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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity funds raise $163bn in third quarter of 2019

Research provider Preqin indicated that 260 private equity (PE) funds raised a total of $163bn in capital commitments worldwide in the third quarter of 2019, compared to 319 PE funds that secured $135.7bn in the third quarter of 2018 and to 319 PE funds that raised $138.3bn in the second quarter of 2019. On a regional basis, 155 PE funds with a primary focus on North America secured $106bn in the third quarter of 2019, or 65% of total capital commitments, followed by 59 Asian-focused PE funds with $39.8bn (24.5%), and 31 European-focused funds with $14bn (8.6%). The survey also indicated that there were 3,637 PE funds seeking to raise an aggregate of $751bn in capital at the start of the fourth quarter of 2019, compared to 3,749 PE funds that were seeking to raise an aggregate of $972bn in capital as of January 2019. It added that venture capital funds accounted for 60% of the total number of PE funds in the market at the start of the fourth quarter of 2019, followed by growth funds (15%), buyout funds (12%), funds of funds (5%), and secondaries funds (1%). In parallel, buyout funds are seeking to raise 41% of the aggregate capital, followed by venture capital funds (25%), growth funds (16%), secondaries funds (8%), and funds of funds (4%).

Source: Preqin

MENA

Ease of doing business varies among Arab countries

The World Bank Group's Ease of Doing Business survey for 2020 indicated that 14 out of 22 Arab economies implemented a total of 64 business reforms that affected the business environment in the region. Saudi Arabia and Bahrain implemented nine reforms each, followed by Kuwait and Morocco (seven reforms each), the UAE (five reforms), Djibouti, Egypt and Oman (four reforms each), Jordan, Qatar, Sudan and Tunisia (three reforms each), Mauritania (two reforms), and Lebanon (one reform). The survey covered the reforms that were implemented between May 2018 and May 2019. It noted that the region's most popular areas for reforms were "getting credit", "getting electricity" and "protecting minority investors" with eight reforms each; "paying taxes" with seven reforms; "registering property" and "trading across borders" with six reforms each; "dealing with construction permits", "enforcing contracts", "starting a business" and "resolving insolvency" with five reforms each; and "employing workers" with one reform. In parallel, the UAE was the top ranked Arab economy and came in 16th place worldwide in terms of ease of doing business. Bahrain followed in 43rd place, then Morocco (53rd), Saudi Arabia (62nd), and Oman (68th) as the five highest ranked Arab countries. In contrast, Iraq (172nd), Syria (176th), Libya (186th), Yemen (187th) and Somalia (190th) were the lowest ranked Arab economies. The rankings of five Arab countries improved, those of seven declined and the rankings of 10 were unchanged year-on-year.

Source: World Bank, Byblos Research

Stock markets up 2% in first 10 months of 2019

Arab stock markets improved by 2.1% and Gulf Cooperation Council equity markets grew by 0.2% in the first 10 months of 2019, relative to expansions of 7.3% and 9%, respectively, in the same period of 2018. In comparison, global stocks grew by 17% and emerging markets equities increased by 9.3% in the first 10 months of 2019. Activity on the Khartoum Stock Exchange jumped by 14.4% in the covered period, the Bahrain Bourse surged by 14%, the Egyptian Exchange increased by 11.7%, the Dubai Financial Market grew by 8.6%, the Abu Dhabi Securities Exchange improved by 4%, the Casablanca Stock Exchange expanded by 1.1%, and the Boursa Kuwait increased by 0.4%. In contrast, activity on the Beirut Stock Exchange regressed by 27% in the first 10 months of 2019, the Muscat Securities Market decreased by 7.5%, the Damascus Securities Exchange declined by 7.2%, the Amman Stock Exchange contracted by 5.7%, the Iraq Stock Exchange regressed by 5%, the Tunis Bourse retreated by 4%, the Palestine Exchange declined by 2%, and the Qatar Stock Exchange and the Saudi Stock Exchange decreased by 1.1% each.

