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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereigns to borrow $8.1 trillion from commercial sources in 2020

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by rated countries at $8.13 trillion in 2020, constituting an increase of 2.2% from $7.95 trillion in 2019. It expected North America to account for about 38% of total commercial long-term borrowing in 2020, followed by the Asia-Pacific region (36%), Developed Europe, Middle East & Africa (EMEA) region (15%), Emerging EMEA (6%), and Latin America (5%). It forecast the U.S. gross sovereign commercial borrowing to account for 37% of the total, followed by Japan with 21.6% and China with 7.8%. It said that $5.85 trillion, or about 72% of total sovereign borrowing, will go towards refinancing maturing long-term debt, which would result in net borrowing requirements of $2.3 trillion in 2020. In parallel, S&P forecast the total sovereign commercial debt stock of rated countries at $53 trillion at the end of 2020 relative to $50.4 trillion at end-2019, which consists of $5.5 trillion in short-term debt and $47.5 trillion in medium- and long-term debt. The Americas would account for 38.7% of the commercial debt stock at the end of 2020, followed by the Asia-Pacific region (33.7%), Developed EMEA (22.5%), and Emerging EMEA (5.1%). Further, the agency forecast gross long-term sovereign commercial borrowing to be equivalent to 9.2% of the aggregate GDP of all rated economies in 2020 relative to 9.4% of GDP in 2019, and projected the total commercial debt stock to be equivalent to 60.1% of aggregate GDP, up from 59.4% of GDP last year.
Source: S&P Global Ratings

Private equity funds raise $595bn in 2019

Research provider Preqin indicated that 1,316 private equity (PE) funds raised a total of $595bn in capital commitments worldwide in 2019, compared to 1,790 PE funds that secured $628bn in 2018 and to 2,398 PE funds that also raised $628bn in 2017. In addition, it estimated that there were 5,103 PE-backed buyout deals worth $393bn in 2019, down from 6,481 deals for an amount of $493bn in 2018. Further, it pointed out that there were 14,599 venture capital deals worth $224bn in 2019, down from 17,431 deals for a total of $271bn in 2018. Preqin noted that market conditions are becoming more challenging, as the influx of investable capital and intensifying competition increased asset prices, and have weighed on the flow of PE deals in 2019. It indicated that 51% of fund managers and 69% of investors considered that PE portfolio company prices are higher than they were in the previous 12 months, while 44% of fund managers said that competition increased for PE transactions. In parallel, it indicated that there were 3,524 PE funds seeking to raise an aggregate of $926.4bn in capital at the start of 2020, compared to 3,465 PE funds that were seeking to raise an aggregate of $946.3bn in capital at the start of 2019.
Source: Preqin

MENA

In-store shopping is main shopping channel in Middle East

PwC's 2020 Global Consumer Insights Survey in the Middle East showed that 50% of surveyed participants in the region shop in-store, down from 54% in the 2019 survey and relative to 47% of consumers globally who shop in-store. It added that 31% of respondents shop online using their smartphones, compared to 33% in the 2019 survey and to 30% of consumers globally who shop online. It also indicated that 27% of consumers in the Middle East use their computers to shop online, while 25% of surveyed individuals use their tablets. In parallel, the survey showed that 21% of consumers in the Middle East shop exclusively online when purchasing airline and rail tickets, 17% reported using the Internet exclusively to book hotels and accommodation, and 15% buy entertainment tickets only online. In contrast, the results pointed out that consumers in the Middle East are more likely to shop at a physical store when making large purchases, such as jewelry and furniture, in order to get the full in-store experience. Further, the results revealed that 44% of surveyed consumers in the Middle East placed an order using a mobile application, prepaid for the order and collected their purchase in-store, while 42% of shoppers in the region paid for their purchases in-store through mobile payment, and 40% of respondents paid for their purchase by using an in-store application. The survey focused on urban consumers in Abu Dhabi, Cairo, Dubai, Jeddah and Riyadh in order to track their shopping behavior and lifestyle habits.
Source: PwC

