500 ISSUES+
Issue 596 | August 29, 2019

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Healthcare spending projected at $10 trillion, or 10.4% of GDP in 2022

Deloitte projected global healthcare spending to reach $10.1 trillion in 2022 compared to $7.7 trillion in 2017, which would constitute a compound annual growth rate (CAGR) of 5.4 % between 2017 and 2022 relative to a CAGR of 2.9% during the 2012-17 period. It attributed the anticipated the nominal increase in healthcare expenditures mainly to the expansion of healthcare coverage in developing markets, the rising care needs of aging populations, advances in treatments and health technologies, as well as increasing healthcare labor costs. But it considered that healthcare spending would remain at around 10.4% of GDP annually over the 2018-22 period, reflecting cost-containment efforts and an expanding global nominal GDP. It forecast healthcare spending in North America to reach $4.2 trillion, or 41.5% of the total, in 2022, followed by Asia & Australasia with $2.4 trillion (24.1%), Western Europe with $2.3 trillion (22.7%), Latin America with $437bn (4.3%), and the Middle East & North Africa (MENA) with $279bn (2.8%). It projected healthcare spending in the MENA region to post a CAGR of 7.3% between 2017 and 2022, followed by Asia & Australasia (+6.6%), Western Europe (+5.5%), Latin America (+4.5%), and North America (+3.5%). In addition, it expected healthcare spending per capita to vary widely worldwide, and to range between a low of $54 in Pakistan and a high of $11,674 in the United States in 2022.

Source: Deloitte

UAE

Earnings of Abu Dhabi companies down 3%, profits of Dubai firms up 11% in first half of 2019

The net income of 61 companies listed on the Abu Dhabi Securities Exchange totaled AED20bn, or $5.4bn, in the first half of 2019, constituting a decrease of 2.6% from AED20.5bn or $5.6bn in the first half of 2018. Listed banks generated net profits of $3.1bn and accounted for 57.1% of the total earnings of publicly-listed firms in the first half of 2019. Telecommunications companies followed with $1.4bn (26.7%), then energy firms with $415.7m (7.7%), real estate companies with $289.8m (5.3%), insurers with $112.1m (2.1%), services providers with $93.3m (1.7%), and consumer goods firms with $16.9m (0.3%). In parallel, the cumulative net income of 59 companies listed on the Dubai Financial Market totaled AED22.1bn, or $6bn, in the first half of 2019, constituting an increase of 10.7% from AED20bn or $5.4bn in the same period of 2018. Listed banks generated net profits of $3.6bn, or 60% of total net earnings in the covered period. Real estate & construction firms followed with $1.6bn or 60% of the total, then transportation companies with $280.2m (4.7%), telecommunication firms with $252.4m (4.2%), insurers with $160.6m (2.7%), industrial companies with $152.5m (2.5%), services firms with $63m (1%), and investment & financial services providers with $57m (0.9%).

Source: KAMCO

GCC

Debt issuance up 81% to $72bn in first half of 2019

The National Bank of Kuwait (NBK) indicated that public and private sector debt issuance in Gulf Cooperation Council (GCC) countries stood at $71.8bn in the first half of 2019, constituting an increase of 81.3% from $39.6bn in the same period of 2018. It noted that debt issuance in the GCC region totaled $31.8bn in the first quarter of 2019 and reached a record-high of $40bn in the second quarter of the year. It pointed out that the surge in GCC debt issues was mainly driven by strong sovereign and quasi-sovereign issuances. It said that public sector debt issuance stood at $62.8bn in the first half of 2019, up by 85.3% from the first half of 2018, and accounted for 87.5% of total issuance. It also noted that debt issuance by the private sector stood at $9.1bn in the first six months of 2019, constituting an increase of 59.6% year-on-year. The distribution of issuance by the private sector shows that debt issuance by the financial sector grew by 76.2% annually to $7.4bn in the first half of 2019, while issuance by the non-financial private sector rose by 13.3% to $1.7bn. On a country basis, it said that public and private sector debt issues in Saudi Arabia totaled $40.4bn, or 56.3% of total GCC issuance in the first half of 2019, followed by Qatar with $21.5bn (30%), the UAE with $9.3bn (13%), and Oman with $0.6bn (0.8%). Overall, it indicated that public and private sector outstanding debt in GCC countries totaled $501bn at end-June 2019, and grew from about $455bn at the end of June 2018.

