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NEWS HEADLINES

MENA

Level of economic freedom varies across Arab world

The Fraser Institute's 2019 Index of Economic Freedom indicated that Jordan has the highest level of economic freedom among 18 Arab countries and ranked in 43rd place among 162 countries included in the survey. Bahrain followed in 50th place, then the UAE (61st), Qatar (69th) and Lebanon (75th) as the five countries with the highest level of economic freedom in the Arab world. In parallel, Egypt and Syria ranked in 155th place each, followed by Algeria (159th), Sudan (160th), and Libya (161st) as the countries with the lowest level of economic freedom in the region. The index evaluates individual economies on the basis of 43 variables that are divided into five broad factors of economic freedom that measure the Size of Government, Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. The rankings of six Arab countries improved, 10 regressed and two were unchanged from the 2018 survey. In parallel, the scores of six Arab countries improved, while the scores of 12 countries declined from the previous survey. Lebanon ranked first on each of the Access to Sound Money and the Size of Government categories. Also, the UAE came in first place on the Freedom to Trade Internationally category. Further, Oman ranked first on the Legal System & Property Rights category, while Bahrain came in first place on the Regulation of Credit, Labor & Business category.

Source: Fraser Institute, Byblos Research

Connectivity to global shipping networks varies among Arab ports

The 2019 United Nations Conference on Trade & Development's (UNCTAD) Port Liner Shipping Connectivity Index ranked the Port of Jebel Ali in the UAE in first place among 61 ports in Arab countries and in 15th place globally in terms of connectivity to global shipping networks. Egypt's Port Said (29th), Morocco's Tanger-Med Port (31st), Saudi Arabia's Ports of Jeddah (35th) and Dammam (43rd) followed as the five Arab ports with the highest connectivity to global shipping networks. In comparison, Tunisia's Port of Zarzis (853rd), Port of Ajman in the UAE (858th), Libya's Port of Tobruk (865th), Iraq's Port of Abu al Fulus (926th) and the UAE's Port of Umm al Qaiwain (956th) were the lowest ranked ports regionally. The index is a composite of six components that capture the deployment of container ships by liner shipping firms to port. A port's score is the average of the six components, with a higher score reflecting a better performance on the index. The Arab region's simple average score stood at 17.3 points and came above the global average of 12.4 points. The average score of ports in Gulf Cooperation Council (GCC) countries stood at 24.2 points, while the average score of ports in non-GCC Arab countries was 13.7 points.

Source: UNCTAD, Byblos Research

GCC

Corporate earnings down 15% to $16bn in second quarter of 2019

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $15.8bn in the second quarter of 2019, constituting a decrease of 14.7% from $18.5bn in the same quarter of 2018 and a decline of 7.1% from $17bn in the first quarter of 2019. Listed companies in Saudi Arabia accounted for $5.1bn, or 32.3% of total corporate earnings in the second quarter of 2019, followed by listed firms in Dubai with $3bn (19%), Abu Dhabi with $2.7bn (16.8%), Qatar with $2.5bn (16%), Kuwait with $1.5bn (9.7%), Bahrain with $0.52bn (3.3%), and Oman with $0.5bn (3.1%). Further, the earnings of listed firms in Oman increased by 21% year-on-year in the second quarter of 2019, followed by profits of listed corporates in Dubai (+16.5%), Kuwait (+3.6%), and Abu Dhabi (+0.8%). In contrast, total earnings of listed companies in Saudi Arabia decreased by 37.1% annually in the covered quarter, followed by Bahrain (-11.2%) and Qatar (-8.7%). In parallel, the earnings of listed banks in the GCC region reached $9.4bn in the covered quarter and accounted for 59.7% of total corporate earnings, followed by telecommunications firms with $2bn (12.8%), real estate companies with $1bn (6.4%), materials firms with $0.9bn (5.8%), and utilities companies with $0.44bn (2.8%). The earnings of listed transportation firms increased by 33.3% year-on-year in the second quarter of 2019, followed by telecom firms (+15.5%), retailers (+8.7%), insurers (+6.7%), and banks (+3.5%). In contrast, the profits of listed materials firms decreased by 70.7% in the covered quarter, followed by companies in the energy sector (-53.3%), corporates in the utilities industry (-40%), and real estate firms (-29%).

