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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

New import-restrictive measures hit $460bn of trade merchandise

The World Trade Organization indicated that WTO members have put in place 28 new trade-restrictive measures between mid-May 2019 and mid-October 2019, compared to 20 measures between mid-October 2018 and mid-May 2019. Trade restrictive measures consisted of 24 import-related restrictions and four export-related measures. Countries introduced an average of 5.6 trade-restrictive measures per month during the covered period, up from three measures per month between mid-October 2018 and mid-May 2019. New import-restrictive measures covered an estimated $460.4bn of trade merchandise, the second highest amount on record, and were equivalent to 2.36% of the value of world merchandise imports between mid-May 2019 and mid-October 2019. In comparison, import-restrictive measures covered an estimated $336bn of trade merchandise between mid-October 2018 and mid-May 2019 and a record high of $481bn between mid-May 2018 and mid-October 2018. In parallel, the WTO said that its members introduced 36 new trade-liberalizing or facilitating measures between mid-May 2019 and mid-October 2019, consisting of 34 import-related measures and two export-related procedures. As such, countries introduced an average of 7.2 new trade-facilitating measures per month. Import-facilitating measures implemented during the review period covered an estimated $92.6bn of trade merchandise, equivalent to 0.5% of world merchandise imports. In comparison, similar measures implemented between mid-October 2018 and mid-May 2019 affected $397.2bn in merchandise.
Source: World Trade Organization

Global bond issuance at $5.3 trillion in first nine 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 $5.26 trillion in the first nine months of 2019, constituting an increase of 12% from $4.7 trillion in the same period of 2018. It said that the rise in global bond issues is due to a 62% growth in the issuance of non-U.S. international public finance bonds, as well as to a 13.8% year-on-year increase in non-financial corporate issuance. It forecast global bond issuance at $6.6 trillion in 2019, up by 12.7% from $5.85 trillion in 2018, due to a projected rise of 17% in non-financial corporate bonds, a 50% increase in non-U.S. international public finance bonds, a 6% growth in financial corporate bonds, a 6.2% expansion in U.S. public finance bonds, and a 2% increase in structured finance products. S&P projected non-financial institutions to issue a total of $2.4 trillion, or 35.8% of total bond issuance, in 2019. Financial institutions would follow with $2.1 trillion (31.4%), then investor-placed structured finance with $1.08 trillion (16.4%), non-U.S. international public finance with $724.1bn (11%), and U.S. public finance with $360bn (5.5%). Further, it expected global issuance at $6.87 trillion in 2020, up by 4.2% from 2019. It considered that additional interest rate cuts by the U.S. Federal Reserve in 2020 would further support global issuance. However, it said that demand for new issuance could largely be focused on investment-grade bonds.
Source: S&P Global Ratings

GCC

Insurance premiums to reach $36bn in 2024

Alpen Capital projected gross written insurance premiums in the Gulf Cooperation Council (GCC) countries to increase from $29.2bn in 2019 to $36.1bn in 2024, and to post a compound annual growth rate (CAGR) of 4.3% during the 2019-24 period. It attributed the increase in premiums to the steady growth in population, to infrastructure development projects, to the GCC governments' economic and liberalization reforms, as well as to efforts to strengthen the regulatory environment. It expected premiums generated in Kuwait to post a CAGR of 8.2% during the 2019-24 period, followed by Saudi Arabia at 5%, the UAE at 4.2%, Oman at 2.7%, Qatar at 2.4% and Bahrain at 1.5%. It forecast the UAE to account for 43.3% of total insurance premiums in the GCC in 2024, followed by Saudi Arabia with 35.4%, Qatar (10%), Kuwait (5.6%), Oman (3.6%), and Bahrain (2.2%). It anticipated non-life insurance premiums in the GCC to reach $31.4bn in 2024 and to grow at a CAGR of 4.3% during the 2019-24 period, and for life premiums to total $4.7bn and to expand at a CAGR of 4.9% during covered period. Further, it expected the non-life segment to account for about 87% of total premiums in 2024 and for the life segment to represent the balance of 13%. It projected the penetration rates of life and non-life insurance to be broadly stable at around 0.2% of GDP and 1.6% of GDP, respectively, during the 2019-24 period. Also, it anticipated non-life insurance density, or premiums per capita, to increase from $438.7 in 2019 to $483 in 2024; while it forecast the density of the life insurance branch to grow from $64.3 in 2019 to $72.8 in 2024.
Source: Alpen Capital

