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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Real estate investment funds secure $151bn in 2019, private debt funds raise $104bn

Research provider Preqin indicated that there were 9,328 private equity (PE) real estate transactions completed globally in 2019, down by 4.7% from 9,795 deals in 2018. It added that the aggregate amount of PE real estate transactions regressed by more than 10% in 2019. It attributed the decline in the deal volume and value to concerns about rising valuations. It pointed out that 75% of real estate fund managers that it surveyed in November 2019 said that asset prices were higher than they were in the previous 12 months. Further, it indicated that there were 295 PE real estate investment funds that raised a total of $151bn in capital commitments worldwide in 2019, the highest amount of raised capital on record, compared to 386 PE real estate investment funds that secured $148bn in 2018. Also, it showed that there are 918 PE real estate funds that are seeking to raise an aggregate of $281bn in capital at the start of 2020. It noted that the number of funds and the amount of capital that fund managers are targeting in 2020 are the highest on record. It considered that investors' appetite for real estate is healthy, with 93% of the surveyed investors planning to either maintain or increase their fund allocation to real estate beyond 2020. In parallel, it indicated that 151 private debt funds secured $104bn in capital commitments in 2019, down from 210 private debt funds that raised $110bn in 2018, and from 220 funds that secured $132bn in capital commitments in 2017. It pointed out that there were 436 private debt funds seeking to raise an aggregate of $192bn in capital at the start of 2020.

Source: Preqin

GCC

Fixed income issuance down 2% to $21bn in first two months of 2020

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $20.8bn in the first two months of 2020, down by 2.3% from $21.3bn in the same period of 2019. Fixed income issuance in the covered period consisted of $9.2bn in corporate bonds, or 44.2% of the total, followed by $5.4bn in sovereign bonds (26%), $4.8bn in corporate sukuk (23.1%), and $1.4bn in sovereign sukuk (6.7%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $14bn in the first two months of 2020, or 67.3% of total fixed income issuance in the region, while aggregate issuance by GCC sovereigns reached $6.8bn, or 32.7% of the total. GCC sovereigns issued $0.3bn in sukuk in January, and $6.5bn in bonds and sukuk in February 2020. In parallel, companies in the GCC issued $3.1bn in bonds and sukuk in January and $10.9bn in February. Sovereign issuance in February consisted of $5bn in bonds and $1.1bn in sukuk issued by Saudi Arabia, and of $390m in bonds issued by Oman. In parallel, corporate issuance in the covered month included $3.6bn in bonds and $800m in sukuk issued by Qatar-based companies, $2.6bn in bonds issued by UAE-based firms, $1.9bn in sukuk issued by Saudi Arabia-based corporates, and $750m in sukuk issued by Kuwait-based companies.

Source: KAMCO

MENA

Stock markets down 7.2% in first two months of 2020

Arab stock markets regressed by 7.2% and Gulf Cooperation Council equity markets declined by 8.3% in the first two months of 2020, relative to expansions of 5.4% and 5.6%, respectively, in the same period of 2019. In comparison, global stocks decreased by 9.4% and emerging market equities regressed by 9.3% in the covered period. Activity on the Beirut Stock Exchange jumped by 13.1% in the first two months of 2020, the Damascus Securities Exchange rose by 9.1%, the Khartoum Stock Exchange increased by 6.2%, the Muscat Securities Market improved by 3.8%, the Bahrain Bourse expanded by 3.1%, the Palestine Exchange grew by 1.6%, the Amman Stock Exchange appreciated by 1.1%, and the Casablanca Stock Exchange and the Tunis Bourse improved by 0.7% each. In contrast, activity on the Saudi Stock Exchange regressed by 9.1% in the first two months of 2020, the Qatar Stock Exchange decreased by 9%, the Egyptian Exchange declined by 6.8%, the Dubai Financial Market and the Iraq Stock Exchange contracted by 6.3% each, the Abu Dhabi Securities Exchange retreated by 3.4%, and the Boursa Kuwait declined by 3%.

