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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 319% of GDP at end-March 2019

The Institute of International Finance indicated that global debt, which includes the debt of governments, corporates, and households, reached $246.5 trillion at the end of March 2019, constituting a decrease of 0.8% from a record-high of $248.5 trillion at end-March 2018. It noted that the debt was equivalent to 319.2% of global GDP at end-March 2019 compared to 318.7% of GDP at end-March 2018. It pointed out that the debt of non-financial corporates reached $72.6 trillion, or 91.4% of GDP, at end-March 2019, followed by government debt with $67 trillion (87.2% of GDP), financial sector indebtedness with $60.4 trillion (80.8% of GDP), and household debt with $46.6 trillion (59.8% of GDP). In parallel, the IIF said that emerging market (EM) debt grew from $68.9 trillion at the end of March 2018 to a new record-high of $69.1 trillion, or 216.4% of GDP, at end-March 2019. It indicated that EM non-financial corporate debt totaled $30.1 trillion, or 92.6% of GDP, at end-March 2019, followed by EM government borrowing at $15.6 trillion (50.5% of GDP), EM household debt at $12.5 trillion (38.8% of GDP), and financial sector indebtedness at $10.9 trillion (34.5% of GDP). It noted that the high reliance of EMs on short-term borrowing exposes them to sudden shifts in risk appetite. It said that $3 trillion in EM bonds and syndicated loans will mature by the end of 2020. Further, the IIF pointed out that the debt of developed markets reached $177.4 trillion, or 380.6% of GDP, at the end of March 2019, relative to $179.6 trillion, or 382.3% of GDP, at end-March 2018.

Source: Institute of International Finance

Private equity real estate deals at $89bn in second quarter of 2019

Research provider Preqin indicated that there were 1,963 private equity real estate deals completed globally in the second quarter of 2019 for a total amount of $89.3bn. In comparison, there were 2,242 private equity real estate deals worth $97.4bn in the second quarter of 2018, and 2,308 real estate deals for $108.2bn in the first quarter of 2019. The private equity real estate deals completed in the second quarter of 2019 represent the lowest number and amount of deals announced since the first quarter of 2017. On a regional level, North America attracted 1,356 real estate deals in the second quarter of 2019, or 69.1% of total private equity investments in real estate, followed by Europe with 514 real estate transactions (26.2%), and Asia with 29 deals (1.5%). In addition, transactions for office property accounted for the largest portion of activity in the second quarter of the year with 543 deals, or the equivalent of 27.7% of total private equity deals in real estate, followed by residential units with 460 transactions (23.4%), retail properties with 260 deals (13.2%), industrial properties with 258 transactions (13.1%), and land with 174 deals (9%). In parallel, Preqin indicated that there were 47 closed-end private equity real estate investment funds that raised a total of $29bn in capital commitments worldwide in the second quarter of 2019. In comparison, there were 115 funds that raised $38bn in capital in the second quarter of 2018.

Source: Preqin

MENA

FDI outflows up 27% to $48bn in 2018

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that outflows of foreign direct investment (FDI) from 17 Arab economies totaled $47.8bn in 2018, constituting an increase of 27.4% from $37.5bn in 2017. FDI outflows from Saudi Arabia reached $21.2bn, or 44.4% of total FDI outflows from Arab countries, followed by outflows from the UAE at $15.1bn (31.6%), Kuwait with $3.75bn (7.8%), Qatar with $3.5bn (7.4%), and Lebanon with $1.06bn (2.2%) as the top five Arab sources for FDI outflows. In parallel, FDI from Palestine rose by four times last year, followed by outflows from Libya and Saudi Arabia (+2.9 times each), Iraq (+2.4 times), Qatar (+2.1 times), Egypt (+62.6%), and the UAE (+7.2%). In contrast, FDI outflows from Oman fell by 76.6% in 2018, followed by outflows from Mauritania (-62.4%), Kuwait (-58.4%), Bahrain (-51.5%), Tunisia (-40.8%), Yemen (-35.6%), Morocco (-34.8%), and Lebanon (-19.7%). Further, FDI outflows from the 17 Arab countries were equivalent to 1.8% of their aggregate GDP in 2018 compared to 1.6% of GDP in 2017. FDI outflows from the UAE were equivalent to 3.6% of its GDP last year, followed by Kuwait and Saudi Arabia (2.7% of GDP each), and Lebanon (1.9% of GDP).

