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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

New import-restrictive measures hit $336bn of trade merchandise

The World Trade Organization indicated that WTO members have put in place 20 new trade-restrictive measures between mid-October 2018 and mid-May 2019, compared to 40 measures between mid-May 2018 and mid-October 2018. Trade restrictive measures consisted of 16 import-related restrictions and four export-related measures. The WTO members introduced an average of three trade-restrictive measures per month during the covered period, down from eight measures per month between mid-May 2018 and mid-October 2018, and representing the lowest average since 2012. The WTO pointed out that new import-restrictive measures covered an estimated $336bn of trade merchandise, and were equivalent to 1.93% of the value of world merchandise imports between mid-October 2018 and mid-May 2019. This constituted the second highest amount on record, following measures that covered $481bn between mid-May 2018 and mid-October 2018. In parallel, it said that its members introduced 29 new trade-liberalizing or facilitating measures during the covered period, consisting of 25 import-related measures and four export-related procedures. As such, WTO members introduced an average of four new trade-facilitating measures per month in the covered period, the lowest monthly average registered since 2012. It said that import-facilitating measures implemented during the review period covered an estimated $397.2bn of trade merchandise, which is 1.8 times higher than $216bn between mid-May 2018 and mid-October 2018, and is equivalent to 2.3% of world merchandise imports.
Source: World Trade Organization

Nearly 71 million persons forcibly displaced as at the end of 2018

The United Nations High Commissioner for Refugees indicated that 70.8 million persons worldwide were forcibly displaced as at the end of 2018, of which 41.3 million people were internally displaced, 25.9 million were refugees and 3.5 million were asylum seekers. In comparison, it noted that 43.3 million people were forcibly displaced globally as at the end of 2009. It attributed the increase in the global displaced population to the conflicts in Syria, Iraq, Yemen, parts of sub-Saharan Africa, and the flow of Rohingya refugees to Bangladesh. It noted that 13 million Syrians were forcibly displaced as at the end of 2018, representing 18.4% of the global displaced population. Colombians followed with 8 million persons (11.3%), then displaced persons from the Democratic Republic of Congo with 5.4 million (7.6%), and from Afghanistan with 5.1 million (7.2%). Further, it noted that a total of 13.6 million persons were newly displaced during 2018, including 10.8 million internally-displaced individuals, as well as 2.8 million refugees and asylum-seekers. It added that an average of 37,000 persons were forcibly displaced on a daily basis during 2018. On a country basis, it indicated that 1.6 million Ethiopians were newly displaced in 2018, representing 11.5% of the total. In addition, it noted that 2.9 million displaced persons returned to their areas or countries of origin in 2018, including 2.3 million internally-displaced individuals and 600,000 refugees.
Source: United Nations High Commissioner for Refugees

MENA

Arab technology startups attract $3.2bn in equity funding between 2013 and 2018

Figures released by ArabNet, a hub for Arab digital professionals and entrepreneurs, show that investment funds based in the Middle East & North Africa (MENA) region invested $674m in 255 technology startups in 15 Arab countries in 2018. The UAE attracted 45 investments for a total amount of $459m in 2018, followed by Egypt and Lebanon with 40 investments each amounting $66m and $28m, respectively, Tunisia with 29 deals ($10m), Saudi Arabia with 26 deals ($59m), Oman with 22 investments ($1m), Bahrain with 17 deals ($2m), Jordan with 13 investments ($32m), Yemen with 10 deals ($3m) and Kuwait with five investments ($12m). In parallel, MENA-based investment funds invested $3.17bn in 1,423 technology startups in the 15 Arab countries between 2013 and 2018. The UAE attracted 348 deals for a total of $2.08bn in the covered period, followed by Egypt with 214 deals ($345m), Lebanon with 213 investments ($224m), Saudi Arabia with 180 deals ($218m), Jordan with 171 deals ($161m), Tunisia with 89 investments ($43m), Palestine with 53 deals ($21m) and Bahrain with 43 investments ($11m). The survey noted that the number of deals increased by a compound annual growth rate of 9.5% during the 2013-18 period, while the amount of the transactions rose by 23% between 2013 and 2018. Further, it pointed out that venture capital funds represented 28% of investors in startups in the MENA region over the 2004-18 period, followed by accelerators (25%), corporate investors (17%), seed funds (14%), angel networks (9%) and growth capital funds (7%).
Source: ArabNet