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

Remittance inflows at $60bn in 2019

The World Bank projected remittance inflows to Arab countries at $59.6bn in 2019, which will constitute a rise of 3.2% from $57.7bn in 2018, compared to an increase of 1.7% in 2018. The growth in remittances to the Arab region in 2019 would mainly be driven by an expansion of $834m, or 3.3% in inflows to Egypt. Further, inflows to Arab countries would account for 8.4% of global remittance flows and for 10.8% of remittances to developing economies in 2019. The Arab region will rank as the third smallest recipient among developing markets this year, ahead of only Emerging Europe & Central Asia (10.7%), and Sub-Saharan Africa (8.9%). Also, the Bank forecast the increase in remittance inflows to Arab countries in 2019 to be the second smallest among developing economies, after only Emerging Europe & Central Asia (+1.8%). In parallel, it expected Egypt to be the largest Arab recipient of remittances with $26.4bn or 44.2% of the total in 2019, followed by Lebanon with $7.3bn (12.3%), Morocco with $7.1bn (11.9%), Jordan with $4.6bn (7.7%), Yemen with $3.9bn (6.5%), Palestine with $2.6bn (4.4%), Tunisia with $1.9bn (3.2%), Algeria with $1.8bn (3.1%), and Syria with $1.6bn (2.7%). Remittance inflows to the remaining eight Arab countries will amount to $2.4bn, or 4% of total inflows to the region in 2019. Remittance inflows to Palestine would be equivalent to 17.6% of GDP in 2019, the highest in the region, followed by Yemen at 13.3% of GDP, Lebanon at 12.5% of GDP, Jordan at 10.4% of GDP, and Egypt at 8.8% of GDP. When excluding Syria, remittance inflows to Arab countries would be equivalent to about 2.6% of the region's GDP this year.

Source: World Bank, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth outlook subject to downside risks

S&P Global Ratings projected growth in emerging markets (EMs) to average 4.4% in 2019, the slowest rate in the past 10 years. It expected activity to slightly accelerate in 2020, supported by global monetary easing. It attributed the weak growth rates in the 2019-20 period to the ongoing global trade and geopolitical tensions, and domestic policy uncertainties in some EM countries, which are weighing on investor and business confidence. It pointed out that most central banks in major EM economies lowered their policy rates in the third quarter of 2019, in line with the rate cuts in the U.S. and Europe. However, it noted that the accommodative financial conditions are not enough to support a substantial pick-up in EM growth and investments, as investor confidence remains low.

It forecast growth in Asia-Pacific to slow down, mainly due to slower economic activity in China and a steeper-than-expected decline in India's growth. In parallel, it expected real GDP in Saudi Arabia to contract by about 0.4% this year, mainly due to lower hydrocarbon output. But it projected the Kingdom's growth rate to rebound to 3.1% in 2020. In addition, it anticipated economic activity in Turkey to contract by 0.5% in 2019, reflecting subdued domestic and foreign demand, as well as low business confidence, and to shift to a growth rate of 2.9% in 2020. Further, the agency lowered its real GDP growth forecasts for most Latin American economies for 2019 and 2020, notably for Argentina and Mexico, due to continued weak investments.

S&P indicated that downside risks to the growth outlook include a steeper-than-expected deceleration in the growth rates of major advanced economies and China, which would have significant spillovers on a large number of EM economies. It added that an escalation of the U.S.-China trade dispute could further weigh on investor confidence and risk appetite, and lead to a sharp slowdown in financial flows to EMs. It said that this could result in currency depreciation, higher inflation, and tighter credit conditions for EMs.

Source: S&P Global Ratings

MENA

IMF urges fiscal consolidation in oil-exporting economies

The International Monetary Fund forecast real GDP growth in the oil-exporting economies of the Middle East & North Africa (MENA) region to contract by 1.3% in 2019 compared to an expansion of 1.2% in 2018. It attributed weak economic activity in the region to lower oil prices, uncertain global growth, elevated fiscal vulnerabilities, and heightened geopolitical tensions. It forecast real GDP growth in Gulf Cooperation Council (GCC) economies to decelerate from 2% in 2018 to 0.7% in 2019, mainly due to oil production cuts under the extended OPEC agreement. Further, it anticipated real GDP of non-GCC oil exporters in the MENA region to shrink by 3.6% in 2019, compared to a contraction of 1.9% in 2018, due to a deeper recession in Iran and Libya. In parallel, the Fund expected growth to rebound to 2.1% in 2020, as it anticipated activity in the GCC to pick up to 2.5% in 2020 in case of higher hydrocarbon output, and real GDP growth of non-GCC oil exporters to rebound to 1.8% in 2020 if regional tensions ease.

