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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate debt of $10.8 trillion maturing between 2020 and 2024

S&P Global Ratings indicated that $10,763bn in global rated corporate debt will mature between January 2020 and the end of 2024, constituting an increase of 3% from a previous forecast of $10,405bn for the same period. It noted that $1,939bn in corporate debt is due in 2020, $2,134bn in 2021, $2,295bn mature in 2022, $2,211bn come due in 2023, and $2,184bn mature in 2024. The U.S. has $4,806bn in maturing corporate debt between January 2020 and end-2024 or 44.7% of the total, followed by Europe with $4,043bn (37.6%), other developed countries with $1,142bn (10.6%), and emerging markets (EMs) with $773bn (7.2%). Also, investment-grade corporate debt that matures during the covered period totals $8,286bn, or 77% of maturing debt. In addition, non-financial corporate debt that is due during the same period amounts to $6,591bn and accounts for 61.2% of the due debt between January 2020 and end-2024. Further, maturing debt of utilities companies totals $674.3bn and accounts for 10.2% of non-financial maturing corporate debt, followed by the debt of consumer product firms $647bn (9.8%), the telecommunications sector's debt with $590.4bn (9%), the healthcare sector with $586.8bn (8.9%), the high technology sector with $574bn (8.7%), and media and entertainment companies with $524.7bn (8%). In parallel, a total of $571bn in EMs' investment-grade corporate debt will mature between January 2020 and end-2024, which is equivalent to 74% of EMs' maturing corporate debt. Also, non-financial corporate debt in emerging economies is at $500.4bn, or 64.8% of total EMs' corporate debt.

Source: S&P Global Ratings

Trade in services estimated at $6 trillion in 2019

The United Nations Conference on Trade & Development (UNCTAD) indicated that the value of global trade in services reached $5.8 trillion in 2018, constituting an increase of 7.7% from 2017, and compared to a rise of 8% in 2017. It said that the amount of the global trade in services was equivalent to 7% of the world's GDP in 2018. It pointed out that trade in services in developed economies totaled $4 trillion and accounted for 68% of world trade in services in 2018, followed by developing economies with $1.7 trillion (29.7%), and transition economies with $137bn (2.3%). It projected the amount of global trade in services to grow by 2.7% to $6 trillion in 2019. In parallel, it indicated that the exports of services from the United States reached $828bn in 2018 and accounted for 14.2% of the total amount of global services, followed by the United Kingdom with $376bn (6.4%), Germany with $331bn (5.7%), France with $291bn (5%) and China with $267bn (4.6%). International trade in telecommunications, computer and information services grew by 14.7% in 2018, followed by exports of construction, personal, cultural, recreational, government and goods-related services (+9.1%), travel and transport services (+7% each), and insurance, financial, intellectual property and other business services (+6%). Developed economies supplied 78% of internationally traded insurance, financial, intellectual property and other business services in 2018, while developing economies relied more on travel and transport for their exports.

Source: UNCTAD

EMERGING MARKETS

Infrastructure projects with private participation up 14% to $50bn in first half of 2019

Figures released by the World Bank show that investment commitments in infrastructure projects with private participation, or public-private investments (PPIs), in developing economies totaled $49.8bn in the first half of 2019, constituting an increase of 14% from the first half of 2018 and a growth of 18% from an average of $42.2bn in the first half of the previous five years. PPIs in the transportation sector reached $25.8bn in the first half of 2019, or 51.8% of the total, followed by projects in the energy field with $21.5bn (43.2%), investments in the water & sewage sector with $2.4bn (4.8%), and PPIs in information & communications technology (ICT) with $74m (0.1%). On a regional basis, the East Asia & Pacific region attracted 40% of the total amount of PPIs in the first half of 2019, followed by Latin America & the Caribbean with 32.5%, South Asia with 15%, Europe & Central Asia with 8.8%, Sub-Saharan Africa with 3.4%, and the Middle East & North Africa with 0.2%. In parallel, there were 175 infrastructure projects financed through PPIs in the first half of 2019, of which 78 were in the transportation sector, 75 projects in the energy sector, 21 projects in the water sector and one project was in ICT. Further, 38 developing economies attracted PPIs in the first half of 2019, relative to an average of 31 countries in the first half of the previous five years. China attracted $16.8bn across 60 projects in the covered period, followed by Brazil with $11.9bn (12 projects), India with $4.7bn (24 projects), Russia with $2.6bn (seven projects), and the Philippines with $1.8bn (five projects).