Knowledge level varies across the region

The 2019 Global Knowledge Index indicated that the UAE has the 18th highest level of knowledge among 136 countries worldwide and the highest among 17 countries in the Middle East & North Africa (MENA) region. Israel followed in 19th place, then Qatar (40th), Bahrain (43rd), and Oman (50th) as the countries with the highest level of knowledge regionally. In contrast, Iran (88th), Morocco (92nd), Algeria (104th), Syria (131st) and Mauritania (132nd) have the lowest level of knowledge among MENA countries. The index measures the multidimensional concept of knowledge, and aims to introduce a comprehensive approach to "knowledge-based development". It is composed of seven sub-indices that are Pre-University Education (15%); Technical Vocational Education & Training (TVET) (15%); Higher Education (15%); Research, Development & Innovation (RDI) (15%); Information & Communications Technology (ICT) (15%); the Economy (15%); and the General Enabling Environment (10%). The MENA region's average score stood at 44.9 points in 2019, and was lower than the global average of 46.5 points. Also, the region's score was lower than the average score of North America (65.3 points), Europe & Central Asia (55.1 points), East Asia & the Pacific (52.3 points), Latin America & the Caribbean (42.5 points), South Asia (38.9 points), and Sub-Saharan Africa (34.8 points). The UAE ranked first on the TVET, Higher Education, ICT, and the Economy sub-indices; while Qatar came first in terms of the General Enabling Environment, and Israel topped the Pre-University Education and the RDI sub-indices.
Source: Knowledge4all, Byblos Research

OUTLOOK

GCC

Mixed expectations about economic impact of coronavirus

S&P Global Ratings anticipated the economic impact of the coronavirus on Gulf Cooperation Council (GCC) countries to be limited, in case the virus does not affect oil prices significantly and is successfully contained by March 2020, which would allow travel and other restrictions to ease in the second quarter of the year. Under this scenario, it maintained its forecast for oil prices at $60 per barrel (p/b) in 2020. Further, it expected the coronavirus to mainly affect GCC economies in terms of export volumes, as it projected GCC exports to China to decline due to the anticipated economic slowdown in the Asian country. It noted that Oman is the most exposed GCC country to China, as the latter is the destination of 45% of the Sultanate's exports, while the UAE is the least exposed regional economy, as the Chinese market accounts for 4.2% of the country's exports. It also anticipated OPEC to extend its current production quotas beyond March, which could affect the GCC's fiscal and external balances.

Further, it expected the coronavirus outbreak to weigh on sectors related to the hospitality industry in the GCC, due to lower tourism inflows. It also anticipated that foreigners and nationals could delay or cancel their plans to buy real estate in the region due to uncertainties about the virus. In addition, the agency cautioned that the economic consequences could increase unpredictably if the virus continues to spread.

In parallel, Standard Chartered Bank indicated that it has revised downward its global growth and oil price forecasts for 2020 due to the spread of the virus. It projected global growth at 3% in 2020, its weakest rate since the global financial crisis. Also, it lowered its forecast for oil prices from $70 p/b to $64 p/b in 2020. It noted that the slowdown in global activity would affect the GCC economies primarily through slower growth in oil demand and the need to extend the OPEC agreement, as well as through weaker trade and tourism flows. As a result, it reduced its projection for Bahrain's growth from 1.7% to 1.4% in 2020, while it lowered its expectation for Oman's growth rate from 3% to 2.7% this year and downgraded the growth rates of Saudi Arabia and the UAE from 2.3% and 2.1% to 1% and 1.1%, respectively.
Source: S&P Global Ratings, Standard Chartered Bank

IRAQ

Political environment limits policy predictability

S&P Global Ratings projected Iraq's real GDP growth to increase from 2.8% in 2019 to 3.8% in 2020 due to higher oil production, while it forecast growth to moderate to an average of 2.4% annually in the 2021-23 period, as it expected the expansion in oil production to slow down. It anticipated that the country's fragile political situation, weak governance and difficult business climate will continue to constrain non-hydrocarbon sector activity in coming years, while lower global oil prices will weigh on private consumption in the 2020-23 period. It added that the fragmented political environment limits policy predictability. In this context, the agency expected the prospects for fiscal consolidation to be limited, as the program with the International Monetary Fund expired in July 2019. It estimated that the fiscal surplus of 8.3% of GDP in 2018 shifted to a deficit of 5.2% of GDP in 2019 due to significant policy loosening to reduce public discontent. It expected the deficit to reach 5% of GDP in 2020, amid higher recurrent expenditures, despite contained capital spending. It forecast the deficit to remain stable in the 2021-23 period, as limited access to funding lines would cap government spending. It said that the government plans to finance the 2020 deficit by using a portion of the fiscal assets it accumulated as a result of the 2018 budgetary surplus, through a mixture of short-term domestic financing and by increasing the pension fund's holdings of government securities. As such, it expected the general government's debt net of liquid assets to rise from 40.7% of GDP at end-2019 to an average of 48% of GDP annually in the 2020-23 period. However, it said that principal debt payments will increase between 2020 and 2022, as payments to the IMF and two Eurobonds come due.