KUWAIT

Profits of listed companies up 3% to $5.3bn in first nine months of 2019

The cumulative net profits of 159 companies listed on Boursa Kuwait totaled KD1.62bn, or $5.3bn, in the first nine months of 2019, constituting an increase of 3.2% from KD1.57bn, or $5.2bn, in the same period of 2018. Listed banks generated net profits of $3bn and accounted for 56% of aggregate net earnings in the covered period. Telecommunications companies followed with $688.2m (13%), then financial services firms with $585m (11%), industrials with $492.4m (9.3%), real estate firms with $310.3m (5.8%), insurers with $116m (2.2%), consumer services providers with $86.1m (1.6%), oil & gas companies with $27.7m (0.5%), basic materials firms with $18.2m and consumer goods companies with $14m (0.3% each), healthcare providers with $8.1m (0.2%), as well as technology firms with $3.7m (0.1%). Further, the net earnings of consumer services providers rose by 19% year-on-year in the first nine months of 2019, followed by the profits of real estate companies (+13.1%), telecommunications firms (+10%), insurers (+8.3%), and banks (+4.3%). In contrast, the income of healthcare providers regressed by 73.8% annually in the covered period, followed by technology firms (-55.3%), oil & gas companies (-26.1%), consumer goods firms (-16.3%), basic material companies (-10.2%), industrial firms (-5.4%), and financial services companies (-1.6%).
Source: KAMCO

SAUDI ARABIA

Economic activity to recover to 1.8% in 2020

Barclays Capital projected Saudi Arabia's real GDP growth to decelerate from 2.4% in 2018 to 0.1% in 2019, mainly due to lower hydrocarbon output under the extended OPEC agreement. It pointed out that the Kingdom's annual GDP growth decelerated to 1.1% in the first half of 2019, reflecting oil production cuts and weaker public domestic demand. It considered that the September attacks on the Aramco oil facilities have had a limited adverse impact on domestic demand. Still, it expected economic activity to further deteriorate in the second half of 2019 amid the OPEC-related production cuts, and to offset the recent improvement in the non-hydrocarbon private sector activity. It projected the Kingdom's real GDP growth to recover to 1.8% in 2020.

In parallel, it estimated the fiscal deficit at 4.6% of GDP in 2019, in line with the government's projection. But it noted that the 2019 deficit could be narrower, given that the government's capital spending has remained well below its targeted level in the first nine months of 2019. It said that the budget targets a deficit of SAR187bn or 6.5% of GDP in 2020, reflecting a reduction of 9.2% in government revenues and a decrease of 2.6% in public spending. Still, it expected the Kingdom's fiscal stance to remain largely prudent next year despite the wider targeted deficit.

Further, Barclays forecast the current account surplus to narrow from 9% of GDP in 2018 to 5.3% of GDP in 2019 and to 2.3% of GDP in 2020. It considered that Saudi authorities have resorted to external debt issuances in recent years, which have reduced the pressure on foreign currency reserves at the Saudi Arabian Monetary Agency (SAMA). It said that pressure on SAMA's foreign currency reserves could reemerge in the first quarter of 2020, as it anticipated the proceeds from the Aramco IPO, which will take place in December 2019 to be transferred to the Public Investment Fund and then possibly invested abroad.
Source: Barclays Capital

QATAR

Real GDP growth projected at 1.5% to 1.8% in 2019-21 period

Regional investment bank EFG Hermes expected Qatar's economic growth at between 1.5% and 1.8% during the 2019-21 period, due to persistent weaknesses in non-hydrocarbon sector activity. It forecast non-hydrocarbon growth to decline from 3.2% in 2018 to about 2.6% in 2019-20, driven by weak activity in the construction, manufacturing and trade sectors. It added that the country's investment program is near completion, while the government's capital spending is on a downward trend. However, it expected investments in the hydrocarbon sector from 2020 onwards to provide some support for economic activity in the country. It said that Qatar Petroleum aims to increase its total hydrocarbon production from 4.8 million barrels of oil equivalent (boe) currently to 6.7 million boe in eight years.

