600 ISSUES+
Issue 608 | December 5, 2019

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade in services up 5% to $13.3 trillion in 2005-17 period

Figures released by the World Trade Organization (WTO) show that global trade in services grew by an annual average rate of 5.4% during the 2005-17 period and reached $13.3 trillion in 2017. The WTO noted that trade in services has been expanding at a faster pace than trade in goods, which grew by an average of 4.6% annually between 2005 and 2017. It pointed out that commercial presence, through which services are delivered by establishing a controlled affiliate in a foreign country to serve the local market, accounted for 59% of total trade in services in 2017. Cross-border services transactions, including through electronic means, followed with a share of 27.7%, then services consumed abroad, such as tourism, with 10.4%, and services traded through the presence of persons abroad, such as consultants, with 3% of total traded services in 2017. On a sectoral basis, distribution services were the largest services traded globally, and accounted for 20% of global services in 2017, followed by financial services (18.6%), telecommunications, computer & audiovisual services (13.2%), transportation (11.8%), and tourism (7.8%). In parallel, the WTO indicated that the share of developing economies in the global trade in services, excluding the least-developed economies, increased by about 10 percentage points from 2005, and reached 25.2% of global exports of services and 34.4% of global imports of services in 2017.

Source: World Trade Organization

MENA

Vast disparities in region's prosperity levels

The Legatum Institute's Prosperity Index for 2019 ranked the UAE in 40th place among 167 countries globally and in first place among 19 Arab economies. Qatar followed in 43rd place, then Bahrain (58th), Oman (60th), Kuwait (62nd), and Saudi Arabia (71st) as the most prosperous Arab countries; while Libya (147th), Mauritania (155th), Syria (157th), Sudan (158th) and Yemen (166th) were the least prosperous Arab economies. The institute assesses the prosperity of citizens based on their material wealth and social well-being. The data covers 294 indicators grouped in 12 sub-indices that are Economic Quality, the Investment Environment, Governance, Education, Health, Safety & Security, Personal Freedom, Social Capital, the Natural Environment, Market Access & Infrastructure, Enterprise Conditions, and Living Conditions. The rankings of four Arab countries improved from the previous survey and those of 10 sovereigns deteriorated from 2018, while the rankings of five countries were unchanged year-on-year. In parallel, the scores of eight countries improved year-on-year, while those of 11 economies regressed from the 2018 survey. Further, the UAE came in first place on the Economic Quality, Investment Environment, Governance, Education, Enterprise Conditions, Health and Market Access & Infrastructure sub-indices. In parallel, Kuwait came in first place among Arab countries on the Living Conditions sub-index, Bahrain ranked first on the Social Capital sub-index, Tunisia came in first place regionally on the Personal Freedom sub-index, and Qatar ranked first on the Natural Environment and the Safety & Security sub-indices.

Source: Legatum Institute, Byblos Research

Stock markets up 3% in first 11 months of 2019

Arab stock markets improved by 3.1% and Gulf Cooperation Council equity markets grew by 1.2% in the first 11 months of 2019, relative to expansions of 5.6% and 6.6%, respectively, in the same period of 2018. In comparison, global stocks grew by 19.7% and emerging markets equities increased by 9.4% in the first 11 months of 2019. Activity on the Khartoum Stock Exchange jumped by 20% in the covered period, the Bahrain Bourse surged by 14.2%, the Egyptian Exchange increased by 6.2%, the Dubai Financial Market grew by 6%, the Casablanca Stock Exchange expanded by 4%, the Abu Dhabi Securities Exchange improved by 2.4%, the Boursa Kuwait increased by 0.6%, and the Saudi Stock Exchange grew by 0.4%. In contrast, activity on the Beirut Stock Exchange regressed by 27% in the first 11 months of 2019, the Damascus Securities Exchange declined by 11%, the Muscat Securities Market and the Amman Stock Exchange decreased by 6% each, the Iraq Stock Exchange contracted by 4.8%, the Tunis Bourse retreated by 4.4%, and the Palestine Exchange and the Qatar Stock Exchange declined by 1.5% each in the covered period.

