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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

EM debt at 222% of GDP at end-September 2019

The Institute of International Finance indicated that total debt in 30 emerging markets (EMs), which consists of the debt of governments, corporates and households, reached a record of $72.5 trillion at the end of September 2019, up by $6.4 trillion from end-September 2018. It attributed the increase in EM debt to a surge of $2.4 trillion in the debt of the non-financial corporate sector, a growth of $1.9 trillion in EM government debt, a rise of $1.3 trillion in the debt of households, and an expansion of $713bn in the debt of the financial sector. It noted that aggregate EM debt was equivalent to about 222% of GDP at end-September 2019 compared to 216.6% of GDP a year earlier. It said that the debt of the non-financial corporate sector reached $31.3 trillion at the end of September 2019 and was equivalent to 94.4% of GDP, EM government debt totaled $16.7 trillion, or 52.1% of GDP, and household debt stood at $13.2 trillion, or 40.3% of GDP at end-September 2019. Further, it said that the financial sector's debt reached $11.3 trillion, equivalent to 35.1% of GDP, at end-September 2019. On a regional basis, the IIF indicated that EM debt in Asia was equivalent to 271% of its GDP at end-September 2019, followed by debt in Latin America (156.4% of GDP), Europe (121.4% of GDP), and the Middle East & Africa (117% of GDP). It pointed out that state-owned enterprises account for more than 60% of the debt of the non-financial corporate sector in emerging markets, which masks the actual footprint of sovereigns in the rapid accumulation of EM debt. In addition, it noted that refinancing risks are high, with about $5.5 trillion in EM bonds and loans maturing in 2020.

Source: Institute of International Finance, Byblos Research

MENA

Level of well-being varies across region

The Boston Consulting Group's (BCG) 2019 Sustainable Economic Development Assessment (SEDA) indicated that the UAE had the 28th highest level of well-being among 143 countries worldwide and the highest level among 16 Arab countries. Qatar followed in 30th place, then Kuwait (37th), Bahrain (42nd) and Oman (44th) as the five countries with the highest level of well-being; while Egypt (96th), Iraq (121st), Mauritania (131st), Sudan (139th) and Yemen (142nd) ranked last. The SEDA measures a country's current level of overall well-being through 10 dimensions grouped into three fundamental elements that are Economics, Investments and Sustainability. It assigns a score to each country from zero to 100, with 100 reflecting the highest level of well-being. The Arab region's median score stood at 45 points, which is lower than the global median score of 48.5 points. In addition, Tunisia had the highest wealth-to-well-being coefficient in the region at 1.19 points, followed by Jordan (1.14 points), Morocco (1.11 points), Oman (1.08 points), Algeria (1.06 points) and Egypt (1.04 points), constituting the only six Arab countries to deliver a higher level of well-being than would be expected given their GNI per capita. In contrast, the remaining 10 Arab countries have a score below one, which means that they delivered a lower-than-expected level of well-being given their GNI level.

Source: Boston Consulting Group

GCC

IPOs up 13 times to $31bn in 2019

Figures released by KAMCO indicate that capital raised through initial public offerings (IPOs) in the economies of the Gulf Cooperation Council (GCC), which include corporate IPOs and Real Estate Investment Trust (REIT) IPOs, totaled $31.1bn in 2019, constituting a jump of 12.9 times from $2.4bn in 2018. The surge was due to Saudi Aramco's IPO, which raised $29.4bn in capital. In parallel, there were nine IPOs in GCC countries in 2019, relative to 17 transactions in 2018, 28 deals in 2017 and four IPOs in 2016. Further, capital raised through IPOs in the GCC region accounted for 15.5% of total capital raised through IPOs worldwide, while the number of IPO deals in the region represented 0.8% of the number of global IPOs in 2019. There were five IPO deals in Saudi Arabia that raised $30.5bn in 2019, followed by two IPOs in Kuwait ($214.6m), and one IPO deal in each of Qatar ($393.2m) and Oman ($23.1m). The energy sector raised about $29.6bn in 2019, followed by the consumer industry ($693m), the real estate sector ($658.6m), the technology industry ($58m), the financial sector ($33m), and the power utilities industry ($23m). In parallel, the aggregate number of IPOs in GCC countries totaled 89 deals during the 2013-19 period, while the aggregate amount of capital raised through IPOs in the region reached $43.7bn in the covered period.