Source: World Bank, Byblos Research

KUWAIT

Planned projects to reach KD8bn in 2020

The National Bank of Kuwait (NBK) indicated that the total amount of projects awarded in Kuwait reached KD1.1bn, or $3.3bn, in 2019, which is significantly lower than the initially planned KD4.4bn worth of projects at the start of the year. It added that the value of projects awarded reached a historically low level of KD180m in the fourth quarter of 2019, compared to KD281m in the fourth quarter of 2018. It attributed the exceptionally low amount of projects that were awarded last year to delays, prolonged bid negotiations and various technical difficulties, especially in the area of public-private partnerships. It also noted that tight public spending weighed on granting projects in the country in 2019. Further, it pointed out that awarded projects in the construction sector stood at KD482m in 2019 and accounted for 42% of the total, followed by projects in oil & gas with KD293m (26%), power & water with KD220m (19%), and transportation with KD147m (13%). In addition, it noted that KD8bn worth of projects are scheduled for 2020, but it expected the value of awarded projects to be smaller this year, given the recent trend of delays and setbacks. It said that projects planned in the chemical sector are projected to reach KD2.85bn and to account for 36% of planned projects in 2020, followed by projects in the power & water industry with KD1.95bn (25%), the construction sector with KD1.37bn and the transportation sector with KD1.34bn (17% each), and the oil & gas industry with KD435m (5%).

Source: National Bank of Kuwait

GCC

Global oil market outlook poses challenges to GCC fiscal sustainability

The International Monetary Fund considered that the outlook on the global oil market could pose challenges to the fiscal sustainability of Gulf Cooperation Council (GCC) countries. It expected global oil demand to decline starting in 2041, due to improvements in energy efficiency and increased substitution away from oil towards alternative sources of energy, among other factors. It pointed out that GCC countries are already implementing programs to diversify their economies, as well as their fiscal and external revenues, away from oil. As such, it said that the average non-oil primary fiscal deficit in GCC countries narrowed from more than 60% of non-oil GDP in 2014 to 44% of non-oil GDP in 2018. But the Fund considered that the expected speed and size of the fiscal consolidation of most GCC economies may not be sufficient to stabilize their financial wealth. It said that, at the current fiscal stance of GCC economies, the region's net financial wealth, which it estimated at $2 trillion currently, could be depleted by 2034. It estimated that GCC authorities would need to reduce the non-oil primary fiscal deficit to mid-single digits by 2060 to ensure long-term fiscal sustainability, which would require a steeper fiscal adjustment over a long period of time.

The IMF considered that GCC authorities need to implement wide-ranging reforms to manage the long-term fiscal transition. It noted that continued economic diversification is important but is not sufficient on its own, and stressed that countries should also increase their non-hydrocarbon fiscal revenues. It noted that moving towards broad-based taxes could provide much-needed revenue diversification and facilitate the development of small- and medium-sized enterprises. In addition, it considered that GCC countries will likely need to downsize the public sector by rationalizing areas of spending, reforming the region's large civil service and reducing their public wage bills. Further, the Fund indicated that GCC countries should redirect oil proceeds toward financial savings rather than public investments. It added that a strong early start of the needed reforms would improve the economic well-being of future generations, but would require greater efforts from the current generation. In contrast, it said that a gradual fiscal adjustment raises fiscal sustainability risks and increases the burden on future generations.

Source: International Monetary Fund

ANGOLA

Growth projected at 2.3% annually in 2021-23 period

S&P Global Ratings projected Angola's real GDP to grow by 1% in 2020, following four years of economic contraction, and forecast it to expand by 2.3% annually in the 2021-23 period, in case hydrocarbon output increases and if economic reforms under the IMF-supported program successfully stimulate investments. It expected inflationary pressures to slightly ease in 2020 as the depreciation of the currency moderates. But it anticipated that the impact of the value-added tax that was introduced in October 2019 and other price adjustments would keep the inflation rate above 20% this year.