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

SAUDI ARABIA

Profits of listed firms down 25% to $17.6bn in first nine months of 2019

The cumulative net income of 170 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR66.1bn, or $17.6bn, in the first nine months of 2019, constituting a decrease of 25.2% from SAR88.4bn, or $23.6bn in the first nine months of 2018. Listed banks generated net profits of $9.7bn and accounted for 55% of total net earnings in the covered period. Basic materials companies followed with $3bn (16.8%), then telecommunications firms with $2.4bn (13.4%), utilities companies with $564m (3.2%), the food & beverage industry with $522m (3%), retailers with $311.1m (1.8%), insurers with $248.4m (1.4%), energy firms with $209.6m (1.2%), consumer services companies with $154.3m (0.9%), transportation firms with $149.7m and healthcare providers $147.6m (0.8% each), as well as diversified financial services firms with $113.4m and real estate management & development companies with $110m (0.6% each). In parallel, capital goods companies posted net losses of $85m in the covered period, while pharmacology, biotech & life science firms generated losses of $45.5m, and consumer durables & apparel companies recorded net losses of $9.4m. Further, the net earnings of consumer services companies increased by 238.3% year-on-year in the first nine months of 2019, followed by media firms (+82%), telecommunications companies (+19.4%), retailers (+12.6%), and transportation firms (+11.1%). In contrast, the profits of utilities firms fell by 62.7% in the first nine months of 2019, followed by basic materials companies (-62.1%), real estate management & development firms (-60.3%), energy companies (-36.1%), diversified financial services providers (-35.6%), and healthcare providers (-15.5%).

Source: KAMCO

POLITICAL RISK OVERVIEW - November 2019

ALGERIA

Nationwide demonstrations intensified to put pressure on the government to cancel the presidential elections that are scheduled for December 12. Protestors insisted that the elections should not be held before a regime change, as they believe that the polls will keep in power politicians who are close to former President Abdelaziz Bouteflika. In fact, the five approved candidates who are running for the elections are all affiliated with Bouteflika's regime. Demonstrators interrupted several rallies organized by the presidential candidates, which led security forces to arrest more than 50 people. In parallel, parliament passed a new energy law that aims to attract foreign investments in the oil and gas industry, despite protests against the legitimacy of parliament to enact laws.

EGYPT

Following anti-regime protests in late September, the government took measures to ease economic pressure on citizens, including further cuts to the prices of certain foods. In parallel, the U.S. threatened to impose sanctions on Egypt and to ban any future purchases of American weapons if the government buys Russian fighter jets. Further, the foreign ministers of Egypt, Ethiopia and Sudan agreed to work toward resolving their dispute by January 15, 2020 over the filling and operation of the Grand Ethiopian Renaissance Dam project in Ethiopia.

ETHIOPIA

On November 21, 2019, the ruling coalition approved the merger of three of its four ethnic-based regional parties into a single national party. Prime Minister Abiy Ahmed announced that the decision to merge into the Ethiopian Prosperity Party (EPP) was part of his efforts to unite the country ahead of the 2020 elections. However, the fourth party, the Tigray People's Liberation Front, boycotted the coalition meeting, while other political parties affiliated with the ruling coalition are set to join the EPP before the end of the year. The country's electoral board announced that residents of the Sidama zone voted in favor of becoming a federal state, as about 98.5% chose an autonomous rule with a voter turnout of 99.7%. Ethnic violence erupted at universities in the Amhara and Oromia regions and spread to the east of the country, leaving at least three students dead.

IRAN

Nationwide protests erupted following the government's decision to increase fuel prices. Iranian forces led a crackdown on protesters, resulting in the death of at least 161 persons according to non-governmental organization Amnesty International. The U.S. sanctioned Iran's Minister of Information following the Internet blackout during protests. It also imposed sanctions on the Iranian Armed Forces General Staff and nine individuals associated with the Supreme Leader Khamenei. President Hassan Rouhani announced that Iran will resume the enrichment of uranium, which would constitute a violation of the nuclear deal.

IRAQ

Security forces continued to suppress protests, pushing the death toll to over 400 since early October. The UN Assistance Mission for Iraq proposed a roadmap to resolve the crisis by releasing detained protesters, investigating enforced disappearances and the usage of excessive force against protesters, and by launching electoral reforms. Protesters burned down the Iranian consulate in Najaf, while unidentified assailants fired 17 rockets at a military base housing U.S. troops in Nineveh province in the north west of Iraq. Several political parties agreed to give Prime Minister Adel Abdul Mahdi 45 days to implement reforms, and threatened to withdraw support for his government. Prime Minister Adel Abdul Mahdi resigned on November 29 after Grand Ayatollah Ali al-Sistani urged parliament to withdraw its support for the government.