Source: KAMCO, Byblos Research

Hotel occupancy rates to average 75% in UAE and 66% in Saudi Arabia in 2020-24 period

Global hotel consulting firm HVS indicated that the occupancy rate at hotels in the Gulf Cooperation Council (GCC) economies averaged 60% annually over the 2010-19 period, with hotels in the UAE posting the highest average occupancy rate at 70% and those in Bahrain posting the lowest rate at 52%. It noted that the occupancy rate at GCC hotels was 61% in 2019, and increased by two percentage points from 59% in 2018, reflecting higher occupancy at hotels across all GCC markets. It said that the UAE's occupancy rate stood at 73% in 2019, followed by Oman (63%), Saudi Arabia (59%), Qatar (58%), and Bahrain and Kuwait (56% each). Further, HVS projected the occupancy rate at hotels in the UAE to average 75% annually over the 2020-24 period, mainly supported by tourism visitors for Expo 2020; while it forecast occupancy rates at Saudi hotels to average 66%, reflecting the implementation of major projects and government initiatives in the country. It also anticipated Qatar's occupancy rate to average 62% annually in the 2020-24 period, supported by higher tourism activity for the 2022 World Cup. In addition, it expected occupancy rates at hotels in Bahrain, Kuwait and Oman to rise in the covered period, largely supported by national tourism initiatives and policy reforms. In parallel, the survey noted that the average daily rate per room at GCC hotels averaged $180 annually during the 2010-19 period. It added that the average daily rate per room declined by 20% to 25% between 2015 and 2019, due to increased competition in the hotel sector. It forecast the average daily rate per room at Saudi hotels to rise, driven by the government's tourism initiatives.

Source: HVS Research

EMERGING MARKETS

Growth at 4.4% in 2020, varies across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.4% in 2020, down from its October 2019 forecast of 4.6%, and compared to growth rates of 1.6% for advanced economies and 3.3% for the global economy. In comparison, it estimated real GDP growth in emerging markets and developing economies at 3.7% in 2019. It attributed the acceleration in growth in 2020 to an expected recovery in economic activity in some stressed emerging markets such as Turkey. But it said that downside risks to the outlook could arise from unresolved disputes between the U.S. and China despite the signing by the two sides of the "Phase One" trade deal, rising geopolitical tensions especially between the U.S. and Iran, as well as social unrest in Chile, Iraq and Lebanon.

The IMF projected economic growth in Emerging & Developing Asia at 5.8% in 2020, down from its October 2019 forecast of 6%, reflecting a slowdown in economic activity in India. Further, it expected Sub-Saharan Africa's (SSA) real GDP growth at 3.5% this year relative to 3.6% previously, mainly due to a downward revision in the growth rates of Ethiopia and South Africa. In this context, it anticipated that South Africa's deteriorating public finances and structural constraints would hinder business confidence and private investment, while it expected fiscal consolidation in Ethiopia to weigh on economic growth.

In parallel, it forecast growth in the Middle East & Central Asia region at 2.8% in 2020, slightly down from a previous projection of 2.9%, due to weaker oil output growth in Saudi Arabia following the OPEC's decision in December 2019 to deepen the supply cuts, as well as to rising geopolitical tensions and social unrest in the region. Further, it projected real GDP growth in Latin America & the Caribbean at 1.6% this year, down from its previous forecast of 1.8%, mainly due to weak investments in Mexico and a significant slowdown in Chile's growth amid social unrest. In contrast, it revised upward its growth forecast for Emerging & Developing Europe to 2.6% in 2020 from 2.5% previously, reflecting a pickup in economic growth in Russia and the ongoing recovery in Turkey.

Source: International Monetary Fund

Banking systems face three major risks in 2020

S&P Global Ratings considered that banking systems in emerging markets (EMs) face three main risks in 2020, which are geopolitical and domestic policy uncertainties, a deterioration in asset quality, and vulnerability to volatile capital flows. First, it indicated that tensions intensified between the U.S. and Iran following recent developments, but it considered that a fully-fledged military confrontation between the two countries would be unlikely. Still, it noted that a potential intensification of proxy conflicts between the U.S. and Iran could undermine confidence and investments in the Arab Gulf region, which would lead to capital outflows, as investors shift to more stable regions. It added that existing or potential U.S. sanctions on Turkey and Russia constitute risks to the banking sectors in the two countries. It said that stricter potential sanctions on Turkey, including restrictions on the banks' access to foreign funding, could significantly affect the economy, given the country's limited level of foreign currency reserves.