Source: KAMCO

Fixed income issuance at $83bn in first eight months of 2019

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $83.4bn in the first eight months of 2019, constituting an increase of 7.5% from $77.6bn in the same period of 2018. Aggregate fixed income in the first eight months of the year consisted of $33.3bn in sovereign bonds, or 40% of the total, followed by corporate bonds at $29bn (34.8%), sovereign sukuk at $13.7bn (16.4%), and corporate sukuk at $7.4bn (8.9%). Aggregate bonds and sukuk issued by GCC sovereigns reached $47bn, or 56.4% of total fixed income issuance in the region in the first eight months of 2019, while bonds and sukuk issued by GCC corporates amounted to $36.4bn or 43.6% of the total. On a monthly basis, GCC sovereigns issued $13.2bn in bonds and sukuk in January, $2.6bn in February, $15.2bn in March, $4.3bn in April, $0.2bn in May, $4.1bn in June, $4.4bn in July, and $3bn in August 2019. In parallel, companies in the GCC issued $1.7bn in bonds and sukuk in January, $2.4bn in February, $4.3bn in March, $15.4bn in April, $4.2bn in May, $1.2bn in June, $4.2bn in July, and $3bn in August 2019. Sovereign issuance in August 2019 consisted of $3bn in bonds issued by Oman. In parallel, corporate issuance in the covered month included $2.1bn in bonds and $135m in sukuk issued by UAE-based companies, as well as $130m in bonds issued by Qatar-based corporates.

Source: KAMCO

EMERGING MARKETS

Higher oil prices to have limited impact on oil-importing economies

Goldman Sachs indicated that the recent attack on two oil facilities in Saudi Arabia led to a drop of more than 50% in the country's daily oil production. It noted that the implications on global oil prices are contingent on the duration of the production outage in the Kingdom. In this context, it assessed the impact of an increase of 10% in global oil prices on economies in the Central & Eastern Europe, the Middle East and Africa (CEEMEA) region.

It expected the external balance of oil-exporting countries in the CEEMEA region to improve by two percentage points of GDP on average, in case of a lasting 10% rise in oil prices. It said that Oman and Kuwait would benefit the most from higher oil prices, as their external balances would increase by three percentage points of GDP and 4.6 percentage points of GDP, respectively. Further, it expected the fiscal balance of oil exporters in the CEEMEA region to rise by 2.3 percentage points of GDP on average in case of a lasting 10% increase in oil prices, with Kuwait's fiscal balance posting the largest increase of 4.3 percentage points of GDP. However, it said that downside risks to the outlook include supply disruptions in the Gulf Cooperation Council countries that would lower their oil export receipts, as well as rising security concerns that would reduce foreign investments.

In parallel, it expected the impact of higher oil prices to be modest on the external balances of oil importers in the CEEMEA region. As such, it projected the external balances of oil-importing economies in the region to deteriorate by an average of 0.3 percentage points of GDP. However, it said that the impact of higher oil prices could be more significant on Lebanon and Turkey. Further, it estimated the impact of higher oil prices to be relatively limited on the fiscal balances of oil importers. In addition, it expected sustained higher oil prices to reduce economic growth in oil importers in the CEEMEA region by 0.3 percentage points to 0.4 percentage points starting in the second half of 2020. Also, it projected the average inflation rate of oil importers to increase by 0.6 percentage points in the first quarter of 2020, which would likely put upward pressure on interest rates in these countries.

Source: Goldman Sachs

SAUDI ARABIA

Economic impact of oil disruption depends on pace of output restoration

The Institute of International Finance indicated that the attack on the Aramco oil facilities in Saudi Arabia have disrupted about 5.7 million barrels of the Kingdom's crude oil output, which is equivalent to more than 50% of its average daily production of 10 million barrels. It assessed the impact of the oil output shortages on the Saudi economy through two scenarios that take into consideration the time needed for the country to restore its output.

