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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

External debt issuance up 9% to $354bn in first half of 2019

Figures compiled by Citi Research show that emerging markets (EMs) issued $354bn in external sovereign and corporate bonds in the first half of 2019, up by 9.3% from $324bn in the same period of 2018. The debt issued in Asia excluding Japan reached $180bn or 50.8% of the total, followed by bond issuance in the Middle East & Africa (ME&A) with $75bn (21.2%), Emerging Europe with $52bn (14.7%), and Latin America with $48bn (13.6%). Further, EM corporates issued $253bn in bonds in the covered period, equivalent to 71.5% of total sovereign and corporate bond issuance. Asia ex-Japan issued $166bn, or 65.6% of total corporate issuance in the first half of 2019, followed by the ME&A region with $37bn (14.6%), Latin America with $30bn (12%), and Emerging Europe with $21bn (8.3%). EM sovereigns issued $101bn in bonds, or 28.5% of new sovereign and corporate bonds, in the covered period. The ME&A region issued $38bn, or 37.6% of total new sovereign bonds, followed by Emerging Europe with $31bn (30.7%), Latin America with $18bn (17.8%), and Asia ex-Japan with $14bn (13.9%). In parallel, Citi projected the EMs' upcoming sovereign external debt service payments at $14.4bn in the third quarter of 2019, of which $6.3bn or 43.8% of the total, would come from Emerging Europe, $4.5bn (31.3%) from Latin America, $2.1bn (14.6%) from the ME&A region, and $1.5bn (10.4%) from Asia ex-Japan. It expected upcoming external debt service payments of EM corporates at $43.2bn in the same period, of which $25.6bn would be from Asia ex-Japan.
Source: Citi Research, Byblos Research

IRAQ

Profits of listed firms down 48.5% to $52m in first quarter of 2019

The cumulative unaudited pre-tax profits of 78 out of 125 companies listed on the Iraq Stock Exchange totaled IQD62.7bn in the first quarter of 2019, constituting a decrease of 50% from IQD125.3bn in the same quarter of 2018. In US dollar terms, the profits of listed companies reached $52m in the covered quarter and declined by 48.5% from $100.9m in the first quarter of 2018. The dollar figures reflect the prevailing official exchange rate that appreciated from an average of IQD1,241 per US dollar in the first quarter of 2018 to an average of IQD1,206 per US dollar in the same quarter of 2019. Listed telecommunication firms generated profits of $55m in the first quarter of 2019, followed by industrial firms ($7m), companies in the hotel & tourism sector ($5.5m), service providers ($0.95m), and insurers ($0.07m). In parallel, banks posted losses of $16.4m in the covered quarter, followed by money transfer operators with losses of $0.13m, investment companies with losses of $0.04m, and companies operating in the agricultural sector with losses $0.03m. Further, the profits of companies operating in the hotel & tourism sector rose by 59.5% year-on-year in the first quarter of 2019, followed by the earnings of services providers (+21%), and the profits of industrial firms (+0.4%). In contrast, the earnings of insurers decreased by 82.6% and the profits of telecommunication companies regressed by 22% in the covered quarter from the first quarter of 2018.
Source: Rabee Securities, Iraq Stock Exchange

