07-May-19	Cut 25bps	09-Jul-19
Thailand	1D Repo	1.75	08-May-19	No change	26-Jun-19
India	Reverse repo rate	5.75	06-Jun-19	Cut 25bps	07-Aug-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	23-May-19	No change	11-Jul-19
Turkey	Repo Rate	24.0	12-Jun-19	No change	25-Jul-19
South Africa	Repo rate	6.75	23-May-19	No change	18-Jul-19
Kenya	Central Bank Rate	9.00	27-Mar-19	No change	N/A
Nigeria	Monetary Policy Rate	13.50	21-May-19	No change	23-Jul-19
Ghana	Prime Rate	16.00	27-May-19	No change	22-Jul-19
Angola	Base rate	15.50	24-May-19	Cut 25bps	26-Jul-19
Mexico	Target Rate	8.25	16-May-19	No change	27-Jun-19
Brazil	Selic Rate	6.50	19-Jun-19	No change	31-Jul-19
Armenia	Refi Rate	5.75	11-Jun-19	No change	30-Jul-19
Romania	Policy Rate	2.50	15-May-19	No change	04-Jul-19
Bulgaria	Base Interest	0.00	03-Jun-19	No change	01-Jul-19
Kazakhstan	Repo Rate	9.00	03-Jun-19	No change	15-Jul-19
Ukraine	Discount Rate	17.50	06-Jun-19	No change	18-Jul-19
Russia	Refi Rate	7.50	14-Jun-19	Cut 25bps	26-Jul-19

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