Further, it estimated the current account surplus at 9.1% of GDP in 2019 relative to 16% of GDP in 2018, due to lower oil prices and higher imports. It anticipated the current account surplus to average 5.3% of GDP annually in the 2020-23 period in case oil exports receipts increase. It projected the exchange rate peg to the U.S. dollar to remain in place over the next few years. It added that the peg has helped control inflation, but that it limits the Central Bank of Iraq's monetary flexibility.
Source: S&P Global Ratings

NIGERIA

Currency peg faces sustainability risks in medium term

Goldman Sachs considered that the uncertainties related to Nigeria's economic growth outlook are rising. It noted that lower global oil prices and capital outflows are worsening the country's external dynamics, as the current account surplus has shifted to a deficit and foreign currency reserves have declined. It indicated that these developments have raised questions about the sustainability of Nigeria's external policy and of the effective naira peg.

It considered that the pressure on the balance of payments might persist in the near term. However, it indicated that there are policy options for the authorities to manage the external pressure in the short term, such as increasing the rates on the bills issued by the Central Bank of Nigeria (CBN). It added that Nigeria is likely to issue Eurobonds in 2020, which will help increase foreign currency reserves that fell from $44bn in June 2019 to $36.5bn currently. Also, it said that the CBN has scaled up its foreign currency borrowing facilities with local and foreign banks in recent years, and can further tap this source of funding if foreign currency reserves continue to decline. It considered that these options would help reduce the risk to the naira and stabilize foreign currency reserves in the short term. Still, it said that high uncertainty and risks persist and that the balance of payments remains vulnerable to a decline in oil prices and output.

It pointed out that the weak current account dynamics, rigid inflation, overvalued exchange rate and declining foreign currency reserves raise the sustainability risks of the exchange rate peg regime in the medium term. It forecast real GDP growth to slightly accelerate from 2.1% in 2019 to 2.5% in 2020, supported by higher public spending, but to remain below the country's 4% growth potential. Also, it noted that the inflation rate averaged 11% in 2019 and projected it to reach 12.5% in 2020.
Source: Goldman Sachs

GCC

Insurers to face moderate-to-high credit risk in next 12 to 18 months

Moody's Investors Service anticipated that insurance companies in most Gulf Cooperation Council (GCC) countries will face moderate-to-high credit risk in the next 12 to 18 months, amid mounting geopolitical risks and intense competition. It said that tensions between the U.S. and Iran could weigh on investor confidence in the region and increase external financing costs, which could delay large scale infrastructure projects and weaken regional economic growth. Consequently, it noted that slower economic growth would limit insurance demand, as it would affect property and casualty lines such as construction, marine and energy. Further, it said that market fragmentation has led to intense competition among insurers in the region, as small players try to gain market share, which puts the sector's profitability and capitalization under pressure. Moody's expected competition among insurers to trigger consolidation in the sector over the long term, especially as smaller insurers come under pressure from additional regulatory requirements. However, it considered that the low insurance penetration rates in GCC countries would drive long-term growth in the sector. In parallel, it noted that the volatility of investment performance is a credit risk for many GCC insurers. It said that insurers in countries with more sophisticated regulatory regimes that rely on risk-based capital models and investment guidelines, such as Saudi Arabia and the UAE, are less affected. It added that the regulatory environment varies across GCC countries, but regulatory developments are converging towards risk-based capital requirements and actuarial reserving.

