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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global FDI flows down 1% to $1.39 trillion in 2019

The United Nations Conference on Trade & Development (UNCTAD) indicated that global foreign direct investment (FDI) flows totaled $1.39 trillion in 2019, constituting a decline of 1% from $1.41 trillion in 2018, amid weaker global macroeconomic performance, as well as policy uncertainty for investors. It noted that FDI inflows to developing countries stood at $695bn in 2019, or 50% of global FDI flows, followed by inflows to developed economies with $643bn (46.1%), and to transition economies with $57bn (4.1%). It said that FDI inflows to transition economies rose by 65% in 2019, driven partly by expectations of higher economic growth in the region in 2020 and more stable commodity prices. It added that FDI inflows to Russia more than doubled to $33bn in 2019. In contrast, it indicated that FDI inflows to developed economies declined by 6% in 2019, due to a 15% decrease in FDI to the European Union. It pointed out that FDI to developing countries were nearly unchanged from $696bn in 2018. Further, it projected global FDI flows to increase moderately in 2020, as current forecasts signal a recovery in global economic activity from its weakest performance since 2009. It considered that high debt levels in emerging and developing countries, geopolitical risks and concerns about a further shift towards protectionist policies constitute the main risks to FDI flows. In parallel, it noted that the amount of cross-border merger & acquisitions fell by 40% to $490bn in 2019, their lowest level since 2014.

Source: UNCTAD

GCC

Fixed income issuance up 22% to $141bn in 2019

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached about $140.8bn in 2019, constituting an increase of 22.4% from $115bn in 2018. Aggregate fixed income issuance in 2019 consisted of $48.8bn in sovereign bonds, or 34.7% of the total, followed by corporate bonds at $45.5bn (32.3%), sovereign sukuk at about $30bn (22.5%), and corporate sukuk at about $15bn (10.5%). Aggregate bonds and sukuk issued by GCC sovereigns reached around $80bn in 2019, while bonds and sukuk issued by GCC corporates amounted to about $60.5bn. GCC sovereigns issued $13.2bn in bonds and sukuk in January, $3bn in February, $15.5bn in March, $9.7bn in April, $0.2bn in May, $4.1bn in June, $4.4bn in July, $5.2bn in August, $13.9bn in September, $6.1bn in October, $0.5bn in November and $2.8bn in December 2019. In parallel, companies in the GCC issued $2.7bn in bonds and sukuk in January, $2.4bn in February, $6.2bn in March, $15.4bn in April, $4.2bn in May, $1.9bn in June, $5.2bn in July, $3bn in August, $4.4bn in September, $6.7bn in October, $7.6bn in November and $0.7bn in December 2019. Sovereign issuance in December consisted of $1.1bn in sukuk and $325m in bonds issued by supranational issuers IDB Trust Services and the Arab Petroleum Investment Corp (APICORP), respectively, as well as $779.2m in sukuk and $519.5m in bonds issued by Oman, and $75m in sukuk issued by the UAE. Also, corporate issuance in December included $294.2m in bonds issued by UAE-based companies, $143.4m in bonds issued by Qatar-based firms, and $67.2m in bonds issued by Oman-based companies.

Source: KAMCO

MENA

Corruption perception varies across region

Transparency International's 2019 Corruption Perceptions Index (CPI) indicated that the UAE is perceived to have the 21st lowest level of corruption among 180 countries globally and the lowest level of corruption among 21 Arab countries. Qatar followed in 30th place, then Saudi Arabia (51st), Oman (56th), and Jordan (60th) as the five countries perceived to have the lowest level of corruption in the Arab region. In parallel, Libya (168th), Sudan (173rd), Yemen (177th), Syria (178th) and Somalia (180th) were perceived as the most corrupt countries regionally. Transparency International uses data sources from independent institutions specializing in governance and business climate analysis in order to assess the degree of corruption in the public sector of each country. The rankings are based on scores that range between zero and 100, with lower scores reflecting economies with a high level of corruption. The Arab countries' average score stood at 34 points in the 2019 survey, and was higher than the average score of Sub-Saharan Africa (32 points), but it was lower than the average scores of the European Union & Western Europe (66 points), Asia Pacific (45 points), the Americas (43 points), and Eastern Europe & Central Asia (35 points). Also, the average score of Gulf Cooperation Council (GCC) countries was 53 points in the 2019 survey, while the score of non-GCC Arab countries stood at 27 points.