LIBYA

The Libyan National Army (LNA) continued to carry out its offensive to capture Tripoli from the United Nations-backed Government of National Accord (GNA), as UN-led efforts to promote a ceasefire between the two parties faltered. The LNA reportedly deployed additional military personnel, with the support of Russia, in the capital city. Also, LNA conducted airstrikes that hit Tripoli's Mitiga airport, the Sirte and Misrata airports, as well as a weapons storage depot in a residential area in the city of Misrata. The U.S. State Department issued a statement against the LNA offensives and condemned "Russia's attempts to exploit the conflict". The GNA and Turkey signed two agreements on military cooperation and on the delimitation of their maritime boundaries in Mediterranean waters.

SUDAN

The government approved a draft law to dismantle the former regime, including dissolving the former ruling National Congress Party and barring the political activities of its leaders or members. Also, the sovereign council and the council of ministers approved legal reforms to increase the protection of civil liberties. The UN Security Council extended until May 15, 2020 the mandate of the United Nations Interim Security Force for Abyei, the disputed border area between Sudan and South Sudan. Prime Minster Abdalla Hamdok visited the Eritrean capital Asmara to discuss the enhancement of bilateral ties and the violence in the northeast of Sudan near the border with Eritrea.

SYRIA

Regime forces and Russia continued their attacks on the rebel-held parts of the Idlib province. Turkey limited its military operations against the Kurdish-led People's Protection Units (YPG) and carried out joint patrols with Russian forces in the safe zone in northeast Syria. Russia increased its military presence in the northeast of the country and claimed to have taken control of the former U.S. military base near Sarrin, following the U.S. withdrawal in October. Further, U.S. forces carried out a major operation against Islamic State militants in Deir al-Zour. Israel intercepted four rockets that Iranian-backed forces allegedly launched from Syria to the Israeli-controlled Golan Heights, while Israel conducted airstrikes on over 20 regime and Iranian targets in Syria.

TURKEY

Military operations continued against the Kurdistan Workers' Party (PKK) in the southeast of Turkey and in northern Iraq. Turkey threatened to launch military action against the Kurdish-led People's Protection Units (YPG) in Syria, if the U.S. and Russia fail to ensure the full withdrawal of the YPG from the agreed areas in Syria. President Recep Tayep Erdoğan met with U.S. President Donald Trump to ease tensions caused mainly by Turkey's incursion in Syria and its acquisition of Russian S-400 missile systems. The U.S. imposed sanctions on three Turkey-based companies and two Turkish citizens for allegedly providing financial and logistical support to Islamic State militants.

YEMEN

The Hadi government and the UAE-backed Southern Transitional Council (STC) signed the Riyadh agreement on November 5, which aims to end hostilities between the two parties. The agreement stipulates the formation of a new Cabinet with equal representation of both parties within 30 days. The deal would also unify all military formations under the authority of the ministries of interior and defense, and would allow STC representation in future UN-led peace talks with Huthi rebels. UN Special Envoy Martin Griffiths announced that Saudi airstrikes on Huthi rebels declined by around 80% in November, as indirect talks between the two parties continued. Also, Huthi rebels escalated their attacks on forces aligned with the Hadi government in Yemen.

Source: International Crisis Group, Newswires

OUTLOOK

AFRICA

Growth projected at 3.2% in 2019 and 3.6% in 2020, outlook subject to downside risks

The International Monetary Fund estimated real GDP growth in Sub-Saharan Africa (SSA) at 3.2% in 2019, down from a forecast of 3.4% in July 2019, and unchanged from the growth rate reached in 2018. It attributed the downward revision to a more challenging external environment, continued output disruptions in oil-exporting SSA countries, as well as weaker-than-anticipated activity in South Africa. Further, it expected the SSA region's growth rate to accelerate to 3.6% in 2020. It forecast real GDP growth to pick up from 2.1% in 2019 to 2.5% in 2020 in SSA's oil exporters, while it projected activity in the region's oil-importers to expand by 3.9% in 2019 and 4.3% in 2020. Further, it expected growth in the West African Economic and Monetary Union at 6.4% in 2019 and 6.5% in 2020. The Fund noted that downside risks to the region's outlook include rising global trade protectionism, a reversal in capital inflows amid tightening global financial conditions, as well as a faster-than-anticipated slowdown in economic activity in China and in the Eurozone that would weigh on the region's commodity exports.

In parallel, the IMF projected the SSA region's fiscal deficit, including grants, to widen from 3.7% of GDP in 2018 to 4.3% of GDP in each of 2019 and 2020. It also forecast the region's public debt level to rise from 49% of GDP at end-2018 to 50.2% of GDP at end-2019 and to 50.4% of GDP at the end of 2020. It considered that fiscal slippages ahead of elections in some SSA countries, as well as a lack of reforms in key countries, constitute risks to their public finances. In parallel, it projected the aggregate current account deficit of SSA economies to widen from 2.7% of GDP last year to 3.6% of GDP in 2019, and to vary between deficits of 5.6% of GDP for SSA oil importers and of 0.3% of GDP for oil exporters this year. It expected the region's current account deficit to further widen to 3.8% of GDP in 2020. It forecast the SSA region's foreign currency reserves to cover 4.7 months of imports at end-2019 and 4.6 months of imports at end-2020, down from 4.9 months of imports at end-2018.

