600 ISSUES+
Issue 612 | January 16, 2020

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Equity issuance up five times to $27.4bn in 2019

Equity Capital Markets (ECM) issuance in the Middle East & North Africa region, which includes equity and equity-related issuances, totaled $27.4bn in 2019, up by about five times from the amount recorded in 2018 and constituting their highest level on record. The surge in the amount of ECM issuances is largely due to Saudi Aramco's Initial Public Offering (IPO) that raised $25.6bn in capital in December 2019, making it the largest IPO on record. There were seven IPOs in the region in 2019, compared to 14 in 2018, constituting the lowest annual number of IPOs since 2003. Also, there were eight follow-on offerings for $693.4m, the lowest value in the region since 2004. In parallel, debt issuance in the MENA region reached $98.5bn in 2019, up by 12% from 2018, constituting the second highest annual total of all time. Debt issuance in Saudi Arabia accounted for $32.9bn, or 33.4% of the total, followed by the UAE with $31.6bn (32.1%), and Qatar with $12bn (12.2%). Further, the amount of announced mergers and acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, reached $130bn in 2019, up by 127% year-on-year, and represented the highest annual level since 2007. The rise in the amount of M&A deals was mainly driven by Saudi Aramco's acquisition of a 70% stake in Saudi Basic Industries Corporation for $69.1bn. In addition, investment banking fees in the region increased by 12% to $1.2bn in 2019. Syndicated lending fees totaled $425.5m and accounted for 34% of the overall fee pool, followed by advisory fees from M&A deals with $393.4m (32.8%), debt capital market underwriting fees with $240.8m (19%), and fees from equity capital markets transactions at $188.4m (15%).

Source: Refinitiv

E-commerce readiness varies across region

The 2019 United Nations Conference on Trade and Development (UNCTAD) Business-to-Consumer (B2C) E-commerce Index ranked the UAE in 28th place among 152 countries globally and in first place among 19 Arab economies. Qatar followed in 47th place, then Saudi Arabia (49th), Kuwait (55th), Oman (59th) and Bahrain (65th) as the Arab countries with the highest level of e-commerce readiness; while Sudan (130th), Iraq (131st), Syria (134th), Yemen (141st) and Mauritania (145th) were the least ready Arab countries. The index, which is composed of four indicators, measures the readiness of countries to engage in online commerce and the steps involved in a B2C transaction. The Internet penetration rate in Kuwait and Qatar in the 2019 survey was 100% for each country, the highest rate globally. Also, the UAE's payments account penetration rate stood at 88%, the 35th highest rate globally and the highest in the Arab world. The payments account penetration rate is the percentage of respondents who have an account at a bank or at another type of financial institution. Further, the UAE had 65 secure Internet servers per one million inhabitants, which ranks the country in 59th place globally and in first place regionally on this category. Finally, the UAE came in 34th place globally and in first place regionally on the reliability of postal services indicator.

Source: UNCTAD

Investments in startups down 15% to $704m in 2019

Figures issued by investment data platform Magnitt show that total investments in startups in the Middle East & North Africa (MENA) region stood at $704m in 2019, constituting a decline of 14.8% from $826m in 2018. In addition, there were 564 venture capital deals in 2019, up by 31% from 431 deals in 2018, and constituting the highest number of deals in the region on record. The survey attributed the increase in the number of deals to the efforts of many MENA governments that made their ecosystems conducive to entrepreneurs, including by providing technical and financial support programs and policy reforms. Further, there were 212 institutions that invested in MENA-based startups in 2019, out of which 75% were regional investors and 25% were international institutions. On a country basis, the UAE attracted 60% of the region's total investments in startups in 2019, followed by Egypt (14%), Saudi Arabia (9%), Jordan (6%), and Lebanon (4%). Also, Egypt accounted for 25% of total number of venture capital deals in 2019, followed by the UAE (23%), Saudi Arabia (12%), Lebanon (8%), and Jordan (6%). On a sectoral basis, startups in the delivery & transport industry attracted 19% of total investments, followed by startups in the real estate sector (15%), e-commerce (14%), financial technology (11%), and the renewable energy sector (9%). In parallel, financial technology startups accounted for 13% of the total number of deals last year, followed by e-commerce (11%), the delivery & transport industry (9%), the information technology sector (8%), and food & beverages (6%).

