

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity real estate deals at \$325bn in 2018

Research provider Preqin indicated that there were 6,418 private equity real estate deals completed globally in 2018 for a total amount of \$325bn, representing a record-high in terms of the number of transactions as well as the amount of capital invested. In comparison, there were 6,406 private equity real estate deals worth \$324bn in 2017. On a regional level, North America attracted 4,539 real estate deals for \$209bn in 2018, or 64.3% of total private equity investments in real estate, followed by Europe with 1,658 real estate transactions worth a total of \$93bn (28.6%), and Asia with 77 deals for an amount of \$14bn (4.3%). In addition, transactions for office property accounted for the largest portion of activity in 2018, with 1,677 deals worth \$118bn, or the equivalent of 26.1% of total private equity deals in real estate and 36.3% of the aggregate amount last year. Further, there were 2,598 deals with an average size of less than \$50m in 2018, accounting for 40.5% of the total number of real estate transactions last year. Also, there were 3,912 exits for a total of \$230bn in 2018, nearly unchanged from 2017. In parallel, Preqin indicated that there were 300 private equity real estate investment funds that raised a total of \$124bn in capital commitments worldwide in 2018, compared to 406 private equity real estate investment funds that raised \$132bn in 2017.

Source: Preqin

EMERGING MARKETS

Lending conditions improve in fourth quarter of 2018

The Emerging Markets Lending Conditions Index reached 48.1 points in the fourth quarter of 2018 relative to 46.1 in the preceding quarter, constituting the first quarterly increase in 2018. The Trade Finance Index expanded to 52.2 in the covered quarter from 49.7 in the third quarter of 2018. Also, the Demand for Loans Index increased to 49.2 in the fourth quarter of 2018 from 48.8 in the previous quarter, as demand for commercial property loans and consumer loans improved. Further, the Non-Performing Loans (NPLs) Index increased to 47.7 in the covered quarter from 44.9 in the third quarter of 2018, due to a slower growth in NPLs. In addition, the Credit Standards Index rose to 47.2 in the fourth quarter of 2018 from 44.4 in the preceding quarter, while the Funding Conditions Index rose to 43.9 in the covered quarter from 41.1 in the third quarter of 2018, as domestic and international funding conditions improved, mainly in Emerging Europe. In parallel, the Lending Conditions Index in Sub-Saharan Africa increased to 52.5 in the fourth quarter of 2018 from 51.1 in the previous quarter, while it surged in Emerging Europe to 49.8 in the covered quarter from 40.1 in the third quarter of 2018. It also expanded to 49.1 in the covered quarter in Latin America from 46.4 in the preceding quarter. In contrast, the Lending Conditions Index in Emerging Asia regressed to 48.7 in the fourth quarter of 2018 from 51.9 in the preceding quarter, while it declined in the Middle East & North Africa region to 40.2 in the covered quarter from 42.9 in the third quarter of 2018.

Source: Institute of International Finance

MENA

Sovereign borrowing from commercial sources projected at \$136bn in 2019

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by the 13 rated countries in the Middle East & North Africa (MENA) region at \$135.7bn in 2019, which would constitute an increase of 24.7% from \$108.8bn in 2018. It attributed the increase to lower oil prices, which will not help the Gulf Cooperation Council (GCC) countries reduce their fiscal deficits. Saudi Arabia would account for 21.6% total commercial long-term borrowing in 2019 compared to 27.2% last year, followed by Egypt (20.4%), Lebanon (14%) and Kuwait (11.3%). S&P said that \$60bn, or 44.1% of total sovereign borrowing, would refinance maturing long-term debt, which would result in net borrowing requirements of \$76bn in 2019. In parallel, S&P forecast the total sovereign commercial debt stock of the 13 countries, when excluding bilateral and multilateral debt, at \$891.6bn at the end of 2019 relative to \$806.1bn at end-2018, consisting of \$723bn in medium- and long-term debt and \$169bn in short-term debt. Egypt would account for 25.6% of the commercial debt stock, followed by Saudi Arabia (19.5%), Qatar (10.7%), Lebanon (10%) and Iraq (8.9%). Further, gross long-term sovereign commercial borrowing would be equivalent to 6.1% of the aggregate GDP of the 13 economies in 2019, while the total sovereign debt stock from commercial sources would be equivalent to 40.1% of their GDP at end-2019.