In addition, the agency expected Angola's IMF-supported program to continue to anchor the authorities' fiscal reform efforts, such as initiatives to increase non-hydrocarbon revenues, as well as subsidy reforms and the clearance of arrears to domestic suppliers. Still, it forecast the fiscal balance to shift from a surplus of 0.6% of GDP in 2020 to a deficit of about 0.5% of GDP annually in the 2021-23 period, as it expected government spending to pick up and oil prices to decrease. Also, it said that Angola's public debt level rose from 88.6% of GDP at end-2018 to 103% of GDP at end-2019, due to the 56% depreciation of the kwanza last year. But it projected the pace of debt accumulation to slow down in case authorities commit to fiscal consolidation and if the depreciation of the kwanza moderates. In this context, it forecast the debt level to reach 92% of GDP at end-2023.

In parallel, S&P forecast the current account surplus to average 0.9% of GDP annually in the 2020-23 period, as it anticipated oil prices to trend lower during the same period. Also, it expected Angola's gross external financing needs to increase from 86% of current account receipts (CARs) plus useable reserves in 2019 to an average of 97% of CARs plus useable reserves annually during the 2020-23 period. It projected the external debt, net of liquid assets, to rise from 95% of CARs at end-2019 to about 132% of CARs by end-2023. Further, it estimated that foreign currency reserves rose from about $16bn at end-2018 to $17bn at end-2019. It expected higher FDIs under the new private investment law, as well as IMF-related disbursements, to help keep foreign currency reserves at an adequate level in the medium term.

Source: S&P Global Ratings

MOROCCO

Economic prospects vulnerable to external risks

The International Monetary Fund projected Morocco's real GDP growth to accelerate from an estimated 2.8% in 2019 to 3.7% in 2020, driven by a recovery in agricultural output, by higher domestic demand, as well as by the sustained implementation of reforms. It anticipated the growth rate to reach 4.5% by 2024 in case authorities continue to implement reforms. However, it considered that higher global oil prices, heightened global uncertainties and geopolitical tensions, as well as risks to growth prospects in the Eurozone could weigh on Morocco's export, tourism, remittances and foreign direct investment inflows and, in turn, on economic activity.

Further, the Fund expected the fiscal deficit to narrow from 3.6% of GDP in 2019 to 3.5% of GDP in 2020 and to 2.8% of GDP in 2022, when including proceeds from the authorities' privatization plans. Consequently, it forecast the public debt level to decline from 66% of GDP at end-2019 to 65.7% of GDP at end-2020 and to 63% of GDP by end-2022. But it indicated that delays in implementing key fiscal reforms, including tax and civil service reforms, could undermine the authorities' objective of reducing the public debt level to 60% of GDP in the medium term.

In parallel, the IMF anticipated the current account deficit to narrow from 5.1% of GDP in 2019 to 3.9% of GDP in 2020 and to 3% of GDP in 2022, due to subdued energy imports amid lower global oil prices and the higher capacity to produce electricity, as well as to rising automobile exports. It also expected foreign direct investment inflows to reach 1.6% of GDP in 2020 and to stabilize at around 1.8% of GDP over the medium term, supported by the authorities' privatization efforts. Further, it forecast foreign currency reserves at $25.8bn at end-2020, equivalent to about five months of imports.

Source: International Monetary Fund

ECONOMY & TRADE

GCC

Insurers face several challenges in 2020

S&P Global Ratings considered that intensifying competition, increasing asset risk, and stricter and costly regulations are the major risks that could affect the earnings and credit conditions of insurance companies in the economies of the Gulf Cooperation Council (GCC) in 2020. It indicated that weaker economic activity and the absence of new compulsory insurance weighed on the expansion of gross written premiums (GWPs) in most GCC insurance markets in recent years. It added that, under these conditions, competition increased given the relatively high number of insurers operating in each market in the region. S&P did not anticipate GWP growth to accelerate in 2020, mainly due to slower consumer spending, cost-cutting measures among corporations, as well as persisting high competition. Also, it said that geopolitical risks, ongoing global trade tensions, as well as the outbreak of the coronavirus could increase volatility in the equity and property markets, and weigh on economic growth and investment returns. Further, it pointed out that the introduction of new regulations that require higher minimum capital and impose stricter reserve requirements, as well as the costly preparations for the upcoming introduction of International Financial Reporting Standards IFRS 17 will also increase pressure on GCC insurers. It noted that most rated GCC insurers have robust capital positions. However, it expected smaller, unprofitable, and undercapitalized insurers to struggle with increasing headwinds from competition, geopolitical tensions, and new regulations, which means that these insurers might need to raise capital, consolidate through mergers, or exit the market in 2020.