MENA

Equity issuance down 73% to $1.1bn in first half of 2019

Equity Capital Markets' (ECM) issuance in the Middle East & North Africa (MENA), which includes equity and equity-related issuances, totaled $1.1bn in the first half of 2019, down by 73% from the same period of 2018. Initial Public Offerings (IPOs) amounted to $923.2m, and accounted for 88% of the region's ECM issuance, up from a share of 16% in the same period last year. Arabian Centres' IPO, a Saudi real estate company, stood at $658.6m and accounted for about 63% of ECM activity in the covered period. In parallel, debt issuance in the MENA region reached $53.1bn in the first half of 2019, down by 12% from the same period of 2018, but represented the third highest level on record. Saudi Arabia accounted for 40.5% of the region's aggregate debt issuance in the first half of 2019, followed by Qatar with 29.6% of the total. Further, the amount of announced mergers and acquisitions (M&A) in the MENA region, which includes inbound, outbound and domestic deals, totaled $112bn in the covered period, and increased by 231% from the first half of 2018. The rise in the amount of M&A deals was mainly driven by Saudi Aramco's acquisition of a 70% stake in Saudi Basic Industries Corporation for $69.1bn. In addition, investment banking fees in the region stood at $504.8m in the first half of 2019, down by 12.7% from the same period of 2018. Fees from M&A deals totaled $207.4m in the first half of 2019, and accounted for 41.1% of the overall fee pool, followed by debt capital market underwriting fees with $147.6m (29.2%), syndicated lending fees with $125.8m (24.9%), and fees from equity capital markets transactions at $24m (4.8%).
Source: Refinitiv

Cost of living varies among Arab cities

The Mid-2019 Cost of Living survey, produced by crowd-sourced global database Numbeo, ranked Dubai as the most expensive city among 21 Arab cities and the 114th most expensive among 377 cities worldwide. Abu Dhabi followed in 150th place, then Doha (153rd), Beirut (157th) and Al Khobar (172nd) as the five Arab cities with the highest cost of living. The Arab cities that have the lowest cost of living are Casablanca (284th), Algiers (326th), Cairo (331st), Alexandria (346th) and Tunis (352nd). The survey is a relative indicator of the prices of consumer goods and services, such as groceries, restaurants, transportation and utilities. Based on the same cities included in the mid-2018 and mid-2019 surveys, the rankings of 11 out of 20 Arab cities rose year-on-year, reflecting an increase in the cost of living relative to other cities worldwide, while the rankings of eight cities regressed and the rank of one city was unchanged from the mid-2018 survey. Further, the Rent Index shows that Dubai has the highest residential rents regionally, while rents in Alexandria are the lowest. Also, the Groceries Index indicates that Dubai is the most expensive city in terms of grocery prices in the region, while grocery prices in Tunis are the lowest. In addition, the Restaurant Index shows that Dubai has the highest prices of meals and drinks at restaurants and pubs, while Tunis has the lowest such prices regionally. Numbeo relies on residents' inputs and uses data from official sources to compute the indices.
Source: Numbeo, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth revised down to 4.1% in 2019, varies across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.1% in 2019, down from its April 2019 forecast of 4.4%, and compared to growth rates of 1.9% for advanced economies and 3.2% for the global economy. It attributed its revised forecast mainly to slower growth in China, the contraction in activity in Turkey, policy uncertainty and weakening confidence in Brazil and Mexico, as well as a steeper contraction in Iran's economy. However, it anticipated economic conditions in emerging markets and developing economies to improve in 2020, mainly due to a projected stabilization or recovery in stressed emerging markets economies such as Argentina and Turkey. Further, it considered that downside risks to the region's outlook have intensified and include escalating global trade tensions, the uncovering of financial vulnerabilities accumulated during years of low global interest rates, disinflationary pressures that increase debt servicing costs, as well as heightened geopolitical tensions.

The IMF projected economic growth in Emerging & Developing Asia at 6.2% in 2019, down from its April 2019 forecast of 6.3%, reflecting the impact of tensions between the U.S. and China, and weaker-than-expected domestic demand in India. Further, it expected Sub-Saharan Africa's real GDP to grow by 3.4% in 2019, relative to an earlier forecast of 3.5%, mainly due to subdued growth in South Africa. In addition, it anticipated economic activity in the Commonwealth of Independent States at 1.9% in 2019, relative to a previous forecast of 2.2%, due to weaker growth in Russia. In parallel, it projected growth in the Middle East, North Africa, Afghanistan & Pakistan region at 1% in 2019, down from an earlier projection of 1.5%, due to the impact of U.S. sanctions on Iran, as well as to the conflicts in Syria and Yemen. It revised upward its growth forecast for Emerging & Developing Europe to 1% from 0.8% previously, despite subdued activity in Turkey. Further, it projected real GDP growth in Latin America & the Caribbean at 0.6% this year, down from its April forecast of 1.4%, amid the ongoing crisis in Venezuela and the weaker outlook for Brazil and Mexico.