Source: National Bank of Kuwait

New construction and transport contracts at $22.4bn in first half of 2019

Figures released by MEED, a business intelligence tool for the Middle East & North Africa region, show that the aggregate value of construction and transport projects awarded in Gulf Cooperation Council (GCC) countries stood at $63.4bn in 2018, constituting a decline of 8.4% from around $69.2bn in 2017, and representing the lowest amount for projects since 2012 compared to a record high of $111.8bn in 2014. It attributed the downward trend in project activity in the region since 2014 to a decline in capital spending by GCC governments and the private sector due to lower global oil prices. Also, it pointed out that civil engineering and buildings accounted for 61% of total awarded construction and transport projects in the GCC region in 2018. Further, it said that the value of construction and transport projects awarded in the region stood at $22.4bn in the first half of 2019. It also noted that the value of planned and ongoing construction & transport projects in the GCC region stood at about $1.2 trillion as at the end of June 2019, of which $597bn are in the planning stage and $578bn in the execution phase. It added that 40% of planned projects are in the study phase, 39.4% are in the design phase and 20.6% are in the tendering or procurement stage as at end-June 2019.

Source: MEED, Byblos Research

OUTLOOK

SAUDI ARABIA

Fiscal stimulus to support growth in 2020

Bank of America Merrill Lynch (BofAML) indicated that the Saudi Arabian government has adopted an expansionary budget for 2019, as authorities eased the pace of austerity measures, increased capital expenditures, and continued to minimize the impact of economic reforms on lower-income households. It pointed out that public spending, particularly capital expenditures, picked up in the second quarter of 2019, which more than offset the increase in public revenues generated by the sizable dividend payments from Saudi Aramco to the government. As such, it projected the fiscal deficit to widen from 4.6% of GDP in 2018 to 9.8% of GDP in 2019. It said that the government's debt issuance in the first half of 2019 was higher than its financing needs, which led to the increase of the government's deposits at the Saudi Arabian Monetary Authority. Further, it indicated that the gradual and sticky increase in the fiscal breakeven oil price, along with the relative erosion of fiscal buffers since 2014, exposes the economy to a sustained drop in global oil prices.

In parallel, BofAML estimated that the fiscal stimulus for 2019 would increase non-hydrocarbon real GDP growth by between 0.6 percentage points and 0.9 percentage points. However, it anticipated that labor market reforms will limit a major rebound in economic activity. As such, it projected real GDP growth in the Kingdom at 1.6% in 2019 relative to 2.3% in 2018. Further, it forecast economic activity to expand by 1.9% in 2020, supported the government's looser fiscal policy and by mega projects linked to the Public Investment Fund. However, it said that the mass departure of expatriates, due to the increase in expatriate levies and to the Saudization of the labor force, could weigh on private consumption. Also, it considered that a prolonged period of low global oil prices, fiscal reforms slippage, and regional geopolitical tensions are the main risks to the Kingdom's growth prospects. It expected authorities to cut benchmark policy rates, in line with the easing monetary policy in the Unites States.

Source: Bank of America Merrill Lynch

TURKEY

Growth at 2.5% in 2020, external risks persist

ABN Amro projected Turkey's real GDP to contract by 1.5% in 2019, following a growth rate of 3.5% in 2018, mainly due to subdued consumer confidence, weak retail activity and lower exports. It forecast economic activity to expand by 2.5% in 2020 in case of higher investments, but it noted that the growth rate would still be far below the long-term trend of 6.5% over the 2010-18 period. It considered that the main risk to the country's outlook is the imposition of U.S. sanctions following Turkey's purchase of a missile defense system from Russia. It added that Turkey could face additional sanctions from the European Union in case Turkish oil & gas exploration and drilling operations continue in the Mediterranean Sea, but it expected the economic impact of such sanctions to be limited.

Further, it projected the inflation rate at 15% at the end of this year, which is higher than the Central Bank of the Republic of Turkey's (CBRT) expectation of 13.9% for December 2019. It added that the markets' reaction to the CBRT's latest interest rate cuts of 425 basis points (bps) was modest. It said that the CBRT is trying to use other tools to support financial stability, such as reserve requirements, as the current central bank governor is more inclined to cut interest rates than his predecessor. As such, it expected the CBRT to cut interest rates by an additional 425 bps in the remainder of the year, which would result in a key policy rate of 15.5% at end-2019. It also anticipated the CBRT to continue easing its monetary policy, and projected interest rates to reach 11% at the end of 2020.

