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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade to decrease by 2% in 2019

The United Nations Conference on Trade & Development (UNCTAD) indicated that the value of world merchandise trade reached a record high of $19.5 trillion in 2018, constituting an increase of 9.7% from 2017, and compared to a rise of 10.7% in 2017. It attributed the increase in merchandise trade mainly to changes in prices, including fuel prices, as the volume of world merchandise trade grew by 2.3% only in 2018. It pointed out that the amount of merchandise trade in developed economies totaled $10.1 trillion, and accounted for 52% of world merchandise trade in 2018, followed by developing economies with $8.7 trillion (44.5%), and transition economies with $674bn (3.5%). It projected the value of world merchandise trade to decline by 2.4% to $19 trillion in 2019. In parallel, it indicated that exports of manufacturing goods reached $13.3 trillion, or 68.5% of total merchandise trade in 2018, followed by the exports of fuels with $2.4 trillion (12.5%), food items with $1.6 trillion (8%), exports of ores, metals, precious stones & non-monetary gold with $1.2 trillion (6.2%), and agricultural raw materials with $276.5bn (1.4%). It noted that the economies that were most open to international trade in 2018 consisted of small economies in South-Eastern Asia and Eastern Europe, including Hong Kong, Singapore, Vietnam, Hungary, Slovakia and Slovenia. In contrast, it said that the United States and Japan, as well as several economies in South America and the tropical zones of Africa were less open in terms of trade last year.
Source: UNCTAD

GCC

Fixed income issuance at $125bn in first 11 months of 2019

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $125.3bn in the first 11 months of 2019, constituting an increase of 20.7% from $103.8bn in the same period of 2018. Aggregate fixed income in the covered period consisted of $48bn in sovereign bonds, or 38.3% of the total, followed by corporate bonds at $41bn (32.6%), sovereign sukuk at $23.4bn (18.7%), and corporate sukuk at $13bn (10.4%). Aggregate bonds and sukuk issued by GCC sovereigns reached $71.4bn in the first 11 months of 2019, while bonds and sukuk issued by GCC corporates amounted to $54bn. On a monthly basis, GCC sovereigns issued $13.2bn in bonds and sukuk in January, $3bn in February, $15.3bn in March, $7.4bn in April, $0.2bn in May, $4.1bn in June, $4.4bn in July, $5.2bn in August, $13.9bn in September, $4.2bn in October, and $0.5bn in November 2019. In parallel, companies in the GCC issued $1.9bn in bonds and sukuk in January, $2.4bn in February, $4.4bn in March, $15.4bn in April, $4.2bn in May, $1.2bn in June, $4.2bn in July, $3bn in August, $4.4bn in September, $6.3bn in October, and $6.5bn in November 2019. Sovereign issuance in November consisted of $490.7m in bonds issued by Bahrain. Also, corporate issuance in November included $4.2bn in bonds and $750m in sukuk issued by UAE-based companies, $500m in sukuk and $50m in bonds issued by Qatar-based firms, and $500m in sukuk issued by Saudi Arabia-based companies.
Source: KAMCO

MENA

Human development level varies across Arab world

The United Nations ranked the UAE in 45th place among 189 countries globally and in first place among 19 Arab economies on its Human Development Index (HDI) for 2018. Saudi Arabia followed in 36th place, then Qatar (41st), Bahrain (45th), and Oman (47th) as the five Arab countries with the highest level of human development; while Morocco (121st), Syria (154th), Sudan (168th), Djibouti (171st) and Yemen (177th) were the countries with the lowest level of development in the region. The HDI uses three basic dimensions, which are longevity, education and income, to assess the level of human development in a country. The 19 Arab countries received an average score of 0.703 points on the HDI in 2018, compared to an average of 0.701 points in 2017 and relative to a global average 0.731 points. The region's level of human development was better than the level of human development in South Asia (0.642 points) and in Sub-Saharan Africa (0.541 points), while it was lower than the level of human development in Europe & Central Asia (0.779 points), in Latin America & the Caribbean (0.759 points), and in East Asia & the Pacific (0.741 points). Further, the United Nations considered that the UAE, Saudi Arabia, Qatar, Bahrain, Oman and Kuwait have a 'very high' level of human development; while it placed Algeria, Tunisia, Lebanon, Jordan, Libya and Egypt among countries with a 'high' level of development. Further, Palestine, Iraq and Morocco had a 'medium' level of human development; while Syria, Sudan, Djibouti and Yemen came in the 'low' level category.
Source: UNDP, Byblos Research