Source: Transparency International, Byblos Research

Women's empowerment varies in Arab world

The World Bank's 2020 Women, Business and the Law Index indicated that Morocco's legislation empowered women the most among 20 Arab countries. Morocco also came in 107th place among 190 economies globally in terms of women empowerment, followed by Saudi Arabia (130th), Tunisia (132nd), Djibouti (135th), and Algeria (161st). In contrast, laws in Kuwait and Qatar (185th each), Sudan (188th), Yemen (189th), and the West Bank & Gaza (190th) provided the least empowerment to women in the region. The index assesses how a country's legislation influences the equality of opportunities for women during different phases of their working lives and how this, in turn, affects women's participation in the labor force. The index is an unweighted average of eight indicators that are Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets and Pension. The Arab region's average score stood at 47.3 points and increased from 44 points in the previous survey, but it remained significantly lower than the global average score of 75 points. The region's average score shows that legislation in Arab countries provides women with nearly 47% of the legal rights provided to men on the eight indicators. In addition, Morocco's legislation extends to women 75.6% of the legal rights that it gives men, followed by Saudi Arabia (70.6%), Tunisia (70%), Djibouti (68%), and Algeria (57.5%). In comparison, Belgium, Canada, Denmark, France, Iceland, Latvia, Luxembourg and Sweden are the only countries in the world that provide women with 100% of the legal rights provided to men.

Source: World Bank, Byblos Research

OUTLOOK

KUWAIT

Non-hydrocarbon sector growth to average 3.5% in medium term

The International Monetary Fund projected Kuwait's real GDP growth to accelerate from an estimated 0.7% in 2019 to 1.5% in 2020, mainly supported by non-hydrocarbon sector activity. It forecast real hydrocarbon GDP to grow by 0.3% in 2020 compared to a contraction of 1% in 2019, amid steady oil output under the OPEC production cut agreement. It anticipated growth in the non-hydrocarbon sector at 3% this year, supported mainly by public spending and credit growth. It projected growth to average 2.7% annually in the 2021-25 period, with real hydrocarbon GDP growing by 2% and real non-hydrocarbon sector activity expanding by 3.5%. The IMF said that downside risks to the outlook include lower oil prices, delays in the implementation of reforms, as well as heightened security and geopolitical tensions.

Further, the Fund indicated that the government's fiscal reforms are modest and focus on measures that do not require legislative changes, given the challenging political dynamics between the government and Parliament. It considered that the needed fiscal adjustment could prove difficult to implement, due to the opposition to reducing the public-wage bill, subsidies and transfers, or to imposing new taxes. As such, it forecast the fiscal balance to shift from a surplus of 5.5% of GDP in FY2018/19 to an average deficit of 3.2% of GDP annually over the medium term. It projected Kuwait's fiscal financing needs to increase rapidly and to average 20% of GDP annually, or a cumulative $180bn, over the next six years. It expected the government to cover its financing needs mainly through the drawdown of foreign assets from the Kuwait Investment Authority (KIA) and from domestic borrowing. As such, it anticipated the public debt level to increase from 15.3% of GDP at end-2019 to 73.6% of GDP by end-2025, while it anticipated foreign assets at KIA at about $401bn in the medium term. The IMF called on authorities to implement a well-paced fiscal adjustment plan over the medium term in order to put the fiscal position on a more sustainable path and to reduce financing needs. Further, it forecast the current account surplus to decline from 8.5% of GDP in 2019 to 0.9% of GDP by 2025, amid flat oil export receipts and rising imports.