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

Arab world trails most regions in broadband Internet speed

Figures published by Cable.co.uk on broadband Internet speed in 2019 show that Internet speed in the UAE is the fastest among 20 Arab countries and the 67th fastest among 207 countries globally. Bahrain (94th), Morocco (100th), Qatar (101st) and Saudi Arabia (103rd) followed as the five Arab countries with the fastest broadband Internet speed, while Algeria (182nd), Syria (195th), Djibouti (198th), Mauritania (204th) and Yemen (207th) registered the slowest speed regionally. The survey noted that broadband Internet speed in the UAE is 9.62 megabytes per second (mbps), while the Internet speed is 0.38 mbps in Yemen. As such, it takes one hour and nearly 11 minutes to download a 5 gigabyte (GB) video in the UAE, while it takes 30 hours, one minute and 40 seconds to download a 5GB video in Yemen. The Arab region's simple average broadband Internet speed is 3.27 mbps and is below the global average of 11 mbps. Also, the region's average broadband Internet speed is above the speed in Sub-Saharan Africa (2.72 mbps), but is lower than the average broadband Internet speed in North America (25.06 mbps), Europe & Central Asia (20.48 mbps), East Asia & the Pacific (16.71 mbps), Latin America & the Caribbean (6.17 mbps), and South Asia (3.88 mbps). The average broadband Internet speed in Gulf Cooperation Council (GCC) countries is 5.9 mbps, while it is 2.14 mbps in non-GCC Arab countries. The data for the survey was collected between May 9, 2018 and May 8, 2019 by research group M-Lab, which is led by teams based at the non-profit organization Code for Science and Society, New America's Open Technology Institute, as well as Google and Princeton University's PlanetLab.

Source: Cable.co.uk, Byblos Research

OUTLOOK

GCC

Growth to average 2.3% in 2019-21 period

The National Bank of Kuwait projected real GDP growth in the economies of the Gulf Cooperation Council (GCC) to accelerate from 2.1% in 2018 to an average of 2.3% annually in the 2019-21 period, mainly due to improved non-hydrocarbon sector activity. It forecast growth in the non-hydrocarbon sector to rise from 2.7% in 2018 to an average of 3.2% in the 2019-21 period, supported by public spending and private sector stimulus programs. It expected real hydrocarbon GDP growth to slow down from 1.5% in 2018 to 1% annually in the 2019-21 period, mainly due to lower oil output from the extension of the OPEC oil production cut agreement.

In parallel, it noted that GCC governments have accelerated their diversification programs while implementing fiscal reforms, which, along with higher oil prices, have improved the countries' public finances in recent years. However, it said that lower-than-expected oil prices could lead to a slower and more gradual improvement in the region's public finances. As such, it considered that policymakers in the GCC should balance the need for fiscal sustainability with the drive to support non-hydrocarbon private sector growth through continued public investment and austerity-mitigating measures. It projected the aggregate fiscal deficit of GCC countries to narrow from 3.6% of GDP in 2018 to 2.7% of GDP by 2021, which would reduce the pressure to finance the deficits through foreign assets at sovereign wealth funds.