Source: Local stock markets, Dow Jones Indices, Byblos Research

IRAN

FATF lifts suspension of counter measures

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Iran did not address its significant AML/CFT deficiencies under its action plan. It said that the remaining AML/CFT deficiencies consist of adequately criminalizing terrorist financing, identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions, and ensuring an adequate and enforceable customer due diligence regime. Also, it noted that Iran should ratify and implement the Palermo and Terrorist Financing Conventions, demonstrate how authorities are identifying and sanctioning unlicensed money transfer service providers, and ensure that financial institutions verify that wire transfers contain complete originator and beneficiary information. The FATF fully lifted the suspension of counter-measures given Iran's failure to enact the Palermo and Terrorist Financing Conventions. It also called on its members and urged all jurisdictions to apply effective counter measures to risks emanating from the country. It indicated that Iran will remain on the FATF statement of "High Risk Jurisdictions Subject to a Call for Action" until the full action plan has been completed. It pointed that, in case Iran ratifies the Palermo and Terrorist Financing Conventions, the FATF will decide on the next steps, including whether to suspend counter measures. It added that the FATF will remain concerned about the terrorist financing risk emanating from Iran and the threat this poses to the international financial system, until Iran implements the required measures to address the deficiencies identified with respect to countering terrorism-financing in the action plan.

Source: Financial Action Task Force

POLITICAL RISK OVERVIEW - February 2020

EGYPT

Violence continued in the Sinai Peninsula as Islamic State militants blew up a section of the Israel-Egypt gas pipeline near el-Arish city, but gas imports were unaffected by the attack. In parallel, the government announced that it had started building a new military base on the country's eastern border to protect the Suez Canal and its economic zone. In addition, Egyptian officials resumed mediation between Hamas and Israel to avoid further military escalation between the two parties. Egyptian security forces started building a concrete wall on the border with Gaza to block the entry of gunmen to Sinai and shut down the usage of cross-border tunnels. Former Egyptian President Hosni Mubarak died in hospital on February 25.

ETHIOPIA

Violence and counter-insurgency operations continued across the country, mainly in the Oromia region, while ethnic clashes broke out in the west. The electoral board postponed Ethiopia's general elections from August 16 to 29, but the coalition of opposition parties asked to further delay the vote due to the rain season and security conditions across the country. Ethiopia, Egypt and Sudan reported progress towards finalizing the agreement on the filling and operation of the Grand Ethiopian Renaissance Dam on the Nile River following the latest meeting in Washington D.C. However, Ethiopia asked the United States to delay the final round of talks as it requested more time for internal consultations.

IRAN

President Hassan Rouhani assured the European Union that Iran would continue to comply with the International Atomic Energy Agency's (IAEA) monitoring. Tensions between Israel and Iran persisted following reports that missile attacks on Syria came from the Israeli-occupied Golan Heights. The Guardian Council disqualified over 8,000 persons, including 75 sitting lawmakers, from the parliamentary elections, while it approved 7,100 candidates. President Rouhani said that the elections in 44 out of 208 districts were not competitive and criticized the mass disqualification of moderate candidates. The U.S. sanctioned five Iranian officials for their roles in disqualifying candidates from the elections. Conservative candidates won most seats in Parliament, while the turnout was the lowest since 1979 at 42.5%.

IRAQ

President Barham Salih appointed former communications minister Mohammed Tawfiq Allawi as Prime Minister. Shiite parliamentary blocs Sairoun and Fatah endorsed PM Allawi, while protesters considered him part of the ruling elite. Shiite cleric Muqtada al-Sadr expressed support for Mr. Allawi's nomination and instructed his supporters to help security forces clear roads and public spaces. But the Cabinet failed to get the Parliament's vote of confidence after Sunni and Kurdish parties boycotted the session. Rockets struck military bases hosting U.S. troops in the Kirkuk province and in the Green Zone in Baghdad. The government asked the North Atlantic Treaty Organization to continue training Iraqi security forces. The U.S. extended for 45 days the sanctions waiver for Iraq to import Iranian energy.

LIBYA

The Libyan Arab Armed Forces (LAAF), previously known as the Libyan National Army, continued to carry out airstrikes to capture Tripoli from forces loyal to the UN-backed Government of National Accord (GNA), despite intense diplomatic efforts to de-escalate the conflict. Talks between LAAF and GNA representatives in Geneva in early February failed to produce a ceasefire agreement. Turkey reportedly continued to send allied Syrian fighters and military equipment to Tripoli to support the GNA. The United Nations Security Council passed a resolution that aims to address the conflict in Libya, and demanded the warring parties to commit to "a lasting ceasefire". A total of 14 UN Council Members backed the resolution, while Russia abstained.

SUDAN

The transitional government agreed to hand over to the International Criminal Court four former regime officials, including former President Omar al-Bashir, who are indicted for war crimes. The government and the rebel coalition Sudanese Revolutionary Front (SRF) failed to reach a comprehensive deal and agreed to extend talks until March 7, 2020. In contrast, the government and the eastern SRF groups reached an agreement to establish administrative status for the eastern states and a reconstruction fund. Authorities stepped up efforts towards the removal of Sudan from the U.S. list of "State Sponsors of Terrorism". Sudan and Israel met in Uganda and agreed to work toward normalizing long-severed bilateral relations.

