COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global bond issuance at $4.6 trillion in first eight months of 2019

S&P Global Ratings indicated that the global issuance of corporate bonds, U.S. public finance bonds, other international public finance bonds and structured finance products totaled $4.6 trillion in the first eight months of 2019, constituting an increase of 11.8% from $4.1 trillion in the same period of 2018. It noted that the shift towards monetary easing in the U.S. and the Eurozone have helped lower the borrowing costs for lenders, which supported global bond issuance in the covered period. It said that the increase in global bond issues is due to a 74.3% growth in the issuance of non-U.S. international public finance bonds, as well as a 10% year-on-year rise in non-financial corporate issuance. S&P pointed out that non-financial institutions issued a total of $1.56 trillion, or 34% of total bond issuance, in the first eight months of 2019. Financial institutions followed with $1.43 trillion (31.2%), then investor-placed structured finance with $766bn (16.7%), non-U.S. international public finance with $594.8bn (13%), and U.S. public finance with $239.6bn (5.2%). It forecast global bond issuance at $6.08 trillion in 2019, up by 4% from $5.85 trillion in 2018, due to a projected rise of 33% in non-U.S. international public finance bonds and a 2.5% increase in non-financial corporate bonds. S&P considered that downside risks to the global bond issuance outlook include slower global economic growth and financial market disruption amid ongoing global trade tensions.
Source: S&P Global Ratings

MENA

Public governance varies across countries in the region

The World Bank's World Governance Indicators for 2018 show that the average score of 20 Arab countries regressed on three out of six governance indicators included in the survey and improved on the remaining three indicators year-on-year. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.51 points on the Government Effectiveness indicator, down from -0.48 points in 2017. This indicator evaluates the quality of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's government effectiveness was only higher than Sub-Saharan Africa (-0.83 points). The UAE had the most effective government among Arab countries with a score of +1.43 points, while Yemen (-2.24 points) came in last place on this category. In parallel, Arab countries received a score of -0.49 points on the Control of Corruption indicator, down from an average score of -0.46 in 2017. The region's average score was better than only the score of Sub-Saharan Africa (-0.67 points). Regionally, control of corruption was the highest in the UAE, Qatar, and Saudi Arabia, while it was the lowest in Libya, Syria and Yemen.
Source: World Bank, Byblos Research

Competitiveness of Arab countries improves in 2019

The World Economic Forum's Global Competitiveness Index for 2019 indicated that the UAE is the 25th most competitive economy among 141 countries worldwide and the most competitive economy among 14 Arab countries included in the survey. Qatar follows in 39th place, then Saudi Arabia (36th), Bahrain (45th), and Kuwait (46th) as the five most competitive Arab economies. In contrast, the survey considered Lebanon (88th), Algeria (89th), Egypt (93rd), Mauritania (134th), and Yemen (140th) to be the least competitive Arab economies. Based on the same set of countries in the 2018 and 2019 surveys, the rankings of two Arab countries regressed, those of nine economies improved, while the rankings of three Arab states were unchanged year-on-year. The UAE came in first place regionally on the Enabling Environment, Markets, and Innovation Ecosystem categories, while Qatar ranked first among Arab countries on the Human Capital category. The Arab region's average score stood at 59.5 points, up from 58.4 points in the previous survey. The GCC countries' average score grew from 67 points in the previous survey to 68.7 points in 2019, while the average score of non-GCC Arab economies increased from 52 points in the 2018 survey to 52.6 points. In parallel, the Arab average score was lower than the global average score of 60.6 points, and the scores of Europe & North America (71.2 points) and East Asia & Pacific (69.9 points). But it was above the average score of Eurasia (59.4 points), Latin America & the Caribbean (56.7 points), South Asia (54.7 points), and Sub-Saharan Africa (47.3 points).
Source: World Economic Forum, Byblos Research