Source: International Monetary Fund

SAUDI ARABIA

Non-oil private sector growth at 3.5% in 2020

Jadwa Investment projected Saudi Arabia's real GDP growth at 0.2% in 2019, relative to a previous forecast of 1.6%, due to a slowdown of activity in the hydrocarbon sector. It forecast hydrocarbon GDP to contract by 3.3% in 2019, while it expected non-hydrocarbon GDP to grow by 2.8%, driven by a pickup in private sector activity. Further, it forecast economic activity to grow by 2.1% in 2020, as it expected hydrocarbon GDP to expand by 1.2% in 2020 and for non-hydrocarbon sector activity to continue recovering. It projected the non-hydrocarbon private sector activity to rise by 3.5% in 2020, supported by the G20 summit hosted in Saudi Arabia, while it anticipated the non-hydrocarbon government sector to increase by 1%.

In parallel, it estimated the fiscal deficit at 4.3% of GDP in 2019, in line with the Ministry of Finance's target deficit. However, it projected the fiscal deficit to widen to 5.9% of GDP in 2020, due to lower public revenues despite cuts in spending. It expected the Public Investment Fund and the National Development Fund to drive investments in the Kingdom. It forecast the government's debt level to increase from 22.3% of GDP in 2019 to 23.7% of GDP in 2020, as it anticipated authorities to finance 41% of the deficit in 2020 through debt issuance and the remaining of the deficit from the government's deposits at the Saudi Arabia Monetary Authority.

Further, Jadwa projected the current account surplus to narrow from 9% of GDP in 2018 to about 7% of GDP per year during the 2019-20 period, as it expected imports to increase in line with non-hydrocarbon activity, while it noted that the outlook for exports is uncertain due to current global economic conditions. In addition, it anticipated that the $25.6bn Aramco IPO in December would drive portfolio investment inflows, and forecast international bond issuances to support financial inflows in 2020. It considered that external factors, mainly the global trade dispute and regional geopolitical tensions, constitute main risks to the Kingdom's economic outlook.

Source: Jadwa Investment

IRAQ

Fiscal balance to shift to deficit in 2020 despite favorable growth outlook

The Institute of International Finance expected Iraq's economic activity to shift from a contraction of 0.6% in 2018 to growth rates of 3.8% in 2019 and 3% in 2020, driven by improved hydrocarbon and non-hydrocarbon sector activities. It forecast real hydrocarbon GDP to grow by 4.1% this year and by 3% in 2020 relative to a contraction of 1.3% in 2018, as the government increases its oil output capacity. It projected growth in the non-hydrocarbon sector to accelerate from 0.8% last year to 3.4% in 2019 and 3% in 2020, supported by higher agricultural and electricity production. Further, it expected economic activity over the medium term to be driven by reconstruction efforts, but to be constrained by a weak infrastructure, widespread corruption, lack of institutional capacity and a poor business environment. It said that risks to the outlook include lower oil prices, political uncertainties and worsening security conditions.

In parallel, the IIF expected the fiscal balance to shift from a surplus of 7.9% of GDP in 2018 to a deficit of 3.9% of GDP in 2019 and 6.8% of GDP in 2020, due to lower oil export receipts, weak tax collection and a higher public-sector wage bill. It said that the fiscal deficit could widen to 13% of GDP beyond 2019 in case of lower-than-anticipated oil prices. It expected the government to continue to finance its deficit through short-term domestic borrowing at a high cost, which could crowd out the already limited lending to the private sector. It forecast the public debt level to increase from 49.2% of GDP at the end of 2018 to 52.3% of GDP at end-2019 and 57% of GDP at end-2020, reflecting the downward pressure on oil prices and unrestrained current spending. Further, the IIF anticipated the current account surplus to decline from 12.3% of GDP in 2018 to 4.2% of GDP in 2019 and 0.3% of GDP in 2020, due to lower oil export receipts and higher imports. Still, it projected foreign currency reserves to remain above $60bn during the rest of 2019 and in 2020, despite lower-than-expected foreign aid for reconstruction and limited capital inflows. It considered that declining oil prices would continue to weaken Iraq's external position and weigh on its foreign currency reserves, especially in the absence of foreign inflows.