IRAQ

Profits of listed firms up 20% to $382m in 2018

The cumulative unaudited pre-tax profits of 73 out of 125 companies listed on the Iraq Stock Exchange totaled IQD465.4bn in 2018, constituting an increase of 15% from IQD404.5bn in 2017. In US dollar terms, the profits of listed companies reached $381.6m in 2018 and increased by 20% from $318.9m in 2017. The dollar figures reflect the prevailing official exchange rate that appreciated from an average of IQD1,268 per US dollar in 2017 to an average of IQD1,220 per US dollar in 2018. Listed telecommunication firms generated profits of $274.7m and accounted for 72% of total earnings last year. Banks followed with $54.4m (14.3%), then industrial firms $41.6m (10.9%), companies in the agricultural sector with $4.5m (1.2%), firms in the hotel & tourism sector with $3.4m (0.9%) and service providers with $3.2m (0.8%). Further, the profits of services providers rose by 150.4% in 2018, followed by the earnings of telecommunication companies (+133.4%), the profits of companies operating in the hotel & tourism sector (+26%), and the earnings of firms in the industrial sector (+22.8%). In contrast, the profits of money transfer operators decreased by 92.3% 2018, followed by the income of banks (-65.5%) and the earnings of companies operating in the agricultural sector (-15%).
Source: Rabee Securities, Iraq Stock Exchange

OUTLOOK

AFRICA

Rising public debt level increasing risk of distress

Fitch Ratings indicated that the public debt level in Sub-Saharan African (SSA) countries has significantly increased, as the median debt level of the 19 Fitch-rated SSA sovereigns doubled from 27% of GDP at the end of 2012 to an estimated 56% of GDP at end-2018. It noted that SSA sovereigns have used some of the fiscal space that was afforded by the Highly Indebted Poor Countries initiative to boost investment, GDP growth and human development indicators. But it cautioned that rising public debt levels leave limited scope for SSA countries to continue to accumulate public debt at such a rapid pace, without increasing the risk of debt distress for many countries. It said that SSA sovereigns could continue running wide budget deficits and increase public debt levels, which raises the risk of rating downgrades and potential defaults; or accept a slowdown in the pace of real GDP growth and in the improvement of human development indicators. It added that SSA sovereigns could modify their growth models in order to be less dependent on non-concessional debt.

Further, Fitch said that the rise in public debt levels has weighed on the agency's ratings of SSA sovereigns, and pointed out that the average SSA sovereign rating has declined from 'BB-' at end-2012 to 'B+' at end-2018. It added that, for many SSA countries, further rises in public debt levels will increase the prospect of sovereign rating downgrades. The agency expected that the budget deficits of the majority of SSA sovereigns will narrow in 2019 and 2020, which would be sufficient for only seven countries to reduce their public debt level. In parallel, Fitch considered that countries that implement structural reforms and policies to boost real GDP growth, exports and tax revenues, without incurring higher debt levels, increase the likelihood of positive rating actions on their sovereigns, or reduce the likelihood of negative ones. It indicated that such initiatives include raising domestic tax revenues to fund investment spending, encouraging FDI, implementing growth-enhancing structural reforms, and raising governance standards.

Source: Fitch Ratings

MOROCCO

Economic growth outlook faces downside risks

The Institute of International Finance projected Morocco's real GDP growth rate to decelerate from 3% in 2018 to 2.3% in 2019, mainly due to a 2% contraction in the agricultural sector's activity. In parallel, it forecast non-agricultural growth to accelerate from 2.9% in 2018 to 3.1% in 2019. It considered that downside risks to the growth outlook include volatile weather conditions, as well as lower economic growth in Europe, Morocco's main trading partner, which could weigh on the country's exports, tourism, remittances and foreign direct investment (FDI) inflows. It added that a more flexible exchange rate would help improve the country's competitiveness and strengthen the economy's resilience to external shocks. It considered that continued structural reforms and the ongoing expansion of Moroccan firms into new markets, including in Francophone Africa, could gradually increase the growth rate from about 3% in 2020 to 4% by 2025. In parallel, the IIF expected Morocco's fiscal deficit to narrow from 3.7% of GDP in 2018 to 3.1% of GDP in 2019 and to 2.9% of GDP in 2020, supported by the sale of the government's 8% share in Maroc Telecom to local investors. It anticipated the public debt level to decline from 65.3% of GDP at end-2018 to 62.6% of GDP at the end of 2020.

