

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

External debt issuance down 22% to \$498bn in 2018

Figures compiled by Citi Research show that emerging markets (EMs) issued \$498bn in external sovereign and corporate bonds in 2018, down by 22.3% from \$641bn in 2017. Gross debt issuance in Asia excluding Japan reached \$253bn or 50.8% of the total, followed by the Middle East & Africa (ME&A) with \$113bn (22.7%), Latin America with \$71bn (14.3%) and Emerging Europe with \$60bn (12%). Further, EM corporates issued \$354bn in bonds last year, equivalent to 71.1% of total sovereign and corporate bond issuance. Asia ex-Japan issued \$236bn, or 66.7% of total corporate issuance, followed by the ME&A region with \$50bn (14.1%), Latin America with \$41bn (11.6%) and Emerging Europe with \$27bn (7.6%). Also, EM sovereigns issued \$144bn in bonds, or 29% of new sovereign and corporate bonds in 2018. The ME&A region issued \$63bn, or 43.8% of total new sovereign bonds, followed by Emerging Europe with \$33bn (22.9%), Latin America with \$30bn (20.8%) and Asia ex-Japan with \$17bn (11.8%). Further, Citi projected upcoming EM's sovereign external debt service payments at \$20.3bn in the first quarter of 2019, of which \$6.8bn, or 33.5% of the total, is from Emerging Europe, \$6bn (29.6%) from Latin America, \$5.3bn (26.1%) from Asia ex-Japan, and \$2.1bn (10.3%) from the ME&A region. It also expected upcoming EM corporate external debt service payments at \$22.5bn in the first quarter of 2019, of which \$12.8bn, or 57% of the total, is from Asia ex-Japan, \$4.7bn (21%) from Latin America, \$2.6bn (11.6%) from the ME&A region, and \$2.4bn (10.7%) from Emerging Europe.

Source: Citi Research, Byblos Research

MENA

M&A deals down 6% to \$37bn in 2018

Figures issued by Bureau Van Dijk and Zephyr show that there were 509 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$36.8bn in 2018. In comparison, there were 631 M&A deals worth \$39.3bn in 2017. The figures show declines of 19.3% in the volume of deals and of 6.4% in their value year-on-year. The amount of M&A transactions in the UAE reached \$13.9bn in 2018, and accounted for 37.7% of the region's aggregate deal value. Saudi Arabia followed with M&A deals of \$10.7bn (29%), then Egypt with \$3.96bn (10.7%), Kuwait with \$1.9bn (5.1%), Morocco with \$1.6bn (4.5%), Oman with \$1.4bn (3.9%), Iran with \$1.1bn (3%), Jordan with \$700m (1.9%), Libya with \$450m (1.2%) and Qatar with \$371m (1%), while the remaining \$723m of deals, or 2% of the total, targeted other MENA countries. In volume terms, Egypt had 135 M&A deals last year, followed by the UAE with 133 transactions, Saudi Arabia with 44 deals, Oman with 42 transactions, Jordan with 40 deals, Kuwait with 35 transactions, Morocco with 27 deals and Tunisia with 15 transactions, while the remaining 82 deals were in seven other MENA countries.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Sovereign ratings stable in second half of 2018

S&P Global Ratings indicated that the overall sovereign creditworthiness in the Middle East & North Africa (MENA) region was stable in the second half of 2018, as it affirmed the ratings of all the MENA sovereigns that it rates. Further, it noted that the MENA region's average sovereign rating was slightly higher than 'BBB-' at the end of 2018, while its nominal GDP-weighted average sovereign rating was higher than 'BBB'. In this context, it noted that the gap between the GDP weighted and unweighted average ratings widened due to the recovery in oil prices that supported the hydrocarbon sector and, in turn, overall nominal GDPs of the highly rated GCC countries. The agency rates seven MENA sovereigns in the investment grade category with a 'BBB-' rating or higher, while the remaining six sovereigns are in the speculative grade segment. Also, it has a 'stable' outlook on the ratings of 12 MENA sovereigns and one 'negative' outlook on the sovereign ratings of Morocco. The agency revised the outlook on Qatar's sovereign ratings from 'negative' to 'stable' in 2018. It also revised the outlook on the Emirate of Ras Al Khaimah's sovereign ratings from 'negative' to 'stable', as it expected the risks to the emirate's fiscal position to regress following the mobilization of new revenues. However, it revised the outlook on Morocco's sovereign ratings from 'stable' to 'negative' due to the authorities' deviation from the budget consolidation plan, as well as to expectations that budgetary pressures will likely persist in the coming two years.