Source: S&P Global Ratings

Level of political freedoms varies across region

In its annual survey on political freedoms in 195 countries, non-profit organization Freedom House ranked Tunisia in 87th place globally and in first place among Arab countries, followed by Lebanon (129th), Morocco (138th), Jordan (141st), and Kuwait (142nd) as the top five Arab countries. In contrast, Yemen (180th), Libya (183rd), Saudi Arabia and Sudan (187th each), and Syria (195th) were the lowest ranked Arab countries. The survey rates each country on political rights and civil liberties on a scale of one to seven points, with one point representing the highest degree of freedom and seven points reflecting the lowest level. Further, the survey classifies each country under the "Free", "Partly Free", or "Not Free" categories based on each country's Freedom Rating, which is an average of political rights and civil liberties ratings. In this context, Tunisia was the only Arab country to be classified in the "Free" category, Jordan, Kuwait, Lebanon and Morocco were in the "Partly Free" category, while the remaining 14 Arab countries were classified in the "Not Free" category. In parallel, the survey classified 86 countries in the "Free" category, 59 countries in the "Partly Free" category and 50 countries in the "Not Free" category.

Source: Freedom House, Byblos Research

OUTLOOK

SAUDI ARABIA

Growth to average 2.4% over the medium term, risks to the outlook balanced

Samba Financial Group indicated that Saudi Arabia's growth outlook for 2019 is mixed, as it balances an increase in private consumption and a pickup in public investments with a lower oil price environment. It added that the Kingdom remains committed to its oil production cuts under the OPEC agreement. As such, it projected real GDP growth at 0.3% in 2019, with hydrocarbon sector activity contracting by 2.7% and real non-oil GDP increasing by 2.3% this year. Still, it noted that the Kingdom's medium-term economic outlook is positive, with real GDP growth averaging 2.4% annually during the 2020-23 period, supported by the implementation of structural reforms as well as by a better allocation of capital and productivity gains as a result of the Kingdom's "Vision 2030". Further, it said that risks to the Kingdom's growth outlook are balanced, as it expected the possibility of lower-than-expected oil prices to be offset by the impact of higher-than-anticipated portfolio inflows.

Further, Samba indicated that Saudi Arabia's fiscal outlook is manageable due to multiple financing options and a low public debt level, which it estimates at about 25% of GDP. It expected the fiscal deficit to gradually narrow from 9.8% of GDP in 2019 to an average of 6.4% of GDP annually during the 2020-23 period, mainly due to higher fiscal receipts. It anticipated the central government's debt level to increase from 31.4% of GDP at the end of 2019 to 51.6% of GDP by end-2023, but to remain collateralized by the Kingdom's huge crude oil reserves. In parallel, it projected the current account surplus to increase from 7.5% of GDP in 2019 to an average of 10.6% of GDP annually over the 2020-23 period, mainly on the back of higher oil export receipts and a slowdown in remittance outflows.

Source: Samba Financial Group

ANGOLA

Growth to improve on government's macroeconomic stabilization program

The Institute of International Finance indicated that Angola's economic prospects are supported by the implementation of the government's macroeconomic stabilization program that includes upfront fiscal consolidation, exchange rate flexibility, and structural reforms to diversify the economy. In this context, it projected real GDP growth to reach 0.6% in 2019 and to gradually pick up to about 3.5% over the medium term. It forecast real GDP in the oil sector to contract by 2.6% in 2019 but to grow modestly by 1.5% in 2020 due to measures in the oil sector, including reforms to the national oil company Sonangol and plans by the government to provide incentives to encourage new oil exploration. Further, it expected non-hydrocarbon sector activity to grow by 2.2% this year and by 3.5% in 2020, in case structural reforms are successfully implemented. Also, it considered that the three-year IMF program would catalyze additional assistance from multilateral and bilateral donors and bolster private sector confidence. But it noted that risks to the outlook are high and include lower than-anticipated oil prices and mass popular resistance to subsidy reforms. In parallel, it forecast the average inflation rate at 18.8% in 2019 amid the ongoing withdrawal of subsidies to water, fuel and utilities. But it expected the inflation rate to de-

cline to high single digits in coming years in case the Banco Nacional de Angola maintains its tight monetary policy.

Further, the IIF indicated that Angolan authorities continue to implement fiscal consolidation measures and are seeking to reduce the pro-cyclicality of fiscal policy. It expected the fiscal balance to post small surpluses of 0.1% of GDP in 2019 and 0.5% of GDP in 2020. It considered that the government should diversify its sources of revenues in order to create room for spending on education, healthcare and infrastructure. Further, it projected the public debt level to decline from 87% of GDP at end-2019 to 74.4% of GDP at end-2020, as the government clears its arrears with domestic banks in coming years. In parallel, it pointed out that Angola's external imbalances remain high, and expected the current account balance to post deficits of 0.2% of GDP this year and 3.8% of GDP next year, mainly due to lower oil export receipts.