QATAR

Profits of listed firms down 5% to $8bn in first nine months of 2019

The net income of 46 companies listed on the Qatar Stock Exchange totaled QAR29.5bn, or $8.1bn in the first nine months of 2019, constituting a decrease of 5.3% from QAR31.1bn, or $8.5bn, in the same period of 2018. Banking & financial services providers generated net profits of $5.2bn in the first nine months of 2019 and accounted for 64.3% of the total earnings of publicly-listed firms. Industrial companies followed with $1.2bn, or 14.3% of the total, then real estate firms with $453.4m (5.6%), telecommunication companies with $377.4m (4.7%), consumer goods & services corporates with $366.8m and transportation firms with $364.8m (4.5% each), as well as insurers with $170.6m (2.1%). Further, the net earnings of listed telecommunication firms grew by 17.7% year-on-year in the first nine months of 2019, followed by the profits of transportation companies (+8.5%), and banking & financial services providers (+6.5%). In contrast, the net income of listed industrial companies regressed by 39.7% in the covered period from the first nine months of 2018, followed by real estate firms (-15%), consumer goods & services companies (-5.1%), and insurers (-0.5%).
Source: KAMCO

OUTLOOK

SAUDI ARABIA

Balanced budget by 2023 contingent on oil prices and lower spending

The Institute of International Finance revised downward its forecast for Saudi Arabia's fiscal deficit to 4.7% of GDP in 2019 from 6.2% of GDP previously. It noted that preliminary spending estimates came below the budgeted spending for 2019, while government revenues increased despite lower oil prices, due to higher oil dividend transfers from Saudi Aramco. Also, it lowered its fiscal deficit forecast for 2020 to 6.6% of GDP from 7.5% of GDP previously, as it projected oil production to slightly increase and for government spending to continue to decline. It considered that authorities could achieve a balanced budget by 2023, given their current efforts to restrain spending and in case oil prices remain slightly above $60 per barrel (p/b) in the next few years. It projected the public debt level to increase from 23.5% of GDP at end-2019 to 26.1% of GDP at end-2020, and to be around 29% of GDP during the 2021-23 period. It forecast the fiscal breakeven oil price to decline from $80 p/b in 2019 to $77 p/b in 2020, and to reach $63 p/b by 2023 in case current spending decreases and non-oil revenues rise. However, it estimated that the public debt level would exceed 40% of GDP by 2023 if oil prices fall to about $50 p/b and without steeper cuts in spending.

In parallel, the IIF projected real GDP to grow by 1.9% in 2020 following an estimated contraction of 0.3% in 2019, driven by an expected increase in hydrocarbon production. It pointed out that the economic contraction in 2019 was mainly due to a 4.5% decline in oil production under the extended OPEC agreement and to the attack on Aramco's oil facilities. Also, it anticipated non-hydrocarbon growth to remain solid at 2.7% in 2020, driven by the ongoing recovery in private sector activity. Further, it projected the current account surplus to decrease slightly from 3.3% of GDP in 2020 to 2.3% of GDP in 2023. However, it noted that, in case oil prices fall significantly below $60 p/b, the current account would shift to a deficit of 1.3% of GDP in 2020 and a deficit of 2.3% of GDP in 2023.

Source: Institute of International Finance

GHANA

Favorable medium-term growth prospects

The International Monetary Fund projected Ghana's real GDP growth to accelerate from 6.3% in 2018 to 7% in 2019, and to average 5% annually over the medium term, supported by mining activity and new potential oil discoveries. It considered that upside risks to the growth outlook include higher cocoa prices, as well as rapid economic diversification driven by the authorities' industrialization efforts. It also anticipated the inflation rate to decline from 9.8% in 2018 to 7.7% in 2019 and to about 6% over the medium term. It considered Bank of Ghana's (BoG) monetary policy to be appropriate, but it pointed out that the authorities would need to tighten monetary policy in case inflationary pressures materialize. Further, it forecast foreign currency reserves to decline from $5.3bn at end-2018 to $5.1bn at end-2019 and $5bn by the end of 2020. It stressed the need to limit BoG's intervention in the foreign currency market to increase the level of reserves, as well as to strengthen the inflation-targeting framework.