In parallel, it indicated that Qatar's fiscal and external positions are strong, driven by its large hydrocarbon wealth that was complemented with fiscal consolidation over the past few years. It forecast the current account to remain in surplus at 6.3% of GDP in 2020 and 5.6% of GDP in 2021, relative to an estimated 6.1% of GDP in 2019. It indicated that the Qatar Central Bank (QCB) was able to re-build its foreign currency base due to the recent current account surpluses and sovereign support. It noted that QCB's official reserves stood at $38.7bn at the end of September 2019, exceeding the pre-embargo peak level of $34.8bn.

Further, it expected the fiscal surplus to average 3% of GDP annually in the coming two years, relative to an average surplus of 2.5% of GDP annually in 2018 and 2019. In addition, it indicated that the non-hydrocarbon fiscal deficit narrowed from nearly 70% of non-hydrocarbon GDP in 2015 to 44% of non-oil GDP in 2018, and projected it to further narrow to 39% of non-oil GDP by 2021. It added that Qatar's strong fiscal position is reflected by its low fiscal breakeven oil price, which is projected at between $58 per barrel (p/b) and 60 p/b in the coming years. Also, it noted that the government's external debt has been on the rise in recent years, as the government opted to ease liquidity pressure on the banking system by reducing domestic debt issuances. It projected the external debt at 26% of GDP by the end of 2019.
Source: EFG Hermes

GHANA

Financing of fiscal deficit is key challenge for 2020

Goldman Sachs indicated that Ghana faces significant short-term risks, which consist of limited room for fiscal slippages in 2020, the materialization of contingent liabilities in the energy sector that could destabilize fiscal projections, an ambitious financing strategy, and elevated external vulnerabilities. It considered that Ghana's 2020 budget is broadly credible, as it takes into account spending pressures and allocates more financing to capital projects that is fully offset by higher revenues. It added that the rise in revenues in the 2020 budget originates from one-off or front-loaded non-tax sources, which increase the credibility of revenue projections. However, it said that the most significant risk facing Ghana next year is the financing of the deficit rather than the execution of the budget. It noted that the government intends to issue $3bn in gross external debt, given that the domestic markets are unable to absorb the government's financing requirements that are estimated at about 6% of GDP in 2020. It pointed out that the government's financing plan for 2020 is contingent on global market sentiment, and that external factors could force authorities to resort to more expensive and less reliable financing sources.

Further, it indicated that the size and concentration of foreign participation in the domestic debt market constitutes a major external vulnerability for Ghana and increases the risk to the Ghanaian cedi's outlook. It anticipated the Central Bank of Ghana to adopt a tighter monetary policy in 2020, given persistent external vulnerabilities, elevated fiscal risks, the uncertain inflation outlook, and the pressure on the cedi in the run-up to elections in the fourth quarter of 2020. It expected the cedi to remain volatile in 2020.

In parallel, it projected Ghana's real GDP growth to decelerate from more than 7% on average in the 2017-19 period to about 5% in the medium term. It indicated that growth has been robust, but came below expectations in 2019. It anticipated the non-hydrocarbon sector to support overall growth in coming years, as hydrocarbon output stabilizes during the 2019-23 period. It considered that economic growth could accelerate if the post-election period generates positive sentiment and additional investment in the non-oil manufacturing and services sector.
Source: Goldman Sachs

ECONOMY & TRADE

GCC

SWFs' assets resilient to adverse scenarios

Fitch Ratings indicated that the sovereign wealth funds (SWFs) of Abu Dhabi, Kuwait and Qatar provide two to five notches of uplift to the ratings of the corresponding sovereigns through boosting the sovereign's net external asset position and fiscal position, and by providing financing flexibility. It projected the funds' gross sovereign external assets to cover between four and eight years of corresponding government spending, and expected their investment income to boost their fiscal balances by 2% of GDP to 8% of GDP annually. It estimated the Kuwait Investment Authority's (KIA) foreign assets under management (AUM) at over $560bn, the Abu Dhabi Investment Authority's (ADIA) foreign AUM at $500bn, and the Qatar Investment Authority's (QIA) foreign AUM at $230bn in 2019. It expected the assets of the three SWFs to remain large and resilient under an adverse scenario that involves a decline in global oil prices, continued pressure on hydrocarbon production, and weak financial returns. Further, it said that the three jurisdictions are expected to issue $35bn in foreign-currency denominated debt in the 2020-21 period, despite their large SWFs, which reflects the authorities' intention to preserve wealth for future generations, as well as their expectations that returns on assets would exceed the cost of debt. Under its baseline scenario that consists of a 2% return on the assets of the SWFs, Fitch expected the KIA's foreign assets to decline from 486% of GDP in 2019 to 345% of GDP by 2028, ADIA's foreign assets to decrease from 193% of GDP in 2019 to 166% of GDP by 2028, and QIA's foreign assets to rise from 120% of GDP in 2019 to 133% of GDP by 2028.