SYRIA

Regime forces' artillery and Russian airstrikes killed several Turkish soldiers and civilians in the north west of Syria. Turkey retaliated and claimed that its airstrikes killed over 300 regime soldiers. Turkey also gave the regime until the end of February to withdraw behind the Turkish observation posts in the north west. The Syrian Democratic Council, the Kurdish-led Syrian Democratic Forces' political wing, confirmed that its delegation traveled to Damascus to start Russian-mediated talks with the regime on the formation of autonomous local administrations in Kurdish-majority areas. Israeli airstrikes reportedly killed several regime soldiers and allied forces near and in Damascus.

TUNISIA

The Parliament gave a vote of confidence on February 27 to the new coalition government that the designated Prime Minister Elyes Fakhfakh formed. PM Fakhfakh formed a Cabinet of 32 ministers who are mainly independent after reaching an agreement with Ennahda Party, the largest party in Parliament, ending months of political deadlock. The government excluded the Qalb Tounes party, the second-largest parliamentary bloc led-by Nabil Karoui, along with two other opposition parties. The Ministry of Interior confirmed that security forces discovered three terrorist camps in the Kasserine Mountains in western Tunisia between February 10 and 22, and seized materials used in the manufacturing of explosives.

TURKEY

Fighting escalated between Turkish troops and Russian-backed regime forces in Syria. Russia announced the failure of the talks with Turkey to reach an agreement over Idlib in the north west of Syria. President Recep El Tayep Erdoğan vowed to liberate the remaining Turkish observation posts encircled by the Syrian regime. The Syrian regime's offensive on the Idlib province continued to drive displaced people towards Turkish borders, while Turkey announced that it would no longer prevent refugees from entering Europe. In parallel, Turkey confirmed the deaths of two Turkish soldiers in Libya.

YEMEN

Huthi rebels claimed responsibility for downing a Saudi military jet in the al-Jawf governorate, which prompted the Saudi-led coalition to retaliate with airstrikes. Huthi rebels and the Hadi government agreed to exchange 1,400 detainees between the two sides, as part of a long-delayed prisoner swap. Huthi rebels made advances against forces loyal to President Abdrabbuh Mansour Hadi in the al-Jawf, Sanaa and Marib governorates. But Saudi airstrikes slowed the Huthis' progress towards the government-controlled strongholds, while Huthis resumed missile attacks on southern Saudi Arabia. The Hadi government and the UAE-backed Southern Transitional Council (STC) failed to fulfill their commitments in "Phase 2" of the Riyadh agreement.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Mixed expectations about economic impact of coronavirus

Goldman Sachs indicated that the outbreak of the coronavirus has severely altered the outlook on the global economy. It projected global real GDP to contract by five percentage points in the first quarter of 2020 and by two percentage points in the second quarter, followed by a rebound in the second half of 2020. Under its baseline scenario, it assumed China's economic activity to contract significantly in the first quarter of 2020, while it anticipated supply chain disruptions to be limited, and the level of spread in the virus globally to be intermediate.

Under this scenario, it revised downward its growth projection for the Central & Eastern Europe, Middle East and Africa (CEEMEA) region from 3.1% to 2.2% in 2020. It expected the region's growth to recover significantly towards the end of 2020 and to reach 3.4% in 2021. It reduced its projection for Central & Eastern European countries' growth from 3.1% to 2.3% in 2020, while it lowered its expectation for Russia's growth rate from 2.2% to 1.5% this year. In addition, it downgraded the growth rates of Turkey and Saudi Arabia from 4% and 2.1% to 3.6% and 0.6%, respectively. It also revised downward its forecast for Ghana's growth from 5.7% to 4% in 2020 and South Africa's growth from 1.5% to -0.3% this year. It noted that the impact on the Russian and Saudi Arabian economies is elevated due to their extensive trade ties with China. Further, it noted that the impact of the coronavirus on CEEMEA economies depends crucially on the degree to which the virus remains contained. It said that if the viral transmission outside of China remains limited, the economic effects are likely to be pronounced in the CEEMEA's major commodity producers, notably Russia, South Africa, Ukraine, and the majority of the Middle East. However, it anticipated the economic impact to be more severe and broad if the global spread exceeds its baseline assumptions.