Source: International Monetary Fund

GCC

Vulnerability of companies to potential closure of Strait of Hormuz varies across sectors

S&P Global Ratings considered two stress scenarios for a potential closure of the Strait of Hormuz. The first scenario consists of a blockage of the Strait for a few days that would eventually be resolved rapidly given the Strait's international importance, while the second scenario stipulates the closure of the Strait of Hormuz for an extended period of time. The agency expected the first scenario to have a relatively limited impact on the stand-alone creditworthiness of companies in Gulf Cooperation Council (GCC) countries. It said that real estate firms in the region have faced headwinds in the past few years and anticipated them to experience some additional weaknesses, such as subdued revenue streams and tight margins. It also expected a limited impact on GCC telecom operators and on the performance of utilities companies. It added that an increase in global oil prices will likely result in a net positive impact on national oil companies and petrochemical firms in the GCC, in case there are no permanent disruptions to their exports. Further, it considered that the liquidity cushions and funding profiles of most rated firms in the region would enable them to manage tighter liquidity conditions in their local markets.

In parallel, S&P anticipated companies in the oil & gas, petrochemicals, and real estate sectors to be the most at risk of a deterioration in their stand-alone creditworthiness under the second scenario. It said that GCC firms that rely on exports through the Strait of Hormuz would be severely affected, in case their delivery schedules are disrupted and if they incur additional costs from seeking alternative routes. Also, it expected residential prices and rents in the region to decline, and for real estate companies that are exposed to the risks of market speculation to be the most severely hit. In contrast, it anticipated utilities firms, power and water projects, as well as telecom operators, to be the least impacted under this scenario. In addition, the agency expected that higher levels of capital outflows from GCC banking systems under the second scenario would likely weigh on the liquidity available for the region's corporates. As such, it anticipated government-related entities to fare much better than their privately-owned counterparts, given the potential financial support from their respective governments.

Source: S&P Global Ratings

SAUDI ARABIA

Economic activity to pick up to 3% in 2020

The International Monetary Fund projected Saudi Arabia's real GDP growth to decelerate from 2.2% in 2018 to 1.9% in 2019, due to a slowdown in hydrocarbon sector activity to 0.7% this year following oil production cuts under the extended OPEC agreement. It expected activity in the non-hydrocarbon sector to accelerate to 2.9% in 2019 amid higher government spending and improved confidence. It noted that ongoing reforms have started to yield results, and considered the outlook for the economy to be positive, as it projected overall growth to pick up to 3% in 2020. However, it anticipated that the outlook will remain uncertain due to the volatility in global oil prices. In parallel, it expected the inflation rate to average -1.1% in 2019 compared to an average of 2.5% in 2018 amid falling rents, but projected it at 2.2% in 2020 as authorities lift additional energy subsidies.

In parallel, the IMF forecast the fiscal deficit to widen from 5.9% of GDP in 2018 to 6.5% of GDP in 2019, as it anticipated higher public expenditures to more than offset revenues from the value-added tax and from energy price reforms. It projected the deficit to narrow to 5.1% of GDP in 2020 in case public spending decreases and if public revenues stabilize. It indicated that fiscal consolidation is key to rebuilding fiscal buffers and to reducing medium-term fiscal vulnerabilities. As such, it encouraged authorities to continue with the planned energy and water price reforms and to increase levies on expatriates. Also, it called on the government to contain the public-sector wage bill, and to be more prudent in increasing capital spending. The Fund projected the public debt level to rise from 19.1% of GDP at end-2018 to 24.7% of GDP at end-2020. Further, it forecast the current account surplus to decrease from 9.2% of GDP in 2018 to 6.9% of GDP in 2019 and to 6% of GDP in 2020, as hydrocarbon export receipts moderate and imports increase. As such, it expected foreign currency reserves to be equivalent to 26.5 months of imports at end-2019 and to 25.8 months of imports at end-2020.

