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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Frontier market debt at $3.2 trillion, or 114% of GDP, at end-September 2019

The Institute of International Finance indicated that the total debt of 29 frontier markets, which includes the debt of governments, corporates and households, reached $3.2 trillion at the end of September 2019, constituting an increase of $75bn from end-2018, mainly due to the growth of the debt of governments and non-financial corporates. It noted that the aggregate frontier market debt was equivalent to 114% of GDP at end-September 2019, up from 112.4% of GDP a year earlier. It said that the government debt of frontier markets reached $1.41 trillion at the end-September 2019, or 44.4% of total debt, and was equivalent to 51.3% of GDP compared to 50.2% of GDP at end-2018. It added that the debt of the non-financial corporate sector was equivalent to 38.7% of GDP at end-September 2019 relative to 39% of GDP at end-2018, while the financial sector's debt stood at 6.8% of GDP at the end of September 2019 compared to 6.6% of GDP at end-2018. In addition, it said that household debt grew from the equivalent of 17% of GDP at end-2018 to 17.3% of GDP at end-September 2019. The IIF indicated that debt in the Middle East was equivalent to 156.5% of the region's GDP at end-September 2019, followed by debt in Asia (123% of GDP), Europe (99.3% of GDP), Africa (89% of GDP), and Latin America (66.1% of GDP). It pointed out that about $255bn in frontier market bonds and loans will mature by the end of 2021.

Source: Institute of International Finance

MENA

Nearly two thirds of pre-seed startups are based in UAE and Egypt

A survey of 627 startups in the Middle East and North Africa (MENA) region conducted by entrepreneurship online platform Wamda shows that the majority of pre-seed startups are based in the UAE and Egypt. It noted that the UAE hosts 35.3% of pre-seed startups in the MENA region, followed by Egypt with 26.5%, then Jordan (10.4%), Lebanon (5.9%), Saudi Arabia (4.7%), Palestine (2.9%), Tunisia (2.4%), Bahrain (2%), Algeria (1.8%) and Morocco (1.2%). Further, the survey indicated that e-commerce accounts for 18.7% of pre-seed startups in the region, followed by marketplaces startups with 15.4% of the total, then software startups (11.9%), startups in financial technology (11.1%), health technology (8.7%), education technology (7%), and gaming (1.1%). In parallel, the survey showed that 31.7% of founders of pre-seed startups share a common goal, which is to finalize or launch their product, while the target of 18% of founders is to expand market share and increase customer growth. Also, 13.8% of founders are currently aiming to raise funds, while 12.8% of founders are trying to establish their startup and finalize the business plan. In parallel, the survey showed that 25.5% of pre-seed startups are currently raising capital. It pointed out that 46.3% of the initial funding of pre-seed startups comes from founders, while 23.8% of the funding is from friends and family members, 6.3% of investment is sourced from venture capital funds, and 5.6% is provided by angel investors.

Source: Wamda

Logistics infrastructure in Arab world slightly better than in emerging markets

Transport International's 2020 Agility Emerging Markets Logistics Index indicated that the UAE has the third most attractive market for the logistics industry among 50 emerging economies, and the most favorable market among 13 Arab countries. Saudi Arabia followed in sixth place, then Qatar (7th), Oman (14th), and Bahrain (15th) as the top ranked Arab countries. In contrast, Egypt (20th), Lebanon (30th), Algeria (32nd), Tunisia (33rd), and Libya (49th) have the least favorable market conditions for the logistics industry in the Arab region. The index compares a country's prevailing operational environment to its current logistics opportunities and potential. It ranks emerging markets (EMs) based on factors that make them attractive to logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution firms. The index is an average of three equally weighted sub-indices that are Domestic Logistics Opportunities, International Logistics Opportunities, and Business Fundamentals. The Arab region's average score stood at 5.15 points, higher than the region's average of 5.08 points in the 2019 survey and above the EMs' average of five points in this year's survey. Also, Gulf Cooperation Council (GCC) countries and non-GCC Arab countries had average scores of 5.65 points and 4.72 points, respectively. The UAE (4th), Saudi Arabia (6th) and Qatar (7th) were the top ranked Arab countries on the Domestic Logistics Opportunities Sub-Index. Further, the UAE (9th), Saudi Arabia (12th) and Morocco (18th) led on the International Logistics Opportunities Sub-Index; while the UAE (1st), Saudi Arabia (3rd) and Qatar (4th) were the top ranked Arab countries on the Business Fundamentals Sub-Index.