Source: Goldman Sachs

EGYPT

Downside risks to outlook from spread of coronavirus and sharper decline in tourism receipts

Goldman Sachs projected Egypt's real GDP growth at 5% in the fiscal year that ends in June 2020, down from its previous forecast of 5.4%, as it expected tourism receipts to decline by 10% between March and the end of June 2020 amid the outbreak of the coronavirus. It considered that Egypt's growth projection is based on a scenario where the virus is largely contained in the country. However, it pointed out that risks to the growth outlook are skewed to the downside and include a sharper-than-anticipated drop in tourism revenues in case the virus accelerates globally, as well as the spread of the coronavirus to Egypt. It indicated that every additional 10% decline in tourism revenues would reduce the real GDP growth rate by 0.4 percentage points. As such, it anticipated that a 50% decline in tourist receipts until the end of June 2020 would lead to an economic growth rate of 3.4% in FY2019/20.

Also, it expected Egypt's weaker growth outlook to add to the disinflationary pressures that have stemmed from subdued consumption growth, a strong Egyptian pound, lower global energy prices, and reforms to food supplies that have reduced food price volatility. As such, it projected the inflation rate to bottom out to around 5% towards the end of FY2019/20. Further, it anticipated that the Central Bank of Egypt would keep its policy rates unchanged at 12.75% in the first half of calendar year 2020, given uncertainties related to the external outlook and risks to the pound and to portfolio flows, and could reduce the policy rates by 200 basis points in the second half of the year to 10.75%. It considered that the capacity of the Egyptian monetary system to maintain the stability of the Egyptian pound is substantial, with foreign currency reserves of $45bn, and $7bn in secondary reserves related to the defunct repatriation mechanism, against $21bn in non-resident holdings of T-bills and longer-dated bonds.

Source: Goldman Sachs

GHANA

Positive macroeconomic outlook reflects credible fiscal consolidation agenda

Goldman Sachs indicated that Ghana's macroeconomic outlook is positive, due to the credibility of the country's medium-term fiscal consolidation agenda. It projected the central government's fiscal deficit to remain below the 5% of GDP ceiling in the run-up to the 2020 general elections that is expected to take place in the fourth quarter of the year. But it anticipated the deficit to exceed 7% of GDP when including off-budget expenditures, such as the support for state-owned energy utilities and ongoing deposit insurance payouts. Still, it did not expect additional expenditures to lead to monetary financing or to the build-up of arrears. In addition, it expected political pressures to recede after the 2020 elections, which would create space for meaningful fiscal consolidation and effectively help maintain the efforts that started under the program with the International Monetary Fund, as the latter expired in early 2019. It anticipated fiscal consolidation to achieve the primary fiscal surplus of 1.5% of GDP that is required to stabilize the country's debt trajectory. It considered that both the incumbent New Patriotic Party and the opposing National Democratic Congress party recognize the same underlying fiscal necessities, with the differences between their economic programs lying in the modalities of execution.

Further, it anticipated the Bank of Ghana to retain a relatively tight monetary policy stance in order to maintain financial stability in 2020. It projected the policy rate at 16% throughout 2020 and expected it to decline to 13% by end-2021. It indicated that the inflation rate has stabilized at about 8%, and forecast the rate to decline towards 6% in the medium term. Also, it considered that the Ghanaian cedi will remain stable in 2020. It said that higher foreign currency reserves, as well as a strong incentive to defend the currency ahead of the elections in the fourth quarter of 2020 and prospects of reduced political risks following the elections, should support the cedi.

In parallel, it indicated that real GDP growth averaged 6.5% annually since 2017 and expected it to slow down to 4% annually in coming years, as it anticipated the rise in oil production, which is a key driver of growth, to reverse from mid-2020 until new production comes online in 2023. In addition, it forecast the current account deficit to be stable at about 3% of GDP, amid a relatively pessimistic outlook for oil production in the 2020-23 period.

Source: Goldman Sachs

TUNISIA

Agencies take actions on sovereign ratings

Moody's Investors Service affirmed Tunisia's issuer ratings at 'B2', and revised the outlook from 'negative' to 'stable'. It attributed the outlook revision to its expectations that the stabilization of the current account balance and foreign currency reserves that started in 2019 will continue, which reduces risks to macroeconomic stability and the likelihood of a sharp depreciation of the currency. It indicated that foreign currency reserves increased from \$5.2bn at the end of 2018 to \$7bn at end-2019, mainly due to tight monetary policy that restrained imports, a narrowing of the current account deficit, as well as to the broadening of the government's official funding sources and capital market issuances. In addition, it expected the government's debt burden to stabilize at around 72.5% of GDP over the next few years, in case the currency is stable and fiscal consolidation is gradual. In parallel, Fitch Ratings affirmed at 'B+' Tunisia's long-term foreign and local currency Issuer Default Ratings, with a 'negative' outlook. It indicated that the ratings are underpinned by strong governance indicators, ongoing support from official creditors, and a diversified economy. But it noted that the ratings are constrained by still wide current account deficits, elevated public and external debt levels, a challenging political environment, as well as subdued economic growth. It added that the 'negative' outlook on the ratings reflects ongoing vulnerabilities from the country's large external funding needs, weak external and fiscal buffers, and social opposition to macroeconomic stabilization policies. It said that significant external liquidity pressures result from Tunisia's high external funding requirements, which it projected to average 39% of GDP per year in the 2019-21 period.