In parallel, the Fund projected GCC countries to post fiscal deficits of 2.4% of GDP in 2019 and 3.3% of GDP next year, while it anticipated the fiscal deficit of non-GCC oil exporters at 6.6% of GDP this year and 6.7% of GDP in 2020. In addition, the IMF expected the public debt level of GCC countries to rise from 29% of GDP at end-2019 to 31.3% of GDP at end-2020, while it forecast the debt level of non-GCC oil exporters to slightly decrease from 39.7% of GDP at end-2019 to 39.5% of GDP at end-2020. Further, it anticipated the current account surplus of GCC economies to decline from 8.5% of GDP in 2018 to 5.3% of GDP in 2019 and 3.1% of GDP in 2020. Also, it expected the current account balance of the region's non-GCC oil exporters to shift from a surplus of 1.9% of GDP in 2018 to deficits of 4.7% of GDP in 2019 and of 5.3% of GDP in 2020.

The IMF encouraged authorities in the region's oil exporting countries to resume fiscal consolidation and to implement structural reforms to reduce vulnerability to oil prices, as well as to boost domestic private and foreign direct investments. It said that downside risks to the outlook are lower-than-projected oil prices, faster-than-expected tightening of global financial conditions, rising global trade tensions, and heightened geopolitical risks.

Source: International Monetary Fund

ANGOLA

Macroeconomic imbalances to constrain growth

BNP Paribas indicated that Angola is successfully implementing reforms that aim to improve governance and transparency, to diversify the economy and to reduce its reliance on bilateral loans, as well as to enhance the business climate. As such, it projected real GDP to grow by 0.3% in 2019 following a contraction of 1.7% in 2018. Still, it noted that the near-term outlook is weak due to major macroeconomic imbalances, such as the tight foreign currency liquidity, sustained currency depreciation, rising government debt level, as well as the difficulties facing the banking sector. It added that the growth outlook remains constrained by a weak external environment and higher oil price volatility.

In parallel, it indicated that the Angolan kwanza has depreciated by 15% since the beginning of 2019, and expected it to further depreciate in the medium term despite the transition to a more flexible exchange rate regime. Further, it forecast the current account balance to shift from a surplus of 6.6% of GDP in 2018 to a deficit of 2% of GDP in 2019, mainly due to higher imports and lower export receipts. Also, it projected Angola's external financing requirements to further rise in 2019, especially given the decline in foreign currency reserves so far this year. It added that financial support from the IMF would allow foreign currency reserves to rise from $15.2bn at end-2019 to $16.5bn at end-2020.

Further, it said that the government continues to implement fiscal reforms that include the removal of fuel subsidies, improving the accountability of state-owned enterprises and the clearance of arrears. But it anticipated revenues to fall short of the government's projections this year, mainly due to the postponed introduction of the value-added tax. As such, it expected the fiscal balance to post a deficit of 0.1% of GDP in 2019 relative to a surplus of 2.1% of GDP in 2018. Also, it projected the public debt level to reach 90.6% of GDP at end-2019, and to remain highly vulnerable to further currency depreciation and lower oil prices.