Second, the agency anticipated that the non-performing loans and the cost of risks at EM banks will stabilize and rise marginally in 2020, with the exception of Turkey where it expected the volatile currency to weigh on asset quality. It also expected credit losses at Saudi banks to stabilize due to a more stable economy and mortgage-led lending growth. It added that subdued economic activity in Mexico and Chile would lead to a deterioration in asset quality at banks in the two countries, while it said that the Brazilian banking sector is underpinned by a more conservative growth strategy that focuses on low-risk loans. Further, it anticipated asset quality at Indian banks to improve in 2020 due to an expected resolution of a significant amount of NPLs at large banks. Third, S&P indicated that EM banks, especially Turkish banks, are vulnerable to shifts in investor sentiment towards EMs, but it expected more supportive global liquidity conditions to underpin Turkish banks' access to foreign funding. It noted that banks that have sound credit fundamentals are likely to retain access to international capital markets.

Source: S&P Global Ratings

NIGERIA

Growth projected at 2.3% in 2020 on limited rise in oil output and slow reform implementation

Bank of America Merrill Lynch (BofAML) projected Nigeria's real GDP growth to be subdued at 2.3% in 2020, mainly due to a limited increase in hydrocarbon production and the authorities' slow progress in implementing reforms. However, it anticipated the Central Bank of Nigeria's (CBN) accommodative policies to help increase consumption and, in turn, support economic activity. It expected the CBN to maintain its policy rate at 13.5% in 2020, which could contain inflationary pressure, while stimulating lending and economic activity. It forecast the annual inflation rate to rise from 11.9% in November 2019 to 12.2% in June 2020, driven by higher food prices, and as the planned increases in the value-added tax rate and the minimum wage come into effect.

In parallel, it projected the fiscal deficit to narrow from 3.1% of GDP in 2019 to 2.7% of GDP in 2020, due to higher non-hydrocarbon receipts, mainly from the planned increase in the value-added tax rate from 5% to 7.5%, and the rise in customs and excise tariffs. Still, it expected the fiscal deficit to miss the authorities' target of 1.5% of GDP for 2020, due to delays in the implementation of the 2020 budget. As such, it anticipated that revenue shortfalls could prompt Nigerian authorities to issue a $3bn Eurobond late in the first quarter of 2020.

Further, it forecast the exchange rate at between NGN360 per dollar and NGN365 a dollar in 2020 if global oil prices exceed $60 per barrel (p/b), and in case of a favorable environment for emerging markets. It also projected the CBN's foreign currency reserves at $34bn by end-2020, which is above the CBN's threshold of $30bn, and is much higher than the record-low level of $24bn reached prior to the naira's devaluation in 2016. It considered that reserves could fall to such levels in case global oil prices decline to $50 p/b. In addition, it anticipated the current account deficit to narrow from 1.6% of GDP in 2019 to 1.1% of GDP in 2020, as it expected the full closure of the country's land borders with neighboring countries in August 2019 to reduce imports. It forecast the current account deficit to further narrow to 0.3% of GDP by 2021, in case 650,000 barrels per day from the Dangote oil refinery come online next year.

Source: Bank of America Merrill Lynch

GCC

Economic diversification to support modest recovery in 2020-21 period

The United Nations indicated that economic activity in Gulf Cooperation Council (GCC) countries significantly decelerated in 2019, as the OPEC production cut agreement slowed down hydrocarbon output. It noted that the persistent decline in real estate prices weighed on growth in domestic demand in the region, which constrained private investments and the consumption of durable goods. Also, it pointed out that capital inflows from South Asia to GCC economies, which supported non-hydrocarbon sector growth in recent years, have weakened last year. It expected economic activity in GCC countries to recover modestly in the 2020-21 period, supported by ongoing reform efforts that will facilitate economic diversification, as well as by the stabilization of the real estate sector. It forecast real GDP growth to accelerate in Qatar from 0.1% in 2019 to 3.1% in 2020, and to improve in the UAE from 1.1% to 2.4%. It also projected activity to expand in Kuwait and Bahrain from 0.7% and 1.8%, respectively, to 2.3% each, to increase in Oman from 0.9% to 1.7%, and to rise in Saudi Arabia from 0.3% to 1.3%. It pointed out that economic prospects for the region are contingent on global oil prices, the real estate sector and geopolitical risks. Further, it projected the recovery in domestic demand this year to create moderate inflationary pressure in GCC countries. It forecast the inflation rate to vary across the region's economies and to range between 1.3% and 2.8% in 2020, relative to a range of -1.5% and 1.4% in 2019. In parallel, the UN expected the fiscal stance in GCC countries to be tight, as oil prices are forecast to be relatively low in 2020.