Further, the IIF forecast the current account deficit to narrow from 5.5% of GDP in 2018 to 4.7% of GDP in 2019 and 4.1% of GDP in 2020, driven by a lower oil import bill and persistently strong export growth. It anticipated that a further increase in non-resident capital inflows could more than offset the current account deficit, which would lead to a gradual increase in official reserves from $23.6bn at end-2018 to $23.8bn at the end of 2019 and $24.3bn at end-2020, or 4.8 months of imports. Also, it forecast FDI inflows at 2.6% of GDP in 2019, given that the country remains attractive to foreign investors amid a stable political environment and progress in reforms. It added that the authorities are expected to receive a concessional loan of $237m from the Arab Fund for Economic and Social Development, and to issue $1.2bn in Eurobonds in each of 2019 and 2020. As such, it projected the external debt level to rise from 43.7% of GDP at end-2018 to 44.9% of GDP by end-2020.

Source: Institute of International Finance

EGYPT

Institutional and external risks persist despite positive growth outlook

Deutsche Bank considered that Egypt's reform program with the International Monetary Fund has been successful in reducing macroeconomic imbalances and improving the country's growth prospects. It projected real GDP growth to accelerate from 5.5% in the fiscal year that ends in June 2019 to 5.9% in FY2019/20, supported by higher oil, gas and renewable energy production, sustained spending on state-sponsored mega-projects, as well as by a recovery in private consumption. It expected private consumption to increase in the first quarter of 2020 as inflationary pressures moderate from the fourth quarter of 2019 and bank lending to households increases. However, it anticipated growth prospects to be constrained by tight external financing conditions, subdued non-oil private sector activity, a lack of further structural reforms and institutional weaknesses.

Also, it forecast the average inflation rate to decline from 13.3% in FY2018/19 to 10.2% in FY2019/20, in case the Egyptian pound appreciates, global oil prices decline, and the government's subsidy cuts are less aggressive compared to previous years. However, it pointed out that upside risks to the inflation rate include further subsidy cuts, the introduction of fuel price indexation mechanisms that would automatically link local prices to global ones, as well as the hike in electricity tariffs by an average of 15% in July 2019, a third hike to water prices, and adjustments to some public transportation costs and rents. It expected the Central Bank of Egypt to ease monetary policy starting in November 2019 in order to achieve the authorities' inflation target.

Further, Deutsche Bank anticipated the current account deficit to narrow from 1.7% of GDP in FY2018/19 to 1.1% of GDP in FY2019/20, supported by remittance inflows following the unification of the exchange rate system, and foreign currency receipts from the Suez Canal, which should support the appreciation of the pound. It expected the latter, combined with high interest rates, to increase foreign currency inflows in local debt instruments. It also projected the fiscal deficit to narrow from 8.6% of GDP in FY2018/19 to 7.8% of GDP in FY2019/20.

Source: Deutsche Bank

ECONOMY & TRADE

JORDAN

Ratings assigned at 'BB-', outlook 'stable'

Fitch Ratings assigned to Jordan long-term foreign and local currency Issuer Default Ratings (IDRs) of 'BB-', with a 'stable' outlook. The ratings are three notches below investment grade. The agency also assigned short-term foreign and local currency IDRs of 'B' and a Country Ceiling of 'BB'. It noted that Jordan's ratings are mainly supported by a track record of fiscal and economic reforms, as well as by the availability of domestic and external financing. But it said that Jordan's ratings are constrained by an elevated public debt level, weak economic growth, domestic and regional political risks, and large external financing needs. It indicated that Jordan has implemented reforms that have significantly narrowed the budget deficit and stabilized the public debt level since 2011. It noted that the central government's deficit reached 2.4% of GDP in 2018 and missed the government's target of 1.7% of GDP, due to revenue shortfalls and delays in the income tax reform. It expected the deficit to narrow to 2.2% of GDP in 2019. It said that the general government's debt level, which reached 79.5% of GDP at end-2018, is well above the 'BB'-median of 43% of GDP. It anticipated the debt level to gradually decline over the medium term in case Jordan maintains fiscal discipline. In parallel, it indicated that the availability of external financing has helped the Central Bank of Jordan retain a significant stock of foreign currency reserves despite persistent current account deficits. It forecast the current account deficit to average 6.3% of GDP annually in the 2019-20 period, and for gross external financing needs to reach 15% to 16% of GDP.