Source: Moody's Investors Service

AFRICA

Coronavirus to affect SSA economies in short term

Standard Chartered Bank considered that the outbreak of the coronavirus could have an adverse impact on the growth rate of Sub-Saharan African countries. It anticipated that the virus may result in a short-term decline in global oil prices, which may weigh on economic activity in oil-exporting SSA countries this year. It revised its projections for Brent oil prices from an average of $70 per barrel (p/b) to $64 p/b for 2020. It also indicated that the slowdown in Chinese growth as a result of the virus outbreak would negatively impact SSA economies in the near term, given the strengthening economic ties between the SSA region and China in the past two years. It revised downwards its projections for Nigeria's growth rate from 3% to 2.5% this year, reflecting the decline in global oil prices, a slowdown in Chinese investment in the country, as well as ongoing oil production cuts under the OPEC agreement. Further, the bank anticipated the decline in global oil prices and the economic slowdown in China to affect the Angolan economy, as 66% of Angola’s exports are to China and 95% of the country’s export earnings come from the oil sector. In contrast, it noted that oil-importing SSA countries, such as East African economies, Côte d'Ivoire and Senegal, are the least exposed to the Chinese economy, given that they export limited amounts of agricultural products to China. Further, it considered that, although the region does not have any confirmed coronavirus cases yet, most SSA countries are ill-equipped to deal with an outbreak of the virus, given their weak healthcare services.

Source: Standard Chartered Bank

ANGOLA

Growth prospects constrained by low economic diversification

Moody's Investors Service indicated that Angola's 'B3' issuer rating reflects a rating of 'ba3' in terms of economic strength, of 'caa1' on the strength of institutions and governance metric, of 'ca' in terms of fiscal strength, and of 'ba' on the susceptibility to event risk. It considered that the economic strength rating of 'ba3' is driven by Angola's modest medium-term growth prospects and relatively low wealth levels. It noted that the country is highly reliant on the hydrocarbon sector, with low levels of economic diversification and competitiveness. In parallel, it said that the 'caa3' rating on the strength of institutions and governance metric reflects the authorities' weak performance in terms of government effectiveness and capacity to implement policies. In addition, it indicated that Angola's creditworthiness is constrained by a fiscal strength rating of 'ca' due to the rapid increase in the government's debt burden since the oil-price shock of mid-July 2014, and the consequent deterioration of debt affordability metrics. Further, it noted that the rating of 'ba' on the susceptibility to event risk reflects the government's heightened liquidity risks amid elevated gross borrowing requirements. But it expected borrowing needs to decrease in coming years as a result of the government's fiscal consolidation efforts and domestic debt repayments. Angola's 'B3' rating is six notches below investment grade.

Source: Moody's Investors Service

DEM REP CONGO

IMF calls on authorities to improve revenue mobilization and control spending

The International Monetary Fund indicated that macroeconomic conditions in the Democratic Republic of the Congo (DRC) are relatively stable. It estimated that the DRC’s real GDP growth rate decelerated from 5.8% in 2018 to 4.4% in 2019, mainly due to lower mining production. It also pointed out that the average annual inflation rate was contained at 4.6% last year, while the exchange rate was relatively stable. However, the Fund noted that the authorities' execution of the 2020 budget in the first two months of the year raises concerns about the lower-than-expected revenues and higher-than-anticipated spending, which resulted in increased advances from the Banque Centrale du Congo (BCC) to the government and led to the erosion of the BCC's foreign currency reserves. The IMF welcomed the steps that authorities implemented in order to control public expenditures, and urged them to improve revenue mobilization. It also called on authorities to stop requesting advances from the BCC and to repay those that the BCC already extended. It urged authorities to implement all the measures planned under the Staff Monitored Program that the IMF approved in December 2019, which include the restoration of the normal functioning of the value-added tax and avoiding the accumulation of VAT credit arrears. In September 2019, the Fund pointed out that authorities stopped collecting VAT on the imports of mining companies because of their inability to refund VAT credit, which resulted in government arrears of $0.8bn as at end-March 2019. In addition, it encouraged authorities to reduce revenue losses at the country's border crossing points from fraud and smuggling, as well as to address challenges related to the governance of revenue-collecting agencies.