Source: International Monetary Fund

ALGERIA

Macroeconomic challenges on the rise

BNP Paribas indicated that Algeria's macroeconomic conditions are challenging, with subdued economic growth, elevated pressure on hydrocarbon revenues and wide fiscal and external deficits. It noted that authorities are facing the task of reshaping the political system and restoring the sustainability of an economic model that has been weakened by the decline in hydrocarbon revenues and the loss of investor confidence. It projected real GDP growth to accelerate from an estimated 1.1% in 2019 to 1.7% in 2020, driven by a slight increase in gas production and a modest improvement in non-hydrocarbon sector activity.

In parallel, it indicated that the 2020 budget targets a 9% cut in spending that would entirely be driven by a 20% reduction in capital expenditures. It considered that this would have an adverse impact on the economy, as the fiscal adjustment would only be supported by cuts in public investments. It projected the fiscal deficit to widen from 10% of GDP in 2019 to 10.8% of GDP in 2020 due to lower hydrocarbon revenues, while it forecast the government's debt level to rise from 51.5% of GDP at the end of 2019 to 57.2% of GDP at end-2020. It noted that it is uncertain how Algeria will finance the deficit, especially that authorities indicated that they will not reactivate the non-conventional financing policy that they introduced at the end of 2017.

Further, it projected the current account deficit at 11.7% of GDP in 2020, nearly unchanged from 2019, amid lower hydrocarbon export receipts. It anticipated Algeria's external liquidity to remain under pressure in the absence of significant capital inflows, due to the wide current account deficit. It forecast foreign currency reserves to decline from $61bn, or 12.6 months of imports at end-2019 to $42bn, or 8.7 months of imports at end-2020. It noted that foreign currency reserves remain at comfortable levels, but that the speed and size of their contraction constitute a source of risk in the medium term. It added that, in the absence of significant reforms, the government could be forced to depreciate the exchange rate or impose tighter import or capital controls, which would have a severe impact on inflation. It forecast the average inflation rate to increase from 2% in 2019 to 3.5% in 2020.

Source: BNP Paribas

CÔTE d'IVOIRE

Growth to average 6.7% over medium term

The International Monetary Fund indicated that Côte d'Ivoire has benefitted in recent years from solid macroeconomic stability, an upgraded infrastructure and an improved business environment, which have allowed the private sector to become the main driver of economic growth. It noted that the country's macroeconomic outlook is positive, as it expected real GDP growth to reach 7.3% in 2020 relative to 7.5% in 2019, supported by robust investment activity, higher cocoa export receipts, and increased social spending. It projected growth to average 6.7% annually during the 2021-24 period, if authorities continue to follow prudent macroeconomic policies and implement additional structural reforms. Further, it anticipated the inflation rate to stabilize at 2% over the medium term, reflecting favorable domestic supply conditions and the strength of the Euro currency to which the CFA franc is pegged. The Fund indicated that downside risks to the outlook include domestic political uncertainties ahead of the 2020 presidential elections, a slowdown in global economic activity, and rising security concerns.

Further, it forecast the fiscal deficit at 3% of GDP in 2020 and over the medium term, as authorities remain committed to converge the deficit to the regional target deficit of the Western Africa Economic and Monetary Union. It considered that the convergence of the deficit to the regional target is crucial to sustain Côte d'Ivoire's macroeconomic stability and should be supported by additional tax measures and by containing current expenditures. It noted that the government needs to balance external and domestic sources of financing and to continue its prudent debt management in order to preserve debt sustainability. It forecast the public debt level to decline from 50% of GDP at end-2020 to 46.7% of GDP by end-2024. Further, it projected the current account deficit to gradually narrow from 4% of GDP in 2019 to 3% of GDP by 2024, due to higher exports and slower import growth. It said that the current account is subject to downside risks, including unfavorable terms-of-trade shocks and weaker-than-expected global growth.