In parallel, the Fund projected the fiscal deficit, excluding costs related to the financial and energy sectors, to widen from 3.7% of GDP in 2018 to 4.7% of GDP in 2019, driven by lower-than-expected revenues, increased spending on flagship programs, and unexpected security outlays. It anticipated the fiscal deficit at 7% of GDP in 2019 when including energy and financial sector costs, and projected it to stabilize at 5% of GDP over the medium term. It also expected the central government's debt level to increase from 59% of GDP at end-2018 to about 63% of GDP during the 2019-20 period and to average 62% of GDP in the medium term.

Further, the IMF expressed concerns about Ghana's high risk of debt distress, and emphasized the need to strengthen fiscal rules and to phase out off-budgetary operations. It added that a more ambitious fiscal stance based on a comprehensive revenue mobilization strategy, would reduce the debt level, contain financing needs, create buffers for contingent liabilities, and support the external position. It considered that downside risks to the fiscal outlook include election-related spending pressures next year, debt rollover risks in case of a loss in investor confidence and tighter global financial conditions, as well as higher-than-expected costs related to the energy and financial sectors.

Source: International Monetary Fund

ANGOLA

Economic activity to recover in 2020 on rising oil output

Barclays Capital estimated Angola's economic activity to post a contraction of 0.5% in 2019, due to the sharp decline in hydrocarbon and diamond output, as well as to the slowdown in the manufacturing and trade activities. However, it projected real GDP to grow by 1.5% in 2020 and by 1.7% in 2021, as it anticipated the government's reforms and incentives in the oil sector to increase hydrocarbon sector activity. It expected Angola's oil production to gradually rise from 1.4 million barrels per day (b/d) in 2019 to 1.55 million b/d in 2020 and 1.65 million b/d in 2021. Further, it forecast the current account surplus to increase from 0.1% of GDP in 2019 to 2.4% of GDP in 2020 and 2.7% of GDP in 2021, driven by the steady rebound in oil output and export receipts. Still, it noted that exports generally take time to respond to the depreciation of the currency, while imports adjust immediately, which would lead to a higher import bill and limit the improvement in the current account balance.

In parallel, it anticipated that the liberalization of the exchange rate in October 2019 would improve Angola's external sector metrics and would help replenish foreign currency reserves in the long term. However, it indicated that allowing the currency to trade freely will increase the public debt level and the inflation rate. As such, it expected the public debt level to increase from 86% of GDP at the end of 2018 to 113% of GDP at end-2019 in case the Angolan kwanza trades between AOA450 against the US dollar and AOA500 per dollar towards the end of the year, and to reach 120.6% of GDP at end-2020. In addition, it projected the inflation rate to increase from 17.3% at end-2019 to 24.6% at end-2020. Barclays considered that authorities need to tighten monetary policy in order to achieve a single-digit inflation rate and to restore confidence in the local currency. However, it expected authorities to tighten their monetary policy stance next year, and forecast the Banco Nacional de Angola to lower its policy rates by 300 basis points in 2020.

Source: Barclays Capital

ECONOMY & TRADE

MOROCCO

Delays in reforms to weigh on economic outlook

The International Monetary Fund indicated that Morocco has made significant progress in strengthening the resilience of its economy in recent years. It said that economic activity weakened in 2019 due to a contraction in agricultural output. It also noted that fiscal consolidation slowed down due in part to weaker-than-expected tax receipts and the increase in public-sector wages. It anticipated economic growth to gradually accelerate in the medium term, but it pointed out that the outlook is subject to downside risks, including delays in the implementation of reforms. It called on authorities to further improve the efficiency and governance of the public sector, to carefully implement fiscal decentralization, and to strength the oversight on state-owned enterprises. In parallel, Fitch Ratings affirmed at 'BBB-' Morocco's long-term foreign-currency Issuer Default Rating, with a 'stable' outlook. It indicated that the rating is supported by the country's record of macroeconomic stability, low level of public debt denominated in foreign currency, and relatively comfortable external buffers. But it noted that the rating is constrained by the elevated government debt level, as well as by wider fiscal and current account deficits than similarly-rated peers. It forecast the general government's fiscal deficit to average 2.3% of GDP annually in the 2019-21 period, while it projected the general government's debt level at about 53% of GDP in the 2020-21 period. Further, it expected the current account deficit to narrow from 5% of GDP in 2019 and 4.5% of GDP in 2020.

