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BYBLOS BANK SAL
Economic Research & Analysis Department

# COUNTRY RISK WEEKLY BULLETIN

# NEWS HEADLINES

## EMERGING MARKETS

### Fixed income trading down 9% to $1.2 trillion in second quarter of 2019

Trading in emerging markets debt instruments reached $1,211bn in the second quarter of 2019, constituting a decrease of 9% from $1,327bn in the second quarter of 2018 and a decline of 12% from $1,381bn in the first quarter of 2019. Turnover in local-currency instruments reached $663bn in the second quarter of 2019, down by 19% from $821bn in the second quarter of 2018 and by 18% from $808bn in the first quarter of 2019. In parallel, trading in Eurobonds stood at $547bn in the second quarter of 2019, up by 10% from the same quarter of 2018, but down by 4% from $572bn in the preceding quarter. The volume of traded sovereign Eurobonds reached $330bn and accounted for 60% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds reached $204bn, or 37% of the total. In addition, turnover in warrants and options amounted to $1.5bn, while loan assignments stood at just over $100m in the second quarter of 2019. The most frequently-traded instruments in the covered quarter were Mexican fixed income assets with a turnover of $206bn, or 17% of the total, followed by securities from Brazil with $176bn (15%), and instruments from China with $91bn (7%). Other frequently-traded instruments consisted of fixed income securities from India at $80bn (6.6%), and from Argentina at $61bn (5%).

*Source: EMTA*

## IRAQ

### Profits of listed firms down 41% to $109m in first half of 2019

The cumulative unaudited pre-tax profits of 83 out of 125 companies listed on the Iraq Stock Exchange totaled IQD131.1bn in the first half of 2019, constituting a decrease of 42% from IQD225.5bn in the same period of 2018. In US dollar terms, the profits of listed companies reached $108.7m in the covered period and declined by 41% from $184m in the first half of 2018. The dollar figures reflect the prevailing market exchange rate that appreciated from an average of IQD1,226 per US dollar in the first half of 2018 to an average of IQD1,206 per dollar in the same period of 2019. Listed telecommunication firms generated $81.5m in profits in the first half of 2019, followed by industrial companies ($19m), firms in the hotel & tourism sector ($6.5m), service providers ($1.3m), insurers ($0.4m), banks ($0.2m), and companies operating in the agricultural sector ($0.02m). In parallel, money transfer operators posted losses of $0.1m in the covered period, while investment companies registered losses of $0.08m. Further, the profits of insurers rose by 92.7% year-on-year in the first half of 2019, followed by the earnings of companies operating in the hotel & tourism sector (+52.5%), and the profits of industrial firms (+14.3%). In contrast, the earnings of banks decreased by 100% in the covered period from the first half of 2018, followed by the profits of services providers (-58.2%), and the earnings of telecommunication companies (-27%).

*Source: Iraq Stock Exchange*

## MENA

### Stock markets up 4% in first nine months of 2019

Arab stock markets improved by 4.1% and Gulf Cooperation Council equity markets increased by 3% in the first nine months of 2019, relative to expansions of 7.8% and 9.2%, respectively, in the same period of 2018. In comparison, global stocks grew by 13.9% and emerging markets equities increased by 5.2% in the first nine months of 2019. Activity on the Bahrain Bourse jumped by 13.4% in the covered period, the Dubai Financial Market surged by 10%, the Egyptian Exchange increased by 9.5%, the Khartoum Stock Exchange grew by 9.4%, the Saudi Stock Exchange expanded by 3.4%, the Abu Dhabi Securities Exchange improved by 2.9%, the Casablanca Stock Exchange increased by 1.7%, and the Qatar Stock Exchange grew by 0.7%. In contrast, activity on the Beirut Stock Exchange regressed by 22.1% in the first nine months of 2019, the Damascus Securities Exchange declined by 8.4%, the Muscat Securities Market decreased by 7.1%, the Iraq Stock Exchange contracted by 6.8%, the Amman Stock Exchange regressed by 4.2%, the Tunis Bourse retreated by 3%, the Palestine Exchange declined by 2.2%, and the Boursa Kuwait decreased by 0.5%.