Source: Transport International, Byblos Research

GCC

Gross debt issuance at $102bn in 2019, outstanding debt at $517bn

The National Bank of Kuwait (NBK) indicated that gross debt issuance in the Gulf Cooperation Council (GCC) countries totaled $102bn in 2019. It noted that GCC debt issuance reached $34.6bn in the first quarter of 2019, $27bn in the second quarter, $30bn in the third quarter, and $11bn in the fourth quarter of the year. It attributed the decline in GCC gross issuance in the fourth quarter mainly due to lower refinancing needs after around $43bn in GCC bonds and sukuk matured earlier in the year. Further, debt issued by the public sector totaled $87bn and accounted for 85.2% of total GCC issuance in 2019, followed by debt issued by the financial sector with $13bn (12.6%), and debt issued by the non-financial sector with $2.2bn (2.2%). On a country basis, Saudi Arabia issued $41.3bn in debt, and accounted for 40.5% of total GCC issuance in 2019, followed by the UAE with $26.6bn (26.1%), Qatar with $25.8bn (25.3%), Oman with $4.2bn (4.1%), Bahrain with $3.8bn (3.7%), and Kuwait with $0.5bn (0.5%). In parallel, it pointed out that the outstanding debt in the GCC increased from $457bn, or equivalent to 27.7% of GDP at the end of 2018, to $517bn or 31.7% of GDP at end-2019.

Source: National Bank of Kuwait, International Monetary Fund

OUTLOOK

AFRICA

Economic outlook subject to significant downside risks

The World Bank projected economic growth in Sub-Saharan Africa (SSA) to accelerate from 2.4% in 2019 to 2.9% in 2020, and to average 3.2% annually during the 2021-22 period. It indicated that the recovery in economic activity reflects the Bank's expectations of improved investor sentiment in some large African economies, a stronger cyclical recovery among industrial commodity exporters, a pickup in oil production, as well as robust growth among several exporters of agricultural commodities. It noted that its growth rate expectations for the 2020-22 period are 0.4 percentage points lower than its previous forecast, due to subdued growth in demand in major trading partners, lower commodity prices, and adverse domestic developments in several African countries. It forecast Angola's real GDP growth to average 2.3% annually in the 2020-22 period, underpinned by greater macroeconomic stability, a more favorable business environment and higher private investments, as well as by the recently announced oil-sector reforms. In addition, it anticipated economic activity in Nigeria to grow by 2.1% annually over the 2020-22 period, amid subdued external demand, lower oil prices, and a slower-than-expected improvement in oil production.

Further, the Bank expected sustained public infrastructure spending, increased private sector activity, as well as the continued reforms to export-oriented sectors, to support growth in the SSA countries that rely on agricultural exports in the 2020-22 period. In contrast, it anticipated the ongoing cyclical recovery among SSA oil and metals exporters to be slower, due to weaker external demand and lower commodity prices. In parallel, the World Bank considered that the region's outlook is subject to significant downside risks, such as weaker-than-expected growth in major trading partners, investor risk aversion and capital outflows triggered by elevated debt burdens, adverse weather conditions, as well as the rise of geopolitical and security tensions.
Source: World Bank

SAUDI ARABIA

Growth to average 2.5% over medium term

Samba Financial Group projected real GDP growth in Saudi Arabia to increase slightly from 0.4% in 2019 to 0.6% in 2020, driven by the non-hydrocarbon sector. It anticipated hydrocarbon output to contract by 2% this year relative to a retreat of 2.5% in 2019, amid oil output cuts under the OPEC agreement. It forecast non-hydrocarbon GDP growth at 2.3% in 2020 compared to 2.7% in 2019, supported by investments by the Kingdom's Public Investment Fund, as well as by activity related to the G-20 summit that will be held in Riyadh in 2020. Further, it noted that authorities continue to make progress on various areas of the Vision 2030 agenda, and have implemented measures to improve the business environment, including the approval of the bankruptcy, commercial pledge and public procurement laws. As such, it expected real GDP growth to average 2.5% annually in the 2021-24 period, in case foreign investments increase.