Under its "likely" scenario, the IIF estimated that Saudi oil production will recover to its pre-attack level within four weeks. As such, it expected oil output to average 9.5 million b/d in 2019, down from a previous forecast of 10.1 million b/d for the year and compared to an average output of 10.3 million b/d in 2018. As a result, it projected real GDP to contract by 1% in 2019, compared to a previous forecast of a 1.2% growth, as it anticipated the hydrocarbon sector's real GDP to shrink by 5.5% this year. In addition, it forecast the fiscal deficit at 8.4% of GDP in 2019 relative to a pre-attack projection of a deficit of 6.5% of GDP, due to lower hydrocarbon revenues. It also anticipated the current account surplus at 3.9% of GDP this year, compared to a previous forecast of 6.3% of GDP, amid lower export receipts.

In parallel, under its "pessimistic" scenario, the IIF estimated that the full restoration of Saudi Arabia's oil production would take about two months. As such, it said that the relatively lengthy disruption to oil output would have a more pronounced impact on the economy. Under this scenario, it projected production to average 8.85 million b/d in 2019, which would constitute a decline of 14.1% from the daily average output in 2018. As a result, it expected real GDP to contract by 3.5% in 2019, as it forecast the hydrocarbon sector's real GDP to shrink by 12.6% this year. It also anticipated the fiscal deficit at 10.3% of GDP in 2019, while it forecast the current account surplus at 1.7% of GDP in 2019.

Source: Institute of International Finance

UAE

Non-hydrocarbon sector growth to pick up to 2.2% in 2020

The Institute of International Finance projected the UAE's real GDP growth to improve from 1.7% in 2018 to 2.1% in 2019 and 1.9% in 2020, and to be mainly driven by stronger activity in the non-hydrocarbon sector. It projected real GDP growth in the non-hydrocarbon sector to increase from 1.3% in 2018 to 1.9% in 2019 and 2.2% in 2020, supported by Abu Dhabi's three-year fiscal stimulus and by higher spending in Dubai in the run-up to Expo 2020. It noted that non-hydrocarbon growth could regress to below 2% beyond 2020, as the impact of the fiscal stimulus and Expo 2020 fades. As such, it considered that the UAE needs a new growth model amid a prolonged period of low global oil prices, the ongoing decline in real estate prices and an overvalued exchange rate. It added that the country's reliance on the construction and services sectors led to strong non-hydrocarbon growth of about 6.4% annually during the 2000-15 period. However, it noted that promoting higher non-hydrocarbon growth and economic diversification remains challenging, as activity in the wholesale & retail trade and construction sectors continues to be slow. It said that authorities need to implement deeper reforms and develop new sources of growth to improve competitiveness and productivity, in order to achieve higher growth rates over the medium term. It pointed out that the main downside risks to the outlook include lower oil prices and slower global growth, which could weigh on the UAE's transport, logistics and tourism sectors, as well as on foreign investments.

In parallel, the IIF projected the UAE's fiscal deficit at 2.3% of GDP in 2019 and 2.6% of GDP in 2020, as it anticipated lower hydrocarbon revenues and higher government spending. It considered that the UAE could afford an expansionary fiscal stance to support economic growth in the short term, given its large financial buffers. Further, it forecast the current account surplus to narrow from 9% of GDP in 2018 to 6.8% of GDP in 2019 and to 4.2% of GDP in 2020, mainly due to lower export receipts and moderate non-resident capital inflows. It projected the UAE's gross public foreign assets at 219.3% of GDP at end-2019 and 217.4% of GDP at end-2020.