Source: S&P Global Ratings

EGYPT

Fiscal performance on track to meet deficit target of 7.3% of GDP for FY2019/20

Regional investment bank EFG Hermes indicated that Egypt's fiscal deficit widened from 3.6% of GDP in the first half of the fiscal year that ended in June 2019 to 3.8% of GDP in the same period of FY2019/20. It attributed the widening of the deficit to the government's prepayment of interest on some of its domestic debt. It noted that the government settled in the first quarter of FY2019/20 the full year interest bill that it owes to the Social Insurance Fund, the government's pension entity. It said that the fiscal deficit would have narrowed to 3.3% of GDP in the first half of FY2019/20 when excluding this bulk payment. Further, it indicated that public expenditures grew by 8.2% year-on-year in the first half of FY2019/20, the slowest growth rate in three years. It noted that authorities focused on supporting domestic demand through a 12% increase in the public-sector wage bill and a 15% rise in public investments, while they reduced spending on subsidies by 33%. It considered that the rise in public wages and investment reflects a gradual shift of the government's spending priorities from fiscal consolidation towards strengthening domestic demand. It said that public revenues were largely flat in the covered period, due to lower receipts from customs, the Suez Canal, the value-added tax on imported products and fuel, as well as revenues from the national petroleum company. It considered that Egypt is on track to meet its targets of 7.3% of GDP fiscal deficit and 2% of GDP primary surplus for FY2019/20.

Source: EFG Hermes

NIGERIA

Structural reforms to reduce exposure to external shocks

The African Development Bank Group (AfDB) estimated Nigeria's real GDP growth to have accelerated from 1.9% in 2018 to 2.3% in 2019, mainly due to increased household consumption and improved activity in the transport, hydrocarbon and information technology sectors. But it noted that growth was constrained in part by adverse weather conditions that weighed on activity in the agricultural sector. It projected real GDP growth to accelerate to 2.9% in 2020 and 3.3% in 2021, in case authorities successfully implement the Economic Recovery and Growth Plan. Further, it indicated that the fiscal deficit widened from 4.5% of GDP in 2018 to about 5% of GDP in 2019, mainly due to increased public spending. But it projected the deficit to narrow to 4.5% of GDP in 2021 in case non-hydrocarbon revenues increase. It considered that Nigeria's rising public debt level and associated debt servicing payments constitute high fiscal risks if the proposed fiscal adjustments are not implemented. Further, it said that the current account surplus declined from 1.3% of GDP in 2018 to about 0.2% of GDP in 2019 due to higher imports, lower oil export receipts, and weaker-than-expected increase in capital inflows. It anticipated the current account balance to remain in surplus this year on the back of rising oil export receipts. It noted that Nigeria's growth outlook is subject to downside risks, including rising geopolitical uncertainties, elevated social tensions and global trade disputes. It considered that these risks highlight the need to accelerate structural reforms to reduce the country's exposure to external shocks.

Source: African Development Bank Group

TURKEY

Gross external financing needs at $174bn in 2020

The Institute of International Finance projected Turkey's gross external financing needs at $174bn in 2020, which would expose the economy to high debt rollover risks, especially for the private sector. It forecast $115bn in short-term debt amortization, $48bn in long-term debt amortization, and a current account deficit of $11bn in 2020. However, it considered that the composition of external liabilities could partially alleviate investor concerns, given that non-residents are unlikely to withdraw $55bn of deposits that mature in 2020, barring a major negative shock. It added that about $49bn of maturing debt this year consists of trade credits, which are easier to roll over than other types of debt. As such, it said that the remaining $60bn have relatively higher rollover risks but could be adequately covered by the Central Bank of the Republic of Turkey's foreign currency reserves and gold that are estimated at about $104bn. Still, the IIF indicated that Turkey needs to attract sufficiently large net capital inflows in order to avoid drawing down its foreign currency reserves, as this would trigger currency depreciation pressure and deter economic growth. Further, it said that banks and corporates could try to liquidate some of their assets abroad in case non-resident capital inflows are not large enough to cover amortization payments in 2020. But it considered that such a scenario would adversely weigh on output growth and weaken the lira, which could lead corporates to use their foreign currency deposits at Turkish banks to repay non-residents.