*Source: Local stock markets, Dow Jones Indices, Byblos Research*

### GCC countries are source of 92% of inter-Arab greenfield FDI in 2003-18 period

Figures released by fDi Markets show that the cumulative value of inter-Arab greenfield foreign direct investment (FDI) reached $361.7bn between 2003 and 2018. The UAE was the largest source of inter-Arab greenfield FDI during the covered period with $183.6bn, equivalent to 50.8% of the total. It was followed by Kuwait with $43bn (11.9%), Bahrain with $38.7bn (10.7%), Qatar with $32.3bn (8.9%), Saudi Arabia with $30.7bn (8.5%), Egypt with $13.9bn (3.9%), Lebanon with $8.7bn (2.4%), Jordan with $3.2bn (0.9%), Oman with $2.7bn (0.8%), and Tunisia with $1.9bn (0.5%). Also, other Arab countries were the source of $2.9bn in inter-Arab greenfield FDI between 2003 and 2018, or 0.8% of the total. In parallel, the number of inter-Arab greenfield FDI projects reached 2,895 during the 2003-18 period. The UAE was the source of 1,396 of such projects in the covered period and accounted for 48.2% of the total. Saudi Arabia followed with 320 projects (11.1%), then Kuwait with 318 projects (11%), Qatar with 167 projects (5.8%), Lebanon with 157 projects (5.4%), Bahrain with 142 projects (4.9%), Egypt with 137 projects (4.7%), Jordan with 89 projects (3.1%), Oman with 60 projects (2.1%), and Tunisia with 53 projects (1.8%). The inter-Arab greenfield FDI figures cover cross-border projects that lead to the direct creation of jobs and capital investment. fDi Markets is a database that tracks cross-border greenfield investments across the world and is owned by the Financial Times Group.

*Source: fDi Markets, Byblos Research*

# OUTLOOK

## WORLD

### Global economic outlook affected by trade tensions

Fitch Ratings indicated that the outlook for global economic growth has deteriorated significantly due to the escalation of trade tensions between the U.S. and China. Consequently, it projected global real GDP growth at 2.6% in 2019 and 2.5% in 2020, down from its June forecast of 2.8% and 2.7%, respectively, and relative to 3.2% in 2018. It said that the global economy would register in 2020 the slowest growth rate since the peak of the Eurozone crisis in 2012. It reduced its forecast for China's real GDP growth to 5.7% in 2020 from 6% previously, while it lowered its growth projections for the U.S. from 1.8% to 1.7% and for the Eurozone from 1.3% to 1.1%. It considered that lower growth in China will extend the slowdown in global trade and manufacturing activities, which, in turn, will continue to pressure economic growth in the Eurozone. Further, it indicated that the shift to a looser global monetary policy was completed in the third quarter of 2019, with interest rate cuts by the U.S. Federal Reserve and the European Central Bank (ECB), as well as with the ECB's decision to restart its quantitative easing asset purchases. Still, it questioned the effectiveness of monetary easing amid rising trade policy uncertainty and the resulting impact on investment.

In parallel, S&P Global Ratings indicated that global economic growth continues to slow down, amid weak manufacturing and trade activities. As such, it projected global real GDP growth to decline from 3.8% in 2018 to 3.3% in 2019. It considered that a global recession is unlikely given renewed monetary stimulus, and expected economic growth to partially recover to 3.6% in the 2020-21 period. The agency indicated that downside risks to the outlook are more pronounced. First, it said that rising geopolitical tensions and heightened uncertainty are weighing on business and consumer confidence, and are undermining global growth prospects. Second, it noted that slower growth in major economies, the low inflation environment and negative interest rates in Europe and Japan are raising investor concerns. Third, it pointed out that slowing growth and declining rates in developed markets could increase capital flows to emerging markets, expand credit spreads, and squeeze funding liquidity.
*Source: Fitch Ratings, S&P Global Ratings*

## TURKEY

### Economic outlook subject to domestic and external risks

The International Monetary Fund projected Turkey's real GDP growth at 0.25% in 2019, despite the negative carryover effects from the 2018 recession, supported by an expansionary fiscal policy, high net exports, and a more favorable market sentiment. It added that the Turkish lira has recovered, while the current account registered a significant adjustment due to lower imports and stronger tourism activity. However, it said that the Turkish economy continues to be exposed to external and domestic risks, including a deterioration in sentiment towards emerging markets, challenges to policy implementation, as well as adverse domestic or geopolitical developments. It added that foreign currency reserves are low, and that the private sector's foreign currency debt and the external financing needs are still elevated. As such, it considered that the prospects for strong and sustainable medium-term growth could prove challenging in the absence of a comprehensive reform agenda.