Source: Moody's Investors Service, Fitch Ratings

EGYPT

Ratings constrained by weak public finances and high government debt

Moody's Investors Service indicated that Egypt's 'B2' issuer rating reflects a rating of 'a3' in terms of economic strength, of 'b1' on the strength of institutions and governance metric, of 'ca' on fiscal strength and of 'ba' on the susceptibility to event risk. It considered that the economic strength of 'a3' is driven by the country's large and diversified economy with robust real GDP growth prospects. In addition, it said that the 'b1' rating on the strength of institutions and governance metric balances the relatively weak but improving governance indicators with the significant progress in fiscal and economic reforms. In parallel, it pointed out that Egypt's creditworthiness is constrained by a fiscal strength of 'ca' due to weak public finances with a high government debt burden and low debt affordability metrics. Further, it indicated that the rating of 'ba' on the susceptibility to event risk reflects political and banking sector risks. It pointed out that political conditions balance a lower likelihood of social unrest with persisting security risks in specific areas. It also noted that the risks emanating from the banking sector reflect the potential accumulation of contingent liabilities on the government's balance sheet, given the relatively large size of the sector. However, it considered that a stable funding structure, large liquidity buffers and resilient deposit growth mitigate risks from the banking system. Egypt's 'B2' rating is five notches below investment grade.

Source: Moody's Investors Service

NIGERIA

Ratings affirmed, outlook revised to 'negative'

S&P Global Ratings affirmed at 'B' Nigeria's short- and long-term sovereign credit ratings, and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to the risks from additional pressures on foreign currency reserves, subdued economic activity, as well as rising public domestic and external debt levels. It noted that the current account balance posted a deficit of 1.5% of GDP in 2019, the first such deficit since 2015, while foreign currency reserves declined from \$45bn in mid-2019 to about \$36.5bn in February 2020. Further, it said that non-residents hold \$12bn in bills issued by the Central Bank of Nigeria (CBN). It added that these holdings are exposed to changes in foreign investor sentiment and a potential sell-off, which adds risks to the current reserves. Still, it considered that the high interest rates will keep CBN bills attractive for non-residents. In addition, it noted that the approval of the 2020 budget within official deadlines provides the government an opportunity to raise external funding through commercial debt issuances or concessional funding, instead of resorting to the CBN's overdraft facilities. It expected the public debt level, including CBN bills and overdrafts, to remain stable at about 45% of GDP in the 2020-23 period. However, it projected the debt servicing cost to absorb 46.7% of fiscal revenues in 2020, which would weigh on Nigeria's fiscal flexibility. It forecast the fiscal deficit to average 3.1% of GDP annually in the 2021-23 period due to capital expenditures, fuel subsidies, and a recent increase in public sector salaries. S&P expected real GDP growth at between 2% and 2.4% in the medium term, in the absence of further structural reforms.

Source: S&P Global Ratings

ETHIOPIA

IMF-supported reforms to reduce vulnerabilities

The Institute of International Finance indicated that Ethiopia's wide current account deficits and increasing financing needs, stemming from external borrowing by state-owned enterprises (SOEs), have contributed to substantial vulnerabilities that could weigh on the country's high real GDP growth. It considered that the financial assistance from the International Monetary Fund and reprofiling the debt service should enable the country to build up significant foreign currency reserves in coming years and achieve a more adequate level of import coverage. It said that Ethiopia is seeking \$2bn in savings from the deferment of debt service obligations in coming three years, and from negotiations with other bilateral creditors, following successful negotiations with China over a \$2.5bn loan. Further, it noted that Ethiopia's wide current account deficits are driven by weak exports amid lower commodity prices and a currency that is overvalued by more than 23% in real terms. Consequently, it expected Ethiopia to develop a transition plan to a market-clearing exchange rate in the coming months. It also projected the current account deficit at about 4% of GDP in the near term, but it considered that foreign direct investment and lending from multilaterals should be sufficient to cover the deficit and allow the accumulation of nearly \$8bn in foreign currency reserves. In parallel, it considered that reforms of SOEs will be key for long-term growth prospects, as the indebtedness of SOEs increased contingent liabilities for the government and crowded out credit to the private sector.