Source: Magnitt

IRAQ

Profits of listed firms down 12% to $256m in first nine months of 2019

The cumulative unaudited pre-tax profits of 83 out of 126 companies listed on the Iraq Stock Exchange totaled IQD308.2bn in the first nine months of 2019, constituting a decrease of 13% from IQD356bn in the same period of 2018. In US dollar terms, the profits of listed companies reached $255.5m in the covered period and declined by 12.3% from $291.3m in the first nine months of 2018. The dollar figures reflect the prevailing market exchange rate that appreciated from an average of IQD1,222 per US dollar in the first nine months of 2018 to an average of IQD1,206 per dollar in the same period of 2019. Listed telecommunication firms generated $187.7m in profits in the first nine months of 2019, followed by industrial companies ($38.6m), banks ($16.6m), firms in the hotel & tourism sector ($9.7m), service providers ($2.4m), insurers ($0.7m), and companies operating in the agricultural sector ($0.04m). In parallel, investment companies posted losses of $0.2m in the covered period, while money transfer operators registered losses of $0.08m. Further, the profits of companies operating in the hotel & tourism sector rose by 74% year-on-year in the first nine months of 2019, followed by the earnings of industrial firms (+20.7%), the profits of insurers (+11.7%), and the earnings of service providers (+2.2%). In contrast, the earnings of banks decreased by 53% in the covered period from the first nine months of 2018, while the profits of telecommunication companies contracted by 13%.

Source: Iraq Stock Exchange

OUTLOOK

IRAN

Economy to contract by 7.4% in FY2019/20 and by 1.5% in FY2020/21

The Institute of International Finance expected the Iranian economy to contract by 7.4% in the fiscal year that ends in March 2020, following a contraction of 4.6% in FY2018/19. It attributed the shrinking in real GDP to a sharp decline in hydrocarbon exports from 2.8 million barrels per day (b/d) in May 2018 to 0.4 million b/d in recent months, due to the U.S. sanctions on Iran. It anticipated the pace of contraction in economic activity to decelerate to 1.5% in FY2020/21, with hydrocarbon output decreasing by 1.6% and non-hydrocarbon sector GDP contracting by 1.5%. Further, it projected the current account to shift from a surplus of 2.3% of GDP in FY2018/19 to a deficit of 3% of GDP in FY2019/20, the first annual deficit since 1998, as the decline in the import bill was not enough to offset the fall in export receipts. It forecast the deficit to reach 2.8% of GDP in FY2020/21, while it expected foreign currency reserves at $63bn by end-March 2021, constituting a cumulative drop of about $40bn in the past two years. It anticipated the gap between the official exchange rate and the parallel market rate to remain wide in FY2020/21, resulting in an average inflation rate of 35%.

In parallel, the IIF expected the fiscal deficit to widen from 2.4% of GDP in FY2018/19 to 2.7% of GDP in each of FY2019/20 and FY2020/21. It noted that the budget for FY2020/21 is very tight, as it shows a 70% decline in hydrocarbon revenues. It projected the public debt level to exceed 45% of GDP, driven by policies to clear government liabilities and recapitalize banks.

The IIF indicated that Iran's macroeconomic prospects depend on the fate of the Joint Comprehensive Plan of Action. It said that failure to renegotiate the deal with the U.S. would further hurt the Iranian economy, resulting in subdued economic growth over the medium term, an unemployment rate above 20%, and a decline in foreign currency reserves to $20bn by March 2024.

Source: Institute of International Finance

TURKEY

Main policy challenge is to secure medium-term growth

The International Monetary Fund expected Turkey's real GDP growth to average 3.2% annually in the 2020-24 period, compared to an estimated 0.2% in 2019, driven by private consumption and investment. It noted that economic activity has been recovering from the recession that started in late 2018, supported by an expansionary fiscal policy, rapid lending growth by state-owned banks, and more favorable external financing conditions. However, it noted that Turkey's economic conditions remain fragile and that vulnerabilities persist. It added that risks to sustainable economic growth include policy implementation risks, a deterioration in investors' sentiment towards emerging markets, and adverse domestic or geopolitical developments.