M&A deals at $113bn in first nine months of 2019

Figures issued by Bureau Van Dijk and Zephyr show that there were 434 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of $113.4bn in the first nine months of 2019. In comparison, there were 425 M&A deals worth $23.7bn in the first nine months of 2018. The figures show an increase of 2.1% in the number of deals, and a rise of 4.8 times in their amount year-on-year in the covered period. The increase in the value of deals was mainly driven by Saudi Aramco's acquisition of a 70% stake in Saudi Basic Industries Corporation for $69.1bn in March 2019. The amount of M&A transactions in Saudi Arabia reached $71.9bn in the first nine months of the year, accounting for 63.4% of the region's aggregate deal value. The UAE followed with M&A deals of $18.2bn (16.1%), then Bahrain with $7.1bn (6.2%), Iran with $5.5bn (4.8%), Algeria with $4.9bn (4.3%), Kuwait with $3.1bn (2.8%), Egypt with $1.3bn (1.1%), Morocco with $581m (0.5%), Qatar with $381m (0.3%), Oman with $249m and Jordan with $191m (0.2% each), Tunisia with $10m and Lebanon with $5m. Egypt had 126 M&A deals in the covered period, followed by the UAE with 79 transactions, Kuwait with 58 deals, Saudi Arabia with 56 transactions, Jordan with 44 deals, Oman with 26 transactions, Bahrain with 13 deals, Morocco with 11 transactions, Iran with 10 deals, Lebanon and Qatar with three transactions each, Algeria and Tunisia with two deals each, and Palestine with one transaction.
Source: Zephyr, Bureau Van Dijk, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth revised downward to 3.9% in 2019

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 3.9% in 2019, down from its July forecast of 4.1%, and compared to growth rates of 1.7% for advanced economies and 3% for the global economy. It attributed its revised forecast mainly to persisting global trade tensions, policy uncertainties in several EM countries, and slower-than-expected growth in Brazil, China, India, Mexico, Russia and South Africa. However, it anticipated real GDP growth to accelerate to 4.6% in 2020, in case stressed EM economies, such as Argentina, Iran and Turkey, stabilize or recover. It considered that downside risks to the outlook are elevated and include escalating global trade tensions, as well as an abrupt shift in risk appetite that would expose financial vulnerabilities accumulated during years of low global interest rates. It noted that other risks include disinflationary pressures that would increase debt-servicing costs, as well as heightened geopolitical tensions and domestic policy uncertainty.

The IMF projected economic growth in Emerging & Developing Asia at 5.9% in 2019, down from its July forecast of 6.2%, mostly due to steeper-than-anticipated slowdown in China's economic growth amid higher U.S. tariffs and weaker demand. Further, it expected Sub-Saharan Africa's real GDP to grow by 3.2% in 2019, relative to an earlier forecast of 3.4%, mainly due to an anticipated contraction in Angola and to weaker growth in South Africa. In addition, it revised upward its growth forecast for Emerging & Developing Europe to 1.8% from 1.2% previously, despite the slowdown in Russia's economy and subdued activity in Turkey. In parallel, it forecast growth in the Middle East & North Africa region at 0.1% in 2019, down from a previous projection of 0.7%, due to the impact of tighter U.S. sanctions on Iran, as well as to weaker growth in Saudi Arabia. Further, it anticipated real GDP growth in Latin America & the Caribbean at 0.2% this year, down from its July forecast of 0.6%, amid the ongoing crisis in Venezuela, weaker outlook for Brazil and Mexico, as well as a sharper contraction in Argentina.
Source: International Monetary Fund

Net private capital inflows at $1.1 trillion in 2019

The Institute of International Finance projected non-resident capital inflows to emerging markets (EMs) at $1.06 trillion in 2019, constituting a decline of 4.7% from $1.11 trillion in 2018. It expected non-resident capital inflows to be equivalent to 3.4% of EMs' GDP this year, down from 3.6% of their GDP in 2018. It attributed the decrease in capital inflows to the U.S.-China trade tensions, which are weighing on global economic growth and fuelling volatility in capital flows. It noted that, in response, monetary policies eased in EMs, which has recently improved investor risk appetite and supported EM capital inflows. Consequently, it forecast non-resident capital inflows to EMs excluding China to increase by 12.5% to $704bn in 2019, while it anticipated inflows to China to decline by 26.8% to $355bn this year.

In addition, the IIF projected portfolio inflows to EMs to increase by 31% from $242bn in 2018 to $317bn in 2019, driven by accommodative monetary policies and higher debt inflows. It anticipated portfolio inflows to EMs ex-China to grow by 2.3 times from $82bn in 2018 to $185bn in 2019 due to strong Eurobond

issuance in the MENA region's oil-exporting economies, as well as to a recovery in equity inflows. It expected portfolio inflows to China to decline by 17.5% from $160bn in 2018 to $132bn in 2019, as trade tensions weigh on equity flows to the country. In parallel, it forecast foreign direct investments in EMs at $535bn in 2019, down by 1.7% from $544bn in 2018; while it projected other investments in EMs, mainly banking-related flows, at $207bn in 2019, down by 36.3% from $325bn in 2018.