Source: BNP Paribas

UAE

Agencies affirm ratings of Abu Dhabi and Sharjah

Fitch Ratings affirmed at 'AA' the long-term foreign-currency Issuer Default Rating of the Emirate of Abu Dhabi, with a 'stable' outlook. It indicated that the rating is underpinned by the Emirate's strong fiscal and external balances and its high GDP per capita, but is constrained by Abu Dhabi's high reliance on the hydrocarbon sector, as well as relatively weak governance indicators and an underdeveloped economic policy framework. It estimated the Emirate's net foreign assets at 185% of GDP at the end of 2018, the third highest among Fitch-rated sovereigns. However, it pointed out that hydrocarbon receipts contribute about 80% of fiscal revenues, which makes the fiscal balance highly vulnerable to the volatility of global oil prices. It projected the fiscal surplus to decrease from 3.3% of GDP in 2018 to 1.9% of GDP in 2019, due to lower oil prices and despite the additional receipts from the value-added tax. Further, it anticipated real GDP growth to slow down from 1.9% in 2018 to 1.3% in 2019, despite a moderate pick-up in non-hydrocarbon sector activity. In parallel, S&P Global Ratings affirmed at 'BBB+/A-2' the Emirate of Sharjah's long- and short-term ratings, with a 'stable' outlook. It said that the ratings are supported by the Emirate's relatively diverse economy and strong fiscal position, as well as by low external financing risks and the potential for extraordinary financial support from the UAE. However, it pointed out that the ratings are constrained by Sharjah's nascent political institutions, centralized decision-making, limited monetary policy flexibility, and underdeveloped local currency domestic bond market. Further, it projected the fiscal deficit to average 2.7% of GDP annually amid weak government revenues, while it forecast the public debt level to average 31% of GDP annually over the 2019-22 period.

Source: Fitch Ratings, S&P Global Ratings

SUDAN

Real GDP to contract by an average of 2.1% in 2019-20 period

The International Monetary Fund projected Sudan's real GDP to contract by 2.6% in 2019 and by 1.5% in 2020, following a contraction of 2.2% in 2018, as it expected security concerns, weaker-than-anticipated public investments and large external imbalances to weigh on the medium-term growth outlook. In comparison, it forecast the growth rates for oil importers in the MENA region at 3.6% in 2019 and 3.7% in 2020. Further, it expected Sudan's inflation rate to average 50.4% in 2019 and 62.1% in 2020. In parallel, the Fund projected Sudan's fiscal deficit at 5.4% of GDP in 2019 and 11.1% of GDP in 2020. It forecast the government's gross debt level at 207% of GDP at the end of 2019 and at 213% of GDP at end-2020, relative to 212% of GDP at end-2018. It also expected the gross external debt to reach 203.7% of GDP in 2019 and 212% of GDP in 2020. Further, the IMF anticipated Sudan's exports of goods & services to reach \$4.2bn this year and \$4.7bn in 2020 relative to \$5bn in 2018; and for its imports of goods & services to stand at \$7.9bn in 2019 and \$8bn in 2020 compared to \$8.2bn last year. It projected the current account deficit at \$2.3bn, or 7.4% of GDP, in 2019; and at \$4.2bn, or 12.5% of GDP, in 2020. It expected Sudan's gross foreign currency reserves to decline from \$0.9bn at end-2018 to \$0.6bn at the end of 2019 and \$0.5bn at end-2020.

Source: International Monetary Fund

GHANA

Economic growth at 7% in 2019, outlook favorable

The International Monetary Fund indicated that Ghana's favorable macroeconomic outlook is supported by strong activity in the extractive industry and a "safer" banking system. It projected real GDP growth at about 7% in 2019, while it noted that the inflation rate stood at 7.6% in September 2019, which is below the Bank of Ghana's (BoG) target level of 8%, and that the Ghanaian cedi depreciated by about 10% so far this year. In addition, it said that the authorities' economic policies have remained prudent even after the successful completion of the IMF-supported program, which helped maintain macroeconomic stability. However, it noted that the implementation of the 2019 budget has been challenging due to lower-than-expected public revenues, the frontloading of spending on some of the government's flagship programs, as well as to unexpected security-related expenditures. Still, it indicated that the government is committed to keeping the budget deficit below 5% of GDP and achieving a primary surplus, in line with the Fiscal Responsibility Act. It forecast the public debt level to increase to 63% of the GDP at end-2019, largely due to the cost of the financial sector cleanup and to the spillover of longstanding losses in the energy sector to the budget. In parallel, the Fund expected the BoG's foreign currency reserves to increase in 2019, mainly due to an improving trade balance and to external borrowing. It noted that the key risk to the outlook is a looser fiscal policy in the run-up to the 2020 general elections.