Source: International Monetary Fund

AFRICA

Common currency unlikely among Anglophone and Francophone countries in West Africa

S&P Global Ratings considered that the reforms to the framework of the West African Economic & Monetary Union's (WAEMU) CFA franc will not have an immediate impact on the ratings of the WAEMU countries that it rates. It noted that the reforms, which were announced in December 2019, stipulate that the "eco" will replace the CFA franc in 2020, that the WAEMU countries will no longer be required to deposit 50% of their reserves at the French Treasury, and that France will suspend its oversight of the currency union. However, it said that the changes to the CFA framework have raised questions about macroeconomic and currency stability in the WAEMU, as well as about the union's relations with other Anglophone countries in West Africa. The agency pointed out that the "eco" was meant to be a single currency for both Anglophone and Francophone countries in West Africa. But it said that a single currency and, consequently, a common monetary policy among West African countries are unlikely in the medium term, given different economic fundamentals between Anglophone and Francophone countries. Specifically, it noted that Nigeria, the largest economy in the region, is highly dependent on hydrocarbon revenues, while WAEMU countries are oil importers. In parallel, in its assessment of the vulnerability of WAEMU member countries to a potential devaluation of the "eco", S&P said that Côte d'Ivoire and Senegal are the most sensitive countries to a devaluation, given their significant foreign currency-denominated debt levels of 40% of GDP and 50% of GDP, respectively. But it noted that the devaluation of the "eco" is not in its baseline scenario.

Source: S&P Global Ratings

JORDAN

Construction and public services & utilities account for 41.5% of lending at end-2019

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD27.1bn, or $38.2bn, at the end of 2019, constituting an increase of 3.7% from JD26.1bn, or $36.8bn, at the end of 2018. Credit in foreign currency represented 12% of the total at the end of 2019 relative to 11.2% a year earlier. The resident private sector accounted for 88.6% of total credit at end-2019 relative to 88.1% a year earlier, followed by the central government with 6.9%, down from 7.6% at end-2018, the non-resident private sector with 2.5%, and public entities with 1.9%. The distribution of credit by main sectors shows that construction represented JD7bn or 25.7% of the total at the end of 2019, down from 26.2% a year earlier, while public services & utilities accounted for JD4.3bn or 15.7% of the total relative to 14.8% at end-2018. General trade followed with JD4.2bn or 15.6% of the total; then industry with JD3.4bn (12.4%); tourism, hotels & restaurants with JD638m (2.4%); financial services with JD634.2m (2.3%); transportation with JD342.8m (1.3%); agriculture with JD336.5m (1.2%); and mining with JD296.3m (1.1%). In parallel, loans & advances reached JD17.6bn at the end of 2019, followed by receivables of Islamic banks with JD6.2bn, overdrafts with JD2.9bn, discounted bills with JD182.4m and credit cards with JD174.3m.

Source: Central Bank of Jordan, Byblos Research

TUNISIA

Outlook on banks revised to 'stable' on government support capacity

Moody's Investors Service affirmed at 'B3' the long-term foreign currency deposit ratings of Amen Bank, Arab Tunisian Bank (ATB), Banque de Tunisie (BdT), Banque Internationale Arabe de Tunisie (BIAT), and Société Tunisienne de Banque (STB). It also affirmed at 'B2' the local-currency deposit ratings of Amen Bank, ATB, BdT and BIAT, and at 'B3' the rating of STB. Further, the agency revised the outlook on the banks' long-term deposit ratings from 'negative' to 'stable', mainly due to its similar action on the sovereign ratings, as well as to the authorities' high probability of support to the banking sector in case of need. It also said that the outlook revision takes into account its expectation that the banks' operating challenges, mainly their tight liquidity, will continue to ease over time. It noted that the banks' high reliance on collateralized funding from the Central Bank of Tunisia (CBT) is decreasing, which could provide some flexibility in times of financial stress. Further, it indicated that Tunisia's improving external balance could ease potential currency depreciation and ease inflationary pressures, which reduce risks for the banks. It added that the CBT's restrictive monetary policy since March 2017 has led real interest rates to shift to positive territory in 2019 and has contained lending growth, which reduced risks to the banks' asset quality. In parallel, it noted that the affirmation of the ratings reflects its expectation that the banks' credit profiles, including asset-quality metrics, loss-absorption buffers and liquidity measures, will remain at their current weak levels.