Source: S&P Global Ratings

Ability to develop and retain talent varies across Arab world

The INSEAD Global Talent Competitiveness Index (GTCI) for 2019 ranked the UAE in 19th place among 125 countries globally and in first place among 13 Arab countries. Qatar followed in 24th place, then Saudi Arabia (39th), Bahrain (40th), Oman (48th), Jordan (57th), Lebanon (59th), Kuwait (64th), Tunisia (84th), Egypt (96th), Morocco (100th), Algeria (105th) and Yemen (125th). The GTCI measures a country's ability to attract, develop and retain talent. It is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. A higher score on the index reflects a country's better performance in terms of talent competitiveness. The Arab countries' average score stood at 40.3 points, lower than the global average score of 43.4 points. Also, the Arab economies' average score was higher than the average score of Latin America & the Caribbean (37.2 points), South Asia (29.5 points) and Sub-Saharan Africa (28.6 points). But it was lower than the average score of North America (73.5 points), Europe & Central Asia (53.1 points), and East Asia & Pacific (49.2 points). In parallel, the UAE (19th), Qatar (20th) and Bahrain (31st) were the top ranked Arab countries on the Talent Competitiveness Input Sub-Index that covers the policies, resources and efforts that a country can use to promote its talent competitiveness. Further, the UAE (25th), Qatar (30th) and Lebanon (35th) led Arab countries on the Talent Competitiveness Output Sub-Index, which measures the quality of talent that results from domestic policies, resources and efforts.

Source: INSEAD, Byblos Research

OUTLOOK

WORLD

Geopolitical and geo-economic tensions are main risks in 2019

A survey conducted by the World Economic Forum shows that increasing geopolitical and geo-economic tensions are the most urgent global risks in 2019, with 91% of participants expecting further economic frictions between major powers this year, 88% of respondents expecting further erosion of multilateral trading rules and agreements, and 85% of participants predicting increased risks of political confrontations between major powers in 2019. In addition, the survey shows that 82% of respondents expected increased risks of cyber-attacks that will lead to theft of money and data in 2019, while 80% of participants anticipated rising risks of cyber-attacks that will lead to disruption of operations and infrastructure. The survey covered about 1,000 experts and decision-makers across the world who were asked to assess whether the risks associated with 42 current global issues would increase or decrease in 2019 compared to 2018. The respondents were then asked to evaluate the likelihood and impact of 30 major risks occurring globally within the next 10 years. The WEF defined global risk as an uncertain event or condition that, in the event of its occurrence, can cause significant detrimental impact on several countries or industries within the next 10 years.

Further, the survey shows that environmental risks continue to dominate the respondents' concerns, as they cited extreme weather events, including floods and storms, as the risk with the highest likelihood of occurrence within the next 10 years. This was followed by the failure of climate change mitigation and adaptation, as well as major natural disasters, massive incident of data fraud and theft, and large-scale cyber-attacks. Also, participants cited weapons of mass destruction, failure of climate change mitigation and adaptation, extreme weather events, water crises and major natural disasters as the top five global risks with the highest impact on countries and industries in the long term.

Source: World Economic Forum

EMERGING MARKETS

Growth at 4.5% in 2019, varies across regions

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.5% in 2019, down from its October 2018 forecast of 4.7%, and compared to growth rates of 2% for advanced economies and 3.5% for the global economy. In comparison, it estimated the emerging markets and developing economies' real GDP growth at 4.6% in 2018. It noted that emerging markets and developing economies have faced challenging external conditions in the past few months amid rising global trade tensions, higher U.S. interest rates, a stronger US dollar, increased capital outflows from the region, as well as volatile oil prices. Further, it considered that downside risks to the region's outlook include a further escalation in trade tensions, tighter global financial conditions, increased policy uncertainty, as well as heightened geopolitical tensions in the Middle East and East Asia regions.