Source: International Monetary Fund

IRAN

Agency affirms sovereign ratings

Capital Intelligence Ratings affirmed Iran's long-term foreign and local currency ratings at 'B', with a 'stable' outlook. It also affirmed the short-term foreign and local currency ratings at 'B'. It noted that the ratings are constrained by the country's external political risks, increasingly challenging economic environment, as well as by the country’s low institutional strength and structural weaknesses. It also pointed out that the ratings are largely supported by Iran's substantial hydrocarbon resources and its very low level of external debt, but it considered that U.S. sanctions have undermined the country's ability to make timely debt service payments. It indicated that the financial sanctions have restricted the access of the Central Bank of Iran and of commercial banks to large external assets held abroad. It added that the country's cross-border payments through the international banking system have been more difficult with the decline in its correspondent banking relationships. The agency projected Iran's real GDP to contract by 8.2% in the fiscal year that ends in March 2020, reflecting weak domestic demand, a deteriorating external environment and continued high inflationary pressures. It expected the large decline in hydrocarbon exports this year to weigh on oil production, as well as on non-hydrocarbon GDP growth, given that oil export receipts constitute an important driver of domestic demand. In addition, CI considered the central government's debt level to be moderate at 33% of GDP at the end of March 2019. However, it said that substantial risks to fiscal sustainability stem from the government's large contingent liabilities.

Source: Capital Intelligence Ratings

UAE

Agency takes rating actions on 13 banks

Capital Intelligence Ratings affirmed at 'AA-' the long-term foreign currency ratings (FCRs) of First Abu Dhabi Bank (FAB); at 'A+' the ratings of Abu Dhabi Commercial Bank (ADCB) and Emirates NBD (ENBD); at 'A-' the FCRs of Commercial Bank of Dubai (CBD), National Bank of Fujairah (NBF), Sharjah Islamic Bank (SIB), National Bank of Ras Al-Khaimah (Rakbank) and Bank of Sharjah (BOS); at 'BBB' the rating of United Arab Bank (UAB); as well as at 'BBB-' the FCR of Invest Bank. It also upgraded the FCR of Al Masraf from 'A-' to 'A' and of National Bank of Umm Al Qaiwain (NBQ) from 'BBB+' to 'A-', while it downgraded the rating of Commercial Bank International (CBI) from 'A-' to 'BBB+'. It revised the outlook on the FCRs of Al Masraf and of Invest Bank from 'negative' to 'stable', while it maintained the 'stable' outlook on the FCRs of the remaining 11 banks. It attributed the ratings' upgrade of Al Masraf and NBQ to the high likelihood of extraordinary sovereign support in the event of financial stress, given significant state ownership and the government's track record of supporting the banking system. It added that the downgrade of CBI's FCR reflects the increased likelihood that the UAE authorities would provide extraordinary support to the bank in case of need, rather than Qatar National Bank, which has a 40% stake in the bank.

Source: Capital Intelligence Ratings

IRAN

FATF considers action plan to be incomplete

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that several items of Iran's action plan to address its significant AML/CFT deficiencies remain incomplete. It called on authorities to adequately criminalize terrorist financing, identify and freeze terrorist assets, and ensure an adequate and enforceable customer due diligence process. It added that authorities should demonstrate how they are identifying and sanctioning unlicensed money transfer service providers, and should ensure that wire transfers contain complete information on the originator and beneficiary. Further, it acknowledged the progress made with the passage of the Anti-Money Laundering Act, but it noted that the Action Plan is incomplete. It pointed out that if Iran does not enact the Palermo and Terrorist Financing Conventions by February 2020, in line with FATF standards, then the FATF will fully lift the suspension of counter-measures and will call on its members and urge all jurisdictions to apply effective counter-measures. It said that Iran will remain on the FATF Public Statement until the full action plan is completed. It considered that, until then, risks of terrorism financing originating from Iran will continue to pose a threat to the international financial system. The FATF reiterated its call on all jurisdictions to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran. It called upon all jurisdictions to introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions and to request increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