Source: Fitch Ratings

JORDAN

Significant slippages in 2019 limit fiscal space

The International Monetary Fund indicated that Jordanian authorities have made significant progress in maintaining economic and financial stability, and in improving the business climate. It added that the government remains committed to implementing reforms that promote growth and employment. It pointed out that the country's balance of payments has improved, and its foreign currency reserves have recently rebounded. Still, it noted that economic and fiscal imbalances persist. It said that Jordan's real GDP growth has averaged 2.5% annually since 2010, while the unemployment rate is elevated. It also noted that fiscal slippages have been significant in 2019 and the public debt is at a very high level, which limits fiscal space. It added that weaker government revenues have led authorities to reduce public investments. As such, it considered that international assistance is crucial for the implementation of growth-enhancing reforms. Further, the IMF called on authorities to enact deep structural reforms to strengthen economic resilience and support growth, while implementing gradual and steady fiscal consolidation measures to place the public debt level on a downward path. It also considered Jordan's monetary policy stance to be appropriate, but encouraged authorities to continue to adjust the policy rates to maintain monetary stability and confidence in the currency. In parallel, the Fund indicated that it began discussions with the Jordanian government on a new three-year IMF program, and has made progress in agreeing on broad objectives for such a program.

Source: International Monetary Fund

ARMENIA

Ratings upgraded on implementation of reforms

Fitch Ratings upgraded Armenia's long-term foreign and local currency issuer default ratings from 'B+' to 'BB-', with a 'stable' outlook. It attributed the upgrade to the peaceful and orderly political transition, as well as to the government's commitment to a stable macroeconomic policy agenda and to the implementation of structural reforms. It estimated the fiscal deficit at 1% of GDP in 2019, outperforming the target deficit of 2.2% of GDP in the 2019 budget due to improved tax efficiency, strong economic growth and under-execution of capital spending. It projected the deficit to widen to 2.2% of GDP in 2020 and 2.1% of GDP in 2021 due to an expected increase in capital spending. It forecast the public debt level to regress from 59% of GDP at the end of 2017 to 51.2% of GDP at end-2019 and to 48.4% of GDP at end-2021, supported by a prudent fiscal policy and low effective interest rates. In parallel, Fitch raised its forecast for Armenia's 2019 real GDP growth to 6.5% from 4.6% previously, driven by robust private consumption and dynamic private investments in the construction sector. It projected growth to average 4.7% annually in the 2020-21 period. In parallel, it forecast the current account deficit to narrow from 9.4% of GDP in 2018 to 7.8% of GDP in 2019, supported by rising mining exports and by strong activity in the tourism, agriculture and manufacturing sectors. It considered that external vulnerabilities are a key rating weakness, but it noted that the agreement with the IMF and financial support from official creditors mitigate external financing risks.

Source: Fitch Ratings

ANGOLA

Economic growth contingent on foreign currency liquidity

Fitch Ratings projected Angola's real GDP to shift from a contraction of 1.7% in 2018 to growth rates of 0.4% in 2019, 2% in 2020 and 2.8% in 2021, in case foreign currency liquidity increases and supports non-hydrocarbon growth. It pointed out that the decline in hydrocarbon production from an average of 1.7 million barrels per day (b/d) annually in the 2008-17 period to 1.5 million b/d in 2018 weighed on growth. It considered that the long-term impact on hydrocarbon production of the planned new oil licensing rounds and other reforms is still uncertain. The agency indicated that foreign currency reserves reached their lowest level in nine years amid reduced hydrocarbon oil receipts and continued pressure on the Angolan kwanza. It said that the authorities' reforms to the foreign exchange market have increased foreign currency liquidity, but it noted that the kwanza continued to depreciate to lower-than-expected levels. It considered that the Banco Nacional de Angola's recent measures could help stabilize the kwanza, but that the risks of additional decline in foreign currency reserves persist. In parallel, Fitch anticipated the public debt level at 83.8% of GDP at the end of 2019, and at 88.8% of GDP when including the debt of the national oil company Sonangol. It expected the debt level to stabilize in 2020, but it considered that risks to the debt outlook are elevated, especially from additional currency depreciation. It said that Angola's agreement with the IMF allows the government to meet its expected external financing needs of about 6% of GDP in 2019, as well as supports the government's fiscal consolidation efforts.