In parallel, it indicated that the Kingdom's 2020 budget plans to reduce total spending by 2.7% but assumes a 9% decline in revenues due to expectations of lower oil prices this year, leading to a target deficit of 6.4% of GDP in 2020. However, it projected the deficit to be slightly wider at 7% of GDP this year, as it expected spending to grow by 4%. It forecast the deficit to narrow to 3.7% of GDP in 2024, in case growth in spending eases and non-oil revenues continue to expand. It forecast the government's domestic debt level to rise from 13.3% of GDP at end-2019 to 24.5% of GDP by end-2024, and for the government's external debt level to increase from 10.4% of GDP at end-2019 to 16.3% of GDP at end-2024. But it expected debt financing costs to be manageable over the medium term, supported by a narrowing fiscal deficit, the government's debt management, and low global interest rates. Further, it anticipated the current account surplus to average 2.9% of GDP annually between 2020 and 2024, which would ease the pressure on foreign currency reserves. It forecast the net foreign assets at the Saudi Arabian Monetary Authority to increase from $494bn or 65.9% of GDP at end-2019, to $600.6bn or 75.2% of GDP by end-2024.
Source: Samba Financial Group

ETHIOPIA

Pressure on foreign currency liquidity to ease on higher international support

BNP Paribas projected Ethiopia's real GDP growth to slightly decelerate from 7.4% in 2019 to 7.2% in 2020 and to 7.1% in 2021, mainly due to the country's external imbalances and foreign currency restrictions. But it considered economic activity to be strong, supported by solid private consumption and higher investments. It pointed out that foreign direct investments are equivalent to more than 4% of GDP and mainly focus on the manufacturing sector, while it said that the energy sector attracts the majority of public investments. Also, it pointed out that the new IMF-supported economic reform program aims to improve the private sector's contribution to the economy through privatizing some state-owned entities and removing barriers to foreign investments, as well as to reduce macroeconomic imbalances. It anticipated the privatization of some state-owned entities to help reduce the government debt level from 59.1% of GDP at end-2019 to 54.4% of GDP at end-2020 and to 52.2% of GDP by end-2021. It forecast the average annual inflation rate at above 10% in 2020, due to food shortages amid lower agricultural output.

Further, it considered that the external balance is a major weakness for the Ethiopian economy, and is vulnerable to volatile commodity prices and the country's high import needs. It added that foreign currency reserves are below the warning level of three months of imports, which has resulted in capital controls. Still, it expected foreign liquidity pressures to slightly ease due to ongoing international financial support and to the authorities' efforts to mobilize funds from the Ethiopian Diaspora. It noted that the IMF agreement might help catalyze concessional financing from other development partners, and pointed out that authorities are considering a $3bn support package from the World Bank. As such, it anticipated foreign currency reserves to rise from $3.9bn or 2.8 months of imports at end-2019, to $4.3bn or 3.2 months of imports at end-2020, and to $4.5bn or 3.4 months of imports at end-2021. Also, it expected the Ethiopian birr to weaken by 6.7% in 2020 compared to a depreciation of around 10% in 2019. It pointed out that the pressure on the birr remains substantial, with the gap between the official and black markets at around 40%.
Source: BNP Paribas

ECONOMY & TRADE

GCC

Agencies take rating actions on sovereigns

Fitch Ratings affirmed Qatar's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'AA-', with a 'stable' outlook. It indicated that the ratings balance the country's sustained fiscal and external surpluses, strong net sovereign asset position, as well as high GDP per capita, against an elevated government debt level, significant contingent liabilities, a high reliance on the hydrocarbon sector, as well as moderate scores on measures of governance and the ease of doing business. It estimated that the sovereign's net foreign assets grew from 112% of GDP in 2018 to 138% of GDP in 2019. Further, it expected the government's debt level to remain around 68% of GDP in 2020, well above the median level of 38% of GDP of similarly-rated peers. Further, Capital Intelligence Ratings (CI) affirmed Oman's long-term local and foreign currency issuer ratings at 'BBB-', and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to its expectations that the country's public and external debt levels will continue to increase significantly due to wide fiscal and current account deficits. It also anticipated the authorities' fiscal consolidation measures to be insufficient to reverse the deterioration in public finances in the absence of a significant increase in hydrocarbon prices. In parallel, S&P Global Ratings downgraded from 'BBB+' to 'BBB' the Emirate of Sharjah's long-term rating, with a 'stable' outlook. It attributed the downgrade to the faster-than-expected increase in Sharjah's debt level and interest payments amid wider-than-anticipated fiscal deficits. It projected the net general government debt to reach 33% of GDP by end-2020, and forecast debt servicing to absorb 11% of revenues.