Source: International Monetary Fund

ECONOMY & TRADE

IRAQ

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B-' Iraq's long-term foreign currency Issuer Default Rating (IDR) and at 'B' the country's short-term foreign currency IDR. It maintained the 'stable' outlook on the long-term rating. It noted that the rating is supported by Iraq's high GDP per capita, elevated foreign currency reserves, low debt servicing costs, and access to international funding. But it said that the rating is constrained by the country's reliance on the hydrocarbon sector, weak governance, elevated political risks and an underdeveloped banking sector. It noted that higher global oil prices in 2018 improved Iraq's public and external finances, with the fiscal balance posting a surplus of 8% of GDP following five years of deficits, and with the public debt level declining to below 50% of GDP at end-2018 relative to a peak of 66% of GDP at end-2016. It added that foreign currency reserves increased from $46bn at end-2017 to $61bn at end-2018. However, it projected the fiscal surplus to shift to a deficit of 2% of GDP in 2019, and the public debt level to exceed 54% of GDP by end-2021, as it forecast lower oil prices during the 2019-21 period, as well as slow progress on fiscal and structural reforms. It anticipated foreign currency reserves to decrease to $55bn at end-2021. It said that the country's fiscal position is vulnerable to low oil prices, as it estimated that a $5 per barrel decline in oil prices could reduce government revenues by about $6.5bn or 3% of GDP per year. Further, it noted that security conditions in Iraq have improved since late 2017, but that risks could emerge from escalating tensions between the U.S. and Iran.

Source: Fitch Ratings

EGYPT

Current account dynamics starting to reverse

Citi Research considered that Egypt's external current account dynamics, as well as the government's financing strategy and privatization program, are the most important macroeconomic trends to monitor in the country into 2020. It noted that the current account dynamics have started to reverse since the fourth quarter of 2018, following a significant narrowing of the current account deficit from 7.6% of GDP in 2016 to 2% of GDP in 2018. It projected the deficit to widen to 3.1% of GDP in 2019 due to a pick-up in imports and to subdued non-energy exports. It pointed out that authorities can increase import tariffs in order to contain the import bill, but that they need to implement structural reforms to boost non-oil exports. Also, it said that an additional appreciation of the pound could reduce export competitiveness and further weigh on non-oil exports in the short term. In terms of the government's financing, it expected authorities to reach a new agreement with the IMF after the current program expires in November 2019, which would likely be a non-funded Policy Coordination Instrument. It considered that Egypt will reach out to multilateral lenders to support its sectoral reform efforts and that a new IMF program would encourage such lending. It added that lower external funding costs, along with lower inflation rates that would reduce domestic borrowing costs, would further narrow the fiscal deficit. In parallel, Citi noted that Egypt's privatization program could gain momentum following the sale of a stake in Eastern Tobacco Company in March 2019, which would support the fiscal and external balances.

Source: Citi Research

UAE

Growth to accelerate to 3.2% in 2020

BNP Paribas projected the United Arab Emirates' real GDP growth at 2.4% in 2019 and 3.2% in 2020, largely driven by stronger activity in the construction sector in the run-up to Expo 2020. It anticipated growth in the hydrocarbon sector to be subdued, especially under the extended OPEC agreement. It forecast the UAE's oil production at about 3.05 million barrels per day in 2019, nearly unchanged from 2018. In addition, it noted that the intensification of geopolitical risks and rising tensions in the Strait of Hormuz could potentially lead to the temporary disruption of oil exports. In parallel, it pointed out that growth in the UAE's non-hydrocarbon sector was 1.3% in 2018, mainly due to the introduction of the value-added tax, the negative indirect impact of the rift with Qatar and the appreciation of the US dollar, which weighed on tourism activity and consumption. It considered that economic indicators are conveying mixed signals about the short-term prospects of the non-hydrocarbon sector. Further, it indicated that the UAE is a major logistics base for regional trade, with re-export activities accounting for about 60% of the country's non-oil exports. As such, it anticipated that a decline in global trade from the ongoing U.S.-China trade tensions could affect logistics activities and, in turn, weigh on economic growth. In parallel, it considered that fiscal policy measures will provide limited support to growth, as they will not entail a substantial recovery in public expenditures. It forecast the general government's fiscal surplus to narrow from 1.8% of GDP in 2018 to 0.2% of GDP in 2019.