Source: International Monetary Fund, Fitch Ratings

MAURITANIA

Economic growth to exceed 6% in medium term

The International Monetary Fund expected real GDP growth in Mauritania to increase from 3.4% in 2018 to 6.9% in 2019 driven by the extractive and non-extractive sectors, and favorable terms of trade. It forecast economic growth to exceed 6% annually over the medium term in case of a further expansion of mining production, the development of a large offshore gas field, and strong domestic demand. It said that downside risks to the outlook include a global economic slowdown, volatile commodity prices, and security threats. The Fund called for the continued implementation of sound policies and structural reforms under the IMF-supported program to preserve macroeconomic stability. It forecast official foreign currency reserves at $1.1bn at end-2019 and $1.2bn at the end of 2020, which cover about 5.5 months of non-extractive imports. It also anticipated the external public debt level to decline from 69% of GDP at end-2018 to about 66% of GDP during the 2019-20 period. It welcomed the authorities' plans to pursue prudent fiscal policies while using the available fiscal space to increase social and infrastructure spending and to achieve debt sustainability. It expected the fiscal surplus to decrease from 3.3% of GDP in 2018 to 2.1% of GDP in 2019 and to 0.3% of GDP in 2020. It stressed on maintaining primary fiscal surpluses in the medium term and on relying mainly on concessional borrowing. It also called on authorities to strengthen tax and customs administration, to broaden the tax base and to rationalize current spending. Further, it encouraged officials to complete the reforms of the foreign exchange market, which would help ease liquidity conditions and support growth.

Source: International Monetary Fund

ETHIOPIA

Deal of $2.9bn with IMF to support reforms

The International Monetary Fund reached a staff-level agreement with Ethiopia on a $2.9bn financing package over three years to support the government's economic reform program. It pointed out that the program aims to permanently address the foreign currency shortages and the transition to a more flexible exchange rate regime, as well as to strengthen oversight and management of state-owned enterprises (SOEs) in order to contain debt vulnerabilities. Also, it said that the program intends to increase public revenues and to improve the efficiency of expenditures, in order to create the fiscal space needed to reduce poverty and increase capital spending. In parallel, Moody's Investors Service considered that the IMF program would support the accumulation of foreign currency reserves and encourage the implementation of the government's reform agenda, amid rising external vulnerabilities and fiscal risks. It said that foreign currency reserves have been stable since the start of the year and stood at $3.4bn at end-June 2019. But it noted that foreign reserves cover less than two months of imports, and expected downward pressure on the reserves to persist. Also, it pointed out that the depreciation of the Ethiopian birr would increase the debt of the government and of SOEs, as about 50% of the public debt stock is denominated in foreign currency. It estimated that a 20% depreciation of the birr would increase the public debt level by four percentage points of GDP in the fiscal year ending June 2020.

Source: International Monetary Fund, Moody's Investors Service

DEM REP CONGO

Economic conditions remain challenging and vulnerable to shocks

The International Monetary Fund indicated that economic policies have successfully restored macroeconomic stability in the Democratic Republic of Congo (DRC) in recent years. However, it said that economic conditions are challenging and vulnerable to shocks. It estimated real GDP growth to decelerate from 5.8% in 2018 to 4.5% in 2019. It noted that the recent drop in global commodity prices, looser oversight over spending during the political transition period, as well as the critically low level of foreign currency reserves, have led to a weaker fiscal position and have created urgent balance-of-payments needs. It considered that addressing the DRC's challenges will take time and will require coordinated support from the international community. Still, it said that the new government is committed to implementing an ambitious medium-term reform program that aims to strengthen macroeconomic stability, replenish foreign currency reserves, as well as address poor governance and the challenging business environment. It pointed out that government intend to raise revenues and plan to introduce strict spending caps, enhance the effectiveness of monetary policy, and support private sector development. It encouraged the authorities to restore fiscal discipline and to suspend the monetization of the fiscal deficit. Also, the Fund approved a staff-monitored program for the DRC, which will guide policy implementation and help authorities identify, prioritize and implement reforms. It also allowed the disbursement of $368.4m under its Rapid Credit Facility, in order to help authorities meet their urgent balance-of-payment needs.