Source: Institute of International Finance

WORLD

Correspondent bank relationships decrease by 20% in the 2011-18 period

The Bank for International Settlements (BIS) indicated that the number of cross-border correspondent bank relationships (CBRs) declined by 20% between 2011 and 2018. It said that the decrease is broad-based, but it noted that jurisdictions with weaker governance and deficient controls to prevent illicit financing have lost more CBRs, while countries where macroeconomic performance and trade growth are strong maintained their relationships. First, it pointed out that, following the 2008 financial crisis, global banks reconsidered their business strategies due to lower profitability, subdued risk appetite, a tighter regulation and supervision. As a result, it considered that smaller countries with low demand, trade or relative growth experienced a higher decline in relationships than larger and more dynamic markets. Second, it noted that banks faced higher regulatory expectations and penalties in recent years, due to stringent enforcement of anti-money laundering and combating the financing of terrorism regulations and tax transparency requirements, as well as to economic and trade sanctions. As a result, it pointed out that banks and other financial institutions had to step up their efforts to comply with the standards and regulations or to stop providing correspondent services. Third, it said that the decline in CBRs could be related to technological advances, which could pave the way for alternative channels to make cross-border payments, reduce the costs and increase the speed of payments. Finally, the BIS cautioned that the decrease in CBRs could lead to an increase in the cost of cross-border payments and to a shift to less regulated or unregulated channels, which would undermine financial inclusion.

Source: The Bank for International Settlements

NIGERIA

Outlook on ratings revised to 'negative'

S&P Global Ratings affirmed at 'B/B' the long- and short-term issuer credit ratings of Access Bank, Ecobank Nigeria, Guaranty Trust Bank, Stanbic IBTC Bank, United Bank for Africa, and Zenith Bank. However, it revised the outlook on the ratings from 'stable' to 'negative', following a similar action on the sovereign rating amid rising pressures on foreign currency reserves. It added that it does not rate financial institutions in Nigeria above the foreign currency sovereign ratings, due to the direct and indirect effects that a sovereign distress would have on the banks' operations. In addition, it downgraded the long- and short-term national scale ratings of all banks expect for Ecobank Nigeria from 'ngA/ngA-1' to 'ngA-/ngA-2'. It said that the Nigerian banking sector is exposed to high economic imbalances due to the country's reliance on hydrocarbons and its sensitivity to currency depreciation and high inflation, which makes banks vulnerable to asset-quality problems and to shocks to asset prices. Further, it considered that the banks' lending to the private sector is still low, despite regulatory measures to boost lending activity. It projected lending to the private sector to average less than 20% of GDP in the 2020-21 period, amid the banks' subdued risk appetite, and despite the recent measures to boost credit. Also, it anticipated the banks' asset quality to improve gradually, with credit losses normalizing at around 2% in 2021. It pointed out that this will, in turn, support the banks' profitability and capitalization.

Source: S&P Global Ratings

KUWAIT

Stable outlook on banking sector

Moody's Investors Service maintained its 'stable' outlook on Kuwait's banking system, as it projected robust economic growth to support credit conditions in the country. It expected Kuwait's non-hydrocarbon real GDP growth to accelerate from 2.5% in 2019 to 3% this year, which will generate business opportunities for banks. However, it considered that the high lending concentration to single borrowers and to the volatile real-estate sector poses substantial risks to banks in Kuwait. Still, it noted that these risks are mitigated by the banks' very large loan-loss reserves, robust capital, and sound liquidity. Further, it indicated that the Kuwaiti government is committed to its national development plan, which means that planned projects would drive credit growth to around 5% annually in 2020. In addition, it forecast the banks' non-performing loans ratio to gradually rise from 1.6% in 2018 to about 2% in 2020, due to delinquencies at some banks' foreign subsidiaries. But it anticipated credit conditions in the Kuwaiti market to remain sound. In parallel, Moody's expected the banks' capital to remain strong, as it anticipated the banking sector's tangible common equity ratio at around 14.5%.