In parallel, it expected non-resident capital inflows to EMs to increase by 13.8% to $1.21bn in 2020, mainly driven by an anticipated moderate recovery in global growth and further easing in monetary policies, in case trade tensions do not escalate. It forecast portfolio inflows to EMs to grow by 13% to $358bn in 2020, while it projected FDI in EMs to increase by 10.7% to $592bn in 2020. It said that downside risks include a sharper-than-anticipated slowdown in global growth and policy uncertainties, which could trigger renewed market turbulence.
Source: Institute of International Finance

MENA

Growth in oil exporting economies at lowest level since 2009

The Institute of International Finance expected economic growth to average 0.9% in the 10 oil-exporting economies of the Middle East & North Africa (MENA) region in 2019, the lowest level since 2009, due to the countries' compliance with the OPEC oil production cut agreement, the low oil price environment, and the economic recession in Iran. It noted that the region's real GDP growth would reach 1.6% in 2019 when excluding Iran, which is expected to post a contraction of 5.7% this year amid a sharp decline in its oil exports and the depreciation of the Iranian rial. Further, the IIF forecast economic growth in Gulf Cooperation Council (GCC) countries to slow down from 2% in 2018 to 1.1% in 2019, due to lower oil production under the OPEC agreement. But it expected non-hydrocarbon sector growth in GCC economies to increase from 1.9% in 2018 to 2.5% in 2019, supported by fiscal expansion amid the implementation of major public investment projects, as well as by improved domestic demand. It anticipated GCC economies to post an inflation rate of -0.5% in 2019, due to lower housing and oil prices, as the impact of the introduction of the value-added tax fades.

In parallel, the IIF expected the fiscal balance to deteriorate in most of the region's oil-exporting economies in 2019, mostly due to lower hydrocarbon revenues and rising public spending. It forecast the GCC's aggregate fiscal deficit to widen from 2.7% of GDP in 2018 to 4.3% of GDP in 2019. It anticipated GCC governments to finance their deficits through external and domestic debt issuances. Further, it projected the aggregate current account surplus of the MENA region's oil exporters to decline from $163bn or 7% of GDP in 2018 to $84bn or 3.7% of GDP in 2019, due to lower oil export receipts. It noted that external pressures will persist on Algeria, Bahrain and Oman, given their wide fiscal and current account deficits and declining foreign currency reserves. The IIF considered that downside risks to the growth outlook in MENA oil-exporting economies include lower-than-expected oil prices, slower implementation of reforms and an escalation of geopolitical tensions that could deter private investment and affect macroeconomic stability.
Source: Institute of International Finance

ECONOMY & TRADE

SAUDI ARABIA

Fiscal deficit to widen amid expansionary fiscal policy

Barclays Capital projected Saudi Arabia's real GDP growth to decelerate from 2.4% in 2018 to 1.6% in 2019, following the recent attacks on the Aramco oil facilities. It added that household demand has been weighing on non-hydrocarbon growth in recent years. However, it noted that the economy has been gradually recovering due to a looser fiscal policy, improving investor confidence and cheaper cost of funding, and forecast growth at 1.8% in 2020. Barclays pointed out that the Kingdom's expansionary fiscal policy focused on increased capital expenditures and higher social spending. As such, it said that subsidies and capital spending accounted for 87% of incremental expenditures in the first half of 2019. It considered that the rapid increase in public spending has exposed the budget to lower global oil prices. It projected the fiscal deficit to widen from 6% of GDP in 2018 to 7.4% of GDP in 2019 and 7.5% of GDP in 2020. On the revenues side, it anticipated non-hydrocarbon revenue growth to be limited in coming years in the absence of new fiscal measures, such as new taxes or a higher value-added tax rate. On the expenditures side, it said that about 66% of government expenditures are rigid and difficult to reduce this year, in case of renewed fiscal pressure or if global oil prices decline further. It projected the public debt level to rise from 19% of GDP in 2018 to 22.6% of GDP in 2019 and 23.4% of GDP in 2020. In parallel, it anticipated the current account surplus to narrow from 9% of GDP in 2018 to 4.2% of GDP in 2019, and to shift to a deficit of 0.6% of GDP in 2020.
Source: Barclays Capital