Source: Fitch Ratings, CI Ratings, S&P Global Ratings

IRAQ

Weak institutions and governance weigh on sovereign creditworthiness

Moody's Investors Service indicated that Iraq's 'Caa1' sovereign rating reflects a rating of 'ba2' in terms of economic strength, of 'caa3' on the strength of institutions and governance metric, of 'baa3' on fiscal strength, and of 'caa' on the susceptibility to event risk. It considered that the 'ba2' economic strength is supported by the country's strong growth potential associated with abundant natural resources. However, it noted that Iraq's economic strength is constrained by low competitiveness, as well as by the significant loss of productive capacity and infrastructure, given the many years of armed conflict. In parallel, it said that the 'caa3' rating on the strength of institutions and governance metric constrains the country's credit profile, as it reflects significant institutional challenges and very low policy effectiveness. In addition, it pointed out that Iraq's creditworthiness is constrained by a fiscal strength of 'baa3' due to weak fiscal metrics. It added that the rapidly increasing debt burden, as well as the large share of foreign currency-denominated debt, weakened the fiscal performance in the last five years. In parallel, it said that the rating of 'caa' on the susceptibility to event risk is driven by heightened domestic and geopolitical risks, which weigh on the sovereign ratings. Iraq's 'caa3' rating on the strength of institutions and governance metric is the third worst possible rating, while its 'caa' rating on susceptibility to event risk in the second worst possible performance. Iraq's 'Caa1' rating is seven notches below investment grade.

Source: Moody's Investors Service

NIGERIA

Challenging outlook under current policies

The IMF considered that Nigeria's macroeconomic outlook is challenging under current policies, and reduced its growth forecast to 2% for 2020 to take into the account lower hydrocarbon prices. It said that the pace of economic recovery is slow, as lower real income and weak investments weigh on economic activity. It noted that the inflation rate increased, driven by higher food prices, which reversed the disinflationary trend in 2019. It added that external vulnerabilities are increasing, which reflects a wider current account deficit and declining foreign currency reserves that remain highly vulnerable to a reversal in capital flow. It noted that the authorities have taken measures to address the prevailing vulnerabilities, such as improving budget execution by adopting the 2020 budget by end-2019 and ratifying the Finance Bill and the Deep Offshore Basin Act to increase fiscal revenues. However, it considered that major policy adjustments remain necessary to contain short-term vulnerabilities, build resilience, and unlock growth potential. It said that the mobilization of non-hydrocarbon revenues is crucial to address financing constraints and to ensure that the ratio of interest payment to revenues is sustainable. It added that the government should limit the usage of overdrafts from the Central Bank of Nigeria (CBN) to finance the fiscal deficit and encouraged authorities to benefit from low domestic yields to front-load their financing requirements. Further, it called on the CBN to further tighten monetary policy in order to contain domestic and external pressures stemming from large amounts of maturing CBN bills, and stressed on moving towards a uniform and more flexible exchange rate.

Source: International Monetary Fund

PAKISTAN

Economic growth to gradually recover

The International Monetary Fund considered that the Pakistani authorities have made considerable progress in implementing reforms and sound economic policies during the last few months under their economic reform program that is supported by a $6bn financial package from the IMF. It pointed out that the government has met all the performance criteria set for end-2019 and has completed the structural benchmarks. The Fund considered that Pakistan's macroeconomic outlook did not change from the first review under the Extended Fund Facility Arrangement that the IMF conducted in December 2019. It noted that economic activity has stabilized and expected growth to gradually recover in coming years. Also, it indicated that the current account deficit has narrowed, driven by the real exchange rate that has become broadly in line with fundamentals. It noted that the State Bank of Pakistan's foreign currency reserves are increasing at a faster-than-anticipated pace and reached $12.4bn as at February 7, 2020 compared to the program's targets of $11.2bn for end-June 2020. Further, the IMF expected the inflation rate to start declining, as it considered that the market absorbed the pass-through of the exchange rate depreciation and that supply-side constraints have been temporary. In parallel, the Fund pointed out that Pakistan's fiscal performance was strong in the first half of FY2019/20. It noted that the general government registered a primary surplus of 0.7% of GDP in the first half of FY2019/20, driven by strong growth in tax revenues.