Further, the IMF indicated that the inflation rate regressed due to the recent stability of the exchange rate, elevated real policy rates and favorable statistical base effect, which have allowed the Central Bank of the Republic of Turkey (CBRT) to loosen its monetary policy. It projected the inflation rate to decline to below 14% at end-2019. In parallel, it pointed out that Turkey's public debt level remains low. But it noted that the widening of the fiscal deficit, along with uncertainties about the scale of contingent liabilities and potential debt rollover pressures, limit the country's available fiscal space.

In addition, the Fund considered that the current positive market sentiment provides an opportunity for authorities to enact reforms that would address vulnerabilities, strengthen policy credibility and set the economy on a higher and more sustainable growth path. It encouraged the CBRT to tighten monetary policy in order to boost its credibility, support the lira, reduce the inflation rate and increase foreign currency reserves. It added that other measures include reforms to support medium-term fiscal strength and improve the insolvency and corporate restructuring framework, among others.
*Source: International Monetary Fund*

## NIGERIA

### Growth outlook revised downwards, fiscal risks remain elevated

Barclays Capital considered that Nigeria's slow execution of the 2019 budget constitutes a downside risk to the country's economic growth. It indicated that government expenditures have been limited so far in 2019 and have been mainly allocated towards wages, salaries and interest payments, while it anticipated lower-than-budgeted capital spending this year. As such, it revised its 2019 forecast for Nigeria's real GDP growth to 2% from 2.5% previously. It expected fiscal risks to remain elevated, especially from the low revenue coverage of debt servicing and from financing pressures. Still, it indicated that the new government would be able to pass the 2020 budget before the end of 2019, which would allow authorities to implement the 2020 budget within the constitutionally-mandated calendar year. As a result, it projected real GDP growth to accelerate to 2.5% in 2020, but to miss the authorities' target of 3%.

In parallel, it noted that Nigeria's foreign currency reserves have been declining since early July 2019, mainly due to the increased intervention of the Central Bank of Nigeria (CBN) in the Investors & Exporters foreign exchange window amid capital outflows. But it considered that, despite the pressure on reserves, risks to the *de facto* currency peg are not substantial. Therefore, it did not expect authorities to change the exchange rate regime in the near term. It projected capital outflows to stabilize and to reverse in coming months, as it anticipated the yields on local bonds to increase, which would encourage foreign portfolio investments.

It forecast foreign currency reserves to rise from $43bn at end-2018 to $45bn at end-2019 and $48bn at end-2020, supported by the recent increase in global oil prices, and in case the CBN implements additional measures, such as further import restrictions. It added the CBN is willing to draw down foreign currency reserves to defend the currency peg to the US dollar in case capital outflows do not stabilize.
*Source: Barclays Capital*

## SAUDI ARABIA

### Agencies take actions on sovereign ratings

Fitch Ratings downgraded Saudi Arabia's long-term foreign-currency Issuer Default Rating from 'A+' to 'A', with a 'stable' outlook. It attributed the downgrade to rising geopolitical and military tensions in the Gulf region following the recent attacks on the Aramco oil facilities. It added that the downgrade takes into consideration the increased vulnerability of Saudi Arabia's economic infrastructure to regional military threats, as well as the continued deterioration in the Kingdom's fiscal and external balances. It noted that Aramco has already restored or substituted the lost oil production from the attacks, but it considered that the risk of additional attacks on the country's oil infrastructure persists, which could affect the economy. Further, the agency expected the fiscal deficit to widen from 5.9% of GDP in 2018 to 6.7% of GDP in 2019, due to loose fiscal policy and lower oil prices and production, which would put at risk the government's goal of reaching a balanced budget by 2023. It projected the sovereign's net foreign asset position to decline from 74% of GDP in 2018 to 64% of GDP by 2021 due to rising external debt. In parallel, S&P Global Ratings affirmed at 'A-' Saudi Arabia's long-term sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are supported by the country's strong fiscal and external net asset stock positions, but that they are constrained by rising geopolitical risks, wide fiscal deficits and the limited transparency of government assets and institutional framework. It said that the 'stable' outlook reflects its expectation that authorities will quickly repair the damaged oil facilities, that the economy will grow at a moderate pace, and that the government and external balance sheets will remain strong in the next two years.