The Fund anticipated the current account deficit to widen from 0.1% of GDP in 2019 to 0.6% of GDP in 2020 and to 1.8% of GDP in 2024. It expected gross external financing needs to increase from $175bn at end-2019 to $222bn by end-2024, while it projected gross foreign currency reserves to grow from $101.7bn at end-2019 to $120.4bn by end-2024. Further, it indicated that fiscal discipline has weakened in order to support economic activity. It noted that the widening fiscal deficit, along with uncertainties related to the amount of contingent liabilities and potential debt rollover pressures, limit the available fiscal space. It considered that modest fiscal consolidation in the medium term would keep the public debt at low and stable levels.

The IMF considered that Turkey's main policy challenge is to secure stronger and more resilient growth over the medium term, rather than focusing on boosting short-term growth. It pointed out that the implementation of needed reforms will constrain short-term output, but would support growth in the medium term, help strengthen the balance sheets of banks and corporates, support the country's external position, and reduce fiscal contingent liabilities. In addition, it said that strengthening the credibility of monetary policy is a key priority that would yield a faster and more durable decline in the inflation rate, allow the rebuilding of foreign currency reserves, address the dollarization level in the banking sector, and reduce interest rates. It noted that the Central Bank of the Republic of Turkey's easing cycle has been too aggressive, and interest rates are too low to strengthen the credibility of monetary policy and to lower inflation durably.

Source: International Monetary Fund

NIGERIA

Capital outflows to put pressure on currency stability in medium term

Goldman Sachs indicated that Nigeria's foreign currency reserves declined by $6bn in the past six months to $38.5bn towards the end of 2019, which raises uncertainties about the sustainability of the balance of payments' dynamics that have a direct impact on the exchange rate. It said that the current account balance has been in deficit since the third quarter of 2018, with a quarterly average deficit of 1.5% of GDP, but it projected the deficit to shift to a surplus of 1% of GDP in 2020 in case oil prices do not decline. In parallel, it estimated that up to $6bn of foreign-held Treasury bills and bills issued by the Central Bank of Nigeria (CBN) will mature in the first quarter of 2020. However, it said that the CBN could tighten naira liquidity conditions and allow the yields on its bills to rise in order to encourage the rollover of foreign holdings, which would limit capital outflows in the short term. It added that Nigeria could return to the Eurobond market in 2020, which would support foreign currency reserves. It considered that the balance of payments dynamics should help stabilize foreign currency reserves at between $35bn and $40bn in 2020, and support the stability of the currency peg to the US dollar in the near term.

However, it expected capital outflows to reach between 3% of GDP and 4% of GDP in the medium term, due to structural factors related to the fact that a share of commodity revenues in Nigeria is invested abroad. It noted that this implies the need for a current account surplus of between 2% of GDP and 3% of GDP in order to maintain the balance of payments in equilibrium and to keep foreign currency reserves stable. But it projected the current account balance to deteriorate in the medium term due to the appreciation in the real effective exchange rate, which would weigh on the trade balance. As such, it forecast pressure on the naira to increase in the medium term, and projected an adjustment to the exchange rate by 2023.

Source: Goldman Sachs

MENA

Increase in geopolitical risks incorporated in sovereign ratings

S&P Global Ratings and Fitch Ratings indicated that their sovereign ratings for countries in the Gulf region already take into account a certain level of regional geopolitical volatility, including the recent increase in geopolitical risks stemming from the escalation in tensions between the U.S. and Iran. It said that the recent intensification of the tensions between Iran and the U.S. increased the event risk in the Gulf region. It expected that any additional escalation would remain contained, as a direct conflict would be economically, socially, and politically destabilizing for the region. It noted that, in case of a prolonged and wider conflict that does not affect export routes, Gulf countries would benefit from higher revenues if oil prices increase. However, it expected this fiscal benefit to be offset by capital outflows and weaker economic growth. It pointed out that Abu Dhabi, Kuwait, Qatar, and Saudi Arabia would be the least affected sovereigns by a prolonged and wider conflict, supported by their large stocks of deployable government external assets. But it noted that Bahrain and Qatar are more vulnerable to capital outflows than other sovereigns in the region due to their high external financing needs. It added that an escalation in tensions would increase the pressure on Oman's rising debt-servicing cost. In parallel, Fitch Ratings said that the increase in tensions could be credit negative for Iraq if it moves closer to Iran, and if the U.S. imposes sanctions on Iraq's imports of gas from Iran. It anticipated that if the dispute escalates significantly and leads to serious disruptions to oil and gas supplies, global oil prices will increase substantially and sovereigns in the Gulf region will suffer significant losses of export receipts.