Source: BNP Paribas

TUNISIA

Structural reforms are key for higher growth rates

The International Monetary Fund indicated that the economic recovery in Tunisia has been modest in 2019 amid persisting macroeconomic imbalances and political uncertainties. It forecast real GDP growth at 2.7% in 2019, nearly unchanged from 2.6% in 2018, and at 3.2% in 2020. It considered that stronger economic growth requires the implementation of structural reforms that would enhance the business climate, improve access to finance and, in turn, support private sector development. It projected the annual inflation rate to regress from 7.5% at the end of 2018 to 6.8% at end-2019, supported by tighter monetary policy. Further, the Fund forecast the fiscal deficit to narrow from 4.6% of GDP in 2018 to 3.5% of GDP in 2019 and 2.8% of GDP in 2020, due to improving tax collection and efforts to contain energy subsidies. Still, it projected the public debt level to rise from 77.1% of GDP at end-2018 to 83.1% of GDP at end-2019. It considered Tunisia's public debt level to be vulnerable to substantial risks from currency depreciation and from the materialization of contingent liabilities from state-owned enterprises. In parallel, the IMF noted that the current account deficit widened to 11.2% of GDP in 2018, the largest deficit since 1986, mainly due to a higher energy import bill. But it projected the deficit to narrow to 9% of GDP by 2020, in case of a rebound in export and tourism receipts. In addition, it expected foreign currency reserves to recover from a low of $4.7bn at the end of June 2018 to nearly $6bn, or 3.2 months of imports, at end-2019, supported by donor disbursements and a pick-up in private capital inflows.

Source: International Monetary Fund

MENA

Tier One capital of banks at $333bn at end-2018

The Banker magazine's annual survey of the Top 1000 Banks in the world by Tier One capital indicated that the aggregate Tier One capital of 81 Middle Eastern banks included in the survey stood at $332.6bn at the end of 2018 nearly unchanged from $332.4bn at end-2017. It noted that the Tier One capital of the region's banks included in the survey accounted for 4% of the aggregate Tier One capital of the world's Top 1000 banks at end-2018, which is lower than the share of banks in Asia (45.7%), Western Europe (25.6%) and North America (19.8%), but higher than the share of banks in Latin America & the Caribbean (2.2%), Central & Eastern Europe (1.8%) and Africa (0.9%). Also, the total assets of Middle Eastern banks in the survey reached $2,927.8bn at end-2018 and accounted for 2.4% of the aggregate assets of the world's top 1000 banks. As such, the Tier One capital-to-assets ratio (CAR) of Middle Eastern banks was 11.4% at end-2018 compared to 11.7% at end-2017, and was higher than the Top 1000 banks' CAR of 6.75%. It was also higher than the CARs of banks in Central & Eastern Europe (11%), North America and Africa (7.8% each), Latin America & the Caribbean (7.7%), Asia (6.9%) and Western Europe (5.45%). Qatar National Bank ranked in first place regionally and in 75th place globally with a Tier One capital of $22.5bn at the end of 2018, followed by First Abu Dhabi Bank with $19.5bn (86th place), the National Commercial Bank of Saudi Arabia with $17.8bn (93rd place), Emirates NBD with $15.1bn (105th place), and Saudi Arabia's Al Rajhi Bank with $12.9bn (113th place). The Middle Eastern banks' return on capital (ROC) stood at 12.77% in 2018 relative to the Top 1000 banks' ROC of 10.87%, and their return on assets was 1.45% compared to 0.73% globally.