Source: Fitch Ratings

BANKING

AFRICA

Authorities' measures insufficient to counter slowdown in private sector lending

Citi Research indicated that the growth in lending to the private sector in Sub-Saharan Africa (SSA) has significantly slowed down since 2015, which has led authorities in the region to implement policies to boost lending activity. It noted that the deceleration in economic activity in SSA's oil-exporting countries and in South Africa has adversely affected the banks' appetite to lend. It noted that other reasons that contributed to the slowdown in private sector lending include the decision of several foreign banks operating in SSA to reduce their exposure to the region. In response, it pointed out that SSA countries have been exploring options to counter the deceleration in private sector lending. For instance, it said that the Kenyan parliament passed the Banking Amendment Act, which caps lending rates at four percentage points above the Central Bank of Kenya's policy rate. In addition, it pointed out that the Central Bank of Nigeria (CBN) enforced a very high Cash Reserve Requirement of 22.5% on commercial banks to boost their private sector lending. It also noted that the CBN announced in July 2019 that commercial banks would need to have a minimum loans-to-deposits ratio of 60%, which it then raised to 65%. Still, Citi Research considered that the policies that SSA authorities have taken to date may not be sufficient to promote lending activity. Instead, it considered that, in order to boost private sector credit growth, regulators in the region need to ensure that banks are well-capitalized, are operating in a competitive market, and are willing to take risks.

Source: Citi Research

EGYPT

Banks' profits up 19% in first nine months of 2019

Regional investment bank EFG Hermes indicated that the aggregate net profits of Qatar National Bank Alahli, Commercial International Bank, Crédit Agricole Egypt, Al Baraka Bank Egypt, Abu Dhabi Islamic Bank-Egypt, Housing & Development Bank, Egyptian Gulf Bank and Faisal Islamic Bank of Egypt, stood at EGP22.7bn, or $1.3bn in the first nine months of 2019, constituting an increase of 19% from the same period of 2018. It attributed the increase in profits to higher net interest income, as well as to lower provisioning costs and income tax rates. Further, it pointed out that the eight banks' aggregate loans stood at EGP378.6bn, or $23.3bn, at the end of September 2019, and rose by 12.3% from a year earlier, compared to annual growth rates of 21% at the end of 2018 and of 19% at end-September 2018. It attributed the slowdown in lending growth mainly to a decline in the demand for car loans. It added that lending in local currency increased by 22% at end-September 2019 from a year earlier, while loans in foreign currency fell by 10% mainly due to the appreciation of the Egyptian pound. In addition, it indicated that the banks' aggregate deposits increased by 8.4% annually to EGP849.1bn, or $52.6bn, at the end of September 2019 compared to an annual growth rate of 14.1% at the end of September 2018. As such, it pointed out that the loans-to-deposits ratio increased from 43% at the end of September 2018 to 45% at end-September 2019. Further, it said that the banks' aggregate non-performing loans ratio was 4.3% at end-September 2019, up from 3.7% at the end of September 2018.

Source: EFG Hermes

OMAN

Elevated risks to banking sector persist

S&P Global Ratings maintained Oman's banking sector in 'Group 6' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '7' and the industry risk score at '5'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 6' are Brazil, Brunei, China, Colombia, Hungary, Indonesia, Portugal, Thailand, Trinidad & Tobago, and Uruguay. The agency said that Oman's economic risk score reflects "very high risks" in its economic resilience, "high risks" in credit risk in the economy, and "intermediate risks" in its economic imbalances. It noted that the weak activity in the real estate market is a major source of risk for Omani banks. It added that credit risks are elevated due to high leverage in the retail sector and loose lending and underwriting standards. As such, it anticipated the banks' non-performing loans and credit losses to increase, and for their profitability to decline during the 2020-21 period. In parallel, S&P said that the industry score reflects "high risks" in competitive dynamics, and "intermediate risks" in the institutional framework and system-wide funding. It noted that the banks' heavy reliance on public-sector deposits is a major risk, mainly due to the government's declining capacity to service the banking system's funding needs amid widening fiscal and current account deficits. It said that the trend for economic and industry risks is 'negative'.