In parallel, it forecast the fiscal deficit at 4% of GDP in 2019 and 3% of GDP in 2020, while it projected the public debt level to increase from 29% of GDP at end-2018 to 31% of GDP at end-2019 and 32% of GDP at end-2020. It anticipated the current account deficit to narrow from 3.5% of GDP in 2018 to 3% of GDP in each of 2019 and 2020, despite the risk of a recession in the Eurozone that would weigh on the country's exports. It added that expectations of further monetary easing in the United States and the Eurozone are boosting investor appetite, which could lead to higher capital inflows to the country.

Source: ABN Amro

AFRICA

Probability of capital controls varies across region

In its assessment of financial distress indicators in Sub-Saharan Africa (SSA), research provider IHS Markit identified the countries that are at risks of introducing, expanding, or maintaining capital controls to defend their local currencies and to stabilize their foreign currency reserves.

It considered that Eritrea, Ethiopia, Liberia, Sudan, Togo and Zambia face a greater risk of imposing capital controls than other countries in the region, due to their low levels of foreign currency reserves, which are equivalent to less than three months of imports. Further, it said that risks of imposing new or additional capital controls are high in Angola, Gabon and Zambia, due to their vulnerability to a decline in commodity prices, elevated public debt levels and excessive debt servicing costs relative to their foreign currency reserves. In addition, it said that risks of imposing new capital control measures in Nigeria are high in the event of a decline in global oil prices. In contrast, it pointed out that foreign currency shortage risks are limited in Cape Verde, Gambia and Guinea-Bissau, as the three countries benefit from IMF-supported programs that enable their central banks to ease liquidity pressure by accessing official lending rather than imposing capital controls. It added that some countries' membership to a common monetary union reduces the risks of capital controls, given that members can access a reserve pool in times of financial distress.

IHS did not expect the Central Bank of Nigeria to implement stricter capital controls in 2019, given the country's improved external position and if oil prices stay at current levels. Also, it anticipated that the Banco Nacional de Angola would maintain existing capital controls and would reduce its foreign currency sales in 2019, reflecting Angola's stable foreign currency reserves and adequate import coverage ratio. In parallel, it projected existing capital controls in Ethiopia to remain in place due to persistent foreign currency shortages. In addition, it did not anticipate member countries of the CFA franc zone to impose capital controls over the next year, with Cameroon and Gabon having the lowest risks of introducing capital controls.

Source: IHS Markit

GCC

Fiscal consolidation slowing amid moderate oil price environment

Moody's Investors Service indicated that the implementation of fiscal consolidation measures and reforms in Gulf Cooperation Council (GCC) countries has slowed down the deterioration in public finances caused by the decline in global oil prices since 2014. However, it noted that the progress on reforms has been slow and uneven across the six GCC countries, and has been concentrated on the expenditures side. It anticipated the GCC governments to increase spending and delay unpopular austerity measures, given the current moderate oil price environment, in order to preserve high living standards and social stability. As a result, it did not expect the fiscal breakeven oil prices of GCC governments to decline significantly in the medium term. It pointed out that most of the GCC governments have recently started to reverse expenditure cuts, which resulted in an increase of about 10% in total government spending across the GCC in 2018. In addition, it did not expect the GCC governments' wage bills, which account for a large share of total spending, to decline significantly in the medium term. In parallel, Moody's considered that progress on revenue-side measures has been slow, as only three out of the six GCC sovereigns have introduced a value-added tax of 5%. As such, it expected higher spending and a limited rise in non-oil revenues to increase debt burdens for most GCC sovereigns amid the moderate oil price environment, which, in turn, will put additional upward pressure on interest payments and further slow the overall fiscal consolidation momentum.

Source: Moody's Investors Service

IRAQ

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-/B' Iraq's long- and short-term sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are constrained by the country's subdued economic activity, weak fiscal position, restrained monetary policy, nascent political institutions, domestic political tensions and ongoing security risks. But it said that the ratings are supported by the concentration of the majority of Iraq's oil fields in areas that are under the control of the federal government, as well as by the government's moderate debt level and low external indebtedness. The agency projected real GDP growth to average 3.1% annually in the 2019-22 period, supported by an expected increase in oil output. It pointed out that non-oil growth remains subdued due to slow reconstruction efforts amid low public investments and a challenging business environment. In parallel, it expected the fiscal balance to shift from a surplus of 8% of GDP in 2018 to an average deficit of 4.8% of GDP annually in the 2019-22 period, in case authorities increase spending to address substantial reconstruction needs, and lower than anticipated oil prices. It forecast the public debt level to reach 59.1% of GDP at the end of 2022. Further, it projected the current account surplus to narrow from 16.6% of GDP in 2018 to 7% of GDP annually in the 2019-22 period, amid lower oil export receipts and increased imports. It expected usable foreign currency reserves to rise from $5.8bn at end-2018 to $10.4bn at end-2022. It forecast gross external financing needs at 82.7% of current account receipts plus usable reserves at end-2022, relative to 72.7% at end-2018.