Source: Institute of International Finance

JORDAN

Ratings affirmed on fiscal reforms and international support

S&P Global Ratings affirmed at 'B+/B' Jordan's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It indicated that the ratings are supported by fiscal reforms, measures aiming to reduce losses at state-owned enterprises (SOEs), as well as by international support from the U.S. and GCC countries. However, it noted that the ratings are constrained by the country's large external financing needs amid wide current account deficits, and by ongoing regional conflicts that increased refugee inflows and eroded Jordan's fiscal position. The agency projected real GDP growth to increase from 2.2% in 2019 to 3% in 2022, driven by public and private investments, as well as by higher exports and tourism activity. It anticipated that risks to public finances will persist amid ongoing pressure on spending due to the large number of refugees, geopolitical tensions and the possibility of renewed protests against fiscal reforms. As such, it expected the pace of fiscal reforms to slow down, as the government prioritizes policies that promote growth and employment. However, it considered that the government's energy sector roadmap could be key to improving public finances, to reducing energy imports, and to stabilizing SOEs' debt in the medium term. In parallel, S&P projected the current account deficit to narrow gradually from 7.7% of GDP in 2019 to 6.8% of GDP in 2022, due to higher receipts from exports to Iraq and from tourism activity. It anticipated the Central Bank of Jordan's usable reserves to slightly increase from $3.7bn at end-2019 to $3.9bn at end-2022 due to higher FDI inflows and external debt. It also forecast Jordan's external financing needs at about 160% of current account receipts and usable reserves over the 2019-22 period.

Source: S&P Global Ratings

ANGOLA

External financing needs at $12.3bn in 2019

Fitch Ratings projected Angola's real GDP to grow by 0.4% in 2019, following an average annual contraction of 1.5% during the 2016-18 period, supported by higher oil production. It anticipated economic growth to gradually accelerate to 2.8% by 2021 contingent on developments in the hydrocarbon sector. Further, it forecast the fiscal deficit at 1.7% of GDP in 2019, unchanged from 2018, in case oil prices average $65 p/b and oil production average 1.44 million barrels per day in 2019. It noted that the clearance of additional domestic arrears and the recapitalization of banks have prevented a narrowing of the fiscal deficit. It said that the government's debt level increased from 59% of GDP in 2017 to 80.2% of GDP in 2018 following the depreciation of the kwanza last year. It projected the government's debt level at 83.8% of GDP in 2019, and expected it to reach 89% of GDP this year when including the debt of the state-owned oil company. In parallel, it forecast the current account surplus to narrow from 7.2% of GDP in 2018 to 0.8% of GDP in 2019 and to shift to a deficit of 0.3% of GDP in 2020, due to expectations of lower oil prices. It projected the country's external debt servicing at $12.3bn in 2019, which authorities intend to meet through multilateral financing and Eurobond issuance in the second half of 2019. It forecast gross foreign currency reserves to recover from $15.6bn at end-July 2019 to $16.3bn at end-2019.

Source: Fitch Ratings

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B' Nigeria's short- and long-term sovereign credit ratings, with a 'stable' outlook. It indicated that the ratings are supported by a relatively low government debt level, as well as by the country's moderate foreign currency reserves. But it noted that the ratings are constrained by low economic wealth and weak institutional capacity. It projected real GDP growth to average 2% annually in the 2019-22 period, in case authorities do not implement structural reforms to stimulate non-hydrocarbon sector activity. In parallel, it forecast the fiscal deficit to average 3.2% of GDP annually between 2019 and 2022 in case of low oil prices and sustained capital expenditures, and amid ongoing fuel subsidies and the recent increase in public sector wages. It expected the public debt level to average 26% of GDP annually in the 2019-22 period, while it anticipated debt-servicing costs to remain high at an average of 26% of government revenues over the same period. Further, it forecast the current account surplus to average 1% of GDP annually in the 2019-22 period, as it expected oil prices to remain low. It projected gross external financing needs at nearly 100% of current account receipts (CARs) plus usable reserves in the 2019-22 period. S&P indicated that Nigeria's external indebtedness is moderate and represents a rating strength. However, it said that the external liabilities of the public and financial sectors have increased since 2017, through Eurobond issuances and a higher share of non-resident holdings of naira-denominated sovereign debt. It expected Nigeria's net external debt to rise from 40% of CARs in 2016 to about 50% of CARs in 2019.