Source: Fitch Ratings

DEM REP CONGO

Sovereign rating downgraded to 'Caa1'

Moody's Investors Service downgraded the long-term issuer rating of the Democratic Republic of Congo (DRC) from 'B3' to 'Caa1', and revised the outlook from 'negative' to 'stable'. It attributed the downgrade to the very weak capacity of the country's policy-making institutions to respond to economic and political shocks, including shocks to commodity prices and those related to the impairment of major commodity production facilities. It noted that real GDP growth picked up since 2017 amid rising mining sector activity, and reached 5.8% in 2018. The agency considered that the DRC's dependence on the mining sector, which has accounted for an average of 90% of total exports in the previous three years, makes the economy and public finances vulnerable to a sustained decline in commodity prices. Further, it said that foreign currency reserves increased to $1.13bn at end-April 2019, but it noted that they cover less than one month of imports and do not offer significant financial and policy room to respond to shocks. In parallel, the International Monetary Fund projected real GDP growth to decelerate from 5.8% in 2018 to 4.3% in 2019, in case of a slowdown in mining activity amid lower cobalt prices. It forecast non-mining sector activity to more than double this year, partly driven by higher public investment. In addition, the IMF expected economic growth to remain at around 4% in the medium term, but it considered that the implementation of structural reforms should help boost growth.

Source: Moody's Investors Service, International Monetary Fund

TUNISIA

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed at 'B+' Tunisia's long-term foreign and local currency Issuer Default Ratings, with a 'negative' outlook. It indicated that the ratings are constrained by fiscal and current account deficits, elevated public and external debt levels, a challenging political environment and subdued economic growth. The agency expected economic activity in the 2019-21 period to be supported by higher investments and exports, strong tourism activity, as well as robust growth in the agriculture, mining, tourism and manufacturing sectors. It forecast the central government's deficit, including grants, to narrow from 4% of GDP in 2019 to 3.3% of GDP in 2021, driven by better tax collection and further energy subsidy reforms, which will more than offset the impact of rising debt servicing costs. Also, it projected the general government's debt level to peak at 82% of GDP in 2020, due to wide fiscal deficits and the depreciation of the dinar, as debt in foreign currencies accounts for 75% of total public debt. In parallel, it forecast the current account deficit to narrow from 11.2% of GDP in 2018 to 9.3% of GDP in 2021, in case of an improvement in the terms of trade, and higher phosphate production and gas output. It forecast the country's average external funding needs at 17% of GDP per year in the 2019-21 period, and projected the net external debt level to rise from 70.5% of GDP in 2018 to 91.4% of GDP in 2021. It said that international reserves reached 2.6 months of current account payments at end-2018, which raises vulnerability risks to higher global oil prices, tighter external funding conditions or slower Eurozone growth.

Source: Fitch Ratings

ETHIOPIA

Lower exports and tax receipts are credit negative

Moody's Investors Service considered Ethiopia's lower export earnings and tax receipts to be credit negative for the country. It said that the government estimated the amount of export earnings to have declined by 8% year-on-year in the first 10 months of the fiscal year ending in July 2019, due to a decline in the prices of the country's major exports, including coffee beans. It considered that the decline in export earnings raises Ethiopia's external debt vulnerability. Further, the agency pointed out that the public sector's external debt was equivalent to 30% of GDP at the end of March 2019, which translates into higher foreign exchange needs to meet external debt amortization. It forecast the amortization of public external debt at $1.7bn in FY2019/20, which would be equivalent to 45% of projected reserves. As such, it noted that Ethiopia is currently negotiating to reprofile some of its debt with China in order to lower its financing costs. It added that the disbursement of the $200m emergency loan from the World Bank for the Ethiopian electricity sector in May 2019 would support reserve levels. In parallel, the agency pointed out that the 2020 budget anticipates the fiscal deficit to remain at 3% of GDP in FY2019/20, as lower tax revenues would be offset by higher external grants. It forecast the government's revenues to continue to decline, and to fall below 10% of GDP by FY2019/20 from 15% of GDP in FY2015/16. It also considered that the declining revenues reflect the low pass-through rate of economic growth on revenue collection.