Source: S&P Global Ratings

ARMENIA

Ratings upgraded on improved economic resilience

Moody's Investors Service upgraded Armenia's local and foreign currency long-term issuer rating from 'B1' to 'Ba3', which is three notches below investment grade, and revised the outlook from 'positive' to 'stable'. It attributed the upgrade to the increased diversification of Armenia's growth drivers and to the authorities' track record of stabilizing macroeconomic policies, which improved the economy's resilience to shocks. It added that ongoing measures to strengthen public finances will gradually restore the sovereign's fiscal strength that eroded during 2014-17 period. It expected Armenia's real GDP growth at between 5.5% and 6% over the next few years, supported by the tourism, information technology, and light manufacturing sectors. Further, it anticipated the volatility in economic growth to continue to decline, as economic activity becomes less reliant on mining, agriculture and remittance inflows, and due to improved fiscal and monetary management. In parallel, the agency expected government revenues to rise significantly over the next few years due to the introduction of measures to reduce tax evasion and improve tax collection, as well as to the digitization of invoicing and tax collection. Further, it considered that the government's adherence to its fiscal rule limits the growth of government expenditures and requires the reduction of the public debt level. As such, it expected the fiscal deficit to average 1.5% of GDP annually in the 2019-21 period, which will allow the public debt level to decline from 51% of GDP at end-2018 to 45% of GDP by the end 2021.

Source: Moody's Investors Service

NIGERIA

New measures increase external vulnerabilities

Fitch Ratings indicated that the Central Bank of Nigeria's (CBN) unconventional policy measures that aim to reconcile between preserving the stability of the exchange rate and supporting economic activity increase Nigeria's external vulnerabilities and could cause macroeconomic distortions. It said that the CBN's new measures to encourage banks' lending to the private sector and, in turn, support economic activity, have led to a temporary loosening of domestic financing conditions and have put pressure on the Nigerian naira. It noted that the CBN had to resume its liquidity tightening operations and to increase the supply of foreign currency in the market in order to contain pressure on the currency. It expected the CBN to continue to pursue a combination of tight liquidity management, segmented exchange rate markets, and foreign currency interventions and restrictions. However, it pointed out that the CBN's decision to allow non-residents to participate in its open market operations has led to a rapid build-up of short-term external liabilities, as non-residents held $15.8bn worth of open market operations instruments as at end-April, equivalent to one-third of the CBN's foreign currency reserves. It added that these holdings generate rollover risks that could require persistently high interest rates and, in turn, limit economic growth and increase the government's debt servicing cost. In parallel, the agency indicated that the CBN included additional products on the list of imports that are subject to foreign currency restrictions. It considered that import restrictions could push more traders towards the informal economy and exacerbate inflationary pressures.

Source: Fitch Ratings

JORDAN

Construction and trade account for 42.8% of lending at end-June 2019

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD26.9bn, or $37.9bn, at the end of June 2019, constituting an increase of 2.9% from JD26.1bn at end-2018 and a rise of 4.4% from JD25.7bn at end-June 2018. Credit in foreign currency represented 11.8% of the total at the end of June 2019 relative to 11% a year earlier. The resident private sector accounted for 88.5% of total credit at end-June 2019 relative to 87.7% a year earlier, followed by the central government with 7.4%, down from 8.3% at end-June 2018, the non-resident private sector with 2.3%, and public entities with 1.8% relative to 1.6% at end-June 2018. The distribution of credit by main sector shows that construction represented JD6.9bn or 25.5% of the total at end-June 2019, down from 26.1% a year earlier, while general trade accounted for JD4.6bn or 17.3% of the total relative to 17.1% at end-June 2018. Public services & utilities followed with JD4bn or 15.1% of the total; then industry with JD3.1bn (11.7%), financial services with JD837.3m (3.1%); tourism, hotels & restaurants with JD638.8m (2.4%); transportation with JD339m and agriculture with JD337.1m (1.3% each); and mining with JD322.8m (1.2%). In parallel, loans & advances reached JD17.4bn at end-June 2019, followed by Islamic banks' receivables with JD5.8bn, overdrafts with JD3.2bn, discounted bills with JD235.1m and credit cards with JD168m.