*Source: Fitch Ratings, S&P Global Ratings*

## ANGOLA

### Economy facing multiple challenges

Barclays Capital anticipated that Angola's economy will continue to face multiple challenges, despite exceeding the targets of the International Monetary Fund's program by June 2019. It expected the pressure on the country's foreign currency reserves to persist amid delays in the disbursement of funding from the IMF, the World Bank and the African Development Bank, along with lower-than-expected hydrocarbon export receipts and sustained market demand for foreign currency. It noted that the IMF disbursed about $250m so far this year, amounting to only 3% of the country's $6.5bn in external debt amortization that is due in 2019. As such, it said that the government had to service its external debt through its own resources, which increased the pressure on Banco Nacional de Angola's foreign currency reserves. In addition, it estimated that foreign direct investment (FDI) inflows have become positive in the second and third quarters of the year, due to rising investment activity in the oil sector. However, it did not expect net FDI inflows to reach $0.5bn at the end of 2019 as predicted under the IMF program. As a result, it anticipated that authorities could miss the foreign currency reserves' target for the end of 2019 under the IMF program. It noted that Angola could tap international capital markets in order to raise external funding. In parallel, Barclays projected Angola's real GDP growth at 0.8% in 2019 following a contraction of 1.2% in 2018, driven by new projects in the hydrocarbon sector.

*Source: Barclays Capital*

## PAKISTAN

### Pakistan makes progress on economic reforms

The International Monetary Fund indicated that the Pakistani government has made progress in key areas of its economic reform program that is backed by a $6bn financial package from the IMF. It pointed out that the transition to a market-determined exchange rate has started to yield positive results on the external balance. It added that exchange rate volatility has decreased since the IMF approved the arrangement in July 2019, while monetary policy is helping to control inflation and the State Bank of Pakistan's foreign currency buffers have increased. Further, it pointed out that the collection of tax revenues has significantly improved, with tax receipts, net of exporters' refunds, posting a double-digit growth rate so far this year. It noted that the country's Federal Board Revenue is undertaking significant steps to enhance tax administration and its interface with taxpayers. It considered that the fiscal slippage in the fiscal year that ended in June 2019 was partially due to one-off factors, and should not jeopardize the government's ambitious fiscal targets for FY2019/20. Further, the Fund projected real GDP growth at 2.4% in FY2019/20, and expected the inflation rate to regress in coming months. It added that the adjustment of the current account balance has been faster than anticipated. Still, it pointed out that structural economic challenges, as well as domestic and international risks persist. As such, it called on authorities to step up their efforts in implementing their reform agenda to pave the way for stronger and sustainable growth.

*Source: International Monetary Fund*

## ETHIOPIA

### Agencies revise outlook on ratings to 'negative'

Moody's Investors Service affirmed Ethiopia's long-term issuer rating and senior unsecured ratings at 'B1', while it revised the outlook on the ratings from 'stable' to 'negative'. It indicated that the ratings are mainly supported by the country's strong growth potential, solid FDI inflows and ongoing support from foreign donors, but are constrained by weak capacity to generate revenues and a low level of foreign currency reserves. It attributed the outlook revision to the increase in fiscal and external risks amid lower government revenues and rising external debt of state-owned enterprises (SOEs). It said that the government's revenues decreased from 16% of GDP in the fiscal year that ended in July 2016 to 13.1% of GDP in FY2017/18, due to lower receipts from import tariffs and challenges related to the collection of public revenues. It added that the increase in SOEs' external debt to 30% of GDP was not matched by an improvement in their capacity to raise their export revenues. It noted that the grace period on large external loans of SOEs has ended, which increased the pressure on external debt servicing. In parallel, Fitch Ratings affirmed Ethiopia's foreign- and local-currency Issuer Default Ratings at 'B', while it revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to its expectations that political instability will continue, which could further weigh on the economy, mainly on tax collection and FDI inflows. It said that the country's external finances are a key weakness for the ratings. It forecast the current account deficit to remain around 4.5% of GDP in FY2019/20, while it forecast foreign currency reserves at about two months of current external payments.