CÔTE d'IVOIRE

Ratings balance solid growth prospects against institutional challenges

Moody's Investors Service indicated that Côte d'Ivoire's 'Ba3' long-term issuer and senior unsecured bond ratings are supported by the country's strong economic resilience, sound growth prospects and ongoing structural reforms. However, it noted that the ratings are constrained by the country's weak institutions and vulnerability to event risks. It pointed out that the government has relatively strong fiscal fundamentals and sustainable debt levels, which have been underpinned by substantial donor support and debt relief in the last few years. It added that Côte d'Ivoire's fiscal strength is supported by the authorities' efforts to improve public revenues in order to finance the relatively high level of capital spending and to keep the public debt level broadly stable. In addition, it said that the country benefits from additional credit support from the West African Economic and Monetary Union, to which Côte d'Ivoire belongs. In parallel, the agency indicated that the 'stable' outlook on the ratings reflects strong economic growth that is sustained through further shifts towards higher value-added exports. In contrast, it noted that the reemergence of lasting political tensions could weigh on investment and weaken the government's balance sheet, in case public spending increases rapidly, in order to address social demands, without a matching rise in government revenues. Further, it anticipated the upcoming presidential election in 2020 to have an adverse impact on the economy if it results in sporadic violence.
Source: Moody's Investors Service

MAURITANIA

Outlook supported by macroeconomic stability

The International Monetary Fund indicated that the implementation of Mauritania's IMF-supported economic program continues to be strong. It noted that economic growth has accelerated, macroeconomic stability persisted and debt sustainability improved. It projected real GDP growth at 6.9% in 2019, driven by the extractive and non-extractive sectors, and expected it to remain above 6% in 2020. It added that the inflation rate is low and reached 2.3% in August 2019. Further, it said that foreign currency reserves at the Banque Centrale de Mauritanie increased from $918m at end-2018 to $1bn at the end of August, covering five months of non-extractive imports. It pointed out that the fiscal balance posted a sizable fiscal surplus so far this year, which would help reduce the external public debt level from 69% of GDP at end-2018 to 66% of GDP at end-2019. The Fund considered that Mauritania's economic outlook is broadly positive, but that it is subject to external risks, such as volatile commodity prices and a slower global growth. As such, it encouraged the authorities to continue to implement prudent policies in order to build foreign currency buffers that they could tap in case of unexpected shocks. Further, it noted that the government targets a broadly balanced budget in 2020 that prioritizes social spending. It considered that potential external borrowing to finance selected infrastructure projects should be on concessional terms in order to ensure debt sustainability. In parallel, the IMF indicated that authorities intend to press ahead with structural reforms to improve the business environment, strengthen economic governance, and fight corruption.
Source: International Monetary Fund

GHANA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ghana's long-term foreign-currency issuer default rating (IDR) at 'B', with a 'stable' outlook. It indicated that the rating balances the country's favorable medium-term growth prospects and strong governance indicators against risks of potential fiscal slippages, the materialization of contingent liabilities, external vulnerabilities, and a weak banking sector. It projected real GDP growth at 6.6% in 2019, supported by strong hydrocarbon sector activity and rising public spending. It expected growth to exceed 6% in the medium term, as it did not anticipate the 2020 general elections to weigh on economic activity. Also, it noted that Ghana's public finances are improving, as it forecast the fiscal deficit to narrow from 7.2% of GDP in 2018 to 6.4% of GDP in 2019. But it said that the fiscal position has been constrained by the materialization of contingent liabilities in the financial and energy sectors, as well as by the clearance of outstanding domestic arrears. It also cautioned from a fiscal slippage in the run-up to the 2020 elections. It added that Ghana's low revenue collection, high debt servicing costs and sizeable public-sector wage bill would make it difficult for authorities to create the fiscal space needed to increase capital spending in line with their growth strategy. In parallel, the agency forecast the current account deficit at 3.1% of GDP in 2019, supported by higher gold and oil export receipts. Further, it expected foreign currency reserves at $5.8bn at end-2019, and to be equivalent to 2.4 months of current external payments.
Source: Fitch Ratings