Source: Moody's Investors Service

IRAN

FATF urges Tehran to address its AML/CFT deficiencies by October 2019

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that several items of Iran's action plan to address its significant AML/CFT deficiencies remain incomplete. It called on authorities to adequately criminalize terrorist financing, identify and freeze terrorist assets, and ensure an adequate and enforceable customer due diligence process. It added that authorities should demonstrate how they are identifying and sanctioning unlicensed money transfer service providers, and should ensure that wire transfers contain complete information on the originator and beneficiary. Further, it acknowledged the progress made with the passage of the Anti-Money Laundering Act, but it noted that the Action Plan is incomplete. Also, FATF stated that it can only consider fully enacted legislation in its assessment, as the bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament but are not yet in force. However, it noted that if Iran does not enact the necessary remaining legislation, in line with FATF standards by October 2019, then the FATF would demand increased examination of branches and subsidiaries of financial institutions based in Iran. It said that Iran will remain on the FATF Public Statement until the full action plan is completed. It considered that, until then, risks of terrorism financing originating from Iran will continue to pose a threat to the international financial system. The FATF reiterated its call on all jurisdictions to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.

Source: Financial Action Task Force

TURKEY

Agency takes rating actions on 18 banks

Moody's Investors Service downgraded from 'Ba3' to 'B1' the long-term local-currency deposit ratings of ING Bank, Alternatifbank, QNB Finansbank and Turk Ekonomi Bankasi, and from 'B1' to 'B2' the ratings of Ziraat Bankasi, Akbank, Turkiye Garanti Bankasi, Yapi ve Kredi Bankasi, Turkiye Vakiflar Bankasi and Export Credit Bank of Turkey. It also downgraded from 'B2' to 'B3' the local-currency deposit ratings of Denizbank, HSBC Bank Turkey, Turkiye IS Bankasi, Turkiye Halk Bankasi, and Turkiye Sinai Kalkinma Bankasi. In addition, it revised downward from 'B3' to 'Caa1' the local-currency deposit rating of Odea Bank, and from 'Caa1' to 'Caa2' the ratings of Sekerbank and Nurol Investment Bank. In parallel, the agency downgraded from 'B1' to 'B2' the long-term foreign-currency deposit ratings of Export Credit Bank of Turkey, from 'B3' to 'Caa1' the rating of Odea Bank and from 'Caa1' to 'Caa2' the ratings of Nurol Investment Bank and Sekerbank. It also downgraded from 'B2' to 'B3' the foreign-currency deposit ratings of the other 14 banks. It maintained a 'negative' outlook on the banks' ratings. Moody's attributed the downgrades to a significant increase in Turkey's external vulnerabilities, which exposes the country to a higher risk of a shift in depositor confidence. It added that its rating actions reflect a more prolonged deterioration in the operating environment, which would lead to a weakening of the banks' solvency metrics.

Source: Moody's Investors Service

NIGERIA

Stable outlook on banking sector

Moody's Investors Service maintained a 'stable' outlook on the Nigerian banking sector, due to resilient capital buffers and a stable deposit base. However, it considered that the pressure on the banks' asset quality and their constrained profitability metrics constitute key rating challenges. First, it estimated the sector's tangible common equity ratio at 16% at end-2018, which it considered to be sufficient for banks to absorb losses. It anticipated subdued lending growth and prudent dividend payments to support capitalization. Second, it considered that the banks' funding and liquidity profiles are underpinned by their solid deposit base. It added that the sectors' foreign currency liquidity improved in 2018, and expected liquidity to continue to increase amid moderate foreign-currency lending. Third, the agency projected the banks' non-performing loans (NPLs) ratio to decline from 11.7% at end-2018 to between 7% and 8% in the coming 12 to 18 months. Still, it anticipated asset quality to be constrained by the banking sector's high loan concentrations to single borrowers, and the banks' elevated exposure to the oil & gas sector and to foreign-currency borrowers. Fourth, Moody's expected the sector's profitability metrics to remain sound despite weakening slightly. It forecast the banks' aggregate return on assets to regress from 2% in 2018 to between 1.5% and 2% in 2019. It also anticipated that the banks' loan-loss provisioning charges would increase as a result of the implementation of the international accounting standard IFRS 9. It considered that the pressure on profitability would be partially offset by stable income from government securities, which represented 22% of total assets at end-2018.