Source: Institute of International Finance

JORDAN

Banking sector assessment maintained

S&P Global Ratings maintained Jordan's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '8' and industry risk score of '7'. The BICRA framework evaluates banking systems based on economic and industry risks they face, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 8' include Armenia, Cyprus, Georgia and Russia. The agency indicated that the economic risk score reflects "extremely high risks" in its economic resilience, "very high" credit risks in the economy, and "intermediate risks" in its economic imbalances. It noted that Jordan's economic structure is highly vulnerable to external developments and geopolitical instability. It expected private sector lending to be almost stable at about 80% of GDP in 2020, and to remain constrained by subdued economic growth and the lack of lending opportunities, given the concentrated nature of the economy. Further, it expected the banks' asset quality to deteriorate in 2020, amid slow economic growth and the increases in interest rates, inflation, and unemployment levels, which will weigh on the debt payment capacity of households and corporates. In parallel, the agency said that the industry score reflects the country's "high risks" in its institutional framework, competitive dynamics and system-wide funding. It indicated that the banking sector is adequately regulated and supervised. It expected Jordanian banks to continue to generate sufficient profits in 2020, which will help them absorb the costs of risk. It anticipated the banks' deposit base to remain resilient despite the unstable environment. S&P noted that the trend is 'stable' for the industry and economic risks.

Source: S&P Global Ratings

ETHIOPIA

Capital adequacy ratio at 19% at end-June 2019

The International Monetary Fund indicated that Ethiopia's banking system is well capitalized, profitable and liquid. It said that the banks' capital adequacy ratio stood at 19.2% at the end of June 2019 compared to 22.3% at end-June 2018, well above the statutory minimum of 8%. Also, it pointed out that the banks' aggregate non-performing loans (NPLs) ratio regressed from 3% at end-June 2018 to 2.3% at end-June 2019, well below the regulatory ceiling of 5%. Further, it considered that liquidity conditions at commercial banks are adequate, as liquid assets represented 17% of aggregate short-term liabilities at the end of June 2019, relative to the statutory minimum of 15%. However, it pointed out that vulnerabilities have increased. It said that the state-owned Commercial Bank of Ethiopia experienced tighter liquidity conditions than its privately-owned counterparts due to its financing of national projects that have not yet started to generate revenues. Also, it noted that credit extended by the CBE to state-owned enterprises (SOEs) is highly concentrated in the energy sector, while the repayment of SOE loans, which are guaranteed by the government, could be lagging. It added that the specialized state-owned Development Bank of Ethiopia continues to report a high NPLs ratio of 34% at end-June 2019. The Fund indicated that the authorities' financial sector reforms intend to strengthen financial stability, while re-orienting the banks' activities to support a private sector-led economy.

Source: International Monetary Fund

GHANA

Decline in NPLs supports financial stability

Moody's Investors Service considered that the significant decline in the non-performing loans (NPLs) ratio of banks in Ghana is credit positive for the banking sector and supports financial stability. It indicated that the NPLs ratio peaked at 23.5% at the end of April 2018, mainly due to subdued economic growth, a volatile exchange rate, as well as to weaknesses at seven insolvent banks. However, it noted that the NPLs ratio gradually declined to 17.3% at the end of October 2019, due to the banks' recapitalization, and as seven insolvent banks closed down. Further, the agency said that the NPLs ratio declined in the last two months of 2019 to 13.9% at end-2019, following Bank of Ghana's (BoG) enforcement of loan-loss write-off policies for NPLs that have been fully-provisioned for over two years. It anticipated that the BoG's new regulatory directives on risk management would likely maintain the downward trend in NPLs. Further, Moody's pointed out that the decrease in the level of NPLs, the resulting decline in asset risks, and the improving solvency of Ghanaian banks would encourage banks to increase lending to the economy. As such, it expected lending growth to remain strong in the coming 12 to 18 months. It said that the BoG estimated credit growth to have accelerated from 10.6% in 2018 to 18.3% in 2019, mainly supported by a gradual reduction in the average lending rate, which regressed from 29.2% at end-November 2015 to 24% at end-2018 and to 23.6% at the end of 2019.

