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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

EM debt at 220% of GDP at end-June 2019

The Institute of International Finance indicated that total debt in 30 emerging markets (EM), which consists of the debt of governments, corporates and households, reached a record of $71.4 trillion at the end of June 2019, up by $4.6 trillion from end-June 2018. It attributed the increase in EM debt a surge of $1.5 trillion in the debt of the non-financial corporate sector, a growth of $1.4 trillion in EM government debt, a rise of $1.1 trillion in households' debt, and an expansion of $500bn in the financial sector's debt. It noted that aggregate EM debt was equivalent to about 220% of GDP at end-June 2019 compared to 216% of GDP a year earlier. It said that the debt of the non-financial corporate sector reached $31 trillion at the end of June 2019, and was equivalent to 93.7% of GDP, EM government debt totaled $16.3 trillion at end-June 2019, or 51.5% of GDP, and household debt stood at $12.9 trillion, or 39.5% of GDP, at end-June 2019. Further, it said that the financial sector's debt reached $11.2 trillion, and was equivalent to 35.1% of GDP, at end-June 2019. On a regional basis, the IIF indicated that EM debt in Asia was equivalent to 267% of its GDP at end-June 2019, followed by debt in Latin America (158.7% of GDP), Europe (121.8% of GDP), and the Middle East & Africa (116.3% of GDP). It pointed out that state-owned enterprises (SOEs) account for more than 50% of total EM non-financial corporate sector debt, which makes it challenging for EM governments to manage the contingent liabilities related to the borrowing of SOEs.

Source: Institute of International Finance, Byblos Research

UAE

Earnings of Abu Dhabi companies down 2%, profits of Dubai firms up 15% in first nine months

The net income of 64 companies listed on the Abu Dhabi Securities Exchange totaled AED29.6bn, or $8.1bn, in the first nine months of 2019, constituting a decrease of 1.8% from AED30.1bn or $8.2bn in the same period of 2018. Listed banks generated net profits of $4.7bn and accounted for 58% of the total earnings of publicly-listed firms in the first nine months of 2019. Telecommunications companies followed with $2.2bn (27.1%), then energy firms with $588.1m (7.3%), real estate companies with $401.1m (5%), insurers with $165.1m (2%), services providers with $152.6m (1.9%), and consumer goods firms with $29m (0.4%). In parallel, the cumulative net income of 56 companies listed on the Dubai Financial Market totaled AED33.5bn, or $9.1bn, in the first nine months of 2019, constituting an increase of 15% from AED29.2bn or $7.9bn in the same period of 2018. Listed banks generated net profits of $5.6bn, or 61.8% of net earnings in the covered period. Real estate & construction firms followed with $2.1bn or 23.4% of the total, then transportation companies with $506.2m (5.5%), telecommunication firms with $355.4m (4%), insurers with $214.8m (2.4%), industrial companies with $118m (1.3%), services firms with $97.3m (1.1%), and investment & financial services providers with $94m (1%).

Source: KAMCO

MENA

Total investments in fintech startups at $237m between 2015 and September 2019

Figures by the Abu Dhabi Global Market and investment data platform Magnitt show that total investments in financial technology (fintech) startups in the Middle East & North Africa (MENA) region stood at $30m in the first nine months of 2019, constituting a decline of 21% from $38m in the same period of 2018. In comparison, investments in MENA-based fintech startups totaled $18m in 2015, $23m in 2016, $122m in 2017 and $44m in 2018. Payment & remittance startups attracted 45% of total investments in MENA-based fintech startups in the first nine months of 2019, followed by wealth management companies (16%), capital markets startups (10%), insurance technology (insurtech) firms (8%), and personal finance startups (4%), while the remaining 17% of investments targeted other types of fintech startups. In parallel, there were 51 fintech deals in the region in the first nine months of 2019, up by 30.8% from 39 deals in the same period last year, and relative to 18 deals in 2015, 28 investments in 2016, 38 deals in 2017 and 46 fintech deals in 2018. The UAE attracted 47% of the total number of fintech deals in the first nine months of 2019, followed by Egypt (27%), Lebanon and Kuwait (6% each), Bahrain, Jordan and Morocco (4% each), and Qatar (2%). In addition, there were 37 investors in MENA-based startups in the first nine months of 2019, of which 86% were regional investors. Fintech startups in the MENA region attracted a total of 181 deals worth $237m between 2015 and September 2019.