Source: International Monetary Fund, State Bank of Pakistan

GCC

Energy transition to weigh on banks' creditworthiness in long term

S&P Global Ratings indicated that the effect of climate change and the transition towards cleaner energy on global oil and gas prices and on investor appetite will be an important factor for the long-term creditworthiness of banks in the countries of the Gulf Cooperation Council (GCC). It noted that the energy transition affects banks through several channels, including higher credit risk and lower investor appetite. It said that the most exposed sectors to energy transition risks are oil & gas, mining & quarrying, manufacturing, power generation and government, which account for 12% of the banks' total lending at the end of 2018. It added that banks in Saudi Arabia and Qatar are the most exposed to energy transition risks, as lending to these sectors representing about 15% of their aggregate bank loans. In contrast, it pointed out that banks in the UAE and Kuwait have the lowest exposure to these sectors, at about 10% of their loan books, due to the relatively higher diversification of the UAE economy and the banks' significant retail and real estate exposure in Kuwait. In parallel, it considered that investor appetite is particularly relevant for Qatari banks that are highly dependent on external funding. However, S&P did not expect the transition risk to affect GCC banks' creditworthiness in the short term, as it projected stable oil prices in the coming two years.

Source: S&P Global Ratings

OMAN

Agency revises outlook on bank ratings to 'negative'

Capital Intelligence Ratings affirmed at 'BBB-' the long-term Foreign Currency Ratings (FCRs) of Bank Muscat, the National Bank of Oman (NBO), Ahli Bank and Oman Arab Bank (OAB) and at 'omA+' the long-term National Scale Rating of Alizz Islamic Bank. In addition, it affirmed at 'bbb-' the Bank Standalone Rating (BSR) of Bank Muscat and at 'bb+' the BSRs of NBO, Ahli Bank and OAB. It also revised the outlook on all the ratings from 'stable' to 'negative', following a similar action on the sovereign ratings. The agency indicated that the outlook revision reflects the challenging economic and operating environment in Oman, and the resulting impact on the banks' credit risk profiles. It anticipated that the country's slow economic activity and the government's deteriorating public finances will weigh on the banks' loan growth, while it expected further delays in government payments to affect the banks' asset quality and profitability. However, it noted that the banks' generally prudent lending policy, as well as the conservative regulatory environment, partially offset these downside risks. In addition, it considered that banks continue to benefit from a moderate level of sovereign support, in case of need, despite the government's weaker fiscal capacity. In parallel, the agency indicated that the BSR of Bank Muscat is mainly supported by the bank's strong capital ratios, sound asset quality, resilient profitability metrics, and solid customer base. In contrast, it pointed out that the bank's BSR is constrained by the moderately large customer concentrations in funding and lending books, and by the challenging operating environment.

Source: Capital Intelligence Ratings

KUWAIT

Low risks to banking system funding

S&P Global Ratings maintained Kuwait's banking sector in 'Group 4' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '5' and an industry risk score of '4'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest sectors. Other countries in BICRA's 'Group 4' are Malaysia, Mexico, New Zealand, Saudi Arabia, and Taiwan. S&P indicated that the economic risk score reflects "intermediate risks" in economic resilience and in economic imbalances, as well as "high" credit risks in the economy. It projected a moderate growth in lending, as it forecast the OPEC oil production cut agreement to weigh on Kuwait's economic activity in the 2019-20 period. Further, it considered that the high concentration of loans in the real estate segment is a key credit risk for banks. But it anticipated the correction in real estate prices to come to an end in the next 12 to 24 months. It also expected the banks' credit costs to decline slightly due to improved asset quality and comfortable provisioning buffers. In parallel, S&P pointed out that the industry score reflects the country's "low risks" in its system-wide funding, "intermediate risks" in its competitive dynamics, and "high risks" in its institutional framework. It indicated that the banking sector has a solid institutional framework and favorable funding conditions, but it added that the quality of the banks' reporting lags international standards. It noted that the trend for the economic and industry risks is 'stable'.