In addition, it indicated that the outlook on the GCC region's growth prospects is subject to external developments, including global economic growth and shifts in oil prices. It said that a slowdown in global growth could reduce oil demand and weigh on oil prices, which would require further efforts towards economic diversification, as well as continued progress in fiscal, private sector and regulatory reforms over the medium term. In parallel, it noted that lower U.S. interest rates would result in a similar reduction in interest rates in most GCC countries, supporting credit growth in the region. It added that lower U.S. interest rates would encourage capital inflows to the GCC region that offers relatively higher returns than other emerging markets.

Source: National Bank of Kuwait

SAUDI ARABIA

Non-hydrocarbon sector growth to reach 2.7% in 2019

Jadwa Investment projected Saudi Arabia's real GDP growth to decelerate from 2.2% in 2018 to 1.6% of GDP in 2019, relative to a previous forecast of 2%, mainly due to lower hydrocarbon output. It forecast growth in the hydrocarbon sector to slow down from 2.8% in 2018 to 0.3% this year, as it expected oil output to be constrained by production cuts under the extended OPEC agreement. But it anticipated non-hydrocarbon sector growth to accelerate from 2.1% in 2018 to 2.7% in 2019, as it projected non-oil private sector activity to expand by 2.4% and for the non-hydrocarbon government sector to grow by 3%. It considered global economic developments, mainly the U.S.-China trade dispute, as well as regional geopolitical tensions, to be the main risks to the Kingdom's growth prospects. Further, it forecast the average inflation rate at -1.7% in 2019 relative to 2.5% in 2018, as prices normalize following the introduction of the value-added tax (VAT) and the implementation of energy and utility price reforms in 2018.

In parallel, Jadwa projected the Kingdom's fiscal deficit to widen from 5.9% of GDP in 2018 to 6.4% of GDP in 2019 compared to a previous forecast of 5.5% of GDP, mainly due to lower oil receipts. However, it expected non-hydrocarbon revenues to exceed the government's target for 2019, largely due to an increase in VAT receipts as non-oil activity picks up, and to higher expatriate levies. It added that the deficit could further widen, in case budgeted expenditures for 2019 do not include allowances to compensate for the increase in the cost of living in 2019. It anticipated authorities to finance the deficit mostly through the drawdown of government deposits held at the Saudi Arabian Monetary Agency. As such, it forecast the gross public debt level to rise from 19.1% of GDP at end-2018 to 22.1% of GDP at the end of 2019. Further, it projected the current account surplus to decrease from 9.2% of GDP in 2018 to 8.3% of GDP in 2019 amid higher imports, but to recover to 9.3% of GDP in 2020 in case of an increase in oil and non-oil export receipts. It forecast official reserve assets to rise from $497bn at end-2018 to $524bn at end-2019 and $528bn at end-2020.

Source: Jadwa Investment

NIGERIA

Growth projected at 2.5% in 2019, downside risks persist

Barclays Capital projected Nigeria's real GDP growth at 2.5% in 2019, as it expected the strong economic growth in the fourth quarter of 2018 to carry over this year, and in case risks of insurgency in the Niger Delta are contained. It indicated that economic activity in the fourth quarter of 2018 reached its highest level since mid-2015, with real GDP growing by 2.4% annually during the quarter, supported by stimulus related to the presidential elections that took place in early 2019. But it remained cautious about the outlook on Nigeria's hydrocarbon production, given that oil output tends to be vulnerable to volatile security conditions in the Niger Delta region in the aftermath of an election. Further, it pointed out that President Muhammadu Buhari has yet to appoint a new Cabinet, while the government's policy agenda has not been determined yet, more than three months after the presidential elections and two weeks after the President's inauguration. It expressed concerns about the delays in the formation of a new Cabinet, given the weak state of the economy.