Source: S&P Global Ratings, Fitch Ratings

ALGERIA

Low foreign reserves to lead to external borrowing

European credit insurance group Credendo did not expect the newly-elected President of Algeria to bring significant change to the country's poor track record of economic policies. It said that the authorities introduced limited reforms to address significant fiscal and external imbalances since the collapse of oil prices in 2014. In addition, it anticipated that protests will continue amid widespread social discontent, which would further delay any potential reforms or fiscal consolidation measures. As such, it considered that the International Monetary Fund's projections of steady fiscal consolidation that would yield a primary surplus by 2023 are optimistic. In parallel, it noted that the current account shifted from a surplus of 0.3% of GDP in 2013 to an estimated deficit of 12.6% of GDP in 2019, which authorities funded by drawing down from the country's foreign currency reserves and oil stabilization fund. It said that foreign currency reserves declined from $192bn at end-2013 to $65bn at end-July 2019, while the assets of the oil stabilization fund, which stood at $70bn in 2013, were depleted by end-2017. It projected foreign currency reserves to further decrease in coming years, which would push the government to either implement drastic reforms or start borrowing externally. It noted that the government attempted to reduce the pressure on foreign currency reserves by increasing tariffs on imports, which weighed on the business climate and negatively affected the already subdued economic growth.

Source: Credendo

OMAN

Delays in reforms to widen fiscal deficit and raise public debt level

S&P Global Ratings considered that Oman's newly-appointed Sultan has a narrowing window to address the country's fiscal and economic challenges, amid weak global oil prices. It expected Sultan Haitham bin Tariq al-Said to face a difficult choice in the coming months between addressing social concerns, partly arising from weak economic growth and high youth unemployment on one hand, and rising fiscal, external and funding pressures on the other hand. It said that delays in the implementation of fiscal and structural reforms could lead to wider fiscal deficits and higher levels of government debt. Under current policies, it projected the fiscal deficit at around 8% of GDP during the 2019-22 period and for the public debt level to rise from 56% of GDP at end-2019 to 71% of GDP by end-2022. In parallel, Fitch Ratings indicated that the new Sultan will face the same constraints to reforms that his predecessor encountered, and considered that the swift succession limits the risk of a substantial loosening of fiscal policy. In parallel, Standard Chartered Bank considered that the smooth and swift succession in Oman will reduce investors' previous concerns about the country's political transition. But it pointed out that the Sultan will face short-term economic and geopolitical challenges. It noted that hydrocarbon output is capped by the OPEC production cut agreement, while non-hydrocarbon growth is constrained by the absence of fiscal stimulus, amid low oil prices, sustained fiscal and external deficits, and a rising public debt level. It projected real GDP growth at 3% in 2020, supported in part by rising gas output.

Source: S&P Global Ratings, Fitch Ratings, Standard Chartered Bank

ANGOLA

External adjustment under way

Fitch Ratings indicated that Angola has introduced in November 2019 additional reforms that aim to reduce the country's external imbalances. It said that the Banco Nacional de Angola (BNA) allowed oil companies to sell foreign currency directly to commercial banks instead of selling to the BNA. It also noted that the latter reduced the limit on the amount of foreign currency that commercial banks can hold, which is forcing them to sell more foreign currency in the foreign exchange market. It pointed out that the BNA increased its efforts to liberalize the foreign exchange regime and stabilize the exchange rate since October 2019 under the International Monetary Fund program. However, it considered that the impact of these measures on the sovereign's creditworthiness will depend on their ability to stabilize the level of foreign currency reserves and on the extent of a further depreciation of the kwanza. It noted that the adjustments to the foreign exchange market in early 2019 were insufficient to stop the decline in the BNA's foreign currency reserves, which reached $15.3bn at end-September 2019, their lowest level since 2009. But it pointed out that foreign currency reserves have increased substantially following the issuance of a $3bn Eurobond in November. In parallel, it indicated that the BNA has tightened monetary policy to absorb domestic liquidity and reduce foreign currency demand. As a result, it said that the kwanza has slightly stabilized, but that it is unclear if it will remain stable.