Source: International Monetary Fund

ECONOMY & TRADE

GCC

Ratings on UAE and Qatar affirmed

Capital Intelligence Ratings (CI) affirmed the UAE's long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook. It noted that the ratings reflect the country's strong external position, sound public finances, high real GDP per capita, as well as Abu Dhabi's willingness to support federal institutions in case of financial distress. It estimated the assets managed by the Abu Dhabi Investment Authority at $825bn, or about 200% of the UAE's GDP, at the end of 2019. It expected real GDP growth to average 2.6% annually in the 2020-21 period, supported by Dubai's 2020 World Expo. Also, it estimated the current account surplus at 9% of GDP in 2019, driven by higher tourism and oil export receipts, and projected it to average 6.1% of GDP annually in the 2020-21 period. However, it forecast the fiscal surplus to average 0.5% of GDP annually in the 2020-21 period relative to 2% of GDP in 2019, in case global oil prices average $61.3 per barrel and if current and infrastructure spending increases. In parallel, CI affirmed Qatar's long-term foreign and local currency ratings at 'AA-', with a 'stable' outlook. It indicated that the ratings balance the substantial assets of the Qatar Investment Authority, moderate government debt level and very large hydrocarbon reserves, against limited economic diversification, low monetary flexibility and significant geopolitical risks. Also, it forecast the public debt level to decline from 54.3% of GDP at end-2019 to 50% of GDP by end-2021. However, it anticipated the large size of the banking sector to be a significant implicit contingent liability to public finances.

Source: Capital Intelligence Ratings

AFRICA

Eurobond refinancing to exceed $30bn in next 10 years

The Institute of International Finance indicated that several countries in Sub-Saharan Africa (SSA) will face substantial debt amortization payments in the coming years. It noted that the SSA region's debt-to-GDP ratio grew by 23 percentage points in the past 10 years, as a result of elevated Eurobond issuances. It expected the debt amortization of SSA economies, which totaled $6bn over the past five years, to rise to $6.6bn in 2024 and to $7.4bn in 2025. In parallel, the IIF indicated that debt servicing costs increased in the region, and projected the 16 SSA economies to pay a total of $4.3bn in interest this year, compared to $1.6bn five years ago and $300m they paid 10 years ago. It added that Côte d'Ivoire, Ghana and Nigeria will account for more than 50% of the aggregate interest payments of the 16 economies in 2020. Further, it anticipated SSA countries to refinance their maturing debt in 2020 with new issuances due to sustained fiscal deficits. As such, it considered that attracting non-resident capital for debt rollover will be critical amid wide current account deficits, in order to avoid significant depreciation pressure on local currencies. It expected SSA economies to refinance more than $30bn in Eurobonds in the next 10 years, which means that these countries could be susceptible to tightening global financial conditions. It added that Eurobond issuances expose these countries to exchange rate risks, as the principal and interest payments would become a larger burden if their local currencies depreciate significantly.

Source: Institute of International Finance

GHANA

Outlook on ratings revised to 'positive' on improved macroeconomic stability

Moody's Investors Service affirmed Ghana's long-term issuer and senior unsecured bond ratings at 'B3', and revised the outlook from 'stable' to 'positive'. It attributed the outlook revision to its rising confidence that policy-makers will maintain macroeconomic and fiscal stability in the medium term, which is in part due to the institutional and fiscal reforms implemented under the IMF program. It noted that authorities took measures in previous years to recapitalize the financial sector and to address the deficit in the energy sector, which increased confidence in the government's ability to preserve stability and limit the risk of external shocks in coming years. As such, the agency expected the authorities to manage the risks and challenges from sustained revenue shortfalls, potential increase in spending ahead of the 2020 general elections, and the emergence of significant arrears and additional contingent liabilities in the energy sector. Further, it estimated the public debt level at 64% of GDP at the end of 2019 and expected it to rise further in the near term. It said that the extent of the increase in the debt level will depend in part on the government's success in preserving the stability of the exchange rate and in addressing additional contingent liabilities in the energy sector. In parallel, it pointed out that the ratings are constrained by Ghana's significant exposure to a reversal in international capital flows, exchange rate volatility, as well as rising external and domestic borrowing costs.