Source: Moody's Investors Service

ANGOLA

Banking sector liquidity declines

The International Monetary Fund considered that safeguarding the stability of Angolan banks is critical for the success of the IMF-supported program. It indicated that the sector's risk-weighted capital adequacy ratio stood at 31.6% at end-March 2019, relative to 24.2% at end-2018 and to 22.2% at end-March 2018, following a threefold increase in the banks' minimum regulatory capital requirements that was effective at end-2018. It noted that the sector's liquidity has regressed, as liquid assets accounted for 23.1% of total assets at end-March 2019 compared to 40.9% a year earlier, while they were equivalent to 28.7% of short-term liabilities at end-March 2019, unchanged from end-March 2018. Also, the sector's loans-to-deposits ratio stood at 44% at end-March 2019 relative to 51% at end-March 2018. Further, the Fund indicated that the authorities are finalizing a strategic restructuring plan for Angola's largest state-owned bank. It said that authorities are also developing a strategy to determine the State's appropriate footprint on the banking sector, to limit fiscal risks and political interference, as well as to increase banks' efficiency and improve governance. It added that an asset quality review of the 12 largest banks in the country will inform authorities about the potential recapitalization and restructuring needs of public and private banks. It indicated that the banks' non-performing loans (NPLs) ratio declined from 31.4% at end-March 2018 to 28.4% at end-March 2019, and anticipated NPLs to remain at high levels in the near term.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices surge on geopolitical tensions

ICE Brent crude oil front-month prices jumped by 7.6% from $61.8 per barrel (p/b) on June 19 to $66.5 p/b on June 26, 2019. Oil prices rose by 4.3% day-to-day to $64.5 p/b on June 20, as tensions intensified between the U.S. and Iran, increasing concerns about global oil supply. Further, oil prices rose by 2.2%, or by $1.4 p/b, on June 26 from a day earlier, mainly due to a larger-than-expected decline of 12.8 million barrels in U.S. oil inventories, the biggest drawdown since September 2016, due to record high U.S. oil exports. Also, the decline in the number of active oil and gas rigs in the U.S. provided some support to oil prices in the past week. However, downward pressure on oil prices increased as concerns over trade talks between the U.S. and China rose ahead of the G20 summit that will take place on June 28. In addition, traders are waiting for OPEC's upcoming meeting on July 1 to see if it will extend the output cut agreement. In parallel, J.P. Morgan Chase indicated that, in case the U.S. and China reach a trade solution at the upcoming G-20 summit, the resulting positive impact on investor sentiment and financial markets would support global growth and, in turn, demand for oil. Also, it expected OPEC and non-OPEC oil producers to extend their production cut agreement. Overall, J.P. Morgan forecast Brent oil prices to average $67.3 p/b in the third quarter of 2019, $65.3 p/b in the fourth quarter of the year and $66.4 p/b in 2019.
Source: J.P. Morgan Chase, Refinitiv, Byblos Research

Steel output up 5% in first five months of 2019

Global steel production reached 764.1 million tons in the first five months of 2019, constituting an increase of 5% from 727.5 million tons in the same period of 2018. China's steel production totaled 405 million tons in the first five months of 2019 and accounted for 53% of global output. India followed with 45.3 million tons (6%), then Japan with 42.3 million tons (5.5%) and the U.S. with 37.2 million tons (4.9%).
Source: World Steel Association, Byblos Research

MENA's crude oil exports to decline by 3% in 2019

Crude oil exports from the Middle East & North Africa region are forecast to reach 19.4 million barrels per day (b/d) in 2019, down by 2.7% from 19.9 million b/d in 2018. The GCC countries' oil exports would account for 68% of the region's oil exports this year, while non-GCC exporters would represent the balance of 32%. Saudi Arabia's oil exports are projected at 7.3 million b/d this year, or 37.5% of the region's oil exports, followed by Iraq at 4 million b/d (20.4%) and the UAE at 2.7 million b/d (14.1%).
Source: International Monetary Fund, Byblos Research