Source: Abu Dhabi Global Market, Magnitt

Property rights level varies across the region

The Property Rights Alliance's 2019 International Property Rights Index indicated that the UAE has the 22nd highest level of property rights among 129 countries worldwide and the highest level of property rights among 14 Arab economies. It is followed by Qatar (28th), Oman (31st), Saudi Arabia (41st) and Bahrain (44th) as the five countries with the highest level of property rights. In contrast, Lebanon (113th), Mauritania (117th), and Yemen (129th) have the lowest levels of property rights in the region. The index measures the strength and protection of physical and intellectual property rights in a country. It is a composite of three equally weighted sub-indices that are the Legal & Political Environment Sub-Index, the Physical Property Rights Sub-Index and the Intellectual Property Rights Sub-Index. The index rates the property rights level of each country on a scale from zero to 10, with a score of 10 reflecting the highest level of property rights. The UAE ranked first on all three sub-indices. Also, the Arab region's average score stood at 5.5 points, and was lower than the average score of North America (8.2 points), Western Europe (7.6 points), and Asia & Oceania (6 points), but higher than the average score of Central Eastern Europe & Central Asia (5.47 points), Africa (4.8 points), and Latin America & the Caribbean (5.1 points). Also, six out of 14 countries in the Arab world have a level of property rights below the region's average score, while seven Arab countries have a level lower than the global average of 5.73 points.

Source: Property Rights Alliance, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth in life insurance premium to average 9%, non-life premium growth at 7% in 2020-21 period

Global reinsurer Swiss Re indicated that the outlook for the insurance sector in emerging markets (EMs) is strong, driven by solid premium growth in Emerging Asia. It expected EMs to drive the global growth in insurance premiums, and anticipated China to lead the generation of premiums. It forecast non-life insurance premiums in EMs to post a real growth rate of 6.8% annually in the 2020-21 period, up from an estimated rate of 5.8% this year, mainly supported by stronger non-life business in Emerging Asia. It expected non-Asia EM insurance markets to pick up, while it considered that the dynamics of the non-life sector in Africa are improving. It also anticipated the growth in non-life premiums in Latin America and Eastern Europe to rebound from below long-term trend levels. In comparison, it projected the growth of global non-life premiums at 2% annually in real terms and the expansion of non-life premiums in advanced economies at 2.7% annually in the 2020-21 period.

In parallel, it expected life insurance premiums in EMs to increase by 9% in real terms in the 2020-21 period, relative to an expansion of 8.8% in 2019. It attributed the strong growth in EM life premiums in the next two years to an expected rise of 11% in such premiums in China, the main driver of life premiums in EMs. In comparison, it forecast global life premiums to grow by 3.1% annually and such premiums in advanced economies to increase by 1.5% annually in the next two years.

Further, Swiss Re anticipated that China will contribute 60% of the increase in premiums in Emerging Asia over the next 10 years. It expected the EM share of global insurance premiums to increase from 23% currently to 33% in 2029. It also forecast EMs to contribute 48% of additional global absolute life premium volumes and 47% of additional worldwide absolute non-life premium business by 2029.

Source: Swiss Re

MENA

Growth in oil importing economies to pick up to 4.2% in 2020

The Institute of International Finance anticipated economic activity in the oil-importing countries of the Middle East & North Africa (MENA) region to pick up from 3.2% in 2018 to 3.4% in 2019 and to 4.2% in 2020, mainly supported by investments and export activities with the opening of key border crossing points between Syria and Iraq. It forecast Egypt's real GDP growth to accelerate from 5.6% in the fiscal year that ended in June 2019 to 5.9% in FY2019/20, driven by a recovery in tourism and construction sector activity, higher natural gas output, and the implementation of structural reforms. It also projected Tunisia's real GDP growth at 1.7% in 2019 and 2.5% in 2020, while it anticipated Jordan's economy to grow by 2 % this year and by 2.3% in 2020. Further, it expected Morocco's economic growth to decelerate from 3% in 2018 to 2.7% in 2019, due to a stagnation in agricultural production, but to recover to 3.2% in 2020. In contrast, it forecast real GDP to shrink by 0.8% in Lebanon and by 1.4% in Sudan in 2019. The IIF indicated that downside risks to the outlook include the slower implementation of reforms that could undermine private investment and macroeconomic stability, as well as lower growth in the oil-importing economies' key trading partners.