The IMF projected economic growth in Emerging & Developing Asia at 6.3% in 2019, unchanged from its October 2018 forecast, reflecting the anticipated slowdown in China's economic activity and the pickup in India's growth this year. Further, it projected

Sub-Saharan Africa's (SSA) real GDP growth at 3.5% relative to 3.8% previously, mainly due to lower oil prices that caused downward revisions to Angola and Nigeria's growth prospects. However, it expected activity to vary and to expand by more than 5% in more than one-third of SSA economies. In parallel, it forecast growth in the Middle East, North Africa, Afghanistan and Pakistan region at 2.4% in 2019, down from a previous projection of 2.7%, due to weaker oil output growth in Saudi Arabia, tighter financing conditions in Pakistan, the re-imposition of U.S. sanctions on Iran, as well as to geopolitical tensions. In addition, the Fund anticipated economic activity in the Commonwealth of Independent States at 2.2% in 2019, down from 2.4% in its October 2018 forecast, due to weaker growth prospects in Russia. Further, it projected real GDP growth in Latin America & the Caribbean at 2% this year, down from its previous forecast of 2.2%, amid weaker activity in Mexico and a severe contraction in Venezuela. Also, it revised downward its growth forecast for Emerging & Developing Europe to 0.7% in 2019 from 2% previously.

Source: International Monetary Fund

KUWAIT

Non-hydrocarbon sector growth to pick up to 3% in 2019

The National Bank of Kuwait (NBK) projected Kuwait's real GDP growth to decelerate from 2.9% in 2018 to 2.2% in 2019, mainly due to a decline in oil production under the recent OPEC production cut agreement. As such, it expected real hydrocarbon sector activity to slow down from 3% in 2018 to 1.5% this year. In parallel, it anticipated growth in the non-hydrocarbon sector to accelerate from 2.8% last year to 3% in 2019 amid improved consumer spending, an increase in capital spending and a recovery in private investment. But it noted that Kuwait's medium-term growth will be constrained by the slow pace of reforms, the absence of economic diversification and a potential slowdown in global economic activity. Further, it expected the average inflation rate at 2% in 2019 relative to 0.6% in 2018, largely due to higher food and housing prices. It anticipated that the introduction of a value-added tax will not take place before 2021, and that the impact of a proposed excise duty on tobacco and selected drinks would be modest.

In parallel, NBK indicated that Kuwait's fiscal position has improved considerably during the previous two years, due to a combination of higher global oil prices and spending restraint. In this context, it projected the fiscal deficit to narrow from 9% of GDP in the fiscal year that ended in March 2018 to 0.5% of GDP in FY2018/19. It said that the deficit could widen slightly to 1% of GDP in FY2019/20 on the back of lower oil revenues, but would remain manageable amid the authorities' fiscal consolidation efforts. It noted that the government's fiscal position remains very strong, supported by Kuwait's \$600bn in assets at its sovereign wealth fund. But it said that the assets of the General Reserve Fund, which are used to finance the deficit shortfalls, declined to \$88bn at end-March 2018 and could be depleted in a few years in case of lower oil prices and in the absence of reforms to increase non-oil revenues. As such, it considered that the government's fiscal space could become more limited in the near term. In parallel, it forecast the current account surplus to decline from 15% of GDP in 2018 to 10% of GDP this year amid lower oil export receipts and solid import growth.

Source: National Bank of Kuwait

ECONOMY & TRADE

MENA

Global challenges and slowing reforms constitute downside risks to the region's outlook

Moody's Investors Service indicated that the stable outlook on countries in the Levant and North Africa region in 2019 balances modest domestic growth and expectations of further progress on fiscal consolidation, with a slowdown in the pace of structural and fiscal reforms in most of the countries in the two regions. It noted that the countries are vulnerable to rising global interest rates and a shift in capital flows, given their high debt burdens, low debt affordability and large funding needs. It estimated the median debt ratio of countries in the Levant and North Africa to have peaked at 83% of GDP at the end of 2018, and expected higher interest rates to further erode the countries' debt affordability. Further, it said that the fiscal and debt metrics of some economies, such as Egypt, Jordan and Lebanon, are sensitive to a higher-than-expected increase in interest rates. It added that tighter global financing conditions present liquidity risks across countries in the two regions. In parallel, Moody's indicated that improving security conditions in some conflict areas, and reconstruction plans, will support the region's creditworthiness. However, it noted that slowing global growth will weigh on sovereigns with significant trade exposure to Europe, while persistent domestic political and geopolitical tensions will continue to affect the sovereigns' credit profiles. It added that slower-than-expected growth or a higher-than-anticipated increase in oil prices could hinder fiscal consolidation efforts in some countries.