In parallel, Barclays projected the fiscal deficit to narrow from 2.3% of GDP in 2018 to 2% of GDP in 2019, but to miss the authorities' target deficit of 1.4% of GDP for 2019, mainly due to lower-than-budgeted government revenues. It said that the budget stipulates an increase of 76% in public revenues to NGN7 trillion, or $19.4bn, which takes into account a rise of 60% in oil receipts and a 53% growth in revenues from the value-added tax. But it considered the budget's revenue targets to be unrealistic when compared to the receipts realized in 2018. In addition, it pointed out that the budget forecasts an increase of 29% in public spending to NGN8.9 trillion, or $24.7bn. However, it indicated that the 2019 budget, which was signed into law in May 2019, faces execution delays, and anticipated that crucial budget components, such as capital expenditures, would be under-executed.

Source: Barclays Capital

ECONOMY & TRADE

UAE

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook. It noted that the ratings reflect the country's strong external position, sound public finances, stable domestic political situation, high real GDP per capita, as well as Abu Dhabi's willingness to support federal institutions in case of financial distress. It forecast the UAE's real GDP growth to accelerate from 1.7% in 2018 to an annual average of 3.1% in the 2019-21 period, supported by public infrastructure spending ahead of Dubai's 2020 World Expo. However, it said that the growth outlook is subject to ongoing risks from geopolitical uncertainties. It noted that the average inflation rate increased to 3.1% in 2018 following the introduction of the value-added tax (VAT) in January 2018, but expected it to regress to around 2.1% in the 2019-21 period. Further, it considered the UAE's external balance to be strong, and projected the current account surplus to average 5.1% of GDP annually during the 2019-21 period. It also estimated the assets under management at the Abu Dhabi Investment Authority, the largest sovereign wealth fund in the UAE, at $825bn, or 194% of GDP, at end-2018, which is three times the country's external debt level. In parallel, it noted that higher non-oil revenues from the introduction of the VAT have partly offset the increase in capital spending. It forecast the fiscal deficit to narrow from 1.7% of GDP in 2018 to an annual average of 1% of GDP in the 2019-21 period, in case oil prices average $70 p/b over the same period, current spending is limited, and oil receipts increase.

Source: Capital Intelligence Ratings

ANGOLA

Outlook on sovereign rating revised to 'negative'

Fitch Ratings affirmed at 'B' Angola's long-term foreign-currency Issuer Default Rating, and revised the outlook on the rating from 'stable' to 'negative'. It attributed the outlook revision to the country's deteriorating debt metrics, a continued decline in foreign currency reserves, and a slower-than-anticipated economic recovery. The agency noted that the public debt level reached 80.2% of GDP at end-2018, and expected it to further increase to 83.8% of GDP by end-2019, which is above the median of 59.1% of GDP among 'B'-rated sovereigns. It indicated that the rise in the debt level mainly reflects the continued depreciation of the Angolan kwanza despite an improving fiscal balance. In parallel, Fitch said that foreign currency reserves declined from $15.4bn at end-2018 to $15bn at end-May 2019, their lowest level in nine years, which increases Angola's external risks, especially given the country's elevated external financing requirements. It anticipated that the Banco Nacional de Angola's decision to scale down its foreign currency sales, along with the country's small current account surplus, would help foreign currency reserves recover to $16.3bn, or 5.4 months of current external payments, by end-2019. It pointed out that the spread between the market and parallel exchange rates has expanded from 26% in the third quarter of 2018 to 35% at end-June 2019, which signals expectations of further currency devaluation. In parallel, it projected real GDP growth at 0.4% in 2019 due to reduced domestic demand. It forecast the inflation rate to average 17% in 2019, mainly due to the depreciation of the kwanza.