*Source: Moody's Investors Service, Fitch Ratings*

## JORDAN

### Tier One capital of top five banks at $8bn

In its 2019 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included five banks operating in Jordan on its list, with one bank ranking among the top 25 banks in the Middle East region. 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 Jordanian banks totaled $8bn at the end of 2018 relative to $7.9bn at end-2017, and accounted for 2.4% of the Tier One capital of banks in the region. In addition, the aggregate assets of the five banks reached $76bn at the end of 2018 and accounted for 2.6% of the aggregate assets of banks in the Middle East. As such, the Jordanian banks' combined Tier One capital-to-assets ratio was 10.5% at end-2018, lower than the ratio of 11.4% of banks in the Middle East, but higher than the Top 1000 banks' aggregate ratio of 6.75%. Also, the cumulative pre-tax profits of the five banks totaled $1.56bn in 2018. As such, the ratio of pre-tax profits-to-Tier One capital of Jordanian banks reached 19.5% in 2018, compared to the Top 1000 banks' ratio of 13.7%. The Tier One capital of Arab Bank was $5.18bn at the end of 2018, the highest among Jordanian banks, followed by the Housing Bank for Trade & Finance ($1.26bn), Jordan Kuwait Bank ($533m), Jordan Islamic Bank ($509m), and Bank Al Etihad ($498m).

*Source: The Banker*

## KUWAIT

### Bank ratings constrained by high credit concentration

In its periodic review of the ratings of eight Kuwaiti banks, Moody's Investors Service indicated that all the banks' ratings benefit from a very high probability of support from the government or a parent institution, in case of need. However, it noted that the majority of the banks' ratings are mainly constrained by significant single borrower and high-risk sector concentrations. The agency said that the 'Aa3' long-term deposit rating of National Bank of Kuwait is driven by a baseline credit assessment (BCA) of 'a3', which is supported by the bank's dominant position in the banking sector, strong asset quality, resilient profitability, and solid capital and liquidity buffers. It added that Kuwait Finance House's 'A1' rating reflects a BCA of 'baa3' that is mainly underpinned by the bank's improved asset quality, robust capitalization and strong profitability. In addition, it pointed out that the 'A2' rating of Al Ahli Bank of Kuwait is based on the bank's BCA of 'baa3' that is supported by strong capitalization, ample liquidity buffers, as well as a stable funding base and asset quality. In parallel, Moody's noted that the 'A3' ratings of Gulf Bank, the Commercial Bank of Kuwait, and Boubyan Bank are based on their BCAs of 'ba1', which reflect their stable funding base, adequate liquidity buffers and strong capitalization. Also, it considered that Burgan Bank's 'A3' rating is driven by a BCA of 'ba2', which is underpinned by the bank's adequate liquidity, stable profitability, reasonable coverage of non-performing loans and improved capitalization. Further, it indicated that the 'Baa2' rating of WARBA Bank is based on a BCA of 'ba3' that balances the bank's improved capitalization and ample liquidity buffers against its rapid growth and low profitability.

*Source: Moody's Investors Service*

## UAE

### Lower interest rates to affect banks' margins

Moody's Investors Service considered that the decision of the Central Bank of the United Arab Emirates to lower local interest rates, following the cut in U.S. interest rates, is credit negative for UAE banks, as it will reduce their net interest margins (NIMs). It pointed out that the banks' net interest income accounted for about 70% of their total revenues in 2018, and that the sector's NIMs stood at 2.5% in 2018 compared to 2.4% in 2017. It said that the gross yields of UAE banks will decrease, as banks gradually re-price their loan books. It noted that 75% of the UAE banks' loan books included corporate and government loans as of June 2019, which typically carry floating rates that adjust with the market. Further, the agency indicated that the lower interest rates will reduce the banks' funding cost, but to a lesser extent than the decline in gross yields, given that 52% of the banks' deposit base consists of current and savings (CASA) deposit accounts. It noted that the interest rates on CASA deposits are already negligible, which limits the banks' ability to further reduce the rates. It said that banks that have a high share of corporate loans and CASA deposits will be the most affected by the cut in rates. In parallel, the agency expected the banks' provisioning charges to increase this year and in 2020, despite the cut in interest rates, as the relatively slow economy, moderate oil prices, sustained geopolitical tensions and the overvalued currency are weighing on the property, hospitality and retail sectors.