Source: Financial Action Task Force

SAUDI ARABIA

Lending to expand by 8% in 2020 amid strong mortgage growth

Regional investment bank EFG Hermes projected the aggregate net profits of nine Saudi banks to increase by 5.5% to SAR43.1bn, or $11.48bn, in 2019, and by a marginal 0.4% to SAR43.2bn, or $11.53bn, in 2020. It attributed the anticipated slowdown in the banks' earnings growth in 2020 mainly to a decline in their net interest income amid lower global interest rates, as well as higher provisioning costs. It noted that Saudi banks are the most sensitive to changes in interest rates among GCC peers due to their higher share of non-interest bearing deposits. Further, it forecast the banks' aggregate lending to rise by 4.8% in 2019 to SAR1,325bn, or $353.6bn, and by 8% in 2020 to SAR1,431bn, or $381.7bn. It considered that the expansion in lending growth next year would mainly be driven by strong economic activity in Saudi Arabia. It also expected mortgage growth to contribute to the increase in lending activity in 2020 and to support the banks' profitability. It noted that the yield on mortgages was at between 6% and 8% at the end of June 2019 compared to the average yield of 3.2% on the banks' interest-earning assets. In addition, it anticipated the total deposits of the nine Saudi banks to grow by 4% to SAR1,606bn, $428.3bn, at the end of 2019, and by 7.6% to SAR1,727bn, or $460.6bn, at the end of 2020. As such, it projected the banks' aggregate loans-to-deposits ratio to increase slightly from 82.6% at end-2019 to 82.9% at end-2020.

Source: EFG Hermes

BAHRAIN

Banking sector assessment maintained

S&P Global Ratings maintained Bahrain's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' include Costa Rica, Croatia, Guatemala and Morocco. The agency indicated that Bahrain's economic risk score reflects its "very high" credit risk in the economy, as well as "high risks" in economic resilience and economic imbalances. It noted that the economic risk balances the country's relatively diversified economy and high per capita GDP, against elevated credit risks stemming from slower economic growth and high borrower and industry concentrations. It said that the banks' elevated exposure to the cyclical construction and real estate sectors poses risks to the banking sector amid the ongoing corrections in these sectors. Further, it projected lending growth at around 5% in the 2019-20 period, driven by the manufacturing and real estate sectors. In parallel, the agency pointed out that the industry risk score reflects the sector's "high risks" in its competitive dynamics and its system-wide funding, as well as "intermediate risks" in its institutional framework. It noted that banking regulation and supervision is adequate, while banks benefit from elevated government deposits. But it said that Bahrain's overbanked population leads to steeper competition among banks and results in narrower interest margins. S&P indicated that the trend for economic and industry risks is "stable".

Source: S&P Global Ratings

ENERGY / COMMODITIES

Brent oil prices to average $64 p/b in 2019

ICE Brent crude oil front-month prices averaged $64.2 per barrel (p/b) in the first 10 months of 2019, constituting a decline of 12.7% from an average of $73.5 p/b in the same period of 2018. Also, oil prices fell by 26% year-on-year to an average of $59.6 p/b in October 2019. The fall in prices was mainly due to rising concerns about a global economic slowdown amid heightened trade tensions between the U.S. and China, as well as to increased U.S. oil production, which more than offset the impact of higher geopolitical tensions in the Middle East. Further, oil prices declined by 4.3% month-on-month from an average of $62.3 p/b in September 2019, due to the normalization of prices following drone attacks on the Aramco oil facilities in Saudi Arabia on September 14, as well as to rising U.S. oil inventories and weak manufacturing activity in China. In parallel, Reuters' oil price poll of 51 industry analysts forecast Brent oil prices to average $62.4 p/b in the fourth quarter of 2019 and $62.3 p/b in the first quarter of 2020. Also, it projected oil prices to average $64.2 p/b in 2019, relative to a previous forecast of $65.2 p/b, and to average $62.4 p/b in 2020, compared to $63.6 p/b previously. The survey attributed the expected decline in oil prices to weak global demand and to a surge in U.S. shale oil output, which will offset production cuts under the extended OPEC agreement and persistent risks to supply disruptions in the Middle East.