Source: Central Bank of Jordan, Byblos Research

EGYPT

Profits of banks up 19% in first half of 2019

Regional investment bank EFG Hermes indicated that the aggregate net profits of the seven Egyptian banks that it covers stood at EGP10.6bn, or $610.5m, in the first half of 2019, constituting an increase of 19% from the same period of 2018, supported by higher net interest income and lower provisioning costs. The seven banks are Commercial International Bank, Crédit Agricole Egypt, Al Baraka Bank Egypt, Abu Dhabi Islamic Bank-Egypt, Housing & Development Bank, Egyptian Gulf Bank and Faisal Islamic Bank of Egypt. It also noted that the seven banks posted profits of EGP5.7bn in the first quarter of 2019 and EGP4.9bn in the second quarter of the year. Further, it pointed out that the banks' aggregate loans stood at EGP226.3bn, or $13.6bn, at the end of June 2019, and rose by 8.7% from a year earlier, compared to annual growth rates of 21% at the end of 2018 and of 16% at end-June 2018. It attributed the slowdown in lending growth to a lower inflation rate, as well as to a decline in the demand for car loans. It added that lending in local currency increased by 18% at end-June 2019 from a year earlier, while loans in foreign currency fell by 10% due to the repayment of loans in US dollars and the appreciation of the Egyptian pound. In addition, it indicated that the banks' aggregate deposits increased by 12.8% annually to EGP627.5bn, or $37.6bn, at the end of June 2019 compared to an annual growth rate of 13.3% at the end of June 2018. As such, it pointed out that the loans-to-deposits ratio was 36% at the end of June 2019 relative to 37% at end-June 2018. Further, it said that the banks' aggregate NPLs ratio was 5.1% at end-June 2019, up from 4.1% at the end of June 2018.

Source: EFG Hermes

OMAN

Bank ratings supported by sound capitalization and profitability metrics

In its periodic review of the ratings of seven Omani banks, Moody's Investors Service indicated that the ratings of most banks are supported by their sound capitalization and profitability metrics. It also indicated that the National Bank of Oman (NBO), Bank Dhofar, Oman Arab Bank (OAB), Sohar International Bank (Sohar), and Bank Nizwa benefit from a high probability of government support in case of need, which results in a rating uplift of one to two notches. In parallel, it noted that the ratings of HSBC Bank Oman (HSBC Oman) and Bank Muscat do not benefit from a rating uplift from government support. The agency pointed out that the 'Ba1' long-term local currency deposit ratings of NBO and Bank Dhofar reflect the banks' weakening asset quality and moderate liquidity. It added that the 'Ba1' ratings of OAB and Bank Muscat are supported by their solid asset quality metrics, but are constrained by their modest liquidity levels. Further, it pointed out that HSBC Oman's 'Ba1' rating is underpinned by the bank's elevated liquidity levels, as well as by the high probability of parental support from HSBC Holdings. But it said that the bank's rating is constrained by its weakening asset quality amid a subdued operating environment. In addition, Moody's pointed out that Sohar's 'Ba1' local currency deposit rating is supported by its strong franchise, but is constrained by its weakening asset quality, and modest capital and liquidity metrics.