Source: Moody's Investors Service

PALESTINE

Fiscal costs of Israeli occupation at $48bn or 33% of GDP in 2000-17

The United Nations Conference on Trade & Development (UNCTAD) estimated the fiscal costs of the Israeli occupation on the Treasury of Palestine at $19.5bn in the 2000-17 period. It indicated that fiscal costs include fiscal leakages, or foregone revenues to the Palestinian Treasury that were diverted to the Israeli Treasury, which it estimates at $6.6bn in the 2000-17 period, and which consist of $5.6bn in fiscal leakages and $1bn in cumulative interests on these funds. It added that the fiscal costs of the Israeli occupation on Palestine's Treasury also include other fiscal losses that resulted from the under-invoicing of commodity imports, the smuggling of goods from Jordan, and the Israeli control of Area C, an administrative division of the West Bank, among other factors. It said that fiscal costs should also include the compounded interest payments by the Palestinian government on the borrowed funds to finance the fiscal gap resulting from the loss of public revenues. It estimated the accumulated interest payments at $28.3bn, which would increase the total fiscal costs of the occupation to $47.7bn, or about 33% of the Palestinian GDP, in the 2000-17 period. The UNCTAD estimated that Palestine's cumulative GDP would expand by an aggregate of $12.5bn, or by 7.3%, in the 2000-17 period under a scenario that assumes no fiscal leakages to the Israeli Treasury. It anticipated that Palestine's GDP would increase by $36.4bn, or by 21.5%, over the same period under a scenario of no fiscal leakages and no other fiscal losses resulting from the Israeli occupation, and which assumes the sovereignty of the State of Palestine over its fiscal affairs.

Source: UNCTAD

BANKING

WORLD

Positive trend for banks' ratings in first half of 2019

Fitch Ratings indicated that it upgraded the Issuer Default Ratings of 46 banks around the world in the second half of 2019, well above the historical median, compared to about 35 upgrades in the second half of 2018. It also downgraded 33 banks in the second half of 2019, broadly unchanged from the number of downgrades in the same period of 2018. It noted that the trend for the banks' ratings worldwide was positive in the second half of 2019. It said that over two thirds of rating upgrades were in Emerging Europe, due to positive rating actions on Russia and Ukraine's sovereign ratings. It added that about 50% of all upgrades globally in the second half of 2019 were due to the banks' stronger standalone profiles as reflected by their Viability Ratings. The agency indicated that Latin America and the Middle East & Africa (ME&A) regions accounted for nearly all rating downgrades in emerging markets and for 80% of total downgrades globally. It noted that the downgrades were concentrated in Turkey and Argentina, as they followed similar actions on the sovereigns' ratings. Also, it pointed out that the global outlook balance on the banks' ratings improved in the second half of 2019, due to the stabilization of the outlook on Turkish banks and the removal of the ratings of banks in the United Kingdom from 'Rating Watch Negative'. But it noted that 13% of banks have a 'negative' outlook on their ratings compared to 5% of banks' ratings that carry a 'positive' outlook. It added that Latin America and the ME&A regions account for 54% of all the 'negative' outlooks on banks' ratings.