Source: Moody's Investors Service

GCC

Lower oil prices to weigh on fiscal balances

Moody's Investors Service considered the outlook on the sovereign ratings of Gulf Cooperation Council (GCC) economies to be 'stable' in 2019. It noted that it has a 'stable' outlook on the ratings of five out of six GCC governments, while it has a 'negative' outlook on Oman's rating. It expected geopolitical tensions, as well as a potential increase in military-related fiscal spending, to weigh on the countries' credit profiles this year. It forecast real GDP growth in the GCC region in 2019 to be broadly unchanged from 2018, as lower hydrocarbon output amid the recent OPEC production cut agreement would be offset by a modest acceleration in non-oil GDP growth. Further, it projected the fiscal balances of GCC economies to improve in 2019 in case oil prices average \$75 p/b this year, while it projected their budget deficits to widen and their public debt levels to increase if oil prices remain at around \$60 p/b. In parallel, Fitch Ratings expected the fiscal balances of GCC countries to weaken by 1% to 2% of GDP this year due to its expectations of lower oil prices. It said that the governments' 2019 budgets include higher spending and gradual fiscal reforms. But it considered that weaker oil prices will prompt several countries to limit their spending this year. Further, it indicated that the fiscal plans announced include further reforms, such as the introduction of an excise tax in Oman and Qatar, as well as improved tax collection in Saudi Arabia. But it noted that such measures will only partially offset the challenges from lower oil prices and higher spending. Also, it estimated that a \$10 p/b decrease in oil prices would reduce government revenues by between 2% and 4% of GDP, depending on the country.

Source: Moody's Investors Service, Fitch Ratings

TURKEY

High external financing needs to constrain economic adjustment

Citi Research indicated that the combination of a global liquidity glut and accommodative domestic policies since the global financial crisis has led to the significant increase in Turkey's debt levels and to the buildup of vulnerabilities amid rising external financing requirements. It noted that Turkey's strong economic activity has been supported by credit growth instead of productivity growth. It said that lending to the private sector surged from 27% of GDP in 2007 to about 70% of GDP in the third quarter of 2018. It considered that the sharp rise in the private sector's credit-to-GDP ratio in a short period of time, along with the large currency mismatches and the increased allocation of credit to non-tradable sectors, pose significant risks and could complicate Turkey's economic adjustment. It expected corporates to face difficulties in servicing their debt due to the large currency mismatches on their balance sheets amid the sharp depreciation of the lira. Also, it said that the shift in the allocation of credit towards non-tradable sectors, such as the construction and real estate sectors, could negatively affect financial stability and competitiveness, and weigh on the country's long-term growth potential. Citi anticipated that deleveraging pressures will be elevated for the construction, real estate and utilities sectors. It said that Turkey's high external liabilities and large refinancing needs could complicate the adjustment process and expose the economy to further country-specific shocks.

Source: Citi Research

UAE

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI Ratings) affirmed the UAE's long-term foreign and local currency ratings at 'AA-', with a 'stable' outlook. It noted that the ratings reflect the country's strong external position, improving public finances, stable domestic political situation, high real GDP per capita, as well as Abu Dhabi's willingness to support federal institutions in case of financial distress. It added that the 'stable' outlook is supported by an expected increase in hydrocarbon prices and by the implementation of moderate fiscal consolidation and of measures to support growth. Further, it expected the UAE's external balance to remain strong, as it projected the current account surplus to average 6.5% of GDP annually during the 2019-20 period. In parallel, it forecast real GDP growth to accelerate from 2.9% in 2018 to an average of 3.7% annually in the 2019-20 period, supported by public infrastructure spending and higher hydrocarbon output. But it said that the growth outlook remains subject to ongoing risks from geopolitical uncertainties. It anticipated the average inflation rate to decline from 3.5% in 2018 to about 1.9% in 2019. Further, it expected the fiscal balance to shift from a deficit of 1.1% of GDP in 2018 to an average surplus of 1.6% of GDP in the 2019-20 period, based on its oil price assumption of \$63.8 p/b and its expectations of moderate fiscal reforms. Also, it considered that Dubai's government-related entities could face higher refinancing costs amid increases in U.S. interest rates and in geopolitical risks, given their relatively large volume of debt maturing in the 2019-20 period of \$21bn, or 20% of Dubai's GDP.