Source: Fitch Ratings

BANKING

MENA

Domestic and external challenges to put pressure on bank ratings in 2020

S&P Global Ratings indicated that geopolitical uncertainties, weakening asset quality and fragile investor confidence continue to affect banks in the Middle East, North Africa and Turkey (MENAT). First, it anticipated that rising geopolitical uncertainties and domestic political unrest would reduce economic growth prospects and weigh on the creditworthiness of banking systems in the region. It pointed out that the average lending growth rate at MENAT banks was weaker-than-expected in 2019. It projected the region's lending activity to expand by about 6% to 7% in 2020, which it considered to be insufficient to finance the countries' development needs when adjusted for inflation. Second, it forecast the non-performing loans ratio at MENAT banks to further increase in 2020 and 2021, mainly due to the adoption of IFRS 9 and a weak economic environment. Third, it noted that the capacity to attract foreign funding is one of the main challenges for banks in the region, given the high need for external financing. In parallel, the agency indicated that the banks' profitability varies significantly across the region and projected their return on assets at between 0.8% and 1.5% in 2020. Further, it pointed out that its ratings for banks in the region have been on a downward trajectory in the past 12 months, and are currently concentrated in the 'B' category. It said that the outlook on the banks' ratings indicates that negative rating actions will continue in 2020, with the exception of Moroccan banks that are expected to maintain stable financial indicators.

Source: S&P Global Ratings

SUDAN

Central Bank improves banking sector governance

The Central Bank of Sudan (CBoS) issued on January 1, 2020 new regulations about governance in the Sudanese banking sector. It asked each bank to prepare its organizational structure, which would consist of the Board of Directors and the committees that report directly to the Board, as well as the executive management, and other departments and positions that are approved by the CBoS. It noted that banks are not allowed to amend their organizational structure without the CBoS' approval. Further, it said that a bank's Ordinary General Assembly (GA) should take place in the first six months that follow the end of the financial year. It added that banks are not allowed to send invitations for the GA before the CBoS approves their end-of-year financials. It indicated that the CBoS will attend the GA as an observer and that the banks should dispatch the invitations, along with the GA's agenda and other relevant documents, to shareholders and to the CBoS at least 15 days prior to the meeting. It pointed out that the voting power of shareholders should represent the number of shares they hold. In parallel, the CBoS provided a timeline for candidates to the Board of Directors to submit their applications and stated the conditions for eligibility. It also specified the structure of the Board of Directors and its mission and responsibilities. It pointed out that the Board should appoint the bank's general manager, as well as the heads of the departments of risk management, compliance, internal audit, as well as the head of the Shari'ah supervisory department, while specifying the main tasks and responsibilities of each department.

Source: Central Bank of Sudan

ARMENIA

Banks vulnerable to foreign currency liquidity risks

The International Monetary Fund indicated that Armenia's financial conditions are stable and that the banking sector is well capitalized, liquid, and profitable. It said that the sector's capital adequacy ratio was at 17.3% at the end of July 2019, slightly down from 17.7% at end-2018. Further, it pointed out that the banking sector's return-on-assets ratio improved from 1.2% in 2018 to 1.4% on an annualized basis in July 2019, and the return-on-equity ratio grew from 7.6% in 2018 to 9.7% on an annualized basis in July 2019. Also, it said that non-performing loans (NPLs) are low, even though the NPLs ratio marginally increased from 4.8% at end-2018 to 5.5% at end-August 2019. It noted that private sector lending grew by 15.1% annually at end-August 2019, supported by robust demand for consumer loans and mortgages. In addition, it pointed out that the dollarization rate of loans and deposits declined to 50.8% and 49.4%, respectively, in August 2019, reflecting ongoing macroeconomic and financial stability. Still, it noted that banks are highly vulnerable to foreign currency liquidity risks due to the high dollarization levels. The Fund said that authorities made significant progress in strengthening the country's financial resilience. It indicated that that the Central Bank of Armenia is reinforcing the buffers of highly liquid foreign currency assets at commercial banks by implementing Basel III liquidity ratios. It added that authorities introduced several regulations, including for the banks' recovery plans and capital buffers, which strengthened liquidity buffers.