Source: Fitch Ratings

SAUDI ARABIA

Banks' margins vulnerable to lower interbank rates

Goldman Sachs estimated the aggregate profits of eight Saudi banks at SAR43.3bn, or $11.5bn, in 2019, constituting an increase of 12.7% from SAR38.4bn in 2018, mainly due to a rise in the banks' net interest income. It estimated that the banks' earnings declined by 13.1% quarter-on-quarter to SAR10.1bn, or $2.7bn, in the fourth quarter of 2019, as a result of a significant increase in provisions and a narrower interest margin. It projected the increase in the banks' earnings to decelerate to 4% in 2020 due to the narrowing of their net interest margins, which would be offset in part by the growth in high-yielding mortgages. In fact, it anticipated the banks' net interest margin to narrow from 3.32% in 2019 to 3.21% in 2020. It noted that the eight banks' interest margins are vulnerable to lower Saudi interbank rates, given that 90% of their assets are interest-yielding, while only 30% of the funding base is interest bearing. Further, it forecast the Saudi banks' lending to increase by 6% in 2020, as it expected corporate loans to expand by 5% and anticipated mortgages to rise by 20% under the authorities' objective of increasing home ownership to 60% of the Saudi population by end-2020. It pointed out that Saudi commercial banks currently provide around 50% of retail mortgage loans compared to a share of 40% at the beginning of 2015. It added that banks, finance companies and the Real Estate Development Fund would need to disburse an additional SAR90bn in real estate loans to reach the authorities' home ownership target of 60% by end-2020, which means that banks have substantial headroom to increase their mortgage lending this year.

Source: Goldman Sachs

EGYPT

Banking sector has stable outlook

Moody's Investors Service indicated that the outlook on the Egyptian banking sector is 'stable'. It expected the banks' non-performing loans (NPLs) ratio to stabilize at around 4.5% in the coming 12 to 18 months, largely supported by stronger economic activity. It also considered loan-loss reserves to be adequate at around 100% of NPLs. However, it noted that the sector's NPLs are understated, given that many banks do not classify their exposure to state-owned companies as problem loans. It added that downside risks to asset quality could arise following the Central Bank of Egypt's directive for banks to raise their lending to small- and medium-sized enterprises to 20% of their loan portfolios by end-2020. Also, it pointed out that the banking sector's Tier One capital ratio rose to 15.5% at the end of September 2019, but it expected the ratio to stabilize in the coming 12 to 18 months, as strong internal capital generation is channeled towards high lending growth and rising dividend payouts. It added that the draft Banking Act, if enacted, would require banks to have a minimum capital of EGP5bn, or $294m, compared to EGP500m currently, which would encourage consolidation in the sector. Further, it anticipated the banking sector's profitability to rise in 2020 as funding costs decline. It expected state-owned banks to start offering much lower interest rates as their more expensive certificates of deposits gradually mature, which would boost their interest margins. Further, it forecast the sector's aggregate deposits to rise by 10% to 12% in the coming 12 to 18 months, driven by remittance inflows and improved financial inclusion in the country.

Source: Moody's Investors Service

TURKEY

Negative real rates increase risks of pressure on lira

Fitch Ratings considered that Turkey's weak monetary policy credibility and the large declines in real interest rates continue to weigh on the country's 'BB-' rating. It noted that the policy rate fell from 24% in June 2019 to 11.25% currently. It pointed out that deeper-than-expected interest rate cuts, combined with an increase of 1.3 percentage points in the inflation rate to 11.8% in December 2019, have reduced the real interest rate from a peak of 8.3% in June 2019 to -0.6% in December. It also noted that the real interest rate differential with other large emerging markets narrowed from 6.4 percentage points in June to -1.8 percentage points in December 2019, which increases the risks of renewed pressure on the lira and of higher stress on the balance sheets of corporates and banks. It said that the country's record of high and volatile inflation, weak monetary policy credibility, and the sharp reductions in real interest rates since June led to risks of renewed market volatility. It noted that the country's high external financing requirements at $170bn in 2020, and susceptibility to geopolitical shocks and sanctions, are key vulnerabilities. In parallel, Moody's Investors Service considered that the negative real interest rates make lending to Turkish banks and investing in Turkish lira assets less attractive than in other emerging markets, and will negatively affect the credibility of the Central Bank of the Republic of Turkey. It pointed out that a key vulnerability of Turkish banks is their significant reliance on short-term market funding in foreign currencies and, therefore, their dependence on investor confidence.