Source: Capital Intelligence Ratings



BANKING

MENA

Banking constraints increase liquidity risks

Moody's Investors Service indicated that significant domestic banking constraints in countries in the Middle East and Africa region are intensifying liquidity risks amid tightening global financial conditions. It noted that the constraints on the banks' capacity and willingness to absorb potential increases in government financing needs in the event of a shock would intensify liquidity risks in Angola, Bahrain, Ghana, Kenya and Lebanon. It said that the governments' ability to fund their borrowing needs from domestic banks depends on the latter's capacity and willingness to meet government borrowing needs, as well as on changes in the regulatory environment. Further, it said that the ability of banks in Angola, Bahrain, Ghana, Kenya and Lebanon to absorb government borrowing needs is constrained by either the large borrowing needs relative to the size of the banking sector and the banks' high exposure to government securities, or by low deposit inflows relative to the governments' fiscal deficits. In addition, Moody's pointed out that the banks' willingness to provide financing is influenced by several factors, including policy credibility or the risk-reward trade-off in lending to the private sector versus the government. It said that the vulnerabilities in the Democratic Republic of the Congo, Egypt and Nigeria's banking sectors are related to their small size or large exposure to government securities. But it considered that these constraints are mitigated by the countries' limited government financing needs or by high bank deposit growth and, as such, expected the authorities to rely on domestic banks to cover their financing needs.

Source: Moody's Investors Service

ETHIOPIA

Further depreciation of Ethiopian birr needed

Citi Research indicated that Ethiopia's foreign currency reserves increased from around \$3bn at the end of 2017 to \$4.1bn at end-July 2018, mainly supported by a \$1bn deposit from the UAE government and a \$1.2bn disbursement from the World Bank. However, it noted that the improved reserve position has resulted in a modest change in the National Bank of Ethiopia's (NBE) exchange rate policy. It noted that the NBE allowed the Ethiopian birr to depreciate from ETB23.5 against the US dollar to ETB27 per dollar in October 2017, and has allowed a gradual depreciation since mid-2018 to the current level of ETB28 per dollar. Still, Citi considered that authorities should allow further currency depreciation to over ETB35 per US dollar in order to clear foreign currency backlogs. However, it noted that the Ethiopian government would be concerned about a significant pickup in inflation in the run up to the local elections in 2019, if the NBE allowed a substantial weakening of the currency. In this context, it said that Ethiopia already has consistently had a higher inflation rate than its southern neighbors in East Africa, with its inflation rate averaging around 9.9% annually in the 2014-18 period. It mainly attributed the inflation level to higher food prices, the ongoing foreign exchange shortages and high growth of money supply. Further, Citi indicated that the outlook on the birr is also contingent on the implementation of reforms in 2019 that include the privatization of state-owned enterprises, which could result in significant financial inflows and contain pressure on the currency.

Source: Citi Research

GHANA

Consolidation positive for banking sector amid weak asset quality

IHS Markit indicated that it has a 'high risk' rating on Ghana's banking sector, which reflects poor asset quality at the banks and the possibility for further capital write-downs in the near term. However, it said that the outlook on the rating is 'positive', which points to the authorities' significant efforts to address underlying structural risks through the revocation of the licenses of under-capitalized banks, the transfer of their assets, mergers or acquisitions, as well as through capital injections. IHS noted that 12 banks have closed in Ghana since the beginning of 2017 after failing to meet Bank of Ghana's new minimum regulatory capital requirement of GHS400m, or \$82m, by the end of 2018. It added that several other banks received capital injections, bringing the number of commercial banks licensed to operate to 23 banks from 34 institutions. In parallel, IHS indicated that the sector's non-performing loans (NPLs) ratio jumped from 11.3% at the end of 2014 to a peak of 22.6% at end-June 2018, which prompted the banking sector consolidation. But it said that the NPLs ratio regressed to 20.1% at end-October 2018, and expected NPLs to continue declining throughout 2019 due to aggressive write-offs of legacy NPLs. It noted that the banks' regulatory capital adequacy ratios recovered to above 20% on average from 14.8% at end-June 2017. However, it anticipated the full transition to Basel III requirements and the continued write-off of legacy NPLs to weigh on the banks' capital buffers in the near term, which could lead to additional capital injections from shareholders during the 2019-20 period.

Source: IHS Markit

NIGERIA

Merger activity increases dominance of large banks

Fitch Ratings indicated that the merger of Nigeria's Access Bank and Diamond Bank will highlight the two-tier nature of the Nigerian banking sector and will result in the five largest banks accounting for more than 60% of the sector's assets. It noted that the merger, which is expected to be completed by the end of June 2019, will create Nigeria's largest bank in terms of assets and deposits. It said that the announced merger was driven by Diamond Bank's precarious financial position and by Access Bank's opportunity to expand its franchise and benefit from economies of scale. The agency indicated that the largest banks in Nigeria have been more resilient to shocks than smaller banks, given their better funding and liquidity profiles, as well as their higher earnings, which support their capitalization levels. It added that the large banks can attract foreign-currency deposits through their international operations and trade finance activities. As such, it said that the larger banks are better positioned to attract and retain retail deposits given their stronger brands and extensive branch networks. It considered that this will support the stability of the large banks' funding and keep their funding costs lower, which will contribute to stronger profitability. However, it noted that large banks are vulnerable to asset-quality risks, given their exposure to the volatile oil & gas sector. It added that the credit profiles and asset quality of all Nigerian banks are constrained by high non-performing loan ratios, low reserve coverage and a high proportion of restructured loans.