Source: International Monetary Fund

PAKISTAN

Capital adequacy ratio at 17% at end-September 2019, NPLs ratio at 9%

The International Monetary Fund considered that Pakistan's banking sector is stable, but it noted that credit conditions are tight. It said that the growth in lending to the private sector slowed down to 9.3% year-on-year in September 2019. Further, it indicated that the banking sector is well capitalized, with a capital adequacy ratio of 17.1% at the end of September 2019 relative to 16.1% a year earlier, which is above the minimum regulatory requirement of 12.5%. However, it said that two non-systemic banks that account for less than 1.5% of the sector's assets are undercapitalized. It noted that authorities are actively coordinating with the two privately-owned banks in order to develop plans to meet the minimum capital requirements by the end of June 2020. It added that authorities reported that one state-owned bank was liquidated in September 2019, and that another bank is on the government's privatization list. In parallel, it pointed out that the sector's non-performing loans (NPLs) ratio increased from 8% at end-September 2018 to 8.8% at end-September 2019, in line with the slowdown in economic activity. However, it noted that 80.5% of NPLs were provisioned at end-September 2019. In addition, it said that the banking sector's liquid assets were equivalent to 50.8% of total assets and to 73.5% of deposits at end-September 2019. It added that the banks' loans-to-deposits ratio stood at 53.6% at end-September 2019 relative to 54.6% a year earlier. Further, it noted that the banks' return on assets reached 0.8% on an annualized basis in September 2019, while their return on equity stood at 10.8% on an annualized basis.

Source: International Monetary Fund

Oil prices to average $65 p/b in 2020

ICE Brent crude oil front-month prices decreased from an average of $68 per barrel (p/b) in the first week of 2020 to about $65 p/b in the second week of the year. In fact, tensions slightly eased in the Middle East between the U.S. and Iran following U.S. President Donald Trump's press conference on January 8 that showed signs of de-escalation. In addition, figures released by the U.S. Energy Information Administration (EIA) on January 8 showed a buildup of about 1.2 million barrels in U.S. oil inventories in the week to January 3, which weighed on prices. However, the signing of a trade deal between the U.S. and China, as well as a decline of 2.5 million barrels in U.S. oil inventories in the week to January 10, exerted upward pressure on oil prices. The deal would prevent an escalation of trade tensions between the U.S. and China, which has weighed on global economic growth and demand for oil over the past two years. In parallel, the EIA expected global oil supply and consumption to increase by 1.6 million barrels per day (b/d) and 1.3 million b/d, respectively, in 2020. It forecast non-OPEC production to rise by 2.6 million b/d, particularly from the U.S., Brazil, Canada and Norway, which will more than offset a decline in supply of one million b/d from OPEC members. As such, it forecast global oil inventories to increase by 0.3 million b/d in 2020 and prices to average $65 p/b this year. However, it projected oil prices to average $62 p/b in the first half of 2020, as it anticipated global oil inventories to increase by 0.5 million b/d over the covered period, before global oil markets start tightening by mid-2020.
Source: U.S. EIA, Refinitiv, Byblos Research

OPEC's oil basket price up 6% in December 2019

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $66.48 per barrel (p/b) in December 2019, up by 5.6% from $62.94 p/b in the preceding month. Equatorial Guinea's Zafiro posted a price of $69.74 p/b, followed by Angola's Girassol at $69.69 p/b, and Nigeria's Bonny Light at $68.18 p/b. In parallel, all 14 prices included in the OPEC reference basket posted monthly increases between $2.54 p/b and $6.5 p/b in December 2019.
Source: OPEC, Byblos Research

OPEC oil output down by 0.5% in December 2019

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 29.4 million barrels per day (b/d) in December 2019, down by 0.5% from an average of 29.6 million b/d in the preceding month. Saudi Arabia produced 9.8 million b/d in December 2019, or 33.2% of OPEC's total oil output, followed by Iraq with 4.6 million b/d (15.5%), the UAE with 3.1 million b/d (10.4%), Kuwait with 2.7 million b/d (9.2%), and Iran with 2.1 million b/d (7.1%).
Source: OPEC, Byblos Research