Source: Moody's Investors Service

GHANA

Banks' recapitalization increases sector's stability

Fitch Ratings indicated that the recent recapitalization and consolidation of banks in Ghana to meet Bank of Ghana's (BoG) new capital requirements have resulted in a more stable banking sector. It added that banks are now stronger and more capable of extending larger loans without breaching single-borrower concentration limits. It noted that the banks' shareholders' equity grew by 38% in 2018, which provides a larger cushion to absorb loan impairment charges. It said that higher equity, combined with a shift in the composition of the banks' assets away from loans to low risk-weighted government securities, helped strengthen the sector's capital metrics. As such, it noted that the capital adequacy ratio (CAR) rose from 18.5% at end-2017 to 21.9% at end-2018, which was significantly above the 10% minimum regulatory requirement at the time. Further, the agency said that BoG introduced in 2019 elements of Basel II and Basel III requirements, which include a leverage ratio of 6%, and a capital conservation buffer of 3% that raised the minimum capital regulatory requirement for banks to 13%. As such, it noted that the sector's CAR stood at 17.5% at end-January 2019 due to the stricter risk-weighted assets calculation under Basel III. It added that the banks' CAR regressed to 16.3% at end-June 2019 due to a pick-up in lending growth. It forecast private sector lending growth at 8% in 2019 and at 10% in 2020. In parallel, Fitch indicated that asset quality continues to constrain the banks' credit profiles. It noted that the sector's non-performing loans ratio stood at 18.1% at end-June 2019 due to high levels of problem loans in the energy sector, elevated inflation and interest rates, and the sharp depreciation of the Ghanaian cedi.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $60 p/b in 2019

ICE Brent crude oil front-month prices averaged $59.4 per barrel (p/b) so far in August 2019, constituting a drop of about 7.5% from an average of $64.2 p/b in July 2019. The decline in oil prices was due to concerns about a slowdown in global economic growth, amid ongoing trade tensions between the U.S. and China. Global investment bank Morgan Stanley expected the global economy to enter into a recession in the second half of 2020 in case trade tensions escalate further, which would weigh on global oil demand and, in turn, on oil prices. Also, it said that higher U.S. oil output could offset OPEC's efforts to support oil prices. As such, it considered that OPEC will have to make deeper production cuts to balance the global oil market in 2020. It also lowered its forecast for average oil prices in the second half of 2019 to $55 p/b from $58 p/b previously and its projections for full year 2019 from $65 p/b to $60 p/b. In parallel, WTI oil prices averaged $54.7 p/b so far in August 2019, constituting a decline of 4.6% from $57.4 p/b in July. The month-on-month decrease in WTI prices was lower than the drop in Brent prices as a slowdown in U.S. oil production limited the decline in WTI prices. As such, the Brent-WTI spread narrowed from an average of $9.6 p/b in May 2019, $8.3 p/b in June, $6.8 p/b in July to $4.7 p/b so far in August. The narrowing spread is also due to additional pipeline capacity in the U.S., which eased supply bottlenecks for WTI oil exporters and reduced the need to sell WTI at discounted prices.
Source: Morgan Stanley, Refinitiv, Oilprice, 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 12.57 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

Global steel output up 5% in first seven months of 2019

Global steel production reached 1.1 billion tons in the first seven months of 2019, constituting an increase of 4.6% from 1.03 billion tons in the same period of 2018. Steel production in China totaled 577.1 million tons in the first seven months of 2019 and accounted for 53.2% of global output. India followed with 66.2 million tons (6.1%), then Japan with 59.5 million tons (5.5%), and the U.S. with 51.8 million tons (4.8%).
Source: World Steel Association, Byblos Research

Gas output at Zohr field to reach 3 billion cubic feet per day at end-2019

Egypt's Ministry of Petroleum indicated that the country's natural gas production at the Zohr field, the largest gas field in the Mediterranean, increased from 2.1 billion cubic feet (bcf) per day in February 2019 to 2.7 bcf per day currently. The Egyptian government is aiming to expand the country's natural gas output to 3 bcf per day by the end of the year. Also, the government is planning to increase the length of country's gas pipelines network by adding 950 kilometers of pipelines to the national gas network by 2023 in order to accommodate the expected increase in the country's gas output due to the recent discoveries.
Source: Refinitiv

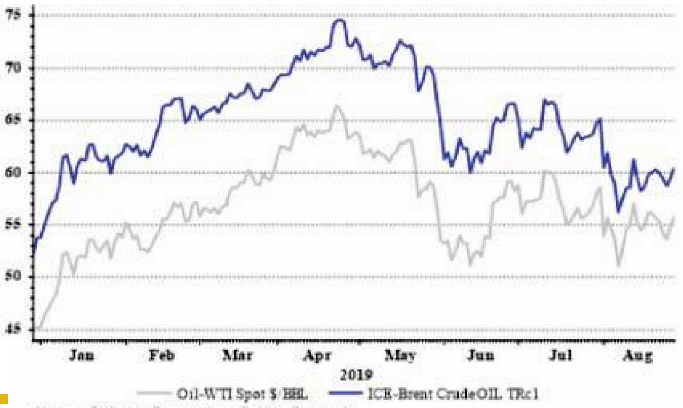
Base Metals: Nickel prices up 53% so far in 2019 amid solid demand and supply disruption concerns