Source: Refinitiv, Byblos Research

Libya's oil & gas receipts at $1.8bn in September

Oil and gas revenues in Libya reached $16.3bn in the first nine months of 2019, constituting a decrease of 3.3% from $16.9bn in the same period last year. Oil and gas receipts amounted to $1.8bn in September 2019, down by 11% from $2bn in August 2019 and up by 9.1% from $1.7bn in the same month of 2018. Crude oil revenues declined by 7.5% month-on-month to $1.8bn in September, while gas revenues dropped by 69% to $34.3m. The decrease in hydrocarbon receipts in September was mainly due to crude oil shipments that were made at the end of the month and that will be reflected in October's revenue statement.

Source: National Oil Corporation, Byblos Research

Nigeria's oil receipts down 3% in first seven months

Nigeria's crude oil and condensate export receipts totaled $2.93bn in the first seven months of 2019, constituting a decrease of 2.8% from $3bn in the same period of 2018. Export revenues during the covered period consisted of $2.2bn from crude oil exports (74.4%), $619m from gas exports (21.1%) and $129.2m in other receipts (4.4%). In July 2019, the authorities transferred $93.3m in hydrocarbon revenues to the Federation Account, while they used $297.1m to pay global oil companies to guarantee current and future production.

Source: Nigerian National Petroleum Corporation

Steel output up 4% in first nine months of 2019

Global steel production reached 1.4 billion tons in the first nine months of 2019, constituting an increase of 4% from 1.3 billion tons in the same period of 2018. Steel production in China totaled 747.8 million tons in the first nine months of the year and accounted for 53.8% of global output. India followed with 84.2 million tons (6.1%), then Japan with 75.6 million tons (5.4%), and the U.S. with 66.2 million tons (4.8%).

Source: World Steel Association, Byblos Research

Base Metals: Copper prices down 9% in first 10 months of 2019

LME copper cash prices averaged $6,015 per metric ton in the first 10 months of 2019, constituting a decrease of 9% from an average of $6,606 per ton in the same period of 2018 due to the ongoing global trade tensions. Prices gradually grew by 3.6% from a recent low of $5,700 per ton reached on October 16, 2019 and closed at $5,907 per ton on October 25, their highest level in six weeks. The increase in prices was driven by investors' concern about supply disruptions in Chile, the world's largest copper producer, amid nationwide protests. In parallel, the latest available figures show that global demand for refined copper was 14.2 million tons in the first seven months of 2019, up by 0.5% from the same period of 2018, as Chinese demand grew by about 2.4%, while demand from the rest of the world decreased by around 1.5% year-on-year. On the supply side, global refined copper production reached 13.9 million tons in the first seven months of 2019, nearly unchanged from the same period of 2018, amid lower output from Chili, India, Japan, Peru, the U.S., Zambia, and some European countries. This was offset by higher production in Australia, Brazil, China, Iran and Poland. Refined output grew by 15% in Oceania and by 3% in Asia, while it declined by 8% in the Americas, by 7% in Africa, and by 1% in Europe.

Source: International Copper Study Group, Refinitiv

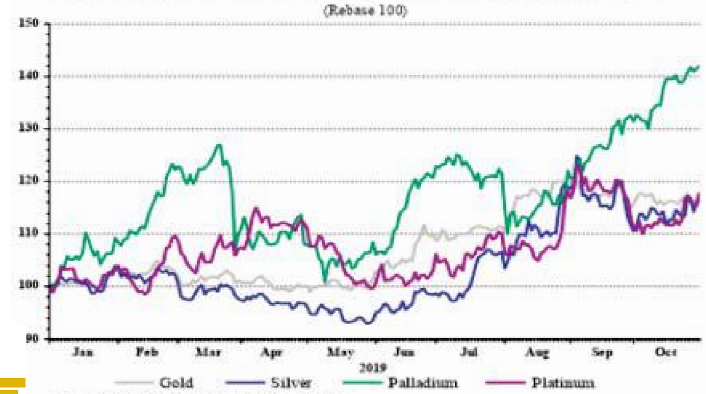
Precious Metals: Platinum prices to increase by 11% to $965 per ounce in 2020