Source: S&P Global Ratings

JORDAN

Agencies affirm banks' ratings

Capital Intelligence Ratings affirmed at 'B+' the long-term foreign currency ratings (FCRs) of Arab Bank, Cairo Amman Bank, Jordan Ahli Bank, Investbank and the Arab Banking Corporation (Bank ABC Jordan). It also affirmed the Bank Standalone Rating (BSR) of the five banks at 'b+'. It indicated that the outlook on all the banks' ratings is 'stable'. It noted that the banks' FCRs are mainly constrained by Jordan's sovereign ratings, given their elevated holdings of government debt instruments and their high exposure to the Jordanian market. In parallel, Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Arab Bank at 'BB', and the long-term IDRs of Jordan Islamic Bank (JIB) and Bank of Jordan (BOJ) at 'BB-', with a 'stable' outlook. It also affirmed the Viability Rating (VR) of Arab Bank at 'bb' and the VRs of JIB and BOJ at 'bb-'. It indicated that the banks' IDRs are driven by their standalone credit profiles. It said that Arab Bank's VR reflects the bank's strong financial soundness indicators. It added that the bank's strong geographical diversification, as well as its low exposure in foreign currency to the Jordanian sovereign would help offset the impact of a potential sovereign crisis in the country. It pointed out that the ratings of JIB and BOJ are constrained by Jordan's challenging operating environment. Further, it considered that the VRs of JIB and BOJ reflect their solid domestic franchises, sound asset quality, adequate capital buffers, and strong funding and liquidity positions.

Source: Capital Intelligence Ratings, Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $54 p/b in first quarter of 2020

ICE Brent crude oil front-month prices have been recovering from $53.3 per barrel (p/b) on February 10, 2020, their lowest level since the end of 2018, to reach $59.1 p/b on February 19, 2020. Oil prices increased for seven consecutive days, amid broad optimism that the economic impact of the coronavirus will be short-lived. In fact, global concerns about the outbreak of the virus slightly eased, as the number of new cases in China is slowing down. S&P Global Platts considered that the impact of the virus outbreak on oil demand has been limited so far, and has mostly affected travel-related demand. In addition, the U.S. blacklisted Rosneft Trading, a subsidiary of the Russian oil company Rosneft, for transporting Venezuelan oil in violation of U.S. sanctions. As such, the U.S. tightening measures on Venezuela's oil exports has also provided support to oil prices. In parallel, Citi Research expected Chinese oil demand to decline by an average of 0.4 million b/d in 2020, in case China quickly exits the current shutdown related to the virus and economic activity slowly recovers by early March. Consequently, it reduced its forecast for the growth of global oil demand to 0.75 million b/d in 2020 from 1.25 million b/d previously. Overall, it projected Brent oil prices at $54 p/b in the first quarter of 2020, $50 p/b in the second quarter, $53 p/b in the third quarter and $58 p/b in the fourth quarter of the year. It attributed the significant decline in prices in the second quarter to the large global inventory surplus. However, it expected prices to rebound in the second half, amid an anticipated stimulus in China, a projected deepening of OPEC output cuts, and a potential increase in geopolitical risks and disruptions to oil supply.

Source: Citi Research, S&P Global Platts, Refinitiv

Middle East's jewelry demand down 2.4% to 168 tons in 2019

Demand for jewelry in the Middle East totaled 167.5 tons in 2019, constituting a decline of 2.4% from 171.6 tons in 2018, and accounting for 8% of global jewelry demand. Consumption of gold jewelry in Saudi Arabia reached 35.8 tons, representing 21.3% of the region's demand. The UAE followed with 34 tons (20.3%), then Iran with 30.5 tons (18.2%), Egypt with 26.4 tons (15.7%), and Kuwait with 13.3 tons (8%).

Source: World Gold Council, Byblos Research

Sudan allows private traders to export gold

The Central Bank of Sudan (CBoS) issued a circular on February 6, 2020 that allows private mining companies to export gold directly, in order to address smuggling and attract foreign currency. Previously, the CBoS was the only body that was legally allowed to buy locally-produced gold and export it. The circular stipulates that traders must meet specific export-related requirements to become eligible to export gold. It added that gold miners should sell all their gold export receipts to the Ministry of Finance & Economic Planning through domestic banks at a pre-determined exchange rate.