Source: S&P Global Ratings

PAKISTAN

FATF urges authorities to address AML/CFT deficiencies

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 Pakistan reiterated its commitment to complete its action plan and implement related reforms. The FATF called on authorities to adequately demonstrate their proper understanding of terrorism financing (TF) risks posed by terrorist groups, to show that they are applying remedial actions and sanctions in cases of AML/CFT violations, and to demonstrate that they are identifying illegal money transfers and taking enforcement action against them. It noted that authorities should identify cash couriers, enforce controls on the illicit movement of currency, improve inter-agency coordination in combating TF risks, and show that law enforcement agencies are identifying and investigating TF activity. It added that authorities should demonstrate the effective implementation of targeted financial sanctions against all designated terrorists and against parties acting for or on their behalf, by preventing designated persons from raising and moving funds, by identifying and freezing their assets, as well as by prohibiting their access to funds and financial services. The FATF indicated that all deadlines in Pakistan's action plan have expired, and expressed serious concerns about the overall lack of progress by Pakistan to address its TF risks. It urged Pakistan to swiftly complete its full action plan by February 2020. The FATF noted that, if authorities do not meet the deadline, it will call on its members and urge all jurisdictions to advise their financial institutions to give special attention to business relations and transactions with Pakistan.

Source: Financial Action Task Force

ENERGY / COMMODITIES

Brent oil prices projected at $60p/b in 2020

ICE Brent crude oil front-month prices averaged $64.1 per barrel (p/b) in the year to November 27, 2019, constituting a decline of 12% from an average of $73 p/b in the same period last year. Also, oil prices decreased by 5% year-on-year to about $63 p/b so far in November 2019. The fall in prices was mainly due to rising concerns about a slowdown in the global economy amid heightened trade tensions between the U.S. and China, as well as to increased U.S. oil production. Higher geopolitical tensions in the Middle East and production cuts under the extended OPEC agreement have contained the decline in prices. However, oil prices grew by 5% month-on-month from an average of $59.6 p/b in October 2019. They also reached a two-month high of $64.3 p/b on November 26, 2019, following expectations that the U.S. and China would soon reach an agreement to end the 16-month trade dispute. A trade agreement between the U.S. and China would allow the global economy to pick up momentum next year, which would support global oil consumption. Also, the markets' expectations that OPEC will implement deeper output cuts in its December 2019 meeting are providing support for oil prices. Still, the U.S. Energy Information Administration projected Brent oil prices to decrease from an average of $64 p/b in 2019 to $60 p/b in 2020, as it expected global oil inventories to rise in the first half of 2020.

Source: U.S. EIA, Refinitiv, Byblos Research

Consumer demand for gold in the Middle East down 9% in first nine months of 2019

Consumer demand for gold in the Middle East region, which includes demand for jewelry and bars & coins, totaled 177 tons in the first nine months of 2019, constituting a decline of 9.1% from 194.7 tons in the same period of 2018. It accounted for 8.2% of global consumer demand for the precious metal. Consumer demand for gold in Iran reached 56.1 tons and represented 31.7% of total demand in the region in the first nine months of 2019, followed by Saudi Arabia with 35.4 tons (20%) and the UAE with 29.3 tons (16.5%).

Source: World Gold Council, Byblos Research

ME&A's oil demand to grow by 1.3% in 2019

Consumption of crude oil in the Middle East & Africa region is expected to average 12.61 million barrels per day (b/d) in 2019, which would constitute an increase of 1.3% from 12.45 million b/d in 2018. The region's demand for oil would represent 38.1% of demand in developing countries and 12.6% of global consumption this year.

Source: OPEC, Byblos Research

Qatar's LNG production to reach 126 million tons per year by 2027

Qatar announced that it aims to increase its liquefied natural gas (LNG) output capacity by 64% from 77 million tons per year currently to 126 million tons per year by 2027. In fact, the recent drilling and appraisal work in the North Field mega project showed that the field's confirmed gas reserves exceed 1,760 trillion cubic feet. The expansion of Qatar's LNG facilities would boost the country's gas output from about 4.8 million barrels of oil equivalent per day (boe/d) currently to 6.7 million boe/d by 2027.