Source: Fitch Ratings, Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to range between $55 p/b and $65 p/b in 2020

ICE Brent crude oil front-month prices reached $59.8 per barrel (p/b) on January 29, 2020, down from a range of between $65 p/b and $68 p/b in the first three weeks of the month. The sharp decline in oil prices was mainly due to concerns about the potential economic impact of the spread of the coronavirus beyond China's borders, which would weigh on global oil demand. Also, demand concerns have offset supply disruptions such as Libya's production outages. In parallel, ABN AMRO expected oil prices to decline in the first half of 2020 due to global excess supply. But it anticipated geopolitical tensions to continue to significantly influence global oil markets in coming months. It pointed out that, despite lower risk of escalating tensions between the U.S. and China, oil production disruptions could still occur, especially in Iraq. As such, it projected oil prices to trade within a range of $55 p/b to $65 p/b during most of 2020. It expected the potential increase in output from non-OPEC oil producers to balance geopolitical tensions and risks of production disruption. It anticipated OPEC to extend its production cut agreement in its upcoming meeting in March 2020, despite the fact that some OPEC countries have signaled their intention to end the output cut based on expectations of a rise in oil demand. It considered that halting the production cut agreement would raise the risk of oversupply in the oil market and exert downward pressure on oil prices.
Source: ABN AMRO, Refinitiv, Byblos Research

Steel output up 3.4% in 2019

Global steel production reached 1.87 billion tons in 2019, constituting an increase of 3.4% from 1.8 billion tons in 2018. Steel production in China totaled 996.3 million tons and accounted for 53.3% of global output last year. India followed with 111.2 million tons (5.9%), then Japan with 99.3 million tons (5.3%), the U.S. with 87.9 million tons (4.7%), and Russia with 71.6 million tons and South Korea with 71.4 million tons (3.8% each).
Source: World Steel Association, Byblos Research

Côte d'Ivoire's cocoa exports to rise by 3% in 2020

The International Monetary Fund projected Côte d'Ivoire's cocoa export receipts to increase by 2.8% to CFAF2,854bn in 2020, which would represent 37.4% of the country's total export revenues, and would be equivalent to 10% of its GDP. It also forecast exports of crude oil and refined oil products to decline by 6.7% to CFAF1,107bn this year, which would constitute 14.5% of Côte d'Ivoire's export receipts, and would be equivalent to 4% of its GDP.
Source: International Monetary Fund, Byblos Research

Capacity of new solar PV projects projected at 142 gigawatts in 2020

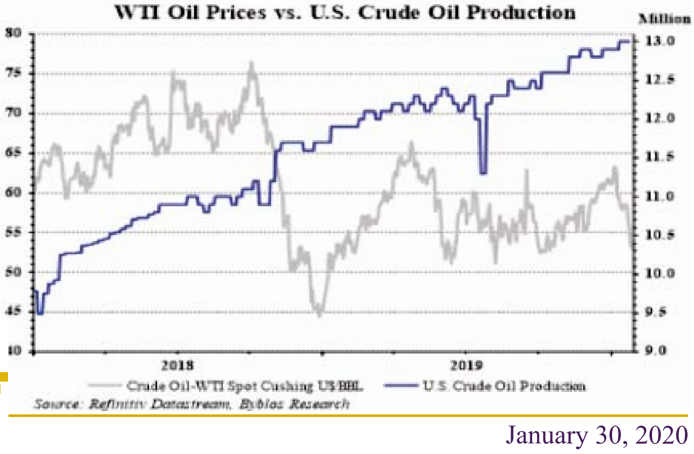
IHS Markit projected the capacity of new solar photovoltaic (PV) projects worldwide at 142 gigawatts in 2020, which would constitute an increase of 14% from 2019, largely driven by strong PV demand from China and the United States. It expected China to continue to account for the largest share of global installed solar PV capacity in coming years, but it anticipated that other markets in Southeast Asia, Latin America and the Middle East would increasingly contribute to the growth of installed capacity.
Source: IHS Markit