Source: Fitch Ratings

TURKEY

Sovereign ratings downgraded, outlook 'negative'

Fitch Ratings downgraded Turkey's long-term foreign-currency Issuer Default Rating from 'BB' to 'BB-', with a 'negative' outlook. It attributed the rating downgrade to the dismissal of the Governor of the Central Bank of the Republic of Turkey by President Recep Tayyip Erdoğan, which highlights a deterioration in Turkey's institutional independence and economic policy credibility. It added that the dismissal of the governor could weigh on the already weak domestic confidence, put at risk foreign capital inflows that are needed to meet Turkey's large external financing needs, and constrain the country's economic outlook. It projected the inflation rate at 16% in December 2019 due to anticipated currency weakness. It added that a faster-than-expected decline in policy rates raises the risk of currency depreciation, and could undermine the adjustment of the external sector. It expected the current account deficit to narrow to 0.6% of GDP in 2019, the smallest deficit since 2002, mainly driven by lower imports amid weak domestic consumption and investment. Still, it anticipated external refinancing requirements to remain large at $173bn in 2019 relative to $212bn in 2018. It also noted that gross official foreign currency reserves grew by $4.2bn so far this year to $97.2bn. Further, it said that weak economic growth and fiscal measures in the run-up to the municipal elections led to the deterioration of Turkey's public finances. It projected the fiscal deficit to widen from 2.8% of GDP in 2018 to 3.8% of GDP in 2019, the widest deficit since 2008, and for the public debt level to rise from 30.4% of GDP at end-2018 to 33.1% of GDP at end-2019.

Source: Fitch Ratings

MOROCCO

Economic growth projected at 3% in 2019

The International Monetary Fund projected Morocco's real GDP growth at 3% in 2019, unchanged from 2018, due to the country's moderating agricultural output and to weaker-than-expected economic activity in the Eurozone. It anticipated Morocco's agricultural growth to decelerate from 3.9% in 2018 to 0.1% in 2019, while it expected non-agricultural activity to expand by 3.4% this year compared to a growth rate of 2.8% in 2018. It also forecast economic growth to accelerate to 3.8% in 2020 and to reach 4.5% over the medium term if reforms continue to be implemented, and in case of sustained fiscal prudence, a more flexible exchange rate and tax reforms. However, it considered that the country's growth outlook is subject to significant risks, such as slower economic growth in key partner countries, higher global oil prices and geopolitical risks. Further, the Fund expected Morocco's fiscal and external balances to improve in the medium term, in case authorities continue to implement reforms. It projected the fiscal deficit at 3.7% of GDP in 2019, and at 3.3% of GDP when including proceeds from the authorities' privatization plans. It also forecast the public debt level at 65.1% of GDP at end-2019 and at 64.5% of GDP at end-2020. In parallel, it anticipated the current account deficit to narrow from 5.4% of GDP in 2018 to 4% of GDP in 2019 and to 3.5% of GDP in 2020, in case of higher exports, tourism receipts and remittance inflows, and if the energy import bill declines. Also, it projected foreign currency reserves to rise from $24.4bn at end-2018 to $26bn at end-2019, or 5.2 months of import over, as the external balance improves.

Source: International Monetary Fund

EMERGING MARKETS

Banks facing emerging challenges

Fitch Ratings indicated that banks in emerging markets (EMs) are facing challenges amid slower economic growth, increased trade protectionism, currency depreciation and political turmoil in EM regions. It noted that 77% of rated EM banks have a 'stable' outlook on their ratings, while 18% of banks carry a 'negative' outlook and 5% are on 'positive' outlook. It pointed out that banks in Turkey and Latin America are the most exposed to near-term risks. It said that most banks in Turkey have a 'negative' outlook on their ratings, as it expected their asset quality to weaken amid the depreciation of the Turkish lira, the impact of the economic recession, elevated interest rates and significant refinancing risks. Also, it indicated that the ratings of many banks in Latin America have a 'negative' outlook, due to the strong linkage to their sovereign ratings and weak economic prospects in the region. However, it said that banks in most African economies are benefiting from an economic recovery, lower political risks, higher commodity prices and declining loan impairment charges. Also, it noted that the credit profiles of banks in EM Asia are supported by strong growth, adequate loss-absorption buffers or by external support, but could come under pressure in case of a stronger US dollar, weaker global trade activity and slower growth in China. Further, it said that banks in most of the Gulf Cooperation Council region and the Commonwealth of Independent States are benefiting from relatively stable oil prices. In parallel, it noted that the ratings of most banks in Central and Eastern Europe have a 'stable' outlook on their ratings, reflecting improved and solid financial metrics, as well as a supportive operating environment.
Source: Fitch Ratings