Source: The Banker, Byblos Research

ETHIOPIA

Ethiopia 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 Ethiopian authorities made in February 2017 a high-level political commitment to work with the FATF and the FATF-style regional body ESAAMLG to strengthen the effectiveness of the local AML/CFT regime and to address any related technical deficiencies. It indicated that Ethiopia has "substantially completed its action plan", but that it requires an on-site assessment to verify that the implementation of the AML/CFT reforms has started and is sustained, as well as 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 Ethiopia has made key reforms, such as implementing the results of its national risk assessment, as well as integrating designated non-financial businesses and professions into its AML/CFT regime. It added that authorities have confiscated the means for and proceeds of crime, as well as regulated nonprofit organizations in line with a risk-based approach. In addition, it said that Ethiopian authorities have established and implemented financial sanctions regimes that target activities related to terrorism and weapons of mass destruction.

Source: Financial Action Task Force

SAUDI ARABIA

Ratings on seven banks affirmed

Fitch Ratings affirmed at 'A-' the long-term Issuer Default Ratings (IDRs) of National Commercial Bank (NCB), Al Rajhi Bank, Samba Financial Group (SAMBA), Riyad Bank, Banque Saudi Fransi (BSF) and Saudi British Bank, as well as at 'BBB+' the IDR of Gulf International Bank-Saudi Arabia (GIB SA). It kept the 'stable' outlook on the seven banks' long-term IDRs. It noted that the banks' credit profiles are supported by their systematic importance, as well as by an extremely high probability of government support in case of need, given the Kingdom's large official reserve assets and good access to external markets. However, the agency noted that the banking sector's asset quality metrics have slightly deteriorated in 2018 due to persisting pressures from the operating environment. It added that asset quality could further deteriorate in case of heightened internal or external developments, and given the economy's high reliance on the hydrocarbon sector. It indicated that domestic lending increased modestly in 2018 and expected it to moderately rise this year. Further, it affirmed at 'a-' the Viability Ratings (VR) of NCB, Al Rajhi Bank, SAMBA and Saudi British Bank, and at 'bbb+' the VR of Riyad Bank and BSF. It noted that NCB's VR is supported by the bank's strong profile, diversified and stable earnings, good funding base and liquidity profile. It added that Al Rajhi Bank's VR is underpinned by a strong retail franchise, which gives the bank a clear funding advantage over peers, along with an above-average profitability, stronger asset quality, lower balance sheet concentrations, and healthy capital base.

Source: Fitch Ratings

TURKEY

Agency downgrades ratings of 19 banks

Fitch Ratings downgraded from 'BB' to 'BB-' the long-term foreign currency Issuer Default Rating (IDRs) of Turkiye Kalkinma ve Yatirim Bankasi (Kalkinma Bankasi), and from 'BB-' to 'B+' the ratings of Turkiye Garanti Bankasi, Yapi ve Kredi Bankasi, Denizbank, QNB Finansbank, Turk Ekonomi Bankasi, ING Bank, Kuveyt Turk Katilim Bankasi, Turkiye Finans Katilim Bankasi, Burgan Bank, Alternatifbank, BankPozitif Kredi ve Kalkinma Bankasi, ICBC Turkey Bank, and Turkiye Ihracat Kredi Bankasi (Turk Eximbank). Also, it affirmed at 'B+' the long-term foreign currency IDRs of Turkiye Halk Bankasi and Vakif Katilim Bankasi. The agency attributed the downgrades of the foreign currency IDRs of 12 foreign-owned banks to the increased risk of government intervention in the banking sector in case of a significant deterioration in Turkey's external finances. In parallel, it noted that the downgrades of the foreign currency IDRs of state-owned Kalkinma Bankasi and Turk Eximbank reflect the increased risks to the sovereign's ability to provide support in foreign currency. Further, Fitch downgraded from 'BB+' to 'BB-' the long-term local currency IDRs of Kalkinma Bankasi and Turk Eximbank, and from 'BB' to 'BB-' the long-term local currency IDRs of the remaining 14 banks, in addition to the IDRs of T.C. Ziraat Bankasi, Turkiye Vakiflar Bankasi and Turkiye Sinai Kalkinma Bankasi. It maintained the 'negative' outlook on all the banks' long-term IDRs. It noted that the downgrades of all the banks' long-term ratings follow its similar action on Turkey's sovereign ratings.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices at $66 p/b in third quarter of 2019