Base Metals: Copper prices reach four-month low

LME copper cash prices averaged $6,082 per metric ton in the year-to-January 29, 2020, constituting an increase of 2.4% from an average of $5,940 per ton in January 2019, as the U.S. and China reached an agreement on the first phase of a trade deal, and following the expansion of Chinese manufacturing activity. However, prices declined to $5,612.8 per ton on January 29, 2020, their lowest level in four months, and by 10.5% from a recent high on January 14, 2020. The drop in prices was driven by expectations of lower demand from China, the world's top metals consumer, where an outbreak of the coronavirus has raised the prospects of economic slowdown in the country. In parallel, the latest available figures show that global demand for refined copper was 20.3 million tons in the first 10 months of 2019, nearly unchanged year-on-year, as Chinese demand grew by about 2.2%, while demand from the rest of the world decreased by around 2%. On the supply side, global refined copper production reached 19.9 million tons in the first 10 months of 2019, down by a marginal 0.3% annually, amid lower output from Chile, India, Japan, Peru, the U.S., Zambia, and some European countries. This was offset by higher production in Australia, Brazil, China, Iran and Poland. Refined copper output grew by 10% in Oceania and by 3% in Asia, while it declined by 9.5% in Africa, by 7% in Latin America, and by 2% in Europe and North America.
Source: International Copper Study Group, Refinitiv

Precious Metals: Silver prices to increase by 5% and average $17 per ounce in 2020

Silver prices averaged $16.2 per troy ounce in 2019 and increased by 3.2% from an average of $15.7 per ounce in 2018, supported mainly by a decline in global mine production, as well as by strong photovoltaic demand for the metal. Prices traded at a low of $14.4 an ounce on May 28 and a high of $19.4 per ounce on September 4, 2019. Also, silver prices averaged $18 per ounce so far this year, constituting an increase of 4.6% from an average of $17.2 an ounce in December 2019 and a rise of 15.2% from $15.6 per ounce in January 2019. Prices surged in the first week of 2020 to a near four-month high of $18.3 an ounce on January 7, 2020, driven by escalating tensions between the U.S. and Iran, but stabilized thereafter and declined to $17.5 per ounce on January 29 as tensions slightly eased. Overall, prices are projected to increase by 5% to an average of $17 per ounce in 2020 and further to $19 an ounce in 2021, largely driven by expectations of a weaker US dollar, continued monetary easing by central banks worldwide, uncertainties related to the 2020 U.S. presidential elections, and strong jewelry demand from China.
Source: ABN AMRO, Refinitiv



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Negative	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Negative	Negative	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	Positive	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 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 (%)
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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	1.50-1.75	29-Jan-20	No change	18-Mar-20
Eurozone	Refi Rate	0.00	23-Jan-20	No change	12-Mar-20
UK	Bank Rate	0.75	30-Jan-20	No change	26-Mar-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	8.25	27-Jan-20	Cut 25bps	N/A
Nigeria	Monetary Policy Rate	13.50	26-Nov-19	No change	24-Feb-20
Ghana	Prime Rate	16.00	25-Nov-19	No change	31-Jan-20
Angola	Base rate	15.50	27-Jan-20	No change	27-Mar-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	24-Jan-20	No change	17-Mar-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	11.00	30-Jan-20	Cut 250bps	12-Mar-20
Russia	Refi Rate	6.25	13-Dec-19	Cut 25bps	07-Feb-20

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