KUWAIT

Agency takes rating actions on six banks

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency rating (FCR) of National Bank of Kuwait (NBK) at 'AA-', the FCRs of Gulf Bank, the Commercial Bank of Kuwait (CBK) and Al Ahli Bank of Kuwait (ABK) at 'A+', and the FCRs of Kuwait Finance House (KFH) and Boubyan Bank at 'A'. It maintained the 'stable' outlook on the FCRs of NBK, CBK and ABK, while it revised the outlook on Boubyan Bank's FCR from 'positive' to 'stable' amid a slight weakening in the bank's liquidity position and asset quality. Also, it revised the outlook on KFH's rating from 'negative' to 'stable' due to the bank's improving asset quality and rising profitability. CI indicated that the banks' FCRs are mainly underpinned by the Kuwaiti authorities' extremely high willingness and capacity to support banks in case of need. It noted that the rating of Boubyan Bank also reflects the high probability of support from its parent bank NBK in case of financial distress. In parallel, CI withdrew the banks' financial strength rating due to a change in its methodology, and replaced it with the Bank Standalone Rating (BSR), which is based on the Core Financial Strength rating and the Operating Environment Risk Anchor. It assigned a BSR of 'a-' to each of NBK and Gulf Bank, a rating of 'bbb+' to each of CBK and ABK, and a BSR of 'bbb' to each of KFH and Boubyan Bank, with a 'stable' outlook. The agency indicated that the banks' BSRs mainly reflect their strong capitalization, very good asset quality and high loan-loss coverage, as well as adequate liquidity levels and solid profitability.
Source: Capital Intelligence Ratings

TUNISIA

Tunisia completes AML/CFT action plan

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), stated that Tunisian authorities made in November 2017 a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to strengthen the effectiveness of the local AML/CFT regime and to address any related technical deficiencies. It indicated that Tunisia has "substantially completed its action plan", but requires an on-site assessment to verify that the implementation of the AML/CFT reforms has started and is sustained, and to ensure that the necessary political commitment is still in place in order to guarantee the continuation of reforms in the future. It pointed out that Tunisia has made key reforms, such as implementing a risk-based AML/CFT supervision of the financial sector, and fully integrating designated non-financial businesses and professions into its AML/CFT regime. It added that authorities have maintained comprehensive and updated commercial registries, strengthened the system of sanctions for violations of transparency obligations, as well as increased the efficiency of reporting suspicious transactions by allocating the necessary resources to the financial intelligence unit. In addition, it said that Tunisian authorities have established financial sanctions regimes that target activities related to terrorism and weapons of mass destruction.
Source: Financial Action Task Force

PAKISTAN

NPLs ratio at 8.2% at end-March 2019

The International Monetary Fund considered that Pakistan's banking sector is broadly stable, even though vulnerabilities have emerged. It indicated that the banking sector is well capitalized, with a capital adequacy ratio of 16.1% at the end of March 2019 relative to 15.9% a year earlier, well above the minimum regulatory requirement. But it noted that five small banks violated the minimum absolute capital and/or minimum capital adequacy ratio at the end of March 2019. It added that the State Bank of Pakistan asked the five banks to submit by the end of September 2019 their strategies of complying with capital requirements by end-June 2020. Also, it said that the sector's non-performing loans (NPLs) ratio declined marginally to 8.2%, amid strong private lending that grew by 16.1% year-on-year at end-March 2019. However, it said that NPLs in the SME sector and the agricultural sector were high at 15% and 17%, respectively. In parallel, the Fund indicated that the banks are highly liquid, as the banking sector's liquid assets were equivalent to 45.3% of total assets and to 59.8% of deposits at end-March 2019. It added that the banks' loans-to-deposits ratio stood at 55.6% at end-March 2019 relative to 51.4% at end-March 2018. Further, it noted that the banks' return on assets reached 0.8% on an annualized basis in March 2019, nearly unchanged from a year earlier, while their return on equity stood at 10.8% on an annualized basis compared to 11.8% in March 2018 due to tighter margins and higher interest rates. In parallel, it anticipated that the direct impact of the depreciation of the Pakistani rupee on the banking system would be contained, given the low levels of dollarization in loans and deposits, but it expected some small banks to face recapitalization risks.
Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $68 p/b in 2019