Source: Fitch Ratings



ENERGY / COMMODITIES

Global oil market to remain balanced in 2019

ICE Brent crude oil front-month prices continued to trade at between \$61 per barrel (p/b) and \$63 p/b in the week to January 23, 2019. Oil prices have been supported by prospects of subdued growth in U.S. oil production. The U.S. Energy Information Administration projected the rise in U.S. oil output at about 1.2 million barrels per day (b/d) in 2019 relative to a growth of 1.6 million b/d in 2018, mainly reflecting increased pipeline capacity constraints in the Permian basin. In addition, oil prices are getting support from the implementation of oil output cuts under the OPEC and non-OPEC agreement. On the demand side, the negotiations between China and the U.S. over trade issues have sent positive signals to the global oil market. However, the International Monetary Fund's projections for subdued global economic growth in 2019, along with signs of a slowdown in China, weighed on crude oil prices, as China's economy expanded by 6.6% in 2018, its lowest growth rate since 1990. In parallel, Jadwa Investment reduced its forecast for Brent oil prices to an average of \$66 p/b in 2019 from an average of \$75 p/b previously. It attributed its oil price revision to OPEC's expectation of a 1.29 million b/d increase in oil demand in 2019, the lowest growth rate since 2013. However, it anticipated the global oil market to remain broadly balanced, as the U.S. waivers for Iranian oil importers expire in May 2019, and due to a potential extension of OPEC's production cut agreement into the second half of 2019.

Source: Jadwa Investment, U.S. EIA, Thomson Reuters

Tunisia to double its natural gas production in 2019

Tunisia plans to double its natural gas output from 35,000 barrels of oil equivalent per day (boe/d) in 2018 to about 65,000 boe/d in 2019 when production in the southern Nawara gas field comes online in June this year. Investments in the Nawara project are estimated at about \$700m. In parallel, the Tunisian government is seeking to attract about \$2bn in foreign investment in order to produce 1,900 megawatts of renewable wind and sun energy in the next three years. This would represent about 22% of the country's electricity production.

Source: Thomson Reuters, Byblos Research

Global steel demand to rise by 1.4% in 2019

Global steel demand is projected to reach 1.68 billion tons in 2019, which would constitute an increase of 1.4% from 1.66 billion tons in 2018. Demand in Asia & Oceania is forecast to represent 67.3% of global demand for the metal, followed by the European Union (10.1%), North America (8.6%), the Commonwealth of Independent States and the Middle East (3.3% each), Central and South America (2.7%), other European countries (2.5%), and Africa (2.2%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to rise by 1.4% in 2019

Crude oil consumption in the Middle East & Africa (ME&A) region is forecast to average 12.61 million barrels per day (b/d) in 2019, which would constitute an increase of 1.4% from 12.44 million b/d in 2018. The region's demand for oil would represent 37.9% of demand in developing countries and 12.6% of global consumption this year. In parallel, the ME&A's non-OPEC oil supply is forecast to average 4.8 million b/d in 2019, which would reflect an increase of 1.5% from 4.73 million b/d in 2018.

Source: OPEC, Byblos Research

Base Metals: Copper prices drop as China's growth hit lowest level in three decades