Source: Moody's Investors Service

MOROCCO

Agency takes rating actions on five banks, maintains outlook at 'stable'

Fitch Ratings affirmed at 'BB+' the long-term foreign- and local-currency Issuer Default Ratings (IDRs) of Attijariwafa Bank (AWB), BMCE Bank and Crédit Immobilier et Hôtelier (CIH). Also, it maintained at 'AAA(mar)' the national ratings of Société Générale Marocaine de Banques (SGMB) and Banque Marocaine pour le Commerce et l'Industrie (BMCI), and at 'AA-(mar)' the ratings of AWB, BMCE Bank and CIH. It kept the 'stable' outlook on all the banks' ratings, in line with the outlook on the sovereign. The agency noted that the IDRs of AWB, BMCE Bank and CIH are driven by a moderate probability of support from the Moroccan government, while the ratings of BMCI and of SGMB reflect a high probability of support from the banks' respective major shareholders BNP Paribas and Société Générale. In parallel, Fitch upgraded the Viability Rating (VR) of AWB from 'bb-' to 'bb', due to the steady integration of the bank's international acquisitions and to the stable performance of its management. Further, it affirmed at 'bb-' the VRs of BMCE and CIH. It noted that BMCE's VR is supported by a well-diversified loan portfolio and stable deposit base, but is constrained by the bank's weak asset quality and exposure to countries that are less developed than its home market. It added that CIH's VR mainly reflects the bank's moderate franchise and rapidly changing business model that are weighing on its capitalization.

Source: Fitch Ratings

Oil prices to average $62 p/b in 2020

ICE Brent crude oil front-month prices declined from $59.3 per barrel (p/b) on February 20, 2020, to $53.4 p/b on February 26, 2020, reversing the previous increase in prices during eight consecutive trading days from February 10 to February 20. The decline in prices was driven by the reporting of hundreds of new coronavirus cases in Asia, Europe and in some oil-producing countries in the Middle East. In addition, pandemic fears intensified as the virus has spread to about 30 countries, which means that the impact of the virus on global economic growth is not limited any longer to the Chinese economy. Further, oil prices were negatively affected by the strengthening of the US dollar, which weighs on demand for dollar-denominated commodities such as oil. However, expectations that OPEC countries will deepen their oil production cuts at their next meeting on March 5, 2020 are limiting the decline in oil prices. In parallel, Bank of America Merrill Lynch (BofAML) expected Brent oil prices to average $62 p/b in 2020. It noted that medium-term downside risks to the oil price outlook include slower global economic growth, trade tensions uncertainties, and the coronavirus outbreak. Also, BofAML anticipated oil prices to range between $50 p/b and $70 p/b through 2025, anchored by both supply and demand dynamics. However, it pointed out that, in case global GDP growth reaches 1.5% instead of the projected 3% in 2020, oil prices would decline by an additional $5 p/b over the medium term.

Source: BofAML, Refinitiv, Byblos Research

Nigeria's oil receipts down 13% in first 11 months of 2019

Nigeria's crude oil and condensate export receipts totaled $4.5bn in the first 11 months of 2019, constituting a decrease of 13.2% from $5.2bn in the same period of 2018. Export revenues during the covered period consisted of $3.3bn from crude oil exports (73.1%), $966m from gas exports (21.3%), and $254.4m in other receipts (5.6%). In November 2019, the authorities transferred $113.4m in hydrocarbon revenues to the Federation Account, while they used $362.3m to pay global oil companies to guarantee current and future production.

Source: Nigerian National Petroleum Corporation

Steel output up 2% in January 2020

Global steel production reached 154.4 million tons in January 2020, constituting a rise of 2.1% from 151.2 million tons in January 2019. Production in China totaled 84.3 million tons and accounted for 54.6% of global output. India followed with 9.3 million tons (6%), then Japan with 8.2 million tons (5.3%), the U.S. with 7.7 million tons (5%), Russia with 6 million tons (3.9%), and South Korea with 5.8 million tons (3.7%).