ICE Brent crude oil front-month prices have been volatile so far in 2019, trading at a low of $53.8 per barrel (p/b) on January 1 and a high of $74.6 p/b on April 24. Oil prices reached $67 p/b on July 10, 2019, their highest level in the past six weeks, mainly due to supply outages in the U.S. Gulf of Mexico caused by Hurricane Barry. However, the market's reaction to such events has been modest compared to previous similar instances, while oil investors continue to be skeptical about any sustainable factor that could support oil prices. In fact, oil prices dropped by 5% from a week earlier to close at $63.7 p/b on July 17, after the U.S. signaled progress in negotiations with Iran about the latter's ballistic missile program, which raised prospects of easing tensions in the Middle East. Also, downside pressure on oil prices came from weaker Chinese growth data, U.S. oil operations getting back online after the hurricane, as well as a lower-than-expected decline in U.S. crude oil inventories. In addition, the International Energy Agency and OPEC anticipated a decrease in global oil demand and a return to an oversupplied oil market in 2020, despite the extension of the OPEC oil production cut agreement, and as a result of a sustained increase in U.S. shale oil output. In parallel, QNB Economics projected oil prices to remain volatile in coming quarters. It expected oil prices to be affected by an anticipated slowdown in global economic activity, rising U.S. shale oil output, supply concerns in Venezuela and Iran, as well as the extension of OPEC's oil output cut agreement. It forecast Brent oil prices to average $68 p/b in 2019.

Source: KAMCO, CNBC, QNB Economics, Byblos Research

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

Consumption of crude oil 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 38% of demand in developing countries and 12.6% of global consumption this year.

Source: OPEC, Byblos Research

Saudi Arabia awards $18bn in contracts to increase production capacity at two oilfields

Saudi Aramco, Saudi Arabia's national oil and gas company, announced that it awarded a total of 34 contracts for an aggregate amount of $18bn to Saudi and international companies, in order to increase production capacity at the Marjan and Berri oilfields. Saudi Aramco plans to boost the two oilfields' crude oil capacity by 550,000 barrels per day, and to increase their gas capacity by 2.5 billion standard cubic feet per day.

Source: Saudi Aramco

Libya's oil output to increase to 1.4 million b/d in case of security and investments

Libya's National Oil Corporation (NOC) indicated that oil production reached 1.08 million barrels per day (b/d) in June 2019 and declined from a peak of 1.26 million b/d in May 2019, partly due to maintenance work at the Gialo oilfield. But it noted that oil output increased from 930,000 b/d in December 2018. Further, the NOC anticipated that Libya's oil production could reach 1.4 million b/d by the end of 2019, in case of stable security conditions, and contingent on investments in abandoned wells.