Source: Central Bank of Sudan, Refinitiv

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

Consumption of crude oil in the Middle East & Africa is expected to average 12.82 million barrels per day (b/d) in 2020, which would constitute a rise 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

Base Metals: Zinc prices to average $2,125 per ton in 2020

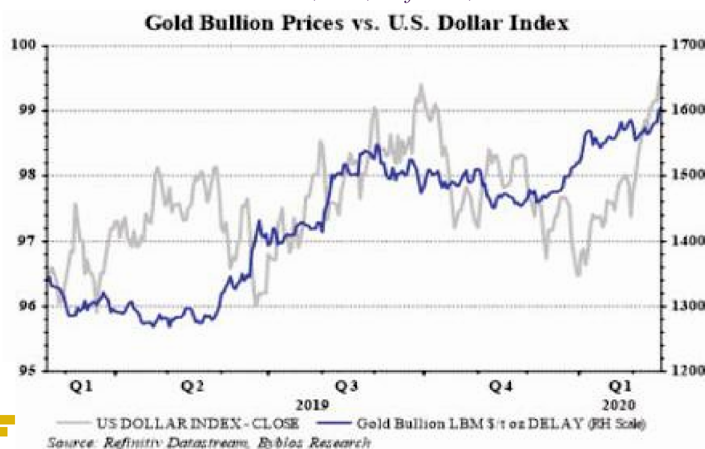
LME zinc cash prices averaged $2,154 per ton so far in February 2020, constituting a decline of 8.4% from an average of $2,351 per ton in January 2020. In fact, zinc prices closed at $2,112 per ton on February 19, 2020, their lowest level since July 7, 2016. The decline in prices is mainly due to a significant rise in zinc inventories, as well as to concerns about the demand for metals from China, the world's largest metals consumer, following the outbreak of the coronavirus. LME-registered zinc inventories surged on February 10 to 71,150 tons, their highest level since August 2019, while the metal's stocks in warehouses that are monitored by the Shanghai Futures Exchange rose substantially to 97,922 tons on February 7. In addition, Citi Research anticipated that the weaker-than-expected demand for metals from China, following the outbreak of the coronavirus, could accelerate the projected transition from a supply deficit in the zinc market to a surplus this year. It revised its forecast for zinc prices from an average of $2,200 per ton to an average of $2,100 per ton in the first quarter of 2020. It also projected prices to average $2,125 per ton in 2020, down from an average of $2,505 per ton in 2019.

Source: Citi Research, Refinitiv

Precious Metals: Gold prices to increase by 18% to $1,640 per ounce in 2020

Gold prices reached a seven-year high of $1,606 per troy ounce on February 19, 2020, and increased by 1.3% from end-January 2020 and by 5.6% from the end of 2019. The rise in prices so far this year has been driven mainly by strong investor demand for gold exchange-traded funds amid tensions between the U.S. and Iran, and by concerns about the coronavirus outbreak. Prices are projected to increase by 17.7% to an average of $1,640 per ounce in 2020, supported by expectations of persistent geopolitical risks and global trade tensions, uncertainties related to the upcoming U.S. elections, robust demand for the metal by central banks worldwide, and U.S. monetary easing this year. Also, the metal's price is expected to reach new highs of $2,000 per ounce in the coming 12 to 24 months. In parallel, global gold demand declined by 1% to 4,355.7 tons in 2019, due to a 6% decrease in jewelry consumption, a 3% drop in demand from the technology sector and a 1% decline in net purchases by central banks, which were partly offset by a 9% rise in investment demand. Gold jewelry accounted for 48.4% of total demand in 2019, followed by investment demand (29.2%), net purchases by central banks (14.9%), and demand from the technology sector (7.5%).

Source: World Gold Council, Citi, Refinitiv,



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Negative	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Negative	Negative	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	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	4.05	20-Feb-20	Cut 10bps	20-Mar-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	10.75	19-Feb-20	Cut 50bps	19-Mar-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	7.00	13-Feb-20	Cut 25bps	26-Mar-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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