Source: S&P Global Ratings

ARMENIA

Ongoing fiscal measures to improve public finances

In its periodic review of Armenia's sovereign ratings, Moody's Investors Service indicated that Armenia's 'Ba3' issuer rating reflects its "Moderate" economic strength, institutional strength and susceptibility to event risk, and "Low" fiscal strength. Moody's noted that Armenia's economic strength balances its strong growth potential and increasingly diverse growth drivers against the economy's small size and low income levels. It expected real GDP growth at between 5.5% and 6% over the next three years. Further, it said that the country's institutional strength reflects the improved credibility and effectiveness of macroeconomic policies and institutions, which cushions the impact of economic shocks. It added that its fiscal assessment reflects the government's moderately high debt burden and elevated share of debt denominated in foreign currency. However, it anticipated that ongoing measures to support public finances will gradually restore the sovereign's fiscal strength that eroded during the 2014-17 period. In addition, it said that Armenia's susceptibility to event risk is mainly driven by geopolitical risks, including tensions with Azerbaijan. In parallel, Moody's considered that downside risks to the sovereign's creditworthiness include a slowdown in reform momentum that would weaken confidence in public institutions, widen the fiscal deficit and eliminate the prospects of a decline in the public debt level over the medium term. It added that other risks include a sustained widening of the current account deficit that would result in a decline in foreign currency reserves.

Source: Moody's Investors Service

QATAR

Bank ratings underpinned by government support

In its periodic review of the ratings of nine Qatari banks, Moody's Investors Service indicated that all the banks' ratings benefit from a very high probability of government support if needed. However, it noted that the majority of these banks have high concentration levels on both sides of their balance sheets. The agency said that the 'Aa3' long-term deposit rating of Qatar National Bank reflects the bank's baseline credit assessment (BCA) of 'baa1', which is supported by its dominant position in the banking sector, strong asset quality, high profitability, and solid capital and liquidity buffers. Further, it considered that the 'A1' ratings of Qatar Islamic Bank (QIB) and Masraf Al Rayan are driven by the banks' BCAs of 'baa2'. It indicated that QIB's BCA is underpinned by the bank's solid profitability, adequate capital buffers and sound asset quality, but is constrained by its rapid growth and the weak performance of its subsidiaries. It added that the BCA of Masraf Al Rayan balances the bank's strong asset quality and solid profitability against a weakening in its funding and liquidity positions. In addition, it pointed out that the 'A2' ratings of Qatar International Islamic Bank, Barwa Bank, and Ahli Bank are based on the banks' BCAs of 'baa3' that are supported by their sound and improving asset quality. In parallel, Moody's noted that the 'A3' ratings of the Commercial Bank, Doha Bank, and Al Khaliji Bank are based on their BCAs of 'ba1'. It said that the BCAs of the Commercial Bank and Doha Bank reflect their weakening asset quality and moderate or declining capital adequacy, while Al Khaliji Bank's BCA is constrained by its significant reliance on market funding.

Source: Moody's Investors Service

TUNISIA

Pressure on banks' liquidity persist

The International Monetary Fund indicated that the banking sector in Tunisia is well capitalized, as the system's capital adequacy ratio reached 11.7% at the end of 2018, nearly unchanged from 11.9% at end-2017. It said that the non-performing loans (NPLs) ratio decreased from 13.9% at end-2017 to 13.4% at end-2018, as state-owned banks made progress in reducing their NPL portfolios, supported by the implementation of regulatory and supervisory reforms. It added that the sector's NPLs are well provisioned, with the provisions-to-NPLs ratio standing at 56.5% at end-2018. However, the Fund pointed out that liquidity pressures at banks persist, as the sector's liquid assets-to-total assets ratio decreased from 5.7% at end-2017 to 4.5% at end-2018, and the banks' liquid assets to short-term liabilities ratio declined from 91.7% at end-2017 to 75.2% at the end of last year. It added that, as of March 2019, five banks were not compliant with the new minimum liquidity coverage ratio (LCR) that authorities increased to 100% in January 2019. Further, it said that the Central Bank of Tunisia will continue to provide adequate liquidity to the banking system in order to support economic activity. The IMF encouraged authorities to strengthen banking supervision, including through improved stress-testing capabilities, in order to help address individual institutions' liquidity and solvency issues in the context of the depreciation of the Tunisian dinar and the tight monetary policy.