Source: National Oil Corporation

Base Metals: Nickel prices rise to 14-month high amid supply concerns

The LME cash price of nickel reached its highest level in the past 14 months, closing at $14,419 per metric ton on July 17, 2019. Prices increased by 14.3% from end-June 2019, and by 36% from $10,605 per ton at end-2018. The recent surge in prices was mainly driven by higher demand for the metal from speculators and from industrial consumers, amid concerns about potential future supply shortages in the nickel market. In fact, expectations of a market shift to electric vehicles (EVs) in coming years triggered worries about the supply of the metal, which is a key ingredient used in the batteries of EVs. Also, prices increased due to concerns about lower supply of nickel ore from Indonesia, in anticipation of a planned ban on the exports of nickel in 2022. Further, prices increased due to higher industrial output and positive investment data from China, the world's top metals consumer, which boosted investors' sentiment. In addition, the rise in nickel prices was supported by the easing of trade tensions between the U.S. and China, and by expectations of a cut in U.S. interest rates later this month. Citi Research projected nickel prices to average $12,500 per ton in the third quarter and $13,000 per ton in the fourth quarter of 2019.

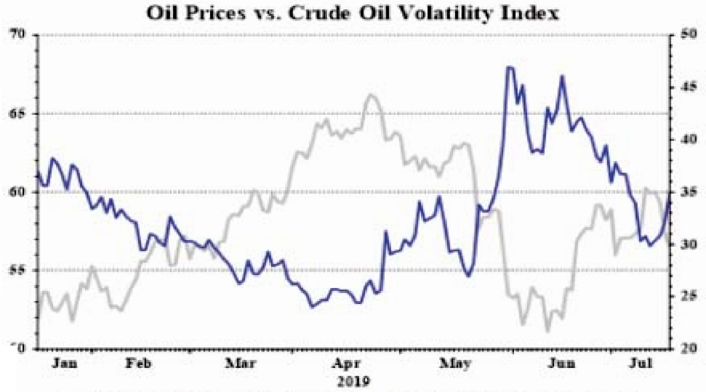
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices to increase by 4% to $878 per ounce in third quarter of 2019

Platinum prices reached a two-month high of $844 per troy ounce on July 16, 2019, increasing by 3.2% from the end of June 2019 and by 6.3% from the end of 2018. The recovery in platinum prices this year follows a decline in the metal's price from $927 per ounce at end-2017 to $794 an ounce at end-2018, and reflects higher investment demand. In fact, expectations that platinum will replace palladium in emissions-reducing catalytic convertors increased investments in platinum Exchange Traded Funds (ETFs), which, in turn, supported prices. Further, platinum prices are expected to continue to rise in coming months, mainly due to an increase in investments in platinum ETFs and an easing in the U.S. monetary stance, which would raise the attractiveness of commodities, such as platinum, as an investment destination. Also, China's continued commitment to develop platinum-based fuel cell electric vehicles (FCEV) also provides support to platinum prices. In fact, China would require a total of 320,000 ounces of platinum by 2030 to develop FCEVs. Platinum prices are expected to increase from an average of $843 an ounce in the second quarter of 2019 to $878 per ounce in the third quarter of the year.

Source: Refinitiv, World Platinum Investment Council

Oil Prices vs. Crude Oil Volatility Index



Source: Refinitiv 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	Negative	-	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 Congo	CCC+	Caa1	-	-	CCC								
	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 Date	Last meeting Action	Next meeting
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	1.00	02-Jul-19	Cut 25bps	06-Aug-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	10-Jul-19	No change	04-Sep-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	1.50	18-Jul-19	Cut 25bps	30-Aug-19
Malaysia	O/N Policy Rate	3.00	09-Jul-19	No change	12-Sep-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	11-Jul-19	No change	22-Aug-19
Turkey	Repo Rate	24.0	12-Jun-19	No change	25-Jul-19
South Africa	Repo rate	6.50	18-Jul-19	Cut 25bps	19-Sep-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	27-Jun-19	No change	15-Aug-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	04-Jul-19	No change	05-Aug-19
Bulgaria	Base Interest	0.00	01-Jul-19	No change	01-Aug-19
Kazakhstan	Repo Rate	9.00	15-Jul-19	No change	09-Sep-19
Ukraine	Discount Rate	17.00	18-Jul-19	Cut 50bps	05-Sep-19
Russia	Refi Rate	7.50	14-Jun-19	Cut 25bps	26-Jul-19

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