The LME cash price of nickel closed at $16,182 per metric ton on August 28, 2019, constituting an increase of 52.6% from $10,605 per ton at the end of 2018. Nickel has outperformed other base metals so far this year, as the metal's price continued to increase despite the ongoing global trade tensions, which have been weighing on the prices of other metals. The increase in nickel prices was mainly supported by solid demand, technical trading and concerns about supply shortages. In fact, prices jumped by 21.6% in the first quarter of the year due to strong demand for nickel from Chinese stainless steel mills, which account for about 70% of global nickel consumption. In addition, the rise in prices factored in expectations that a market shift to electric vehicles (EVs) in coming years will increase the demand for nickel, which is a key ingredient for EV batteries. In parallel, nickel prices surged by 29.1% from end-June 2019 to $16,290 per ton on August 15, 2019, their highest level in about five years, due to concerns about tight supply in the short term, and potential supply disruptions from Indonesia, the world's largest nickel producer. Further, the low level of LME-registered inventories reinforced concerns about supply tightness in the nickel market.
Source: Refinitiv, Byblos Research

Precious Metals: Silver prices at two-year high of $18.3 per ounce

Silver prices averaged $15.5 per troy ounce in the year-to-August 28, 2019 period, down by 4.8% from an average of $16.3 an ounce in the first eight months of 2018, due to subdued investor demand for silver exchange-traded funds at the beginning of 2019 amid a stronger US dollar. However, silver prices have been on the rise in recent months. They increased from an average of $14.7 per ounce in May 2019 to $15 an ounce in June and $15.8 per ounce in July 2019, supported by the continued purchase of the metal in India before the country raised its import tariffs on silver and gold from 10% to 12.5% at the start of August 2019. Further, prices grew by 11.5% from the end of July 2019 to a near two-year high of $18.3 an ounce on August 28, 2019, mainly due to ongoing concerns about trade tensions between the U.S. and China. The metal's price is expected to average $16 per ounce in the fourth quarter of 2019 and to decline to an average of $15.8 an ounce in the first quarter of 2020, mainly due to a slowdown in the global growth outlook, which would weigh on silver demand and prices.
Source: ABN Amro, Refinitiv, Byblos Research

Brent VS WTI Crude Oil Prices



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
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	- -	B3 Stable	B+ Stable	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	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 Negative	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	BB+ 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	CCC -	B Negative	B- Negative	-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- Negative	-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 Stable	-5.1	54.7	18.1	-	-	-	0.7	-

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	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	Positive	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	Positive	-	Stable	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Stable	Stable	Stable	-	Negative	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	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-	Caa1	B-	-	B-								
	Stable	Stable	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	2.00-2.25	31-Jul-19	Cut 25bps	18-Sep-19
Eurozone	Refi Rate	0.00	25-Jul-19	No change	12-Sep-19
UK	Bank Rate	0.75	01-Aug-19	No change	19-Sep-19
Japan	O/N Call Rate	-0.10	30-Jul-19	No change	19-Sep-19
Australia	Cash Rate	1.00	06-Aug-19	No change	03-Sep-19
New Zealand	Cash Rate	1.00	07-Aug-19	Cut 50bps	25-Sep-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	4.25	20-Aug-19	Cut 10bps	N/A
Hong Kong	Base Rate	2.5	01-Aug-19	Cut 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	1.50	07-Aug-19	Cut 25bps	18-Sep-19
India	Reverse repo rate	5.40	07-Aug-19	Cut 35bps	04-Oct-19
UAE	Repo rate	2.50	31-Jul-19	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.75	31-Jul-19	Cut 25bps	N/A
Egypt	Overnight Deposit	14.25	22-Aug-19	Cut 150bps	26-Sep-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	24-Jul-19	No change	23-Sep-19
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	26-Jul-19	No change	27-Sep-19
Mexico	Target Rate	8.00	15-Aug-19	Cut 25bps	26-Sep-19
Brazil	Selic Rate	6.00	31-Jul-19	Cut 50bps	18-Sep-19
Armenia	Refi Rate	5.75	30-Jul-19	No change	10-Sep-19
Romania	Policy Rate	2.50	05-Aug-19	No change	03-Oct-19
Bulgaria	Base Interest	0.00	01-Aug-19	No change	02-Sep-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	7.25	26-Jul-19	Cut 25bps	6-Sep-19

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