Source: International Monetary Fund

UAE

Strong profitability and adequate capitalization support banks' ratings

In its periodic review of the ratings of eight UAE banks, Moody's Investors Service indicated that First Abu Dhabi Bank's long-term deposit rating of 'Aa3' is supported by the bank's solid capitalization, healthy profitability and strong liquidity, but is constrained by its high borrower and funding concentrations, as well as by its reliance on wholesale funding. Further, it said that the 'A2' issuer rating of Abu Dhabi Islamic Bank is driven by the bank's stable profits, strong funding, sound asset quality and modest capitalization. In addition, it indicated that Dubai Islamic Bank's rating of 'A3' balances the bank's deposit-funded balance sheet, healthy liquidity reserves and strong profitability, against its weak asset quality and limited business diversification. In parallel, it said that Sharjah Islamic Bank's 'A3' rating is supported by the bank's satisfactory liquidity, but is constrained by its weakening core capital buffers, risks associated with weak asset quality, high reliance on market funding and modest profitability. Also, it noted that Mashreq Bank's 'Baa1' rating is driven by the bank's healthy liquidity reserves, strong capital and solid profits, but is constrained by its credit concentration risks. Further, Moody's indicated that the 'Baa1' long-term deposit ratings of the Commercial Bank of Dubai and National Bank of Fujairah balance the banks' adequate capital buffers, solid profitability, as well as stable funding and liquidity, with their relatively weak asset quality and limited business diversification. It added that United Arab Bank's 'Baa3' rating is supported by the bank's solid capital position, and sound funding and liquidity, but is constrained by its weak asset quality and lower profits. Moody's indicated that the banks benefit from a very high probability of government support in case of need.

Source: Moody's Investors Service

MOROCCO

Tier One capital of top seven banks at $13.5bn

In its 2019 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included seven banks operating in Morocco on its list, with four banks ranking among the top 25 banks in Africa. The rankings are based on the banks' Tier One capital at end-2018, as defined by the Basel Bank of International Settlements. The aggregate Tier One capital of Moroccan banks totaled $13.5bn at the end of 2018 relative to $12.9bn at end-2017, and accounted for 18% of the Tier One capital of banks in Africa. Also, the aggregate assets of the seven banks reached $160.6bn at the end of 2018 and accounted for 16.6% of the aggregate assets of banks in Africa. As such, the Moroccan banks' combined Tier One capital-to-assets ratio was 8.4% at end-2018, higher than the ratio of 7.81% of banks in Africa and the Top 1000 banks' aggregate ratio of 6.75%. Also, the cumulative pre-tax profits of the seven banks totaled $2.43bn in 2018. The ratio of pre-tax profits-to-Tier One capital of Moroccan banks reached 18.1% in 2018, compared to the Top 1000 banks' ratio of 13.7%. The Tier One capital of Groupe Banques Populaire was $4.11bn at the end of 2018, the highest among Moroccan banks, followed by Attijariwafa Bank ($4.03bn), BMCE Bank Group ($2.3bn), Société Générale Morocco ($1.1bn), Crédit Agricole du Maroc ($804m), Banque Marocaine pour le Commerce et l'Industrie ($625m), and Crédit du Maroc ($495m).

Source: The Banker

Oil price volatility rises on Aramco attacks

ICE Brent crude oil front-month prices rose by 15% from $60.2 per barrel (p/b) on September 13, 2019 and reached $69 per barrel (p/b) on September 16, their highest level since May 2019, following drone attacks on the Aramco oil facilities in Saudi Arabia on September 14. The attacks led to a disruption of 5.7 million barrels per day (b/d) of Saudi Arabia's oil production, which represents more than 50% of the Kingdom's daily oil output. However, oil prices declined by 8% to $63.6 p/b on September 18, after the Kingdom announced that it will quickly restore its production and pledged to meet all of its supply commitments to its customers by drawing down on its inventory. Specifically, Saudi Arabia's Energy Ministry indicated that production capacity will recover to 11 million b/d by end-September and reach its full capacity of 12 million b/d by the end of November. However, near-term risks to the oil price outlook remain tilted to the upside due to rising geopolitical risks and concerns about additional disruptions to global supply. Goldman Sachs expected global oil prices to increase by $5 p/b to $14 p/b, depending on the time it will take Saudi authorities to restore oil production to previous levels. It estimated that a net outage of 4 million b/d for more than three months would push oil prices above $75 p/b. In parallel, JPMorgan Chase indicated that a lasting rise in oil prices, beyond $90 p/b, could further weigh on global oil demand in the next 12 to 18 months.