Source: Moody's Investors Service

AFRICA

Country ceilings revised on stricter foreign exchange controls

Fitch Ratings revised the country ceilings of two member countries of the West African Economic and Monetary Union (WAEMU) and three countries of the Central African Economic and Monetary Community (CEMAC). It lowered the country ceilings of Côte d'Ivoire from 'BBB-' to 'BB-', reduce it for Benin, Cameroon and Gabon from 'BB+' to 'B+', and downgraded it for the Republic of Congo from 'B+' to 'B-'. It noted that the country ceiling captures the risk of authorities imposing capital and exchange controls, which would significantly impede the private sector's ability to convert local currency to foreign currency and transfer the proceeds to non-resident creditors. The agency indicated that the revision of the country ceilings reflects the stricter implementation of exchange controls in recent years. It pointed out that authorities in both regions tightened foreign currency regulations during the collapse of commodity prices in the 2014-16 period, which resulted in delays in accessing foreign currency. It expected authorities to prioritize meeting foreign currency requests for private debt service requirements over the needs of importers, but it noted that operational constraints could affect private-sector external debt service during times of stress. Further, Fitch said that the downgrade takes into account its reassessment of the impact of institutional arrangements in both regions in times of stress, such as France's guarantee of unlimited currency convertibility to the euro. It considered that the risk of imposing additional capital controls during times of external stress is limited due to France's currency convertibility guarantee. However, it noted that the guarantee is intended to be used only as a liquidity buffer for short periods of acute stress. It added that France is unlikely to provide euros at the fixed parity rate indefinitely, even though it is legally obliged to do so, as this could lead to moral hazard.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $49 p/b in first quarter of 2020

ICE Brent crude oil front-month prices averaged $55.5 per barrel (p/b) in February 2020, constituting a decrease of 13.9% from $64.4 p/b in February 2019, and a decline of 13% from $63.8 p/b in January 2020. Also, oil prices reached $50.5 p/b on February 28, their lowest level since December 2018. The decrease in prices was due to the spread of the coronavirus beyond China, and the negative impact of the outbreak on global oil demand. However, prices increased to around $52 p/b in early March amid expectations of interest rate cuts by several central banks, as well as a deeper reduction in OPEC output level on March 6. In parallel, Goldman Sachs did not expect the potential cut in OPEC production to prevent a large accumulation in global oil inventories. Also, it projected Libya's production to remain curtailed until May and expected a faster decline in Venezuela's oil production following the recent escalation of U.S. sanctions. It considered that a decline in OPEC production would be more efficient than global interest rate cuts in helping prices gradually recover from April onwards, as it considered that the physical inventory overhang will prevail over expectations of a stimulus-driven demand boost. In fact, it reduced its oil price forecast to about $45 p/b in April, before it gradually recovers to $60 p/b by end-2020. Overall, it anticipated oil prices to average $49 p/b in the first quarter of 2020, $47 p/b in the second quarter of the year, $53 p/b in the third quarter and $59 p/b in the fourth quarter of the year.
Source: Goldman Sachs, Refinitiv, Byblos Research

MENA oil production at 33.5 million b/d in 2025

Oil production in the Middle East & North Africa region is expected to increase by 5.7% from 31.7 million barrels per day (b/d) in 2019 to 33.5 million b/d in 2025. The UAE's output is forecast to expand by 0.6 million b/d over the period, followed by Libya and Kuwait (0.5 million b/d each), and Iraq (0.3 million b/d). Country specific factors, such as international sanctions, years of underinvestment due to military conflicts, and poor sectoral management, along with OPEC production policies will continue to weigh heavily on the region's oil output.
Source: Oxford Institute for Energy Studies

Middle East demand for gold bars and coins down 30% in 2019

Net demand for gold bars and coins in the Middle East totaled 61.4 tons in 2019, constituting a decline of 29.7% from 87.3 tons in 2018. It accounted for 7% of global demand for bars and coins last year. Gold demand in Iran reached 39.1 tons, representing 63.7% of the region's total demand. Saudi Arabia followed with 8.8 tons (14.4%), then the UAE with 5 tons (8.1%), Kuwait with 2.6 tons (4.2%), and Egypt with 2.5 tons (4%).
Source: World Gold Council, Byblos Research