Source: United Nations

OMAN

Challenging fiscal outlook to weigh on economy

EFG Hermes indicated that Oman's 2020 budget aims to narrow the fiscal deficit from 9% of GDP in the 2019 budget to 8% of GDP in 2020. It noted that budgeted revenues are set to increase by 6% in 2020, which reflects an 11% growth in gas revenues and a 13% increase in non-hydrocarbon receipts, driven by privatization proceeds. It said that government expenditures are expected to increase by 2% from the 2019 budget, driven by current spending. It pointed out that the government has consistently overrun its spending targets by an average of 7% due to its hesitation to achieve larger fiscal consolidation. Further, it said that the fiscal deficit narrowed by 2% to $6.8bn, or 8.5% of GDP in 2019 despite spending overrun, due to higher-than-expected hydrocarbon revenues and privatization proceeds. It indicated that the willingness of the new Sultan to push for any change in the pace of fiscal consolidation is uncertain. It expected Oman's fiscal position to remain tight, with a fiscal deficit of between 8% of GDP and 10% of GDP in the 2020-21 period, and a fiscal breakeven oil price of $90 per barrel. It projected the public debt level to rise from 48% of GDP in 2018 to 70% of GDP by 2021, in case authorities do not implement major reforms. It noted that the government plans to finance 80% of the fiscal deficit in 2020 through debt issuance and the other 20% from drawing down reserves. It anticipated that the challenging fiscal outlook will continue to weigh on economic growth, which is projected to decline from 3.2% in 2019 to 1.1% in 2020.

Source: EFG Hermes

KUWAIT

Economic growth to recover in 2020-21 on stronger hydrocarbon sector activity

National Bank of Kuwait (NBK) projected Kuwait's real GDP growth to accelerate from zero percent in 2019 to 1.8% in 2020 and to 3.1% in 2021, mainly due to rising gas output from the Jurassic Gas Facility, as well as to higher refined oil supply as the Clean Fuels and Al Zour refinery projects come on stream in the 2020-22 period. It forecast growth in the hydrocarbon sector at 1% in 2020 and 3.5% in 2021, compared to a contraction of 2.5% in 2019, while it projected non-hydrocarbon sector growth to remain at 2.5% in 2020 and to slightly accelerate to 2.8% in 2021, mainly supported by high investment and public spending. Also, it expected the inflation rate at 1.5% to 2% in the 2020-22 period, amid modest economic growth rates and only a gradual recovery in housing prices, as well as in the absence of new subsidy cuts or indirect taxes. Further, it indicated that the fiscal deficit widened from 3% of GDP in 2018 to 8% of GDP in 2019, and expected it to further widen to 9% of GDP in 2020 due to lower global oil prices and elevated public spending, especially the clearing of arrears. In addition, it anticipated the current account surplus to narrow from 7% of GDP in 2019 to 4% of GDP in 2020 and 3% of GDP in 2021, but to continue to be mainly supported by high returns of up to 12% of GDP annually that are mostly generated from government assets held abroad.

Source: National Bank of Kuwait

PAKISTAN

Sovereign ratings affirmed with 'stable' outlook

Fitch Ratings affirmed Pakistan's long-term foreign-currency Issuer Default Rating at 'B-', with a 'stable' outlook. It indicated that the rating reflects the country's challenging external position, low level of foreign currency reserves, wide fiscal deficit, high public debt level, and weak governance. But it noted that the country's agreement with the International Monetary Fund on a $6bn Extended Fund Facility and the resulting funding from bilateral and multilateral sources, have helped rebuild foreign currency reserves and reduce external vulnerabilities. As such, it projected reserves to increase from $7.2bn at end-June 2019 to $11.5bn at end-June 2020, supported by the IMF program, as well as by a more flexible exchange rate and continued capital inflows. Further, it forecast the current account deficit to narrow from 4.9% of GDP in the fiscal year that ended in June 2019 to 2.1% of GDP in FY2019/20 and to 1.9% of GDP in FY2020/21, due to lower imports amid the depreciation of the Pakistani rupee against the US dollar. In parallel, the agency projected the fiscal deficit to narrow from 8.9% of GDP in FY2018/19 to 7.9% of GDP in FY2019/20, driven by the authorities' revenue-enhancing measures, which would help reduce the public debt level to 80% of GDP by end-June 2021. It added that authorities took steps to manage debt rollover risks, including the issuance of domestic government bonds with longer-term maturities. It noted that the government has the equivalent of 17% of GDP in upcoming domestic maturities in the second half of the FY2019/20, compared to a median of 6% of GDP among 'B'-rated peers, but it said that authorities have built buffers to partly mitigate rollover risks.