Source: Moody's Investors Service

PAKISTAN

Banking sector outlook 'stable'

Moody's Investors Service indicated that the outlook for the banking sector in Pakistan is 'stable' in the next 12 to 18 months, mainly supported by the banks' strong funding and liquidity positions, as well as by their high exposure to the sovereign. First, it noted that the operating environment for Pakistani banks has gradually improved, but remains difficult amid tight monetary conditions and large government borrowing needs. It projected lending to the private sector to grow by 10% in 2020. Second, it pointed out that the sovereign's credit profile has improved in recent months, which would benefit the banks, given their large holdings of government securities that account for about 40% of their total assets. It said that the sector's non-performing loans (NPLs) ratio has increased from 8% at end-2018 to 8.8% of total loans as of September 2019. It expected the NPLs ratio to rise slightly in coming months due to high interest rates and the banks' troubled foreign operations. Third, it indicated that the stable deposit base and high liquidity levels provide Pakistani banks with ample low-cost funding. It projected customer deposits to grow by more than 12% this year, supported by initiatives to deepen financial inclusion as well as by high remittances inflows. It anticipated the banks' capital levels to be broadly stable in the next 12 to 18 months and that the increase in loans and risk-weighted assets will consume capital generation from retained earnings. It added that, if needed, banks will reduce their dividend payouts, optimize their risk-weighted assets and issue capital instruments to conserve their capital.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $58 p/b in first half of 2020

ICE Brent crude oil front-month prices have been trading at about $54 per barrel (p/b) since the beginning of February 2020 and reached $53.3 p/b on February 10, 2020, their lowest level since the end of 2018. The U.S. Energy Information Administration (EIA) indicated that oil prices declined due to concerns about global economic growth as a result of the outbreak of the coronavirus. It considered that the magnitude and duration of the coronavirus effects are highly uncertain and, as such, it revised downward its growth forecast for global oil demand to one million barrels per day (b/d) in 2020 from 1.3 million b/d previously. It attributed the adjustment in its forecast to the lower consumption of liquid fuels in China in the first half of 2020, as well as to higher-than-average temperatures in January 2020 across much of the northern hemisphere. However, it expected OPEC to deepen its oil production cuts by 0.5 million b/d from March 2020 through May in response to concerns about oil demand growth. The EIA expected oil prices to average $58 p/b in the first half of 2020 and $64 p/b in the second half of the year. As such, it projected oil prices to average $61 p/b in full year 2020, down from an earlier forecast of $65 p/b.

Source: U.S. EIA, Refinitiv, Byblos Research

OPEC's oil basket price down 2% in January 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $65.1 per barrel (p/b) in January 2020, down by 2.1% from $66.48 p/b in December 2019. Saudi Arabia's Arab light posted a price of $66.56 p/b in the covered month, followed by the UAE's Murban at $66.09 p/b, and Nigeria's Bonny Light at $65.89 p/b. In parallel, 13 out of 14 prices included in the OPEC reference basket posted monthly decreases between $0.57 p/b and $4.43 p/b in January 2020.

Source: OPEC, Byblos Research

UAE unveils 80 trillion scf gas field in Jebel Ali

The UAE announced the discovery of 80 trillion standard cubic feet (scf) of shallow gas resources in the Jebel Ali reservoir, which could help the country achieve self-sufficiency in gas. The discovery will be developed through a joint project between the Abu Dhabi National Oil Company (ADNOC) and the Dubai Supply Authority (DUSUP). The gas produced will be transferred to DUSUP, which would support Dubai's economic growth and enhance its energy security. The announcement comes less than three months after Abu Dhabi declared an increase in its hydrocarbon recoverable reserves by seven billion stock tank barrels of oil and by 58 trillion scf of conventional gas.

Source: ADNOC

OPEC oil output down by 6% in January 2020

Oil production of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, averaged 28.9 million barrels per day (b/d) in January 2020, down by 1.7% from an average of 29.4 million b/d in December 2019, and by 6.3% from an average of 30.8 million b/d in January 2019. Saudi Arabia produced 9.7 million b/d in January 2020, or 33.7% of OPEC's total oil output, followed by Iraq with 4.5 million b/d (15.6%), the UAE with 3 million b/d (10.5%), Kuwait with 2.7 million b/d (9.2%), and Iran with 2.1 million b/d (7.2%).