Source: Institute of International Finance

GCC

Fiscal balances deteriorate in 2019 amid lower oil export receipts

Fitch Ratings expected the fiscal balances of Gulf Cooperation Council (GCC) countries to deteriorate by one percentage point of GDP to two percentage points of GDP in 2019, as it projected oil prices to decline from over $70 per barrel (p/b) in 2018 to an average of $65 p/b this year. It noted that GCC governments implemented several reforms so far in 2019, such as the introduction of a value-added tax in Bahrain and an excise tax in Oman and Qatar. However, it considered that these measures would only partly offset the impact of lower oil prices and higher public spending. It estimated that a $10 p/b change in oil prices affects government revenues in the GCC by two percentage points of GDP to four percentage points of GDP, depending on the country. In addition, Fitch indicated that the non-hydrocarbon primary deficit to non-hydrocarbon GDP ratio, which measures the underlying fiscal policy stance, deteriorated in most GCC countries in 2018. However, it expected this ratio to improve in 2019, as lower oil prices limit fiscal policy space. It added that the recovery in non-hydrocarbon sector activity in GCC countries, which has been driven in part by higher government spending, is supporting the non-hydrocarbon primary balances. It pointed out that, despite structural fiscal improvements, Bahrain, Oman and Saudi Arabia still need oil prices to average above $80 p/b in order to balance their budgets.

Source: Fitch Ratings

BAHRAIN

Agencies take rating actions on the sovereign

S&P Global Ratings affirmed at 'B+' Bahrain's long-term foreign and local currency issuer credit ratings, while it revised the outlook from 'stable' to 'positive'. It attributed the outlook revision to its expectations that the government will implement additional reforms to further narrow the fiscal deficit, and to the improvement in Bahrain's external position amid financial support from other GCC sovereigns. It said that fiscal consolidation is supported by the introduction of the value-added tax and the implementation of the voluntary retirement scheme, which reduced the public sector's workforce by 18%. It forecast the fiscal deficit to narrow from an average of 12% of GDP annually in the 2015-17 period to 5.7% of GDP in 2019 and to 4.2% of GDP in 2022. Still, it noted that the government will miss its target of a balanced budget by 2022, as Bahrain's continued budgetary dependence on oil receipts and its high public debt level will hamper the effectiveness of policymaking. In parallel, Fitch Ratings affirmed Bahrain's long-term foreign-currency Issuer Default Rating at 'BB-' with a 'stable' outlook. It pointed out that the rating balances the strong financial support from GCC peers, as well as Bahrain's developed financial sector and elevated GDP per capita, with weak public finances, high fiscal dependence on oil revenues and limitations to enact reforms. In addition, it said that Bahrain faces a significant external amortization schedule, with $4.9bn of external medium- and long-term debt maturing in 2020-22, which would be financed through financial support from GCC and external debt issuance.

Source: S&P Global Ratings, Fitch Ratings

PAKISTAN

Outlook on ratings revised to 'stable' amid improving external position

Moody's Investors Service affirmed Pakistan's long-term local and foreign currency issuer and senior unsecured debt ratings at 'B3', and revised the outlook from 'negative' to 'stable'. It attributed the outlook revision to improving balance of payments dynamics amid policy adjustments and currency flexibility, as well as to ongoing fiscal reforms under the IMF program that mitigate risks related to debt sustainability and government liquidity. It projected the current account deficit to narrow from 5% of GDP in the fiscal year that ended in June 2019 to an average of 2.2% of GDP annually between FY2019/20 and FY2020/21, in case of subdued import growth and a gradual recovery in exports following the recent depreciation of the real exchange rate. Still, it noted that Pakistan's foreign currency reserves have been low at around $7bn to $8bn in the past few months, and covered between two to 2.5 months of imports. In parallel, the agency expected the fiscal deficit to remain wide at 8.6% of GDP in FY2019/20 but to narrow thereafter to an average of 7% of GDP annually between FY2020/21 and FY2022/23. Consequently, it forecast the public debt level to gradually decline from 83% of GDP currently to about 75% of GDP at end-June 2023. However, it anticipated that high debt servicing costs would continue to weigh on Pakistan's public finances. It also considered that the revenue targets set under the IMF program are challenging given the subdued economic growth environment, as it projected real GDP growth to decelerate from 3.3% in FY2018/19 to 2.9% in FY2019/20.