Libya's oil & gas receipts at $22.5bn in 2019

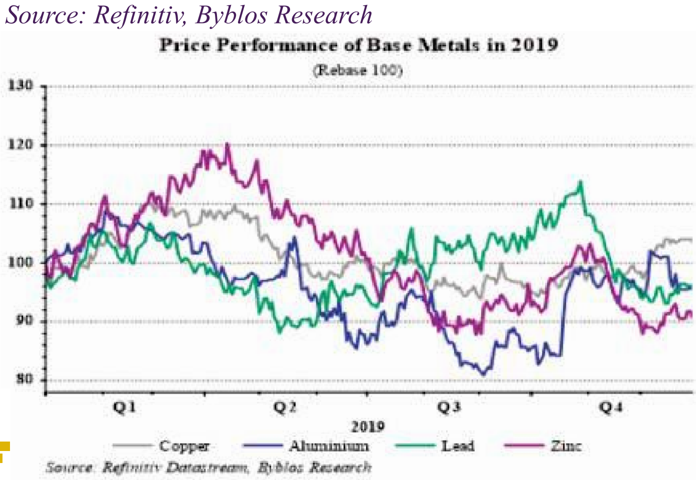
Libya's oil and gas revenues totaled $22.5bn in 2019, constituting a decrease of 8.4% from $24.6bn in 2018. The decline in hydrocarbon receipts was mainly due to lower oil prices in 2019 and to supply disruptions. Oil and gas receipts amounted to $2.2bn in December 2019, up by 23% from $1.8bn in November 2019. The growth in receipts in December was due to a month-on-month increase in oil prices in November, given that the December revenues reflect sale orders made in November.
Source: National Oil Corporation, Byblos Research

Base Metals: Nickel prices up by 6% in 2019

The LME cash price of nickel averaged $13,918 per metric ton in 2019, constituting an increase of 6.2% from an average of $13,110 per ton in 2018. Nickel was the only base metal to register an increase in its price last year, despite the downward pressure from global trade tensions. Prices were supported by strong demand for nickel from Chinese stainless steel mills, which account for about 70% of global nickel consumption, in the first quarter of the year, and by investors' rising expectations of a market shift to electric vehicles, in which nickel is a key ingredient. In addition, prices surged in the third quarter of 2019 due to concerns about tight short-term supply amid falling inventories, and about potential supply disruptions from Indonesia, the world's largest nickel producer. But nickel prices started decreasing as of the beginning of the fourth quarter, mainly driven by lower demand from the stainless steel industry, by easing supply concerns, and by the U.S.-China trade war. Prices averaged $13,959 per ton so far in January 2020, up by 0.6% from an average of $13,881 per ton in December 2019, as China and the U.S. agreed on a preliminary trade deal. In parallel, the International Nickel Study Group projected, in October 2019, the deficit in the nickel market to narrow from 79,000 tons in 2019 to 47,000 tons in 2020.
Source: International Nickel Study Group, Refinitiv

Precious Metals: Palladium prices reach record high of $2,231 per ounce in mid-January 2020

Palladium prices averaged $1,538 per troy ounce in 2019, constituting an increase of 49.3% from an average of $1,030 per ounce in 2018, and representing the highest annual average on record. The rise in prices was driven by strong autocatalyst demand for the metal amid tighter emission regulations in China, as well as by supply disruptions worldwide. During 2019, the metal's price traded at a high of $1,971 an ounce on December 13 and at a low of $1,263 per ounce on January 1. In parallel, prices grew by 16.2% from the end of 2019 and by 3.7% day-on-day to a record high of $2,231 per ounce on January 15, 2020. The sharp increase reflects signs of higher industrial demand for the metal this year following the signing of a trade deal between the U.S. and China, and expectations of limited increases of palladium production. Prices are projected to average $2,288 per ounce in 2020, supported by a sustained production deficit in the palladium market. But downside risks to the price and demand outlooks in the longer term could arise from the substitution of the cheaper platinum for palladium in emissions-reducing catalytic convertors.
Source: Refinitiv, 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 (%)
	LT Foreign currency rating												
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-Dec-19	No change	20-Jan-20
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	16-Jan-20
Turkey	Repo Rate	11.25	16-Jan-20	Cut 75bps	19-Feb-20
South Africa	Repo rate	6.25	16-Jan-20	Cut 25bps	19-Mar-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	7.25	19-Dec-19	Cut 25bps	13-Feb-20
Brazil	Selic Rate	4.50	11-Dec-19	Cut 50bps	05-Feb-20
Armenia	Refi Rate	5.50	10-Dec-19	No change	27-Jan-20
Romania	Policy Rate	2.50	08-Jan-20	No change	07-Feb-20
Bulgaria	Base Interest	0.00	02-Jan-20	No change	03-Feb-20
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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