Source: Goldman Sachs, JPMorgan Chase, Refinitiv

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

Consumption of crude oil in the Middle East & Africa (ME&A) region is expected to average 12.55 million barrels per day (b/d) in 2019, which would constitute an increase of 0.8% 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

Planned investments in MENA energy projects at $1 trillion between 2019 and 2023

Total planned investments in the MENA region's energy sector are forecast at $1 trillion during the 2019-23 period. The power sector accounts for 36% of total upcoming energy investments amid growing electricity demand and increased consumption of renewable energy. Specifically, investments in renewable energy will account for 12% of total planned investments in the covered period. In parallel, power capacity in the MENA region will need to expand by an average of 4% annually between 2019 and 2023 in order to meet the rising demand.

Source: APICORP Energy Research, Byblos Research

Global supply of LNG to increase by 11% in 2019

Goldman Sachs projected the global supply of liquefied natural gas (LNG) at 365 million tons per annum (mtpa) in 2019, which would constitute a rise of 11.3% from 328 mtpa in 2018, compared to a growth of 9.3% in 2018. It anticipated Australia's supply of LNG at 80 mtpa this year, or 22% of global LNG production, followed by Qatar with 79.2 mtpa (21.7%), the U.S. with 36.9 mtpa (10.1%), Russia with 29.1 mtpa (8%), Malaysia with 26.4 mtpa (7.2%), Nigeria with 20.8 mtpa (5.7%), and Indonesia with 17.2 mtpa (4.7%).

Source: Goldman Sachs, Byblos Research

Base Metals: Zinc prices to average $2,500 per ton in 2019

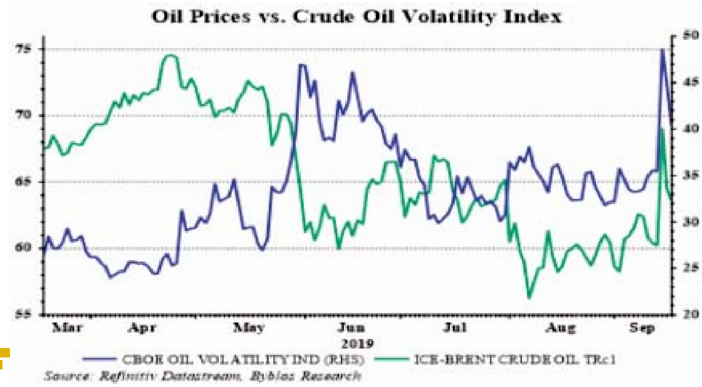
LME zinc cash prices closed at $2,322 per ton on September 18, 2019, constituting a decrease of 7.8% from $2,519 per ton at end-2018, and a decline of 23.4% from this year's peak of $3,031 per ton reached on April 12. The metal's price surged by 19.1% in the first quarter of 2019, driven by concerns about a significant tightening in global supply and a very low level of inventories. However, prices declined by 14.5% in the second quarter of the year, due to concerns about a possible surge in refined zinc supply, as well as due to fears about lower demand amid global trade and political tensions. Prices decreased further by 9.5% so far in the third quarter of 2019, as concerns about global economic growth and demand outlook heightened following the re-escalation of the U.S.-China trade dispute in early August and the recent weak economic data from the two countries. In parallel, Fitch Solutions indicated that the steady decline in investor sentiment, due to the ongoing trade tensions, weighed on global demand for zinc and, in turn, led to lower zinc prices so far in the third quarter of 2019. As such, it reduced its projection for zinc prices in 2019 from an average of $2,600 per ton to an average of $2,500 per ton. Further, it expected prices to stabilize in the fourth quarter, as it anticipated demand from China to recover due to the government's stimulus, and to offset the strong growth in Chinese supply of refined zinc.