ICE Brent crude oil front-month prices partially recovered from $61.9 per barrel (p/b) on July 18, 2019, their lowest level so far in July, to reach $63.8 p/b on July 23. The rise in oil prices was mainly driven by supply concerns stemming from heightened geopolitical tensions in the Middle East, as well as by a larger-than-expected drop in U.S. oil inventories in the week to July 19. However, the gains in prices were capped by demand-related concerns, as the International Monetary Fund revised downward its forecast for global economic growth in 2019, which would weigh on global oil demand. Also, the announcement of further talks between Kuwait and Saudi Arabia about their cooperation in their jointly-owned fields has exerted downward pressure on oil prices, given that these oil fields could add 500,000 b/d to the global oil market. In parallel, Goldman Sachs indicated that subdued global economic activity has weighed on oil demand in the first half of 2019. However, it considered that global oil demand could exceed expectations due to still robust consumer demand and signals of improvement in global demand for refined petroleum products. It expected global oil demand to increase by 1.28 million b/d in 2019. Overall, it projected Brent oil prices to average $66 p/b in the third quarter of 2019. It noted that oil prices could trend higher in case the global macroeconomic environment improves.

Source: Goldman Sachs, Refinitiv, Oilprice, Byblos Research

Global renewable energy demand up 15% in 2018

BP estimated the consumption of global renewable energy at 561.3 million tons of oil equivalent (toe) in 2018, up by 14.5% from 490.2 million toe in 2017. Consumption in the Asia-Pacific region reached 225.4 million toe, or 40.2% of global demand for renewable energy last year, followed by Europe with 172.2 million toe (30.7%), North America with 118.8 million toe (21.2%), South & Central America with 35.4 million toe (6.3%), Africa with 7.2 million toe (1.3%), the Middle East with 1.7 million toe (0.3%), and the Commonwealth of Independent States with 0.6 million toe (0.1%).

Source: BP, Byblos Research

Middle East has 48% of global oil reserves

BP estimated that the Middle East region's proven crude oil reserves reached 836.1 billion barrels at the end of 2018, equivalent to 48.3% of the world's oil proven reserves. Saudi Arabia held 297.7 billion barrels, or 35.6% of total proven reserves in the Middle East, at end-2018. Iran followed with 155.6 billion barrels (18.6%), then Iraq with 147.2 billion barrels (17.6%), Kuwait with 101.5 billion barrels (12.1%) and the UAE with 97.8 billion barrels (11.7%), while other Middle Eastern countries held the remaining 4.4% of the region's proven oil reserves.

Source: BP, Byblos Research

Nigeria's oil receipts up 1% to $2.2bn in first five months of 2019

Nigeria's crude oil and condensate export receipts totaled $2.22bn in the first five months of 2019, up by 0.6% from $2.21bn in the same period of 2018. Export revenues during the covered period consisted of $1.66bn from crude oil exports (74.5%), $503.7m from gas exports (22.6%) and $0.6m in other receipts (2.9%). The authorities transferred $168.6m in hydrocarbon revenues to the Federation Account, while they used $379m to pay global oil companies to guarantee current and future production.