Source: International Monetary Fund

GCC

Banks' assets up 3% in third quarter of 2019

KAMCO indicated that the aggregate assets of 62 listed banks in the Gulf Cooperation Council (GCC) countries reached $2.3 trillion at the end of September 2019, and increased by 8.1% from a year earlier. It also noted that the banks' assets grew by 3.1% from end-June 2019, one of the largest quarterly growth rates on record, driven by a rise of 3.6% in the assets of conventional banks and an increase of 1.4% in those of Islamic banks. Further, it said that the banks' net loans stood at $1.4 trillion at the end of September 2019, increasing by 6.8% from a year earlier. In parallel, it pointed out that aggregate deposits totaled $1.7 trillion at end-September 2019 and rose by 3.2% from end-June 2019, the highest growth rate in the last 10 quarters, as well as by 7.7% from end-September 2018. As such, it noted that the banks' loans-to-deposits ratio regressed from 81.3% at end-September 2018 to 80.6% at the end of September 2019. Further, it said that the banks' net interest income grew by 4.2% quarter-on-quarter to $14.9bn in the third quarter of 2019, while their non-interest income increased by 15% to $6.9bn in the covered quarter. In addition, it noted that the net interest margin of GCC banks was 3.11% in the third quarter of 2019, while their cost-to-income ratio stood at 37% in the covered quarter. In parallel, KAMCO projected lending activity to be supported in the near term by a strong pipeline of projects and lower interest rates.

Source: KAMCO

AFRICA

Negative outlook on banking sector in 2020

Moody's Investors Service revised the outlook for African banks in 2020 from 'stable' to 'negative', due to a weakening operating environment, as well as to rising pressures on the banks' asset quality. It indicated that the deteriorating operating conditions are weighing on the sovereigns' credit quality in the region, which will have a negative impact on African banks given their high exposure to their respective governments. It noted that the banks will face reduced business generation, slower lending growth and increased asset quality risks. As such, it projected lending growth at between 8% and 10% in 2020. In addition, it expected non-performing loans to increase, mainly due to the rise in public debt that will exacerbate the governments' payment arrears, as well as to elevated loan concentrations and deficiencies in risk management practices. Further, the agency said that African banks are subject to additional risks next year, including political and social uncertainties, the ongoing global trade tensions, and rising environmental risks. In parallel, Moody's indicated that the average capital adequacy ratio of African banks is 16.3%. It anticipated the capital buffers at most banks to remain high in 2020, and considered them sufficient to absorb some unexpected losses. Further, it forecast the banks' profitability to be solid in 2020 despite declining net interest margins, subdued business growth opportunities, higher loan-loss provisioning requirements and rising operating costs. In addition, it expected the banks' funding position and liquidity in local currency to remain sound in most African countries in 2020. It added that foreign-currency liquidity pressures have eased, amid improved access to US dollars and stricter prudential requirements.

Source: Moody's Investors Service

IRAQ

Foreign currency reserves up 31% to $63bn at end-2018

In its annual report, the Central Bank of Iraq (CBI) indicated that its sound monetary policy in 2018 provided financial and monetary stability. It said that the net foreign assets of the financial sector surged by 32% to IQD91,423bn, or $76.5bn, at the end of 2018. It noted that the CBI's foreign currency reserves expanded by 31.3% to IQD76,017bn, or $63bn, at the end of 2018, with $57bn in placements at foreign banks that grew by 33.4% from a year earlier. It added that foreign currency reserves were equivalent to 30.3% of GDP at end-2018. It pointed out that the exchange rate at which banks purchased U.S. dollars at the CBI's window market was stable at IQD1,190 per dollar, while it said that the market exchange rate averaged IQD1,209 per dollar in 2018. Also, it noted that the CBI sold $47.1bn to banks at the window market, up by 11.7% year-on-year. In parallel, the CBI indicated that it introduced several measures that preserved the general level of prices and adopted international standards for banking supervision, including the CAMELS rating system and Basel III principals. Also, the CBI noted that a deposit insurance company was established in order to increase citizens' confidence in the Iraqi banking system. Further, it said that narrow money supply M1 grew by 1.1% to IQD77,829bn at end-2018, mainly due to a growth of 1.9% in current deposits to IQD37,330bn and a marginal rise of 0.4% in physical currency to IQD40,498bn at end-2018. It added that broad money supply M2 increased by 2.7% to IQD95,391bn at end-2018, with other deposits, including term and saving deposits, rising by 10.7% to IQD17,562bn.