BANKING

GCC

Financial profile of banks to remain stable in 2020

S&P Global Ratings considered that the financial profile of GCC banks would remain stable in 2020, in the absence of a major increase in geopolitical risks or a decline in global oil prices. It pointed out that the aggregate non-performing loans ratio of GCC banks increased slightly from 2.4% at end-2015 to 2.8% at end-June 2019 despite subdued economic activity in the region over the past four years. It anticipated that problematic loans at GCC banks, which include Stage 2 and Stage 3 loans, would likely be stable in 2020. It considered Qatari banks to be the most vulnerable in terms of asset quality, given the continued boycott imposed by several Arab countries on Qatar, and the resulting declines in real estate prices and hotel occupancy rates. Also, the agency projected net lending growth in GCC countries to remain flat in 2020, against a backdrop of a global economic slowdown. Further, it indicated that the annual growth in customer deposits decelerated from 7.1% at end-2018 to 3.1% at end-June 2019, mainly due to lower government deposits, especially in Qatar, Oman and Saudi Arabia. As such, it said that the GCC banks' loan-to-deposit ratio grew from 92.8% at the end of June 2017 to 93.6% at end-June 2019. Still, it considered that the banks have satisfactory funding profiles, stable liquidity metrics and strong capitalization levels. It anticipated the profitability of the banks to slightly deteriorate next year due to global monetary easing.
Source: S&P Global Ratings

TUNISIA

Banks to benefit from government support in case of need

In its periodic review of the ratings of five Tunisian banks, Moody's Investors Service indicated that all five banks benefit from a high or very high probability of government support in case of need. It said that the 'B3' long-term foreign currency deposit rating of the five banks is constrained by Tunisia's foreign currency bank deposit ceiling, which captures the country's currency transfer and convertibility risks. It indicated that the 'negative' outlook on the banks' ratings is in line with the outlook on Tunisia's sovereign ratings. It noted that the 'B2' long-term local deposit rating of Banque Internationale Arabe de Tunisie balances its resilient profitability, adequate liquidity buffers and stable funding base, against the bank's weak capital buffers compared to its high credit risks. It added that the 'B2' rating of Banque de Tunisie is supported by its sound capital buffers, prudent risk management, and resilient profitability, but is constrained by the elevated pressures on the bank's asset quality, as well as a relatively high level of funding from the Central Bank of Tunisia (CBT). Further, it noted that Amen Bank's 'B2' rating reflects its weak asset quality, modest capital buffers, moderate profitability, tight liquidity profile, and high reliance on CBT funding. Also, it indicated that the 'B2' rating of Arab Tunisian Bank is constrained by its high credit concentrations, weak asset quality, low profitability and modest capital buffers, but is supported by the bank's adequate liquidity buffers given its stable deposit funding base. Further, it considered that Société Tunisienne de Banque's 'B3' long-term deposit rating mainly reflects the bank's high level of non-performing loans, low profitability, weak loss-absorption capacity, and a high reliance on CBT funding.
Source: Moody's Investors Service

BAHRAIN

Ratings on six banks affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of Gulf International Bank (GIB) and Gulf International Bank UK (GIBUK) at 'BBB+', the ratings of Ahli United Bank (AUB) and Arab Banking Corporation (ABC) at 'BBB-', and the IDRs of the Bank of Bahrain & Kuwait (BBK) and the National Bank of Bahrain (NBB) at 'BB-'. It maintained the 'stable' outlook on the banks' ratings. It noted that the long-term IDRs of ABC, BBK and NBB reflect the banks' standalone creditworthiness and potential sovereign support in case of need, while the IDRs of AUB, GIB and GIBUK are supported by the probability of support from their shareholders. In parallel, the agency affirmed at 'bbb-' the Viability Ratings (VRs) of ABC and GIB, at 'bb+' the VR of AUB, and at 'bb-' the ratings of BBK and NBB. Fitch noted that AUB's VR is supported by the bank's strong geographical diversification, sound asset quality, solid profitability, and conservative risk appetite. In contrast, it said that AUB's VR is constrained by its high loan book concentrations, lower-than-peers capital ratios, and exposure to higher-risk markets in the Middle East & North Africa. Further, it considered that ABC's VR is mainly driven by the bank's higher-than-peers capitalization, sound liquidity, and stable funding. It pointed out that the bank's rating is constrained by Bahrain's sovereign rating, as well as by the bank's elevated risk appetite, volatile but stabilizing asset quality, and low profitability.
Source: Fitch Ratings