Source: Refinitiv

Base Metals: Copper prices down 9% so far in 2019

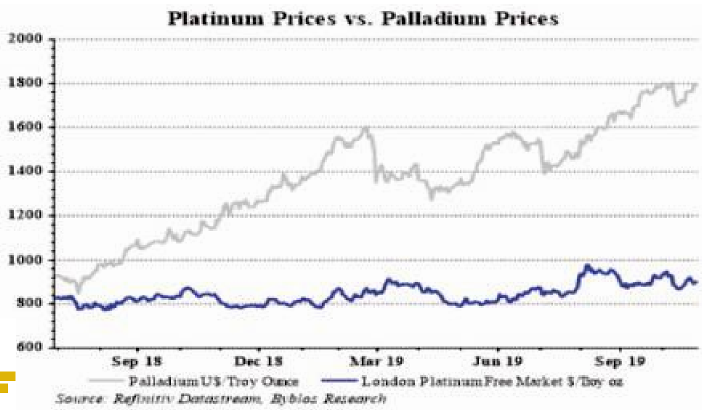
LME copper cash prices averaged $6,002 per metric ton in the year-to-November 27, 2019, down by 8.7% from an average of $6,572 per ton in the same period of 2018, due to ongoing global trade tensions. However, prices grew by 1.8% from an average of $5,757 per ton in October to an average of $5,860 per ton so far in November. The increase in prices was driven by positive signals that the U.S. and China are close to agreeing on the first phase of a trade deal, by China's decision to cut interest rates to boost its economic growth, and by data from the U.S. showing an acceleration in the country's manufacturing and services activity. In addition, prices were supported by concerns about supply disruptions in Chile, the world's largest copper producer, and by a sharp decline in the metal's inventories. In parallel, the latest available figures show that global demand for refined copper was 16.3 million tons in the first eight months of 2019, up by 0.5% year-on-year, 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 15.9 million tons in the first eight months of 2019, nearly unchanged annually, 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 3.5% in Asia, while it declined by 9.5% in Latin Americas, by 8% in Africa, by 3% in North America, and by 1% in Europe.

Source: International Copper Study Group, Refinitiv

Precious Metals: Platinum prices to average $1,000 per ounce in 2020

Platinum prices have been on an upward trend so far in the second half of 2019, increasing from an average of $881 per troy ounce in the third quarter of 2019 to $900 an ounce so far in the fourth quarter of 2019. Prices have been driven by rising demand for platinum exchange-traded funds (ETFs), as well as by subdued growth in global platinum output. Overall, prices are projected to average $867 an ounce in 2019, and to increase to an average of $1,000 an ounce in 2020, supported by strong albeit declining investment in platinum ETFs next year, as well as by a contraction in global mine supply of platinum amid the closure of mines in South Africa. In fact, global mine supply is projected to decline by 2% to 6.1 million ounces in 2020, equivalent to 75.3% of global output, largely due to a 3% decrease in South African output next year. In addition, the substitution of the cheaper platinum for palladium in emissions-reducing catalytic convertors would further support prices in the coming 12 to 18 months.

Source: ABN AMRO, Refinitiv, WPIC



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Negative	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Negative	Negative	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Stable	Stable	-	Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	-	B3	B+	-	B+								
	-	Stable	Positive	-	Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	-	-	B-								
	-	-	-	-	Stable	-7.4	-	-	-	-	-	2	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Positive	Stable	-	-	Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Stable	Stable	-	Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B	B2	B+	-	BB-								
	Stable	Stable	Stable	-	Stable	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	-	B2	B+	-	BB-								
	-	Negative	Negative	-	Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+	B2	B+	-	B+								
	Stable	Stable	Stable	-	Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+	B2	BB-	BB	BB+								
	Stable	Stable	Stable	Negative	Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	B	BB-								
	-	-	-	Stable	Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+	B1	BB-	B+	BB+								
	Stable	Stable	Stable	Stable	Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA	Aa2	AA	AA-	AA-								
	Stable	Stable	Stable	Stable	Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	CCC	Caa2	CCC	B-	B-								
	Negative	UR****	-	Negative	Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB	Ba1	BB+	BBB-	BBB-								
	Negative	Negative	Stable	Stable	Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A-	A1	A	A+	AA-								
	Stable	Stable	Stable	Stable	Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-5.1	54.7	18.1	-	-	-	0.7	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					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	BB-	-	B-								
	-	Stable	Stable	-	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 Date	Last meeting Action	Next meeting
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	8.50	25-Nov-19	Cut 50bps	N/A
Nigeria	Monetary Policy Rate	13.50	26-Nov-19	No change	N/A
Ghana	Prime Rate	16.00	25-Nov-19	No change	27-Jan-20
Angola	Base rate	15.50	01-Oct-19	No change	28-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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