Source: Central Bank of Iraq

PAKISTAN

Outlook on banks' ratings revised to 'stable'

Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings at 'B3' and 'Caa1', respectively, of Habib Bank, National Bank of Pakistan, United Bank Limited, MCB Bank and Allied Bank, and changed the outlook on the ratings from 'negative' to 'stable'. It attributed the outlook revision to its similar action on Pakistan's sovereign ratings. Also, it noted that the 'stable' outlook reflects the agency's expectation that the government's capacity to support the banks in case of need will not deteriorate, amid reduced external vulnerability risks and ongoing fiscal reforms. In parallel, it indicated that the ratings of the banks reflect their stable deposit-based funding structure, high liquidity buffers and good capacity to generate earnings, as well as Pakistan's high growth potential. It noted that the ratings are constrained by the banks' modest capital buffers and high asset risks, as well as by their elevated exposure to the government. In parallel, it affirmed at 'b3' the Baseline Credit Assessment (BCA) of United Bank Limited, MCB Bank and Allied Bank, and at 'caa1' the BCA of Habib Bank and the National Bank of Pakistan. Further, the agency indicated that additional improvements in the operating environment and in the sovereign's credit risk profile could place upward pressure on the ratings. It said that it would downgrade the ratings in case Pakistan's sovereign creditworthiness weakens or if pressure on the banks' asset quality affects their capital buffers.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Brent oil prices projected at $65 p/b in 2020

ICE Brent crude oil front-month prices reached $66.2 per barrel (p/b) on December 18, 2019, their highest level since September 23, 2019. The increase in oil prices was mainly due to greater optimism about the outlook for global trade and economic growth in 2020, as well as to OPEC's decision to deepen its oil production cuts by 500,000 barrels per day (b/d) until March 2020. In parallel, Qatar National Bank expected oil prices to average $65 p/b in 2020. First, it considered that current market expectations about the growth of oil demand are too negative and do not incorporate the signs of a rebound in global manufacturing activity. It noted that global manufacturing will also benefit from the effects of monetary and fiscal policy easing in large advanced and emerging markets. Second, it indicated that current market expectations about the growth of oil supply are too optimistic, as they assume a continuous increase in U.S. oil output and lower compliance with OPEC's production cuts. It noted that investors are demanding greater discipline related to capital investments by shale oil companies, which would result in a slower expansion of U.S. oil output, while OPEC strengthened its mechanism to enforce accountability and compliance with deeper cuts. Third, it expected trade tensions between the U.S. and China to ease, and anticipated global risks to be associated with the U.S. elections in 2020. It said that global sentiment would improve in case trade uncertainties decrease, which would raise investors' risk appetite and, in turn, support commodity prices.

Source: Qatar National Bank, Refinitiv, Byblos Research

OPEC oil output down by 0.6% in November 2019

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 29.6 million barrels per day (b/d) in November 2019, down by 0.6% from an average of 29.7 million b/d in the preceding month. Saudi Arabia produced 9.85 million b/d in November 2019, or 33.3% of OPEC's total oil output, followed by Iraq with 4.6 million b/d (15.7%), the UAE with 3.1 million b/d (10.5%), Kuwait with 2.7 million b/d (9.2%), and Iran with 2.1 million b/d (7.1%).

Source: OPEC, Byblos Research

Nigeria's oil receipts down 11% in first nine months of 2019

Nigeria's crude oil and condensate export receipts totaled $3.6bn in the first nine months of 2019, constituting a decrease of 10.7% from $4bn in the same period of 2018. Export revenues during the covered period consisted of $2.6bn from crude oil exports (73%), $765m from gas exports (21.5%) and $200.8m in other receipts (5.6%). In September 2019, the authorities transferred $117.8m in hydrocarbon revenues to the Federation Account, while they used $312.8m to pay global oil companies to guarantee current and future production.