TURKEY

Increased risk perceptions to weigh on banks

Goldman Sachs indicated that increased risk perceptions towards the operating environment in Turkey, as reflected by the 5% depreciation of the Turkish lira since the end of September 2019, could negatively affect the banks' funding costs, capitalization and asset quality. First, it said that a prolonged depreciation of the lira can potentially lead to higher funding costs for the banks. It added that Turkish banks are liability-sensitive, which implies that higher-than-expected funding costs could negatively impact the banks' net interest margins that started to improve in the second half of 2019 following the interest rate cuts. Second, it pointed out that the lira depreciation could affect the banks' capital ratios due to the translation impact on risk-weighted assets in local currency, given that about 45% of the banks' assets are denominated in foreign currency. It noted that the banks' disclosures show that a 10% lira depreciation would reduce their capital ratios by 50bps to 60bps on average. As such, it estimated that the 5% lira depreciation implies that the banks' capital levels have declined by about 30bps. It said that most banks have sufficient capital levels, with an average consolidated common equity Tier One capital ratio of 12%. Third, it indicated that the banks' non-performing loans ratio increased from 3% at end-2017 to 5% at end-June 2019, and is anticipated to peak in 2020. It added that the cost of risk, which is currently trending at about 200bps, is expected to start normalizing by end-2020. But it noted that further lira depreciation, an inflation overshoot and higher interest rates could increase pressure on the banks' asset quality and delay the normalization in the cost of risk beyond 2020, which would weaken the banks' earnings.
Source: Goldman Sachs

ENERGY / COMMODITIES

Brent oil prices to average $58 p/b in 2020

ICE Brent crude oil front-month prices continued to trade around $59 per barrel (p/b) so far in October 2019. Oil prices remain at relatively low levels due to concerns about weaker global economic growth and oil demand, as well as a faster-than-expected restoration to Saudi Arabia's oil production capacity, following the attacks on the Aramco facilities in September 2019. The decline in oil prices was limited by renewed geopolitical tensions in the Middle East following an attack on an Iranian oil tanker on October 11, 2019. In parallel, the Institute of International Finance expected downward pressure on oil prices to persist in the coming months, as continued growth in oil supply from major non-OPEC producers leads to further increases in global oil inventories. In this context, it indicated that U.S. oil production is anticipated to average 12.3 million barrels per day in 2019, while output from offshore projects in Brazil and Norway, as well as the easing of restrictions on oil output in Canada, are expected to increase non-OPEC oil production significantly. As a result, the IIF expected Brent oil prices to decline from a projected average price of $63.5 p/b in 2019 to $58 p/b in 2020. It pointed out that downside risks to the oil price outlook include stronger-than-expected U.S. oil production, lower compliance to the production cuts by OPEC members, an agreement to renegotiate the nuclear deal between the U.S. and Iran, and a larger-than-anticipated increase in Libya's output, among other factors.
Source: Institute of International Finance, Refinitiv

OPEC oil output down by 4.4% in September 2019

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 28.5 million barrels per day (b/d) in September 2019, down by 4.4% from an average of 29.8 million b/d in the preceding month. Saudi Arabia produced 8.6 million b/d in September 2019, or 30% of OPEC's total oil output, followed by Iraq with 4.72 million b/d (16.6%), the UAE with 3.08 million b/d (10.8%), Kuwait with 2.66 million b/d (9.3%), and Iran with 2.16 million b/d (7.6%).
Source: OPEC, Byblos Research

Global natural gas consumption to reach 191 trillion cubic feet in 2050

The U.S. Energy Information Administration (EIA) projected global natural gas consumption to increase by a CAGR of 1.1% from 133.1 trillion cubic feet (cf) in 2018 to 191.4 trillion cf in 2050. It expected gas demand in Asia to reach 54.8 trillion cf in 2050 and to account for 28.6% of global demand, followed by North & Latin America with 52.3 trillion cf (27.3%), Europe & Eurasia with 46.3 trillion cf (24.2%), and the Middle East & Africa with 38.1 trillion cf (20%).
Source: U.S. EIA, 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 expected 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