Further, the IIF forecast the aggregate fiscal deficit of oil importers to narrow from 6.8% of GDP in 2018 to 6.1% of GDP in 2019 and to 5.6% of GDP in 2020, supported by lower public-sector wage bills, reduced subsidies, and efforts to increase tax receipts. It also noted that the public debt levels in oil-importing MENA countries remain elevated, while debt servicing costs have significantly increased. As such, it considered that some oil importers should maintain a prudent fiscal policy to limit the rise in their public debt levels. It added that monetary policy should focus on preserving the currency peg in Lebanon and Jordan, and on reducing inflationary pressures in Egypt. In addition, it projected the aggregate current account deficit of oil-importing economies to narrow from 6.1% of GDP in 2019 to 5.1% of GDP in 2020, supported by lower global oil prices. Still, it anticipated the current account deficits in Lebanon, Palestine, Sudan and Tunisia to remain wide next year.

Source: Institute of International Finance

EGYPT

Growth prospects heavily reliant on public investments

Goldman Sachs indicated that Egypt's growth outlook is mixed. It noted that the economy is growing currently by about 6% in real terms per year, supported mainly by public investment in infrastructure projects. It also expected the hydrocarbon and tourism sectors to remain positive drivers of growth in the near term. However, it pointed out that private consumption, investment and productivity growth are weak, while non-oil exports are constrained by under-investment, poor competitiveness and administrative challenges. In addition, it considered that the cuts in local interest rates would support long-term growth, but it said that interest rates are currently elevated and that authorities need to further cut them by 200 basis points to 400 basis points in order to encourage private investment. It noted that the role of the state in the economy has expanded and is risking to crowd out the private sector, but it considered that this could change as the government announced privatization plans in the near term.

Further, it expected the inflation rate to reach 9% by the end of 2019 due to unfavorable statistical base effects, and projected it to range between 9% and 10% in 2020. However, it noted that the inflation rate could trend lower next year due to authorities' ongoing efforts to reduce supply bottlenecks in the economy, especially in the food segment.

In parallel, Goldman Sachs indicated that the Egyptian government remains committed to reducing the public debt level from 85% of GDP currently to 75% of GDP by 2022. It noted that authorities are reforming the debt market, including signing an agreement with Euroclear to develop the local debt market. It said that debt servicing costs would decline in line with the cuts in interest rates, which would create additional fiscal space that the government could use to increase spending on infrastructure and human capital. Further, it indicated that the government reiterated its commitment to reaching an agreement with the IMF over an unfunded program, but it said that such an agreement is not likely to materialize before March 2020.

Source: Goldman Sachs

AFRICA

Median government debt to stabilize at 56% of GDP in 2019-20

Fitch Ratings expected the median government debt level in Sub-Saharan Africa (SSA) to stabilize at 56% of GDP in 2019 and 2020, relative to 37% of GDP in 2014, due in part to significant adjustment efforts in countries that witnessed a surge in their public debt level from the drop in commodity prices and related receipts. It noted that risks of financial pressure and debt distress have risen in the region's commodity exporters, which increased the pressure on national authorities to implement fiscal consolidation. It said that the stabilization of the debt level and the wider adjustment efforts are supported by the significant presence of the International Monetary Fund in the region, with six out of the 19 rated countries in the region having a program with the IMF. In addition, it indicated that the rise in the public debt level, as well as the authorities' reliance on commercial debt, led to an increase in debt servicing costs. It estimated the median ratio of interest payments relative to government revenues at 13% in 2019, which suggests limited buffers in case of shocks. It added that the debt servicing cost is equivalent to more than 20% of public revenues in five rated countries in the region. In parallel, it projected the median real GDP growth in the region at 4.1% in 2019, nearly unchanged from 2018. It expected growth in Nigeria and South Africa at 2% and 0.7%, respectively, in 2019, but projected it to improve to 2.4% and 1.8%, respectively, in 2020. It forecast Angola's real GDP to shift from a contraction of 1.7% in 2018 to a growth of 0.4% in 2019 and 0.2% in 2020.