Source: Nigerian National Petroleum Corporation

Base Metals: Demand for refined copper up 1% in first four months of 2019

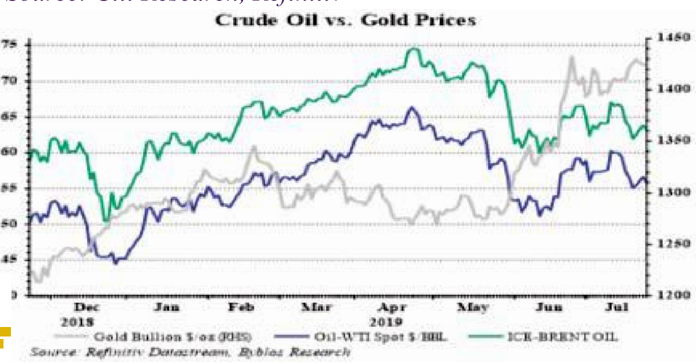
LME copper cash prices reached $6,055 per metric ton on July 19, 2019, their highest level in two months, and up by 4.2% from a recent low of $5,809 per ton on July 9. The jump in prices was mainly due to expectations of a cut in U.S. interest rates later this month, and to the easing of the trade tensions between the U.S. and China. Also, copper output in Zambia, Africa's second-largest producer, declined by 4% in the first half of the year, which supported the increase in the metal's price. Citi Research indicated that supply-side risks are rising, notably in Zambia and the Democratic Republic of the Congo, which could potentially constrain growth in overall copper output in the 2019-20 period. In parallel, the latest available figures show that global demand for refined copper increased by 1.1% year-on-year to 8 million tons in the first four months of 2019, as Chinese demand grew by about 4%, while demand in the rest of the world declined by 2% from the first four months of 2018. On the supply side, global refined copper production was nearly unchanged annually at 7.84 million tons in the first four months of 2019, driven by lower output from Chili, Germany, India, Japan, Peru, the U.S. and Zambia, which was largely offset by higher production in Australia, Brazil, China, Iran and Poland. Refined output grew by 13% in Oceania and by 3% in Asia, while it declined by 9% in the Americas and by 5% in Africa, and was unchanged in Europe.

Source: International Copper Study Group, Citi Research

Precious Metals: Palladium prices to peak at $1,600 per ounce in third quarter and to decline thereafter

Palladium prices averaged $1,408 per troy ounce in the first half of 2019, constituting an increase of 40% from an average of $1,006.7 an ounce in the same period of 2018. Citi Research projected palladium prices to further increase to an average of $1,600 an ounce in the third quarter of 2019, but to decline thereafter to $1,500 an ounce in the fourth quarter of this year and to $1,400 an ounce in the first quarter of 2020. It noted that the expected decline in the metal's price starting in the fourth quarter of the year would reflect subdued growth in autocatalyst demand for palladium, amid higher risks of a palladium-to-platinum substitution in catalytic converters. Further, it projected global palladium demand to increase by 2.1% to 10.6 million ounces in 2019 relative to a rise of 5% in 2018, which reflects the slower growth in demand for catalytic converters. In parallel, it forecast global mine supply of palladium to expand by 1.1% to 7 million ounces in 2019 compared to an increase of 6.8% in 2018, due to a slower growth in South Africa's palladium output. As such, it expected the production deficit in the palladium market to narrow from 456,000 ounces in 2018 to 380,000 ounces in 2019.

Source: Citi Research, Refinitiv



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- Negative	B3 Stable	B Negative	- -	B- Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Stable	B1 Stable	B Stable	-	B+ Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Stable	B3 Stable	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Ivory Coast	- -	Ba3 Stable	B+ Stable	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	B Stable	- -	B- Stable	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Stable	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Negative	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B Stable	B2 Stable	B+ Stable	- -	BB- 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 Negative	B+ Negative	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B Positive	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB Stable	BB+ Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Stable	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Stable	B+ Stable	A Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	B- Negative	Caa1 Stable	B- Negative	B Negative	B- Stable	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB Negative	Ba1 Negative	BB+ Stable	BBB- Stable	BBB Stable	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- 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: S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia													
Armenia	-	B1	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	25-Jul-19	No change	12-Sep-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	25-Jul-19	No change	12-Sep-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	23-Jul-19	No change	24-Sep-19
Ghana	Prime Rate	16.00	22-Jul-19	No change	20-Sep-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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