Source: Nigerian National Petroleum Corporation

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

Base Metals: Aluminum prices down 15.4% in first 11 months of 2019

The LME cash price of aluminum averaged $1,796 per ton in the first 11 months of 2019, constituting a decrease of 15.4% from an average of $2,124 a ton in the same period of 2018. In addition, aluminum prices averaged $1,766 per ton so far in December, down by 0.5% from average of $1,775 per ton in November 2019. The decline in prices is mainly due to the impact of ongoing global trade tensions on worldwide economic activity and demand for base metals. However, the metal's price recovered recently, as investors' confidence improved following the U.S. decision to reduce tariffs on the import of Chinese goods. The U.S. also delayed the enforcement of some tariffs that were scheduled to go into effect on December 15 as part of the first phase of the trade deal reached between the two economies. In parallel, Bank of America Merrill Lynch indicated that aluminum prices have been on a downward trend, mainly due to Chinese aluminum exports of between 4.5 to 5 million tons annually, mostly semi-finished products, despite declining inventories of the metal. It also attributed the decrease in aluminum prices to production increases, mainly in the U.S., that have offset output cuts in other countries, as well as to weak global demand for the metal. But it expected stronger consumption growth next year as the global economy stabilizes, and projected aluminum prices to rise from $1,793 per ton in 2019 to $1,830 a ton in 2020.

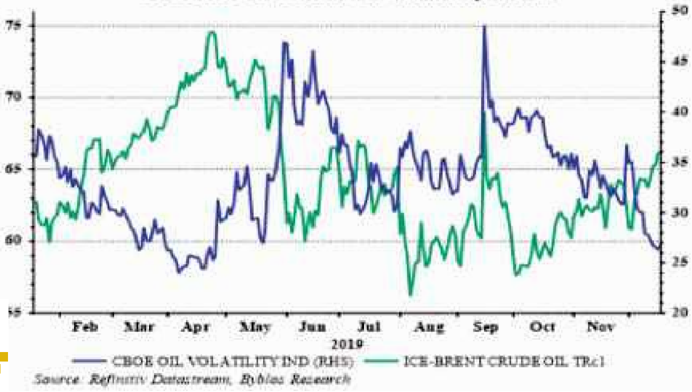
Source: Bank of America Merrill Lynch, Refinitiv

Precious Metals: Silver prices to increase by 8% to $17.5 per ounce in 2020

Bank of America Merrill Lynch estimated that silver prices would increase by 3% to an average of $16.2 per troy ounce in 2019 relative to a decrease of 7.9% in 2018, supported by a decline in global mine production, as well as by strong photovoltaic demand for the metal. It projected prices to further increase to an average of $17.6 per ounce in the first quarter of 2020 and to $18.2 an ounce in the second quarter of next year, but to gradually decrease thereafter to $17.6 per ounce in the third quarter and to $16.8 an ounce in the fourth quarter of 2020. Overall, it forecast silver prices to average $17.5 per ounce in 2020 and $17.6 an ounce in 2021, driven by a continued increase in photovoltaic demand amid weak mine output. Upside risks to the metal's price outlook include continued U.S. monetary easing, stronger-than-anticipated jewelry consumption in China and India, uncertainties related to the 2020 U.S. presidential elections, global trade tensions, and risks of a disorderly Brexit, which would drive demand for the safe haven asset.

Source: Bank of America Merrill Lynch, ABN AMRO, Refinitiv

Oil Prices vs. Crude Oil Volatility Index



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	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	Negative	-	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	CC	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	11-Dec-19	No change	29-Jan-20
Eurozone	Refi Rate	0.00	12-Dec-19	No change	23-Jan-20
UK	Bank Rate	0.75	19-Dec-19	No change	30-Jan-20
Japan	O/N Call Rate	-0.10	19-Dec-19	No change	21-Jan-20
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)	12-Dec-19	No change	19-Mar-20
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-Dec-19	No change	N/A
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	18-Dec-19	No change	28-Mar-20
India	Reverse repo rate	5.15	05-Dec-19	No change	06-Feb-20
UAE	Repo rate	2.00	31-Oct-19	Cut 25bps	N/A
Saudi Arabia	Repo rate	2.25	30-Oct-19	Cut 25bps	N/A
Egypt	Overnight Deposit	12.25	14-Nov-19	Cut 100bps	26-Dec-19
Turkey	Repo Rate	12.00	12-Dec-19	Cut 200bps	16-Jan-20
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	24-Feb-20
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	4.50	11-Dec-19	Cut 50bps	05-Feb-20
Armenia	Refi Rate	5.50	10-Dec-19	No change	07-Jan-20
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	09-Dec-19	No change	03-Feb-20
Ukraine	Discount Rate	13.50	12-Dec-19	Cut 200bps	30-Jan-20
Russia	Refi Rate	6.25	13-Dec-19	Cut 25bps	07-Feb-20

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