Source: Fitch Ratings

SAUDI ARABIA

Government to reduce spending in 2019-22 period

Moody's Investors Service indicated that Saudi Arabia's decision to revise downward its projected government expenditures for the 2019-22 period under its Fiscal Balance Program is credit positive. It noted that lower spending, along with more realistic revenue projections, would increase the likelihood of reaching a balanced budget by 2023. It said that the government aims to reduce spending by SAR124bn between 2018 and 2022, or the equivalent of 4.2% of the 2018 GDP. It pointed out that the government intends to achieve its target by increasing the efficiency of public expenditures, as well as by reprioritizing and extending the execution of some of the capital spending programs. It added that spending cuts represent the key fiscal adjustment that could enable the government to achieve a targeted fiscal deficit of 2.9% of GDP in 2022, compared to a deficit of 5.9% of GDP in 2018. It estimated that the planned spending cuts would stabilize the public debt level below the authorities' target level of 30% of GDP. However, the agency considered that achieving fiscal consolidation through spending cuts will be challenging, given the government's objective to ensure steady growth in the non-hydrocarbon sector and to reduce the unemployment rate. It added that the Kingdom has a history of overspending relative to budget targets. It pointed out that government expenditures increased by SAR39.1bn year-on-year in the first nine months of 2019, which means that authorities need to reduce spending by 22% annually in the fourth quarter of 2019 in order to achieve its target of cutting spending by SAR31bn in 2019.

Source: Moody's Investors Service

MOROCCO

Commitment to reforms supports growth and improves resilience to external shocks

The International Monetary Fund indicated that Morocco's macroeconomic policies and performance are sound despite the weak growth in trading partners, elevated external risks and volatility in local cereal production. It added that authorities remain committed to their fiscal, financial and structural reforms, which would strengthen the economy's resilience to external shocks and support higher and more inclusive growth. The Fund projected Morocco's real GDP growth at 2.8% in 2019 relative to 3% in 2018, amid a contraction in agricultural output and subdued non-agricultural sector activity. Further, it expected the current account deficit to narrow from 5.4% of GDP in 2018 to about 5.1% of GDP in 2019, and for foreign currency reserves to increase from $24.4bn at the end of 2018 to $25.5bn at end-2019, equivalent to about 5.2 months of imports. The IMF welcomed the authorities' plan to gradually move to a more flexible exchange rate regime, which would allow the economy to absorb external shocks and maintain its competitiveness. In parallel, it projected Morocco's fiscal deficit to widen from 3.7% of GDP in 2018 to 4% of GDP in 2019, as higher capital investments would offset the increase in tax revenues. It encouraged the government to accelerate its fiscal consolidation efforts, which would help reduce the public debt level to 60% of GDP over the medium term.

Source: International Monetary Fund

ARMENIA

Economy has potential to become export hub in next 10 to 20 years

The United Nations Conference on Trade & Development identified several industries in Armenia that have the potential to generate $1bn in export receipts annually over the next 10 to 20 years, and that could make the country an export hub for goods and services. It indicated that Armenia has industries that already generate about $1bn worth of annual exports, as well as sectors that have the potential to generate this amount within 10 years. It noted that these industries are high technology industries, which comprise artificial intelligence, data science and deep technology, as well as the tourism and textile & garments sectors. It added that emerging industries, which consist of wine, agri-business and pharmaceuticals, could yield $500m in annual export receipts for Armenia in 10 years and could be able to generate a total of $1bn in 20 years. It said that investments in these industries could come from different sources, with local investors, supported by the Armenian Diaspora, playing an important role in providing financing. It added that a tailored investment promotion strategy for every industry has to complement a sector-specific policy package, such as tax policy measures. It considered that Armenian authorities should improve the framework governing foreign direct investments, as FDI inflows have been declining since 2008, and as investors are following a "wait and see" approach associated with the recent political transition. It said that Armenia's existing efficiency profile, which is characterized by a well-educated workforce and competitive salary levels, cannot alone support the sustainable development of potential industries. As such, it called on authorities to modernize the investment climate in order to reassure investors.