Iraq's oil exports down 4% in February 2020

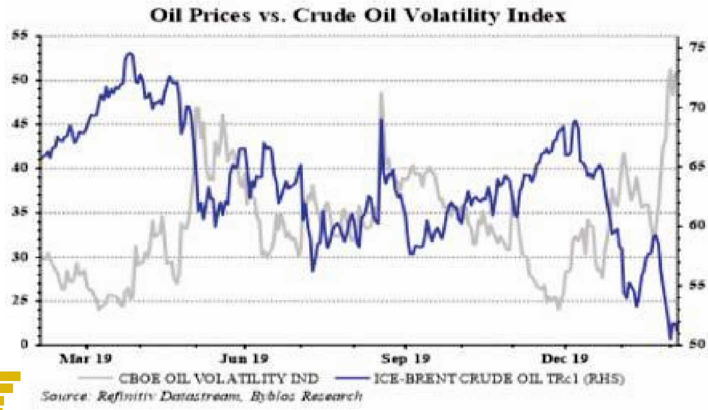
Preliminary figures show that Iraq's crude oil exports totaled 98.3 million barrels in February 2020, constituting a decrease of 4% from 102.5 million barrels in January 2020. They averaged 3.4 million barrels per day (b/d) in February 2020 compared to an average of 3.3 million b/d in the previous month. Oil exports from the central and southern fields reached 95.8 million barrels in February, while shipments from the Kirkuk fields totaled 1.8 million barrels. Oil export receipts stood at $5.1bn in February 2020, down by 18% from $6.2bn in January 2020.
Source: Iraq Ministry of Oil, Byblos Research

Base Metals: Nickel prices decrease by 13% in first two months of 2020

The LME cash price of nickel averaged $12,716 per ton in February, constituting a decrease of 6% from an average of $13,526 per ton in January 2020. Prices closed at $12,187 per ton on February 28, 2020, their lowest level since July 2019, and decreased by 12.6% from $13,950 per ton at the end of 2019. The decline in the metal's price is due to concerns about the demand for metals from China, the world's largest metals consumer, and about the global economy following the outbreak of the coronavirus. In fact, economic data showed that the Chinese factory activity suffered the sharpest contraction on record in February. In addition, prices regressed as LME-registered nickel inventories tripled to 235,428 tons at the end of February from early December 2019 and reached their highest level since September 2018. However, nickel prices recovered to $12,620 per ton on March 4, 2020, due to concerns about the supply of nickel ore, as Indonesia, the world's largest producer of nickel, confirmed its first cases of coronavirus. Further, prices increased following expectations that central banks will take measures to stimulate the economy in countries affected by the coronavirus. In fact, market sentiment improved following the Federal Reserve's decision to cut interest rates to contain the impact of the virus on the U.S. economy.
Source: Refinitiv

Precious Metals: Global platinum demand to decline by 1% in 2020 amid outbreak of coronavirus

Platinum prices averaged $974.8 per troy ounce in the first two months of 2020, up by 20% from an average of $811.8 an ounce in the same period of 2019, supported by rising demand for platinum exchange-traded funds, as well as by subdued growth in global platinum output. However, prices declined from an average of $986 per ounce in January 2020 to $961 an ounce in February, and reached a six-month low of $857 per ounce on March 2, 2020, reflecting the adverse impact of the coronavirus outbreak on demand for jewelry and automobiles. Platinum prices could further decline to around $800 per ounce by end-June 2020 if the impact of the coronavirus continues beyond the first quarter of the year. In parallel, global demand for the metal is forecast to decline by 0.8% to eight million ounces in 2020, compared to an annual growth of 11% in 2019, largely due to a decrease in jewelry demand, especially from China. Further, global mine supply is projected to decline by 1.7% to six million ounces in 2020, equivalent to 74.4% of total output, mainly due to a 1.9% drop in South African mine supply amid continued power outages that would affect all mines and refineries across the country.
Source: Refinitiv, World Platinum Investment Council, Citi



COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	- -	- -	- -	- -	BB+ Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	B- Negative	B3 Stable	B Negative	- -	B- Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Stable	B1 Negative	B Negative	 -	B+ Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Stable	B3 Positive	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	- -	B3 Stable	B+ Positive	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	B- Stable	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Positive	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B Negative	B2 Negative	B+ Negative	- -	BB- 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 Negative	B+ Negative	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Positive	B2 Stable	BB- Stable	BB Negative	BB+ Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Stable	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Stable	B+ Stable	BB+ Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	CC Negative	Ca Stable	CC -	C+ Negative	B- Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB Negative	Ba1 Negative	BB+ Stable	BBB- Negative	BBB- Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Stable	A Stable	A+ Stable	AA- Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- 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	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												
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	1.00-1.25	03-Mar-20	Cut 50bps	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	0.50	03-Mar-20	Cut 25bps	07-Apr-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	1.25	04-Mar-20	Cut 50bps	15-Apr-20
Emerging Markets					
China	One-year Loan Prime Rate	4.05	20-Feb-20	Cut 10bps	20-Mar-20
Hong Kong	Base Rate	1.50	03-Mar-19	Cut 50bps	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	2.50	03-Mar-20	Cut 25bps	05-May-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	1.50	03-Mar-20	Cut 50bps	N/A
Saudi Arabia	Repo rate	1.75	03-Mar-20	Cut 50bps	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	02-Mar-20	No change	01-Apr-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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