Platinum prices averaged $854 per troy ounce in the first 10 months of 2019, constituting a decrease of 4.2% from an average of $891 an ounce in the same period of 2018. Prices surged from $794 per ounce at the end of 2018 to an 18-month high of $977 an ounce on September 4, 2019, supported by strong demand for platinum exchange-traded funds, but they declined thereafter to $936 per ounce at end-October 2019, mainly due to a stronger US dollar. Citi Research projected platinum prices to rise in coming months from an average of $882 an ounce in the third quarter of 2019 to $925 per ounce in the fourth quarter of the year, and to an average of $940 per ounce in the first half of 2020, supported by subdued growth in global platinum production amid unresolved labor negotiations in South Africa. It also expected the metal's price to driven by a 7.4% increase in autocatalyst demand for the metal in 2020, due to the substitution of the cheaper platinum for palladium in emissions-reducing catalytic convertors. It forecast platinum prices to rise by 11% from an average of $870 an ounce in 2019 to $965 per ounce in 2020.

Source: Citi Research, Refinitiv, Byblos Research

Price Performance of Precious Metals in First 10 Months of 2019

(Rebase 100)



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	- -	- -	- -	- -	BB+ Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B- Negative	B3 Stable	B Negative	- -	B- Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Stable	B1 Negative	B Negative	 -	B+ Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Stable	B3 Stable	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Ivory Coast	- -	B3 Stable	B+ Stable	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	B- Stable	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Positive	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B Stable	B2 Stable	B+ Stable	- -	BB- Stable	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	- -	- -	- -	- -	CC Negative	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	- -	B2 Negative	B+ Negative	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB Negative	BB+ Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Stable	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Stable	B+ Stable	BB+ Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	B- CWN***	Caa1 Stable	CCC -	B Negative	B- Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB Negative	Ba1 Negative	BB+ Stable	BBB- Stable	BBB- Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Stable	A Stable	A+ Stable	AA- Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- Stable	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	- -	- -	- -	- -	CC Stable	-5.1	54.7	18.1	-	-	-	0.7	-

COUNTRY RISK METRICS

Countries	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*
**** CreditWatch negative*
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	1.50-1.75	30-Oct-19	Cut 25bps	11-Dec-19
Eurozone	Refi Rate	0.00	24-Oct-19	No change	12-Dec-19
UK	Bank Rate	0.75	19-Sep-19	No change	07-Nov-19
Japan	O/N Call Rate	-0.10	31-Oct-19	No change	19-Dec-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	30-Oct-19	No change	04-Dec-19
Emerging Markets					
China	One-year Loan Prime Rate	4.20	21-Oct-19	No change	20-Nov-19
Hong Kong	Base Rate	2.00	31-Oct-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	2.00	31-Oct-19	Cut 25bps	11-Dec-19
Saudi Arabia	Repo rate	2.25	30-Oct-19	Cut 25bps	11-Dec-19
Egypt	Overnight Deposit	13.25	26-Sep-19	Cut 100bps	14-Nov-19
Turkey	Repo Rate	14.00	24-Oct-19	Cut 250bps	12-Dec-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	5.00	30-Oct-19	Cut 50bps	11-Dec-19
Armenia	Refi Rate	5.50	29-Oct-19	No change	10-Dec-19
Romania	Policy Rate	2.50	03-Oct-19	No change	06-Nov-19
Bulgaria	Base Interest	0.00	01-Nov-19	No change	02-Dec-19
Kazakhstan	Repo Rate	9.25	28-Oct-19	No change	09-Dec-19
Ukraine	Discount Rate	15.50	24-Oct-19	Cut 100bps	12-Dec-19
Russia	Refi Rate	6.50	25-Oct-19	Cut 50bps	13-Dec-19

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