Source: Moody's Investors Service

DEM REP CONGO

IMF program to support structural reforms and external position

S&P Global Ratings indicated that the Democratic Republic of Congo (DRC) and the International Monetary Fund (IMF) reached an agreement on a reform program that could be supported by a Rapid Credit Facility (RCF), along with an unfunded staff-monitored program. It noted that the RCF provides rapid financial support in a single, up-front disbursement for low-income countries that are facing urgent financing needs. It considered that the proposed IMF assistance would help initiate the implementation of structural reforms and attract additional external financial support that is essential to finance the DRC's development plan and to strengthen its weak external position. As a result, it said that the implementation of reforms and the related external funding would create a more favorable environment that would help achieve inclusive broad-based economic growth, reduce poverty levels, and improve political stability. In this context, S&P indicated that the 'positive' outlook on the DRC's sovereign ratings reflects the possibility of upgrading the ratings if the new administration is successful in securing sufficient international financial support. In parallel, it pointed out that the amount of financial support from the RCF is limited, despite a country's ability to repeatedly resort to this facility. It considered that authorities will need larger support from international partners in order to fully address the vulnerabilities and challenges that are weighing on the economy.

Source: S&P Global Ratings

GCC

Stable outlook on banks in the region in 2020

Fitch Ratings indicated that its 'stable' outlook on banks in the Gulf Cooperation Council (GCC) countries reflects a stable operating environment, as it considered that oil prices would support modest economic growth and maintain the banks' strong liquidity and sound profitability in 2020. However, it anticipated the banks' asset quality to remain under pressure next year. It forecast lending growth in GCC economies to be moderate at between 3% and 5% in 2020, in line with the 2019 levels in most GCC countries, supported by the sustained recovery in non-hydrocarbon sector activity. Also, it expected the banks' liquidity levels to be elevated in 2020, particularly in Saudi Arabia and the UAE, but it noted that liquidity levels continue to be below the pre-2014 levels. In addition, it projected the banks' capital ratios to be mostly unchanged in 2020 amid low lending growth. It pointed out that capital ratios at GCC banks are above international peers, but it considered the capital buffers to be only adequate given the high borrowers' and sectors' concentration. In parallel, it indicated that the pressure on the banks' asset quality is mainly in the real estate sector due to oversupply, and to lesser extent in the contracting, retail and hospitality sectors. It noted that pressure on asset quality is most prevalent at banks in the UAE and Qatar, as real estate prices dropped the most in both countries and resulted in increased loan restructuring in real estate and related sectors.

Source: Fitch Ratings

TUNISIA

Agency takes rating actions on eight banks

Capital Intelligence Ratings downgraded from 'BB-' to 'B+' the long-term foreign currency ratings (FCRs) of Banque Internationale Arabe de Tunisie (BIAT), Attijari Bank, Arab Tunisian Bank (ATB), Banque de Tunisie and Union Bancaire pour le Commerce et L'Industrie (UBCI), and from 'B+' to 'B' the FCR of Amen Bank. It attributed the rating action to a downward revision of Tunisia's sovereign credit risk, which is mainly driven by the country's subdued economic performance, slower-than-expected implementation of reforms, lower global and regional economic growth, and higher geopolitical risks. It considered that a significant slippage in the implementation of reforms could reduce international financial support, which would increase sovereign risk and, in turn, heighten the pressure on the banking sector. Further, it upgraded from 'B-' to 'B+' the rating of Banque Nationale Agricole (BNA) due in part to an improvement in the bank's capital position, while it affirmed at 'B+' the long-term FCR of Société Tunisienne de Banque (STB). It maintained a 'stable' outlook on the eight banks' FCRs. Further, it assigned a Bank Standalone Rating (BSR) of 'b+' to BIAT, Attijari Bank, Banque de Tunisie and UBCI, and a rating of 'b' to ATB, BNA, STB and Amen Bank. It noted that the BSR takes into consideration the banks' core financial strength and operating environment risk. As such, it said that BIAT's BSR is supported by the bank's strong domestic franchise, sound loan asset quality and very strong profitability, but is constrained by its weak capital position and tight liquidity level. Also, it indicated that Attijari Bank's BSR is underpinned by its solid franchise, sound liquidity and funding position, high stock of liquid assets and strong profitability.