Source: Fitch Solutions, Refinitiv

Precious Metals: Production surplus in platinum market to narrow in 2019 amid strong demand

Platinum prices have been on an upward trend so far in the second half of 2019, increasing from an average of $808.2 per troy ounce in June 2019 to $843.6 an ounce in July, $858.8 per ounce in August, and an average of $949 an ounce in the month-to-September 18, 2019 period. The surge in prices mainly reflects increasing demand for platinum exchange-traded funds, the recent rise in autocatalyst demand for the metal, and subdued growth in global platinum output. As such, the platinum market's production surplus is projected to narrow from 675,000 ounces in 2018 to 345,000 ounces in 2019. Global platinum demand is forecast to increase by 9% to 8.05 million ounces in 2019 due to a significant rise in investment demand, mainly from higher holdings of platinum exchange-traded funds, which would more than offset the decline in demand from automotive, industrial and jewelry sectors. In parallel, global mine supply is projected to rise by 5% to 6.4 million ounces in 2019, equivalent to 76.3% of total output, largely due to an 11% growth in North American mine supply, a 9% increase in Russian production, and a 4% rise in South African output.

Source: Refinitiv, World Platinum Investment Council



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								
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	-	B3	B+	-	B+								
	-	Stable	Stable	-	Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	-	-	B-								
	-	-	-	-	Stable	-7.4	-	-	-	-	-	2	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Negative	Stable	Stable	-	Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	Stable	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	-	B2	B+	-	BB-								
	-	Negative	Negative	-	Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+	B2	B+	-	B+								
	Stable	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	Negative	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+	BB+								
	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	CCC	B	B-								
	Negative	Stable	-	Negative	Negative	-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	Negative	-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								
	-	-	-	-	Stable	-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	-	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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	1.75-2.00	18-Sep-19	Cut 25bps	29-Oct-19
Eurozone	Refi Rate	0.00	12-Sep-19	No change	24-Oct-19
UK	Bank Rate	0.75	19-Sep-19	No change	07-Nov-19
Japan	O/N Call Rate	-0.10	19-Sep-19	No change	31-Oct-19
Australia	Cash Rate	1.00	03-Sep-19	No change	01-Oct-19
New Zealand	Cash Rate	1.00	07-Aug-19	Cut 50bps	25-Sep-19
Switzerland	3 month Libor target	-1.25-(-0.25)	19-Sep-19	No change	12-Dec-19
Canada	Overnight rate	1.75	04-Sep-19	No change	30-Oct-19
Emerging Markets					
China	One-year lending rate	4.25	20-Aug-19	Cut 10bps	20-Sep-19
Hong Kong	Base Rate	2.25	19-Sep-19	Cut 25bps	N/A
Taiwan	Discount Rate	1.375	19-Sep-19	No change	19-Dec-19
South Korea	Base Rate	1.50	30-Aug-19	No change	16-Oct-19
Malaysia	O/N Policy Rate	3.00	12-Sep-19	No change	05-Nov-19
Thailand	1D Repo	1.50	07-Aug-19	Cut 25bps	25-Sep-19
India	Reverse repo rate	5.40	07-Aug-19	Cut 35bps	04-Oct-19
UAE	Repo rate	2.25	18-Sep-19	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.50	18-Sep-19	Cut 25bps	N/A
Egypt	Overnight Deposit	14.25	22-Aug-19	Cut 150bps	26-Sep-19
Turkey	Repo Rate	16.50	12-Sep-19	Cut 325bps	24-Oct-19
South Africa	Repo rate	6.50	19-Sep-19	No change	21-Nov-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	5.50	18-Sep-19	Cut 50bps	30-Oct-19
Armenia	Refi Rate	5.50	10-Sep-19	Cut 25bps	29-Oct-19
Romania	Policy Rate	2.50	05-Aug-19	No change	03-Oct-19
Bulgaria	Base Interest	0.00	02-Sep-19	No change	01-Oct-19
Kazakhstan	Repo Rate	9.25	09-Sep-19	Raised 25bps	28-Oct-19
Ukraine	Discount Rate	16.50	05-Sep-19	Cut 50bps	24-Oct-19
Russia	Refi Rate	7.00	06-Sep-19	Cut 25bps	25-Oct-19

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