Source: World Steel Association, Byblos Research

Saudi Aramco plans to develop gas field

Saudi Aramco announced its plan to invest $110bn to develop unconventional gas reserves in the Jafurah field in the Eastern Province of the country. The volume of gas resources in the field is estimated at 200 trillion cubic feet (tcf) of rich raw gas, which will provide a feedstock for the petrochemical industries. The company anticipates production to start in early 2024 and to reach about 2.2 billion standard cf per day of sales gas by 2036. It expected the field to produce 130,000 barrels per day (b/d) of ethane and 500,000 b/d of gas liquids and condensates.

Source: Saudi Aramco, Refinitv

Base Metals: Copper prices decline amid coronavirus spread

LME copper cash prices averaged $5,697 per metric ton so far in February 2020, down by 5.6% from an average of $6,036 per ton in January. Copper prices closed at $5,504 per ton on February 3, their lowest level since May 2017. The decline in prices is mainly due to the outbreak of the coronavirus, which triggered concerns about the demand for metals from China, the world's largest metals consumer, and about global economic activity. Also, prices decreased as copper inventories increased significantly, reinforcing worries about weaker demand for the metal. In parallel, the latest available figures show that global demand for refined copper was 22.3 million tons in the first 11 months of 2019, down 0.5% year-on-year, as Chinese demand grew by about 2%, while demand from the rest of the world decreased by around 3%. On the supply side, global refined copper production reached 21.9 million tons in the first 11 months of 2019, down by 0.5% 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 2.5% in Asia, while it declined by 10% in Africa, by 7% in Latin America, and by 2% in each of Europe and North America.

Source: International Copper Study Group, Refinitiv

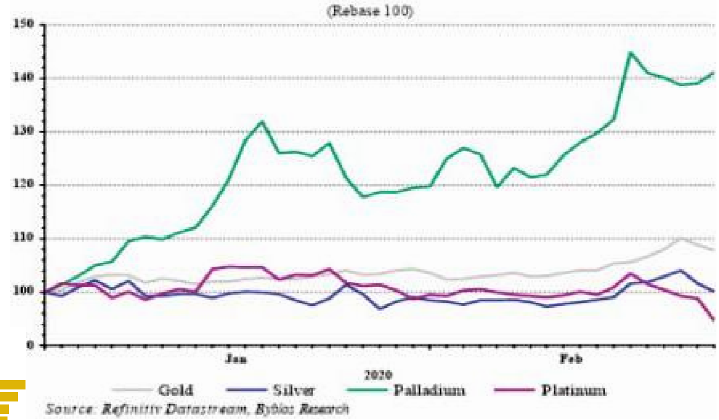
Precious Metals: Silver prices to reach $20 an ounce in coming 12 months

Silver prices averaged $18 per troy ounce in the year-to-February 26, 2020 period, up by 14.3% from an average of $15.7 per ounce in the first two months 2019, and compared to an average of $16.2 an ounce last year. Prices also reached a near six-month high of $18.8 per ounce on February 24, 2020. The increase in the metal's price was mainly driven by higher investor demand for silver exchange-traded funds (ETFs) amid elevated tensions between the U.S. and Iran at the beginning of the year and the spread of the coronavirus. Declining global mine output has also contributed to the rise in silver prices. Further, the metal's price is projected to reach $18.5 an ounce in the coming three months and $20 per ounce in the next 12 months, driven by strong investor demand for silver ETFs and limited increases in mine production, given the anticipated economic slowdown in China. In addition, the use of silver in electric cars and in the deployment of the 5G network infrastructure are expected to drive the metal's physical demand and, in turn, prices. Downside risks to the price outlook could stem from a containment of the spread of the coronavirus.

Source: The Silver Institute, Julius Bär, Refinitiv, Byblos Research

Price Performance of Precious Metals in First Two Months of 2020

(Rebase 100)



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	BB+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B-	B3	B	-	B-								
	Negative	Stable	Negative	-	Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B1	B		B+								
	Stable	Negative	Negative	-	Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Stable	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 Congo	CCC+	Caa1	-	-	CCC								
	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-								
	-	Stable	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	CC	Ca	CC	C+	B-								
	Negative	Stable	-	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 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	-	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	27-Feb-20	No change	09-Apr-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	20-Feb-20	No change	02-Apr-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	24-Jan-20	No change	23-Mar-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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