Source: Capital Intelligence Ratings

NIGERIA

Banking sector's high external debt is key risk

S&P Global Ratings maintained Nigeria's banking sector in 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '10' and an industry risk score of '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing banks, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 10' are Belarus, Greece, Lebanon and Ukraine. The agency indicated that Nigeria's economic risk score reflects its "extremely high risks" in economic resilience and credit risk in the economy, as well as its "high risks" in economic imbalances. It noted that Nigeria's economic risks reflect subdued economic growth, high reliance on the hydrocarbon sector, weak governance, and elevated credit losses in the banking sector. It said that the banks' operating conditions have been improving since the recovery in global oil prices in 2018. But it expected the sector's credit losses to normalize at about 2% in the 2019-21 period amid flat real lending growth. Further, S&P pointed out that the industry score reflects the country's "extremely high risks" in its institutional framework and in its system-wide funding, and "intermediate risks" in its competitive dynamics. It forecast the sector's gross external debt to average 60% of total domestic loans in the 2019-20 period, which would expose the banks to high external refinancing risks. It indicated that the trend for Nigeria's economic and industry risks is "stable".

Source: S&P Global Ratings

GHANA

Prudential measures aim to increase banking competition and lending activity

Moody's Investors Service considered that the Bank of Ghana's (BOG) new prudential and market conduct measures, which aim to increase competition among banks and promote lending activity, are credit positive for the banking sector in Ghana. It noted that the BOG attributed the limited availability of credit to the private sector and elevated lending rates to the banks' high operating costs, limited loan pricing transparency, double-digit non-performing loans (NPLs) ratios, as well as to the crowding out of the private sector by the government. As such, it indicated that the banks will be required to provide a clear framework for the pricing of loans relative to the borrowers' risk level. It added that the BOG will lower the reserve requirements for banks that participate in the Enterprise Credit Scheme from 10% to 8%, in order to increase lending to small and mid-sized enterprises. In addition, it pointed out that the BOG will introduce measures that would scrutinize and link the compensation policies of senior managers and directors to the banks' overall performance, and that would enhance the disclosure of such policies. Further, the agency noted that the NPLs ratio remains high at 17.3% at end-October 2019, despite declining, and is a key constraint for the banks' risk and lending appetites. It added that the government's high domestic borrowing requirements and elevated bond yields are weighing on the private sector's lending and are a primary reason for the high cost of credit. As such, Moody's anticipated that, without a significant drop in NPLs and in the yields on government securities, these new measures alone will not lead to a significant increase in lending to the private sector in the next 12 to 18 months.

Source: Moody's Investors Service

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

ICE Brent crude oil front-month prices averaged $62.7 per barrel (p/b) in November 2019, the highest monthly average since July 2019. The November prices constituted an increase of 5.2% from $59.6 p/b in October 2019 and a decline of 4.9% from $65.9 p/b in November 2018. The rise in prices incorporated market expectations that the U.S. and China would reach an agreement to end their 16-month trade dispute. However, oil prices decreased from a two-month high of $64.3 p/b on November 26 to $60.8 p/b on December 3, as the trade dispute could remain unsolved until after the U.S. presidential elections in November 2020. In parallel, prices surged by about 4% to $63 p/b on December 4, driven by expectations of deeper output cuts by OPEC and non-OPEC countries in their upcoming meeting on December 6, 2019. Goldman Sachs indicated that balancing the global oil market would require an extension of the OPEC agreement, given the large output increases from several non-OPEC countries and the uncertain outlook for global demand. It estimated the surplus in the global oil market at 1.3 million barrels per day by the third quarter of 2020, in case OPEC and Russia return to their production levels prior to the cuts, which would reduce oil prices by $7 p/b. It considered that a three-month extension of the production cuts would be enough to keep oil inventories in OECD countries in line with seasonal trends in the first half of 2020. It projected oil prices to average $60 p/b in 2020 compared to an average of $64.1 p/b in the first 11 months of 2019, in the absence of geopolitical shocks.
Source: Goldman Sachs, Refinitiv, Byblos Research

MENA's oil exports to decline by 10% in 2019

Crude oil exports from the MENA region are forecast to reach 18 million barrels per day (b/d) in 2019, which would constitute a decline of 9.6% from 20 million b/d in 2018. The GCC countries would account for 68.3% of the region's oil exports this year, while non-GCC exporters would represent the balance of 31.7%. Saudi Arabia's oil exports are projected at 6.95 million b/d this year, or 38.6% of the region's oil exports, followed by Iraq at 3.97 million b/d (22.1%) and the UAE at 2.25 million b/d (12.5%).
Source: International Monetary Fund, Byblos Research

Steel output up 3% in first 10 months of 2019

Global steel production reached 1.54 billion tons in the first 10 months of 2019, up by 3.2% from 1.5 billion tons in the same period of 2018. Steel production in China totaled 829.2 million tons and accounted for 53.8% of global output. India followed with 93.3 million tons (6.1%), then Japan with 83.8 million tons (5.4%), and the U.S. with 73.5 million tons (4.8%).
Source: World Steel Association, Byblos Research