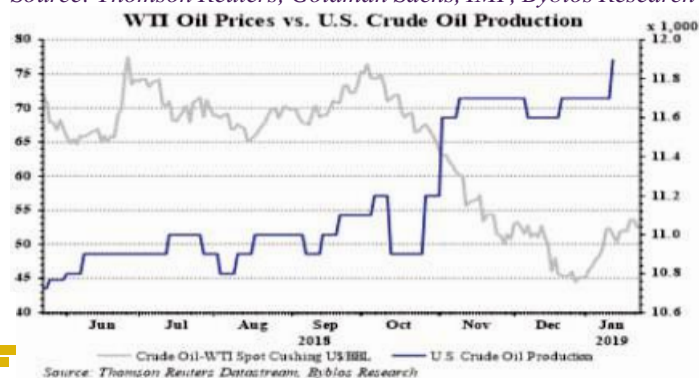
LME copper three-month future prices reached \$6,052 per metric ton on January 18, 2019, their highest level so far this year, and up by 1.5% from the end of 2018. The increase in prices was supported by the easing of U.S.-Chinese trade tensions, a weaker US dollar, and Chinese authorities' plans to extend fiscal and monetary stimuli. However, copper prices closed at \$5,952 per ton on January 23, 2019 amid renewed concerns about demand in China, as official data indicated that economic growth in the world's largest consumer of copper slowed to 6.6% in 2018, its weakest level in 28 years. In parallel, the latest available figures show that global demand for refined copper rose by 2.8% annually to 20.2 million tons in the first 10 months of 2018, as Chinese demand grew by 7%, while demand in the rest of the world regressed by 0.5%. On the supply side, global refined copper production increased by 1.2% annually to 19.6 million tons in the first 10 months of 2018. The rise in copper output was driven by a 2% growth in Chilean production, as well as by higher output in China, Indonesia and Japan, which were partly offset by lower production from Australia, India, the Philippines, the U.S. and Poland. Refined output grew by 10% in Africa, by 2% in Latin America and by 1% in Asia, while it declined by 4% in North America, and was unchanged in Europe and Oceania.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Gold prices to reach five-year high over coming 12 months

Gold prices traded above \$1,280 an ounce on a daily basis so far in 2019, and exceeded the average of \$1,253 an ounce in December 2018 and of \$1,269 per ounce in 2018. They also reached a six-month high of \$1,294.5 an ounce on January 16, 2019. In this context, investors resorted to the purchase of the safe haven asset following the British Parliament's vote to cancel Prime Minister Theresa May's deal for the United Kingdom to leave the European Union, which raised concerns of a disorderly Brexit in March 2019. Also, the renewed appetite for gold reflects the partial shutdown of the U.S. government, renewed concerns about an economic slowdown in the U.S. and Japan, as well as the International Monetary Fund's recent downgrade of global growth projections. Further, gold prices are expected to continue to increase this year and to average \$1,325 per ounce in the coming three months and \$1,375 an ounce in the next six months. They are forecast to reach a five-year high of \$1,425 per ounce in the coming 12 months, as investors buy gold to hedge against inflation, and due to a resurgence of physical demand for the metal, including higher purchases by central banks.

Source: Thomson Reuters, Goldman Sachs, IMF, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Govt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-6.1	32.9*	2.1	-	-	-	-9	-
Angola	B- Stable	B3 Stable	B Stable	-	B- Stable	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
Egypt	B Stable	B3 Positive	B Positive	B+	B+ Positive	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
Ethiopia	B Stable	B1 Stable	B Stable	-	B+ Stable	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
Ghana	B Stable	B3 Stable	B Stable	-	BB- Stable	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
Ivory Coast	-	Ba3 Stable	B+ Stable	-	B+ Stable	-3.8	48.8	33.5**	-	-	-	-4.6	-
Libya	-	-	B Stable	-	B- Stable	-25.1	112.1	-	-	-	-	-1.5	-
Dem Rep Congo	CCC+ Stable	B3 Negative	-	-	CCC Stable	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
Morocco	BBB- Negative	Ba1 Stable	BBB- Stable	-	BBB Stable	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
Nigeria	B Stable	B2 Stable	B+ Stable	-	BB- Stable	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
Sudan	-	-	-	-	CC Negative	-4.1	167.5	166.6	-	-	-	-14.2	-
Tunisia	-	B2 Negative	B+ Negative	-	BB- Negative	-5.2	70.5	82.6	-	-	-	-9.6	-
Burkina Faso	B Stable	-	-	-	B+ Stable	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
Rwanda	B Positive	B2 Stable	B+ Stable	-	B+ Stable	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB Stable	BB+ Stable	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
Iran	-	-	-	B+ Negative	BB- Negative	-3.2	44.2	2.1	-	-	-	1.3	-
Iraq	B- Stable	Caa1 Stable	B- Stable	-	CC+ Stable	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
Jordan	B+ Stable	B1 Stable	-	BB- Negative	BB+ Stable	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
Kuwait	AA Stable	Aa2 Stable	AA Stable	AA- Stable	AA- Stable	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
Lebanon	B- Stable	Caa1 Stable	B- Negative	B Negative	B- Stable	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
Oman	BB Stable	Baa3 Negative	BB+ Stable	BBB Negative	BBB Stable	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Negative	A+ Stable	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
Saudi Arabia	A- Stable	A1 Stable	A+ Stable	A+ Stable	AA- Stable	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
Syria	-	-	-	-	C Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2 Stable	-	AA- Stable	AA- Stable	0.6	17.8	54.9	-	-	-	7.2	-0.8
Yemen	-	-	-	-	CC Negative	-10.7	62.5	19.4	-	-	-	-9.3	-