Source: UNCTAD

JORDAN

Construction and trade account for 41.7% of lending at end-September 2019

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD27bn, or $38.1bn, at the end of September 2019, constituting an increase of 3.5% from JD26.1bn at end-2018 and a rise of 4.4% from JD25.9bn at end-September 2018. Credit in foreign currency represented 11.7% of the total at the end of September 2019 relative to 10.9% a year earlier. The resident private sector accounted for 88.5% of total credit at end-September 2019 relative to 87.9% a year earlier, followed by the central government with 7.3%, down from 8% at end-September 2018, the non-resident private sector with 2.3%, and public entities with 1.8% relative to 1.5% at end-September 2018. The distribution of credit by main sectors shows that construction represented JD6.9bn or 25.5% of the total at end-September 2019, down from 26.3% a year earlier, while general trade accounted for JD4.4bn or 16.2% of the total relative to 16.8% at end-September 2018. Public services & utilities followed with JD4.3bn or 16% of the total; then industry with JD3.3bn (12.2%), tourism, hotels & restaurants with JD628.1m (2.3%); financial services with JD606.6m (2.2%); transportation with JD346.1m and agriculture with JD341.3m (1.3% each); and mining with JD305.1m (1.1%). In parallel, loans & advances reached JD17.5bn at end-September 2019, followed by Islamic banks' receivables with JD6.1bn, overdrafts with JD3.1bn, discounted bills with JD205.5m and credit cards with JD170.7m.

Source: Central Bank of Jordan, Byblos Research

QATAR

Agency affirms ratings of seven banks

Fitch Ratings affirmed at 'A+' the long-term issuer default rating (IDR) of Qatar National Bank (QNB), and at 'A' the IDRs of Qatar Islamic Bank (QIB), Commercial Bank, Al Khalij Commercial Bank (AKB), Qatar International Islamic Bank (QIIB), Barwa Bank and Ahli Bank. It also maintained the 'stable' outlook on the IDRs of all seven banks. It noted that the ratings reflect the government's high probability and capacity to support the banking system in case of need. It said that the government's ability to support the banking sector is sustained by solid sovereign reserves and government revenues. In parallel, the agency affirmed the viability rating (VR) of QNB at 'bbb+', the rating of QIB at 'bbb', the VR of Ahli Bank at 'bbb-', the VRs of Commercial Bank, QIIB, and Barwa Bank at 'bb+', and the rating of AKB at 'bb'. It pointed out that QNB's VR is supported by the bank's higher-than-peers profitability, strong asset quality metrics, adequate core capital and leverage ratios, sound funding and liquidity positions, as well as by its close links to the Qatari government. However, it noted that QNB's rating is constrained by high risk appetite and elevated loan and deposit concentrations, which are mitigated by the fact that the bank's largest borrowers and depositors are low risk Qatari government-related entities. Further, it indicated that the VR of QIB is supported by the bank's solid company profile, sound asset quality and profitability, adequate capital ratios, sufficient liquidity and better-than peers funding structure. It added that the bank's rating is constrained by high concentrations on both sides of the balance sheet.

Source: Fitch Ratings

ANGOLA

Currency depreciation is negative for banks

Moody's Investors Service indicated that the 24% depreciation of the Angolan kwanza in October 2019 is credit negative for the banks in Angola, as it would weigh on their asset quality and capitalization, and offset any positive impact from the revaluation of the banks' assets in foreign currency on their profitability in the next 18 months. First, it noted that the currency depreciation will weaken the banks' asset quality, given that about 28% of the banks' loan portfolio is denominated in foreign currency. It added that a substantial portion of loans in foreign currency is extended to borrowers with revenues in kwanza, which means that the currency depreciation would reduce their loan repayment capacity. Second, it expected the depreciation of the currency to increase the inflation rate, which would erode households' purchasing power, weaken economic activity and increase the default rates on loans. It indicated that lending to the trade sector and to households, which together account for about 36% of total loans, will be the most exposed to a weaker currency. Third, Moody's said that the depreciation of the kwanza inflates the value of foreign-currency assets and increases the banks' risk-weighted assets, which would reduce their capital ratios. In parallel, it projected the banks' core banking revenues, which stood at 5.5% of total assets in 2018, to decrease due to limited growth in the loan book and to reduced holdings of government securities. It added that the recent increase in the banks' cash reserve requirement ratio from 17% to 22% will further weigh on the banks' profitability.