*Source: Moody's Investors Service*

## IRAQ

### CBI issues conditions for banks to benefit from credit facility

The Central Bank of Iraq (CBI) issued in September 2019 the list of requirements that banks should meet in order to benefit from the CBI's credit facility to finance projects that require funding exceeding one billion Iraqi dinar. It indicated that a bank's aggregate loans extended through the CBI's initiative must not exceed 20% of the bank's capital base. Also, it said that the bank's capital adequacy ratio must be 12% or higher, while its net stable funding ratio should be at least 100%. It added that the bank's non-performing loans ratio must not exceed 20%. Further, it noted that the bank's accounts at the CBI should cover the minimum capital requirement and the equivalent of two installments of the credit facility extended by the CBI. It indicated that the aggregate loans that a bank extends to the relatives of its branch managers, assistant branch managers, or members of the Board of Directors, should not exceed 5% of the bank's capital. Further, the CBI pointed out that it will evaluate and approve the guarantees provided by the banks under the initiative, while its commission on these credit facilities would be 1%. The list of requirements followed the CBI's previous decision in July 2019 to raise the loan ceiling for small and medium-sized enterprises to more than one billion dinar. The CBI noted that this initiative is part of its efforts to support economic growth and job creation in the country.

*Source: Central Bank of Iraq*

# ENERGY / COMMODITIES

## Brent oil prices to average $65 p/b in 2019

ICE Brent crude oil front-month prices averaged $64.7 per barrel (p/b) in the first nine months of 2019, constituting a decline of 11% from an average of $72.7 p/b in the same period of 2018. Also, oil prices fell by 21.3% year-on-year to an average of $62.3 p/b in September 2019. The decline in prices was mainly due to U.S.-China trade tensions, concerns about a global economic slowdown, and rising U.S. oil production. Downside factors have more-than-offset the ongoing OPEC agreement to cut oil production, sanctions on Iran and Venezuela, as well as heightened geopolitical tensions in the Middle East region. However, oil prices grew by 4.7% month-on-month from an average of $59.5 p/b in August 2019, following drone attacks on the Aramco oil facilities in Saudi Arabia on September 14, which disrupted more than 50% of the Kingdom's oil output. Still, oil prices have fully adjusted after the attacks, declining from a high of $69 p/b on September 16 to $58.9 p/b on October 1, 2019, as the Kingdom restored its output. In parallel, Fitch Ratings indicated that the recent attacks highlighted the vulnerabilities of oil-related infrastructure in the Middle East. It considered that an escalation in geopolitical tensions in the Gulf region, such as further attacks or a military conflict, could lead to an increase in oil prices. It anticipated oil prices to remain volatile in the fourth quarter of 2019. Still, Fitch maintained its forecast for oil prices at $65 p/b for 2019, as it considered that the attack had a limited impact on the global oil market, given that the market is well supplied.

*Source: Fitch Ratings, Refinitiv, Byblos Research*

## Steel output up 4% in first eight months of 2019

Global steel production reached 1.24 billion tons in the first eight months of 2019, constituting an increase of 4.4% from 1.2 billion tons in the same period of 2018. Steel production in China totaled 664.9 million tons in the first eight months of 2019 and accounted for 53.6% of global output. India followed with 75.7 million tons (6.1%), then Japan with 67.6 million tons (5.4%), and the U.S. with 59.2 million tons (4.8%).

*Source: World Steel Association, Byblos Research*

## Iraq's oil exports down 4% in September 2019

Preliminary figures show that Iraq's crude oil exports totaled 107.3 million barrels in September 2019, constituting a decline of 4% from 111.7 million barrels in August 2019. They averaged 3.58 million barrels per day (b/d) in September 2019 compared to an average 3.6 million b/d in the previous month. Oil exports from the country's central and southern fields reached 103 million barrels in September, followed by shipments from the Kirkuk fields with 3.2 million barrels, those from the northern Qayara oil field with 877,196 barrels, and exports to Jordan with 221,977 barrels. Oil export receipts stood at $6.35bn in September 2019, down by 1.1% from $6.41bn in August.

*Source: Iraq Ministry of Oil, Byblos Research*

## Sonangol to sell 50 subsidiaries by end-2022

Angola's state-owned oil & fuel company, Sonangol, announced that it will sell 50 subsidiary companies and other assets, as part of the government's Privatization Programme (ProPriv). Sonangol is expected to dispose of 20 companies and assets by December 2019, and plans to sell 26 others by 2020, three in 2021 and one in 2022. ProPriv aims to fully or partially privatize 195 state-owned enterprises across several sectors in the 2019-22 period.