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	-	B1	B+	-	B-	-2.7	52.5	82.8	-	-	-	-3.8	-
	-	Positive	Positive	-	Stable								
China	A+	A1	A+	-	A	-4.1	50.1	-	40.0	2.1	64.2	0.7	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.6	-	39.5	19.4	90.7	-3.0	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	1.4	17.8	-	25.7	4.7	87.4	-0.2	1.5
	Stable	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	-0.9	23.3	-	26.0	2.0	100.8	2.4	1.9
	Positive	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.6	37.2	-	25.8	4.2	95.1	-3.5	2.4
	Stable	Stable	Stable	-	Stable								
Russia	BBB-	Ba1	BBB-	-	BBB-	1.6	15.3	-	17.2	2.6	57.4	6.2	-1.3
	Stable	Positive	Positive	-	Stable								
Turkey	B+	Ba3	BB	BB-	B+	-4.0	32.3	-	84.3	5.9	176.4	-5.7	1.0
	Stable	Negative	Negative	Negative	Negative								
Ukraine	B-	Caa2	B-	-	B-	-2.5	70.5	-	59.3	9.3	129.2	-3.1	1.0
	Stable	Positive	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are projections for 2018



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	2.25-2.50	19-Dec-18	Raised 25bps	30-Jan-19
Eurozone	Refi Rate	0.00	24-Jan-19	No change	07-Mar-19
UK	Bank Rate	0.75	20-Dec-18	No change	07-Feb-19
Japan	O/N Call Rate	-0.10	23-Jan-19	No change	15-Mar-19
Australia	Cash Rate	1.50	04-Dec-18	No change	05-Feb-19
New Zealand	Cash Rate	1.75	07-Nov-18	No change	13-Feb-19
Switzerland	3 month Libor target	-1.25-(-0.25)	13-Dec-18	No change	21-Mar-19
Canada	Overnight rate	1.75	09-Jan-19	No change	06-Mar-19
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	2.75	20-Dec-18	Raised 25bps	N/A
Taiwan	Discount Rate	1.375	20-Dec-18	No change	21-Mar-19
South Korea	Base Rate	1.75	24-Jan-19	No change	28-Feb-19
Malaysia	O/N Policy Rate	3.25	24-Jan-19	No change	05-Mar-19
Thailand	1D Repo	1.75	19-Dec-18	Raised 25bps	06-Feb-19
India	Reverse repo rate	6.50	05-Dec-18	No change	07-Feb-19
UAE	Repo rate	2.75	19-Dec-18	Raised 25bps	N/A
Saudi Arabia	Repo rate	3.00	19-Dec-18	Raised 25bps	N/A
Egypt	Overnight Deposit	16.75	27-Dec-18	No change	14-Feb-19
Turkey	Repo Rate	24.0	16-Jan-19	No change	06-Mar-19
South Africa	Repo rate	6.75	17-Jan-19	No change	28-Mar-19
Kenya	Central Bank Rate	9.00	28-May-18	No change	28-Jan-19
Nigeria	Monetary Policy Rate	14.00	22-Jan-19	No change	26-Mar-19
Ghana	Prime Rate	17.00	26-Nov-18	No change	28-Jan-19
Angola	Base rate	16.50	30-Nov-18	No change	25-Jan-19
Mexico	Target Rate	8.25	20-Dec-18	Raised 25bps	07-Feb-19
Brazil	Selic Rate	6.50	12-Dec-18	No change	06-Feb-19
Armenia	Refi Rate	6.00	26-Dec-18	No change	29-Jan-19
Romania	Policy Rate	2.50	08-Jan-19	No change	07-Feb-19
Bulgaria	Base Interest	0.00	03-Dec-18	No change	01-Feb-19
Kazakhstan	Repo Rate	9.25	14-Jan-19	No change	04-Mar-19
Ukraine	Discount Rate	18.00	13-Dec-18	No change	31-Jan-19
Russia	Refi Rate	7.75	14-Dec-18	Raised 25bps	08-Feb-19



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