Source: Fitch Ratings

SAUDI ARABIA

Riyadh 'Largely Compliant' with most FATF recommendations

The Financial Action Task Force (FATF) the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Saudi Arabia has made progress in addressing the technical compliance deficiencies identified in its mutual evaluation report dated June 2018. It noted that the Kingdom is currently 'Compliant' and 'Largely Compliant' with 38 recommendations out of the FATF's 40 recommendations, compared to its compliance with 36 recommendations in June 2018, making it among advanced countries in terms of compliance with international standards. In fact, it upgraded the Kingdom from 'Partly Compliant' to 'Largely Compliant' on recommendation '6' about targeted financial sanctions related to terrorism and terrorist financing, and on recommendation '7' about targeted financial sanctions related to the proliferation of weapons of mass destruction. In parallel, it downgraded from 'Compliant' to 'Largely Compliant' recommendations '2', '18' and '21', following a change in FATF's list of requirements for all countries in November 2017. For instance, FATF amended recommendation '2' to require countries to have cooperation and coordination between relevant authorities to ensure compatibility of AML/CFT requirements, as well as a domestic mechanism for the exchange of information. It also changed recommendation '18' in order to ensure that information about unusual or suspicious transactions within financial groups are shared and provided to branches and subsidiaries when needed.

Source: Financial Action Task Force

IRAQ

Banks' NPLs ratio at 11% at end-June 2019

The Central Bank of Iraq (CBI) indicated that Iraqi banks are adopting a conservative stance based on the banking sector's indicators for the second quarter of 2019. It said that the sector's loans-to-deposits ratio regressed from 58% at the end of June 2018 to 50% at end-June 2019, relative to the CBI's ceiling of 70%, which reflects the banks' sufficient liquidity to weather sudden deposit withdrawals. It also noted that the ratio of deposits at banks to broad money supply (M2) slightly increased from 55% at the end of June 2018 to 56% at end-June 2019, which shows improved confidence in the banking sector. It pointed out that total deposits increased by 16% at the end of June 2019 from a year earlier, with current accounts representing 72.6% of total deposits, followed by saving accounts (15.8%) and fixed-term deposits (11.6%). In parallel, the CBI indicated that the banks' return on assets regressed from 0.48% on an annualized basis in the second quarter of 2018 to 0.35% in the same quarter of 2019, while their return on equity declined from 3.7% on an annualized basis in the second quarter of 2018 to 2.95% in the same quarter of 2019. It attributed the deterioration in the banks' profitability metrics to the narrowing of the spread between the exchange rate at the CBI's window market and the market exchange rate, as well as to slower lending activity. Further, it said that the non-performing loans (NPLs) ratio regressed from 12.4% at end-June 2018 to 10.8% at end-June 2019. It noted that the decline in NPLs is positive for the stability of banks, as it shows that banks have become more cautious in lending.

Source: Central Bank of Iraq, Byblos Research

UAE

Agency takes rating actions on six banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of First Abu Dhabi Bank (FAB) at 'AA-', the ratings of Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB) and HSBC Bank Middle East (HBME) at 'A+', and the IDR of Dubai Islamic Bank (DIB) at 'A', with a 'stable' outlook. It also maintained the short-term IDRs of HBME and FAB at 'F1+', and those of DIB, ADCB and ENBD at 'F1'. In addition, the agency placed on 'Rating Watch Positive' Noor Bank's long-term IDR of 'A-' and its short-term rating of 'F2', pending the completion of the bank's acquisition by DIB. It indicated that the IDRs of FAB, ENBD, ADCB and DIB are driven by the UAE government's strong capacity and willingness to support the banks, in case of need. It also pointed out that HBME’s ratings reflect a very strong institutional support from its parent, HSBC Holdings, if needed. Further, it said that the 'Rating Watch Positive' on Noor Bank's IDRs reflects the agency's expectation that the bank will become an integral and fully-owned subsidiary of DIB following the acquisition, which would lead to an upgrade of the bank's IDRs to the same level as the ratings of DIB. In addition, Fitch indicated that FAB's IDR is supported by the bank's strong asset quality and liquidity metrics, as well as by its healthy profitability. It noted that ENBD's rating is mainly constrained by its elevated single-borrower concentration, the highest among peers, while it said that ADCB's IDR reflects the bank's stable funding and liquidity metrics, as well as its adequate asset quality and capitalization.