Saudi Arabia's oil output to cover 12.5% of global demand by 2025

J.P. Morgan Chase expected Saudi Arabia to push for an extension of the OPEC production cut agreement due to elevated global oil inventories. It anticipated the Kingdom to put a ceiling of 10 million barrels per day (b/d) on its output until 2020. But it projected Saudi Arabia to capture a larger share of the global demand growth for oil in the long term. It forecast the Kingdom's oil and natural gas liquids output at 15 million b/d by 2025, increasing its market share back towards 12.5% of global demand, relative to 11.8% in May 2019.
Source: J.P. Morgan Chase

Base Metals: Copper prices reach five week-high amid supply disruptions

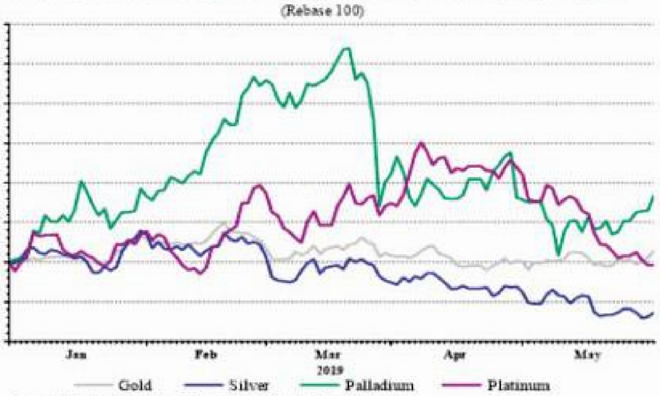
LME copper cash prices reached $5,971 per metric ton on June 26, 2019, down by 7.9% from end-March 2019. The decline in the metal's prices so far in the second quarter was mainly due to concerns about the impact of the escalation in the ongoing U.S.-China trade dispute on global growth and, in turn, on global demand for metals. But copper prices closed at $6,026 per metric ton on June 25, 2019, their highest level in five weeks, due to fears about supply disruptions at a major mine in Chile, and to hopes of a resolution of the trade dispute ahead of renewed U.S.-China talks. In parallel, the latest available figures show that global demand for refined copper increased by 0.8% year-on-year to 5.85 million tons in the first quarter of 2019, as Chinese demand grew by 4%, while demand in the rest of the world declined by 2% from the first quarter of 2018. On the supply side, global refined copper production regressed by 1.1% annually to 5.82 million tons in the first quarter of 2019, driven by lower output from Chili, Germany, India, Japan, Peru, the U.S. and Zambia, which was partially offset by higher production in Australia, Brazil, China and Poland. Refined output grew by 24% in Oceania and by 2.5% in Asia, while it declined by 12% in the Americas, by 8% in Africa, and was unchanged in Europe.
Source: International Copper Study Group, Refinitiv

Precious Metals: Palladium prices to increase by 38% to $1,425 an ounce in 2019

Palladium prices reached a three-month high of $1,536 per troy ounce on June 26, 2019, and increased by 12.1% from the end of May 2019 and by 21.6% from end-2018. The metal's price surged in the first quarter of the year, rising from an average of $1,328.3 an ounce in January to $1,443.2 per ounce in February and to $1,530 an ounce in March 2019, supported by higher automotive demand for the metal from the increased usage of catalytic converters. Prices then moderated to an average of $1,389 per ounce in April and to $1,331 an ounce in May 2019, reflecting expectations of a slowdown in automotive demand in key markets. However, they recovered in June 2019 to average $1,434 an ounce month-to-June 26, 2019, driven by revived U.S.-China trade talks ahead of the G-20 summit. Overall, palladium prices are projected to increase by 38.4% to an average of $1,425 an ounce in 2019, as tighter emissions regulations, especially in China, would drive demand for the metal. Downside risks to prices could arise from the substitution of the cheaper platinum for palladium in emissions-reducing catalytic convertors.
Source: Refinitiv, Byblos Research

Price Performance of Precious Metals in First Five Months of 2019

(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research

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 (%)
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+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	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	BB-	B+	A								
	Stable	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	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-								
	-	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	26-Jun-19	No change	07-Aug-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	26-Jun-19	No change	07-Aug-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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293