Source: Moody's Investors Service

TURKEY

Agency takes rating actions on 20 banks

Fitch Ratings affirmed at 'BB-' the long-term Issuer Default Rating (IDR) of Turkiye Kalkinma ve Yatirim Bankasi, and at 'B+' the ratings of T.C. Ziraat Bankasi, Turkiye Vakiflar Bankasi, Turkiye Sinai Kalkinma Bankasi, Vakif Katilim Bankasi, Turkiye Ihracat Kredi Bankasi, Turkiye Halk Bankasi, Emlak Katilim Bankasi, Turkiye Garanti Bankasi, Yapi ve Kredi Bankasi, Denizbank, QNB Finansbank, Turk Ekonomi Bankasi, ING Bank, Kuveyt Turk Katilim Bankasi, Turkiye Finans Katilim Bankasi, Burgan Bank, Alternatifbank, BankPozitif Kredi ve Kalkinma Bankasi, and ICBC Turkey Bank. It maintained the ratings of Turkiye Halk Bankasi on Rating Watch Negative, while it revised from 'negative' to 'stable' the outlook on the remaining banks' ratings, following its similar action on Turkey's sovereign ratings. It attributed the outlook revision to reduced pressure on the sovereign's ability to provide support in case of need. It also noted that the revision incorporates a lower probability of a sharp deterioration in Turkey's external finances in the near term and of government intervention in the banking sector. Further, it said that the banks' Viability Ratings (VRs) are unaffected by the outlook revision on the sovereign ratings. It added that risks to the banks' stand-alone credit profiles remain high amid the challenging market conditions and the subsequent pressure on the banks' financial profiles, despite the progress in rebalancing the Turkish economy. It considered that increased market stability could ease downside risks to the banks' credit profiles and VRs.

Source: Fitch Ratings

ENERGY / COMMODITIES

Brent oil prices at $60 p/b in fourth quarter of 2019

ICE Brent crude oil front-month prices reached $63.3 per barrel (p/b) on November 15, 2019, their highest level since September 23, following the surge in oil prices from the attacks on Saudi Aramco facilities. Oil prices were partly supported by tensions in the Middle East, following protests in core OPEC members Iran and Iraq. However, prices declined to $62.4 p/b on November 20, due to limited progress in resolving the trade dispute between the U.S. and China, as well as to higher-than-expected Norwegian oil output. In parallel, ABN AMRO indicated that the direction of the oil market remains unclear. It considered that the geopolitical risk premium that is factored in oil prices grew only marginally, despite the escalating tensions in the Middle East. In contrast, it said that expectations of a slowdown growth in oil demand is negatively impacting oil prices. In parallel, it said that an increase in U.S. oil output will also add to the well-supplied oil market, exerting downward pressure on oil prices. It expected OPEC to agree to deeper production cuts in its meeting on December 6, 2019, in order to support oil prices. ABN AMRO forecast Brent oil prices to average $60 p/b in the fourth quarter of 2019, relative to $60.6 p/b so far in the current quarter of 2019. Also, it expected oil prices to average $62 p/b in 2019, compared to $64 p/b so far this year.

Source: ABN AMRO*, Refinitiv, Byblos Research*

OPEC oil output up by 3.3% in October 2019

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 29.7 million barrels per day (b/d) in October 2019, up by 3.3% from an average of 28.7 million b/d in the preceding month. Saudi Arabia produced 9.9 million b/d in October 2019, or 33.4% of OPEC's total oil output, followed by Iraq with 4.7 million b/d (15.8%), the UAE with 3.1 million b/d (10.5%), Kuwait with 2.7 million b/d (9%), and Iran with 2.1 million b/d (7.2%).

Source: OPEC, Byblos Research

Algeria approves new energy law to attract foreign investors

The Algerian Parliament passed a new energy law that aims to attract foreign investments in the oil and gas industry and to boost energy production capacity. The country's energy receipts reached $24.6bn in the first nine months of 2019, down from $29bn in the same period last year. The new law introduces production sharing, and participation & risk services, as well as provides tax incentives and reduces red tape. Algeria's oil output currently stands at about one million barrels of oil per day, while its gas production is at 1.7 million barrels of oil equivalent per day.

Source: Refinitiv, International Monetary Fund

MENA's natural gas exports down by 4% in 2019

Natural gas exports from the Middle East & North Africa region are forecast to average 4.53 million barrels of oil equivalent per day (boe/d) in 2019, down by 4.2% from 4.73 million boe/d in 2018. The GCC countries' gas exports would account for 77.3% of the region's gas exports this year, while non-GCC exporters would represent the balance of 22.7%. Qatar's natural gas exports are projected at 2.63 million boe/d this year, equivalent to 58% of the region's gas exports, followed by Algeria at 0.81 million boe/d (18%) and the UAE at 0.5 million boe/d (11%).