Source: Fitch Ratings

ANGOLA

IMF calls for banking sector recapitalization

The International Monetary Fund indicated that Angola's subdued economic activity in the last four years, and weak but improving risk-management practices, have eroded the banking sector's soundness. It noted that significant vulnerabilities exist in the sector, including a high non-performing loans (NPLs) ratio that reached 29% at the end of May 2019 and that is expected to remain elevated in the short term. It also noted that constraints associated with correspondent banking transactions in US dollars persist, which adds to the sector's vulnerabilities. Further, it considered that the asset quality review of 13 banks, which account for 93% of the system's assets, would inform about possible recapitalization needs of privately-owned and state-owned banks. As such, it called on authorities to fully and timely implement the plan to recapitalize and restructure the banking sector in order to address financial sector risks. It said that the Banco Nacional de Angola (BNA) will complete the banking sector's recapitalization process by requiring banks to comply with regulatory capital rules by the end of June 2020. In parallel, the Fund indicated that accommodative monetary policy led to excess liquidity in the banking sector, which reduced interest rates and provided incentives for banks to purchase foreign currency. It added that the excess liquidity increased the pressure on the exchange rate and hindered the disinflation process. It said that the BNA has absorbed part of the excess liquidity, as it required banks that are seeking access to foreign currency to prefund their purchases by depositing 50% of the amount at the BNA, remunerated at the policy rate, among other measures.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $65 p/b in 2020

ICE Brent crude oil front-month prices continued to trade at between $64 per barrel (p/b) and $65 p/b in the past two weeks, as expectations of a surplus in the global oil market in coming months outweighed concerns about disruptions to Libya's oil output. The International Energy Agency (IEA) projected the global oil market to post a surplus of one million barrels per day in the first half of the year, which would limit the increase in oil prices during the same period. It forecast prices to average $65 p/b in 2020, and added that risks to the outlook include escalating tensions in the Middle East that could affect major oil producers such as Iraq, as well as the repercussions of global decisions related to climate change on the energy sector. In parallel, Jadwa Investment expected that the "Phase one" trade deal between the U.S. and China, which improved the outlook for global oil demand, along with the OPEC production cut agreement, would keep Brent oil prices around the current levels in the first quarter of 2020. It anticipated oil prices to remain above $65 p/b in the remainder of 2020, as it projected OPEC to extend the output cut agreement beyond March 2020. However, it indicated that upside risks to the oil price outlook include a prolonged escalation of tensions in the Middle East. In contrast, it noted that the fundamental issues driving the initial trade dispute between the U.S. and China are still unresolved, despite recent de-escalation in tensions, which means that tensions could re-emerge and weigh on global oil demand in 2020.

Source: Jadwa Investment, IEA, Refinitiv, Byblos Research

ME&A's oil demand to grow by 1.5% in 2020

Consumption of crude oil in the Middle East & Africa region is expected to average 12.82 million barrels per day (b/d) in 2020, which would constitute an increase of 1.5% from 12.63 million b/d in 2019. The region's demand for oil would represent 38% of demand in developing countries and 12.7% of global consumption this year.

Source: OPEC, Byblos Research

Nigeria's oil receipts down 12% in first 10 months of 2019

Nigeria's crude oil and condensate export receipts totaled $4.1bn in the first 10 months of 2019, constituting a decrease of 12.2% from $4.6bn in the same period of 2018. Export revenues during the covered period consisted of $3bn from crude oil exports (73.6%), $850.3m from gas exports (21%), and $222.1m in other receipts (5.5%). In October 2019, the authorities transferred $153.4m in hydrocarbon revenues to the Federation Account, while they used $350.2m to pay global oil companies to guarantee current and future production.