Source: OPEC, Byblos Research

Base Metals: Nickel prices to average $13,825 per ton in 2020

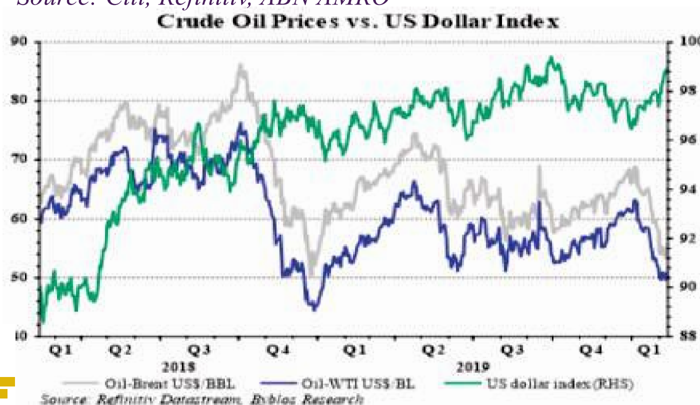
The LME cash price of nickel closed at $13,015 per ton on February 12, 2020, constituting a decrease of 6.7% from $13,950 per ton at the end of 2019. Prices averaged $12,872 per ton so far in February, down by 4.8% from an average of $13,526 per ton in January 2020, and compared to an average of $13,881 per ton in December 2019. Nickel has been the worst performing base metal so far this year, while it was the only base metal to register an increase in its price in 2019. The decline in prices is mainly due to concerns about the demand for metals from China, the world's largest metals consumer, following the outbreak of the coronavirus. The spread of the virus has weighed on the activity of Chinese manufacturers and led to a surge in LME-registered nickel inventories from a multi-year low of 64,174 tons in November 2019 to 208,722 tons currently. These factors pushed prices lower and offset the bullish effect of the Indonesian ban on the export of nickel ore. As a result, Citi Research revised its forecast for nickel prices from an average of $16,000 per ton to an average of $12,800 per ton in the first quarter of 2020. It also revised downward its full year price projection for nickel from an average of $16,750 per ton to an average of $13,825 per ton in 2020.

Source: Citi Research, Refinitiv

Precious Metals: Palladium prices to increase by 48% to $2,275 an ounce in 2020

Palladium prices averaged $2,226 per troy ounce in January 2020, which constitutes an increase of 17.2% from an average of $1,901 per ounce in December 2019, and compared to an average of $1,538 an ounce in 2019. The significant rise in prices is due to the persistently wide production deficit in the global palladium market that resulted from strong autocatalyst demand to meet tighter emission regulations, and from continued supply shortages. Prices are projected to increase by 48% to an average of $2,275 an ounce in 2020, driven by rising autocatalyst demand amid expectations of stricter emissions regulations worldwide. However, downside risks to palladium prices could materialize from lower demand for the metal in the Chinese automotive sector following the outbreak of the coronavirus. In the long term, the outlook on the palladium market is dependent on the acceptance and success of electric vehicles that do not require catalytic converters, which would lead to lower autocatalyst demand for palladium. Further, ABN AMRO indicated that it is uncertain how long palladium prices would continue to increase. But it said that when prices start to decline, the decrease would be as steep and significant as the rise in palladium prices in the past two years.

Source: Citi, Refinitiv, ABN AMRO



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	Negative	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	-	Stable	-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	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	04-Feb-20	No change	03-Mar-20
New Zealand	Cash Rate	1.00	12-Feb-20	No change	25-Mar-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	06-Feb-20	No change	03-Apr-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	31-Jan-20	No change	N/A
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	4.25	05-Feb-20	Cut 25bps	18-Mar-20
Armenia	Refi Rate	5.50	24-Jan-20	No change	17-Mar-20
Romania	Policy Rate	2.50	07-Feb-20	No change	03-Apr-20
Bulgaria	Base Interest	0.00	03-Feb-20	No change	02-Mar-20
Kazakhstan	Repo Rate	9.25	03-Feb-20	No change	16-Mar-20
Ukraine	Discount Rate	11.00	30-Jan-20	Cut 250bps	12-Mar-20
Russia	Refi Rate	6.00	07-Feb-20	Cut 25bps	20-Mar-20

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