Angola's oil export receipts at $7.3bn in third quarter of 2019

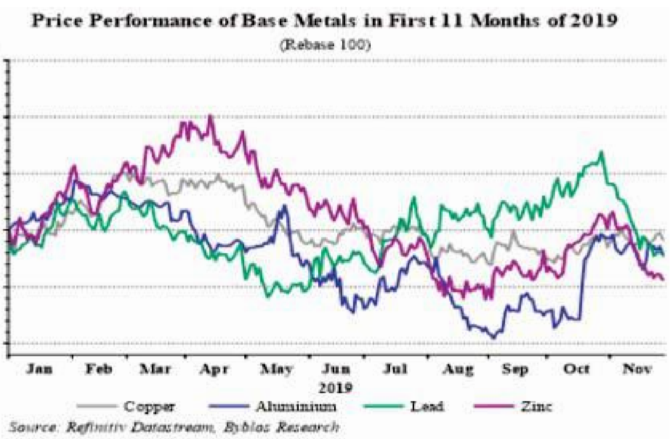
Angola's oil exports reached 116.4 million barrels in the third quarter of 2019, constituting a decrease of 5.3 million barrels, or about 4.4%, from the second quarter of the year, and a decline of 15.3 million barrels, or about 11.6%, from the third quarter of 2018. In parallel, the country's oil export receipts totaled $7.3bn in the third quarter of 2019, down from $8.5bn in the previous quarter and from $10bn in the same quarter of 2018. Angola's current oil production stands at about 1.36 million barrels per day (b/d), compared to 1.51 million b/d in 2018.
Source: Macauhub, Banco Nacional de Angola, OPEC

Base Metals: Nickel prices up by 5% in first 11 months of 2019

The LME cash price of nickel averaged $13,921 per metric ton in the first 11 months of 2019, constituting an increase of 4.6% from an average of $13,310 per ton in the same period of 2018. Nickel was the only base metal to register an increase in its price this year, despite ongoing global trade tensions that have been weighing on the prices of other base metals. On a monthly basis, nickel prices averaged $15,172 per ton in November 2019, down by 11% from an average of $17,046 per ton in October. In fact, prices decreased by 26.6% from $17,811 per ton on October 10, 2019 to $13,075 a ton on December 4, their lowest level since July 11, 2019. The drop in prices was mainly driven by lower demand from the stainless steel industry, nickel's main consumer, amid oversupply and lower profits in the sector. In addition, nickel prices regressed due to concerns about a further weakening in demand amid expectations of a prolonged trade war between the U.S. and China, as the U.S. suggested that a trade deal with China might come after the November 2020 U.S. elections. Further, prices declined as a result of easing supply concerns, as nickel inventories recovered and as Indonesia allowed nine companies to resume exports of nickel ore until the end of 2019. Still, ABN AMRO projected prices to average $14,042 per ton in 2019.
Source: ABN AMRO, Refinitiv, Byblos Research

Precious Metals: Silver prices to average $18 per ounce in 2020

Silver prices averaged $16.1 per troy ounce in the first 11 months of 2019, constituting an increase of 2.1% from an average of $15.8 an ounce in the same period of 2018. Also, prices rose from an average of $14.9 an ounce in the second quarter of 2019 to $17 per ounce in the third quarter, and to $17.4 an ounce so far in the fourth quarter of the year. The metal's price has mainly been driven by an easing of monetary policy by central banks globally, as well as by escalating trade tensions between the U.S. and China. In fact, U.S. president Donald Trump's recent announcement that a potential deal with China could be delayed until after the 2020 U.S. presidential elections resulted in an increase in silver prices by 1.2% day-to-day to a one-month high of $17.2 an ounce on December 3, 2019. Prices are projected to further increase to an average of $18 per ounce in 2020 due to uncertainties related to the 2020 U.S. presidential elections, and in case U.S. monetary easing continues next year. However, downside risks to the price outlook could arise from weak industrial demand due to the continued slowdown in global economic activity.
Source: Goldman Sachs, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
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	Negative	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+								
	Positive	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	C+	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	Stable	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	03-Dec-19	No change	04-Feb-20
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	04-Dec-19	No change	22-Jan-20
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	29-Nov-19	No change	17-Jan-20
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	05-Dec-19	No change	06-Feb-20
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	16-Jan-20
Kenya	Central Bank Rate	8.50	25-Nov-19	Cut 50bps	27-Jan-20
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	29-Nov-19	No change	27-Jan-20
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	02-Dec-19	No change	N/A
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

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

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

CYPRUS

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

NIGERIA

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

ADIR INSURANCE

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