Source: Nigerian National Petroleum Corporation

Global demand for refined copper at 20.3 million tons in first 10 months of 2019

Global demand for refined copper amounted to 20.3 million tons in the first 10 months of 2019, nearly unchanged year-on-year. Demand from Asia totaled 14.6 million tons and accounted for 72% of global demand, followed by consumption in Europe with 3.2 million tons (15.8%), America with 2.4 million tons (11.6%), Africa with 0.1 million tons (0.7%), and Oceania with 8,300 tons.

Source: International Copper Study Group, Byblos Research

Base Metals: Zinc prices down 13% in 2019, to average $2,075 per ton in 2020

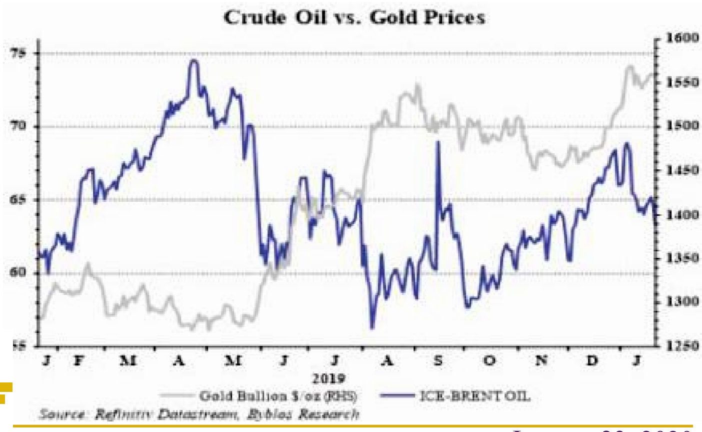
LME zinc cash prices averaged $2,549 per ton in 2019, constituting a decrease of 12.7% from an average of $2,920 per ton in 2018. The decline in prices is mainly due to the prolonged U.S.-China trade tensions that weighed on global economic growth and on demand for metals. But zinc prices grew gradually from $2,219 per ton on December 11, 2019 to $2,478 per ton on January 21, 2020, their highest level in more than two months. The rise in prices has been driven by worries about supply shortages, as LME-registered inventories declined to 50,000 tons, nearing their lowest level in two decades. In addition, prices increased after the U.S. and China signed the "Phase One" trade deal, which boosted the prospects of higher demand for metals. Further, the International Lead and Zinc Study Group projected in last October that the supply deficit of 178,000 tons in the zinc market in 2019 would shift to a supply surplus of 192,000 tons in 2020. It anticipated the global output of refined zinc to increase by 3.7% from 13.5 million tons in 2019 to 14 million tons in 2020. It also expected global demand for zinc to rise by 0.9% from 13.7 million tons in 2019 to 13.8 million tons in 2020. As such, Citi Research projected zinc prices to average $2,075 per ton in 2020.

Source: International Lead and Zinc Study Group, Citi Research, Refinitiv

Precious Stones: Rough diamond production down 4% to 142 million carats in 2019

Global rough diamond production is estimated to have declined by 4% to 142 million carats in 2019, mainly due to lower production in Australia, Botswana and South Africa, which was partly offset by higher diamond supply in Russia and Angola. Global rough diamond output is expected to significantly decrease starting in 2021 as a result of a contraction in diamond supply at the Argyle mine in Australia and at the Diavik and Ekati mines in Canada. Further, the global production of laboratory-grown diamonds grew by 15% to 20% in 2019, driven by higher Chinese and Indian output amid low production costs. In parallel, the cutting and polishing activity in the diamond industry slowed in 2019, as polished diamond sales are estimated to have declined by 10% to 15% last year, partly due to slowing demand for diamond jewelry. In fact, global retail sales of diamond jewelry decreased by around 2% in 2019, with jewelry sales in the U.S. declining by 2% and Chinese sales dropping by 5%, due to trade tensions between the two countries. Further, retail sales of diamond jewelry are unlikely to grow significantly in 2020 due to expectations of subdued global growth this year.

Source: Bain & Company, Antwerp World Diamond Centre



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	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	21-Jan-20	No change	19-Mar-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	22-Jan-20	No change	04-Mar-20
Emerging Markets					
China	One-year Loan Prime Rate	4.15	20-Jan-20	No change	20-Feb-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	17-Jan-20	No change	27-Feb-20
Malaysia	O/N Policy Rate	2.75	22-Jan-20	Cut 25bps	03-Mar-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	16-Jan-20	No change	20-Feb-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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