Source: International Monetary Fund, Byblos Research

Base Metals: Aluminum prices down 16% in first 10 months of 2019

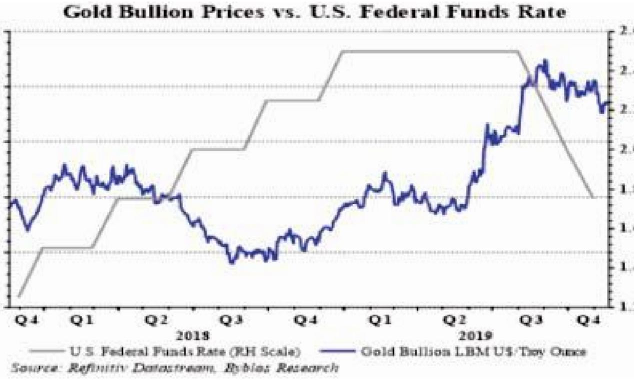
The LME cash price of aluminum averaged $1,798 per ton in the first 10 months of 2019, constituting a decrease of 16.1% from an average of $2,143 a ton in the same period of 2018, mainly due to concerns about global economic growth and demand for the metal amid ongoing global trade tensions. Prices increased from a recent low of $1,710 per ton on October 22 and reached $1,824 per ton on November 7, 2019, their highest level in four months, driven by worries of supply shortages after aluminum inventories declined. However, the metal's price resumed its downward trend and closed at $1,751 per ton on November 20, 2019, as inventories recovered and weak manufacturing and investment data from China, the world's largest consumer of metals, fuelled concerns about aluminum demand. In addition, the ongoing U.S.-China trade tensions, as well as the U.S. President's threat to significantly raise tariffs on Chinese goods if the two countries fail to reach a trade deal, weighed further on investors' sentiment and, in turn, on the prices of base metals. ABN AMRO indicated that market uncertainty from the trade dispute is driving the consumers of metals to delay their purchases and to rely on their inventories. It anticipated that trade tensions and macroeconomic concerns will continue to affect the prices of base metals and keep market sentiment down. It projected aluminum prices to average $1,794 per ton in 2019 and $1,814 per ton in 2020.

Source: ABN AMRO*, Refinitiv, Byblos Research*

Precious Metals: Gold prices to average $1,381 per ounce in 2019 and $1,500 per ounce in 2020

Gold prices averaged 1,383 per troy ounce during the year-to-November 20, 2019 period, which constitutes an increase of 8.7% from an average of $1,272 per ounce in the same period of 2018. Prices traded so far this year at a low of $1,269 per ounce on May 2, 2019 and a high of $1,549 per ounce on September 3. Overall, the metal's price is projected to rise by 8.8% to an average of $1,381 per ounce in full year 2019, and to further increase to an average of $1,500 an ounce in 2020. ABN AMRO considered that the long-term dynamics are supportive of gold prices, and include an easing of monetary policy by central banks globally, negative yielding government bonds worldwide, as well as pressure on the US dollar. In addition, TD Securities indicated that the purchase of the metal by central banks worldwide, a slowdown in global economic activity, as well as uncertainties in the run-up to the U.S. presidential elections next year are key drivers of gold prices in 2020. However, downside risks to the price outlook could arise from a de-escalation of U.S.-China trade tensions, as well as from weaker global jewelry demand.

Source: ABN AMRO, TD Securities, Refinitiv, 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+ 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
Côte d'Ivoire	- -	B3 Stable	B+ Positive	- -	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***	Caa2 UR****	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	Stable	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*
***** Under Review for Downgrade*
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	07-Nov-19	No change	19-Dec-19
Japan	O/N Call Rate	-0.10	31-Oct-19	No change	19-Dec-19
Australia	Cash Rate	0.75	05-Nov-19	No change	03-Dec-19
New Zealand	Cash Rate	1.00	13-Nov-19	No change	12-Feb-20
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	4.15	20-Nov-19	Cut 5bps	20-Dec-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	05-Nov-19	No change	22-Jan-20
Thailand	1D Repo	1.25	06-Nov-19	Cut 25bps	18-Dec-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	12.25	14-Nov-19	Cut 100bps	26-Dec-19
Turkey	Repo Rate	14.00	24-Oct-19	Cut 250bps	12-Dec-19
South Africa	Repo rate	6.50	21-Nov-19	No change	N/A
Kenya	Central Bank Rate	9.00	23-Sep-19	No change	25-Nov-19
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	7.50	14-Nov-19	Cut 25bps	19-Dec-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	06-Nov-19	No change	08-Jan-20
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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