*Source: Refinitiv*

## Base Metals: Copper prices down 9% in first nine months of 2019

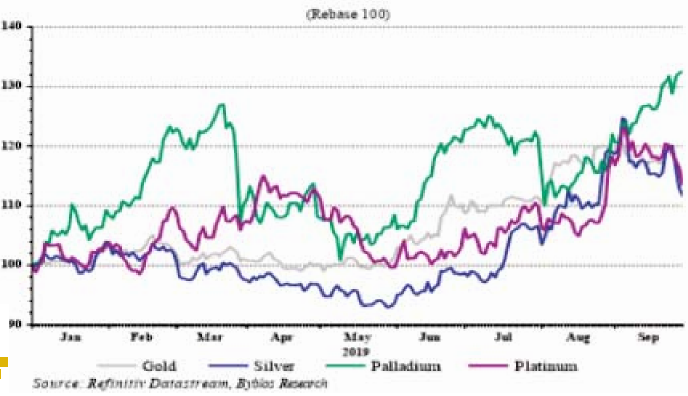
LME copper cash prices averaged $6,045 per metric ton in the first nine months of 2019, constituting a decrease of 9.1% from an average of $6,651 per ton in the same period of 2018. Prices gradually declined by 4.3% from a recent peak of $5,949 per ton reached on September 13, 2019 and closed at $5,695 per ton at end-September. The decrease in prices continues to be mainly driven by concerns about weak global demand and economic growth amid prolonged global trade tensions. In addition, prices regressed due to the ongoing softening in Chinese manufacturing activity and the cut in U.S. interest rates. In parallel, the latest available figures show that global demand for refined copper was 12 million tons in the first half of 2019, down by 0.7% from the same period of 2018, as Chinese demand grew by about 3% while demand from the rest of the world decreased by around 3% year-on-year. On the supply side, global refined copper production declined by 1.1% annually to 11.7 million tons in the first half of 2019, driven by lower output from Chili, India, Japan, Peru, the U.S., Zambia, and some European countries, which was largely offset by higher production in Australia, Brazil, China, Iran and Poland. Refined output grew by 15% in Oceania and by 2% in Asia, while it declined by 10% in the Americas, by 9% in Africa, and by 1% in Europe.

*Source: International Copper Study Group, Refinitiv*

## Precious Metals: Gold prices to average $1,506 per ounce in 2020

Gold prices averaged $1,362 per troy ounce in the first nine months of 2019, constituting an increase of 6.2% from an average of $1,282 per ounce in the same period of 2018. They traded at a low of $1,268 per ounce and a high of $1,549 per ounce so far this year. Prices also increased by a marginal 0.4% from an average of $1,303.4 per ounce in the first quarter of 2019 to $1,308.3 per ounce in the second quarter of the year, and surged by 12.7% quarter-on-quarter to $1,474.5 per ounce in the third quarter of 2019. The rise in gold prices in recent months was mainly driven by strong growth in investors' holdings of gold Exchange Traded Funds amid trade tensions between the U.S. and China, and the cuts in U.S. interest rates in July and September 2019. The continued purchase of the metal by central banks worldwide, led by the central banks of Russia, China and Poland, has also supported prices. Gold prices are projected to average $1,575 per ounce in the fourth quarter of 2019 and $1,506 per ounce in 2020, in case U.S. monetary easing continues, which would further reduce the opportunity cost of holding a non-yielding metal.

*Source: BMO Capital Markets, Refinitiv, 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 (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | LT Foreign currency rating | | | | | | | | | | | | |
| **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 | Negative | Negative | - | 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 | | Next meeting |
|---|---|---|---|---|---|
| | | | Date | Action | |
| | | | | | |
| 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 | 0.75 | 01-Oct-19 | Cut 25bps | 05-Nov-19 |
| New Zealand | Cash Rate | 1.00 | 25-Sep-19 | No change | 13-Nov-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 Loan Prime Rate | 4.20 | 20-Sep-19 | Cut 5bps | 21-Oct-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 | 25-Sep-19 | No change | 06-Nov-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 | 13.25 | 26-Sep-19 | Cut 100bps | 14-Nov-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 | 23-Sep-19 | No change | N/A |
| Nigeria | Monetary Policy Rate | 13.50 | 20-Sep-19 | No change | 26-Nov-19 |
| Ghana | Prime Rate | 16.00 | 20-Sep-19 | No change | 25-Nov-19 |
| Angola | Base rate | 15.50 | 01-Oct-19 | No change | 25-Nov-19 |
| Mexico | Target Rate | 7.75 | 26-Sep-19 | Cut 25bps | 14-Nov-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 | 01-Oct-19 | No change | 01-Nov-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 |

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

# BYBLOS BANK GROUP

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

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

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

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

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

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

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

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

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

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

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

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

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