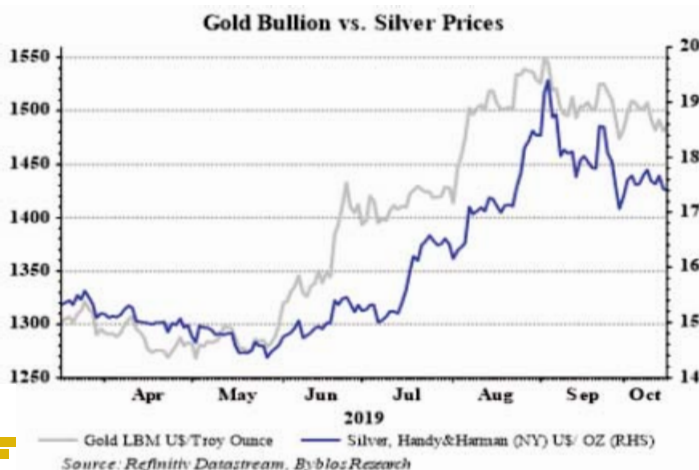## Base Metals: Copper prices rise temporarily amid supply disruptions

LME copper cash prices averaged $6,025 per metric ton in the year-to-October 16, 2019 period, constituting a decrease of 9.1% from an average of $6,628 per ton in the same period of 2018. The decrease in prices is mainly driven by rising concerns about weak global demand and subdued economic growth amid prolonged global trade tensions. However, prices increased by 3.2% from a recent low of $5,608 per ton reached on October 4, 2019 to $5,786 per ton on October 14, mainly due to worries about supply disruptions in Chile, Ecuador and Peru, as well as to hopes of a potential trade agreement between the U.S. and China. But copper prices resumed their downward trend, as the world's two largest economies failed to make significant progress during their recent negotiations, and as the International Monetary Fund revised downwards its 2019 projection for global growth to 3.9%, its slowest pace since the 2008 financial crisis. Further, in its base case scenario, Citi Research projected copper prices to average $5,960 per ton in 2019 compared to an average of $5,910 per ton in case trade tensions escalate, and to an average of $6,060 per ton if the U.S. and China reach a trade deal.
Source: International Monetary Fund, Citi Research, Refinitiv

Precious Metals: Silver prices to increase by 4.5% to $16.4 per ounce in 2019

Silver prices averaged $15.8 per troy ounce in the first nine months of 2019, constituting a decline of 1.6% from $16.1 per troy ounce in the same period of 2018, mainly due to subdued investor demand for silver exchange-traded funds at the beginning of 2019 amid a stronger US dollar. However, prices have been on an upward trend so far in the second half of 2019, increasing from an average of $14.9 per ounce in the second quarter of 2019 to $17 per ounce in the third quarter of the year, and to $17.4 per ounce on October 16, 2019. The increase in the metal's price has mainly been supported by the cuts in U.S. interest rates in July and September 2019. Further, prices are expected to continue to rise, and to average $18 per ounce in the fourth quarter of 2019. They are also projected to increase by 4.5% to an average of $16.4 per ounce in 2019 and to $18.3 per ounce in 2020, mainly supported by uncertainties around the 2020 U.S. presidential elections, and in case U.S. monetary easing continues. However, downside risks to the metal's price outlook could arise from weak industrial demand for the metal amid the continued slowdown in the global economy.
Source: Citi Research, Refinitiv, Byblos Research

Gold Bullion vs. Silver Prices

Source: Refinitiv Datastream, Byblos Research

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+	-5.2	36.9*	2.2	-	-	-	-9.1	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
	Negative	Stable	Negative	-	Stable								
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
	Stable	Stable	Stable	Stable	Positive								
Ethiopia	B	B1	B		B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
	Stable	Negative	Negative	-	Stable								
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	B3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
	-	Stable	Stable	-	Stable								
Libya	-	-	-	-	B-	-7.4	-	-	-	-	-	2	-
	-	-	-	-	Stable								
Dem Rep Congo	CCC+	Caa1	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Positive	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
	Stable	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
	Stable	-	-	-	Stable								
Rwanda	B+	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
	Stable	Stable	Stable	Negative	Stable								
Iran	-	-	-	B	BB-	-4.1	30.0	2.0	-	-	-	-0.4	-
	-	-	-	Stable	Negative								
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	BB-	B+	BB+	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
	Stable	Stable	Stable	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	CCC	B	B-	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
	Negative	Stable	-	Negative	Negative								
Oman	BB	Ba1	BB+	BBB-	BBB-	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Negative	Negative	Stable	Stable	Negative								
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A	A+	AA-	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	
	-	-	-	-	Stable								

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	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	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	1.25	16-Oct-19	Cut 25bps	29-Nov-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	5.15	04-Oct-19	Cut 25bps	05-Dec-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	03-Oct-19	No change	06-Nov-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

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