Source: Institute of International Finance

ARMENIA

Real GDP growth to average up to 5% in medium term

The International Monetary Fund indicated that Armenia's recent economic performance has been robust amid sound macroeconomic policies. It noted that fiscal consolidation was on track in 2018, supported by strong tax administration efforts. It added that monetary and financial conditions are stable, with an inflation rate below 1% in January 2019 and limited pressure on the exchange rate. Also, it indicated that the banking sector is well-capitalized and credit growth has been supporting economic activity. Further, it said that pension reforms came into effect in July 2018, while the upgraded fiscal rule has been enforced and a draft public-private partnership law is being prepared. Overall, it projected real GDP growth at 4.5% in 2019, amid a weaker global environment and lower copper prices, and at 4% to 5% annually over the medium term. It expected the inflation rate to gradually converge to the Central Bank of Armenia's target of 4% in the next two years. In addition, it forecast the fiscal deficit at about 2.5% of GDP in 2019 and to average 2% of GDP annually in the medium term, while it anticipated the current account deficit to gradually narrow to about 5%. It considered that risks to the outlook are mainly related to external factors.

In parallel, the Fund considered that the government's fiscal efforts should focus on preserving debt sustainability, while maintaining space for investment and social spending. In this context, it welcomed the authorities' commitment to bring the central government's debt level to below 50% of GDP within five years. Further, it anticipated that the fiscal objectives will be supported by tax and spending reforms. As such, it noted that the government is considering a tax reform package to promote tax compliance and medium-term growth. It also encouraged authorities to further strengthen tax administration and combat tax evasion. In parallel, the Fund pointed out that it reached a staff-level agreement with Armenian authorities on a precautionary \$250m Stand-By Arrangement to support the new government's reform plans and strengthen its resilience against external shocks. It said that the arrangement will support the authorities' economic program that aims to maintain macroeconomic and financial stability, and achieve stronger and more inclusive growth.

Source: International Monetary Fund



ECONOMY & TRADE

IRAQ

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-/B' Iraq's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It noted that the ratings are constrained by the country's nascent political institutions, domestic political tensions, ongoing security risks, low GDP per capita and weak economic activity. However, it said that the ratings are supported by the concentration of the majority of Iraq's oil fields in areas under the control of the federal government. S&P considered that the recently announced 2019 budget reflects the unpredictability of Iraq's policymaking, as it incorporates several concessions to limit the risk of public discontent and to address substantial reconstruction needs, which would result in an increase of 20% in public spending this year. As such, it expected the International Monetary Fund to suspend the disbursement of funds in the near future, due to the country's non-adherence to the IMF's arrangement. It projected the fiscal balance to shift from a surplus of 4% of GDP in 2018 to a deficit of 6% of GDP in 2019, based on its lower oil price assumption and in the absence of other official sources of funding. Also, it anticipated the public debt level to increase from 66.1% of GDP at the end of 2019 to 70.1% of GDP by end-2022. It noted that the government plans to finance its 2019 deficit through a mixture of short-term domestic financing, such as utilizing assets accumulated from the 2018 fiscal surplus, increasing the pension fund's holdings of government securities, as well as tapping official and bilateral funding sources. Further, it forecast the current account surplus to narrow from 12.8% of GDP in 2018 to 5.7% of GDP in 2019, on the back of lower oil export receipts.

Source: S&P Global Ratings

UAE

Government measures and regulations to support real estate demand

Goldman Sachs indicated that real estate prices in the UAE have been declining gradually since the second quarter of 2014, due to demand-supply imbalances. It noted that Dubai's real estate prices have historically been volatile due to sentiment-related and exogenous factors, with foreign investors and residents investing aggressively during periods of market recovery in anticipation of benefiting from capital appreciation. It expected the residential market in the UAE to remain oversupplied in the 2019-20 period, given the anticipated delivery of 117,000 residential units in Dubai during the covered period. But it projected the actual deliveries of residential units to reach 66,000 units in the next two years against an expected demand of 40,000 units. It anticipated demand for real estate to remain subdued given the outlook for capital appreciation and rental increases. As such, it expected that the current oversupply could translate into a further 10% decline in real estate prices in the next 12 months, while lower population growth and increasing vacancy rates could result in lower rents this year. Further, it indicated that the UAE government has stepped up efforts in 2018 to support the real estate market through regulations that would increase demand for real estate. Still, it considered that, in order to achieve equilibrium, the real estate market requires further policy reforms and a significant improvement in economic activity to drive population growth.

Source: Goldman Sachs

EGYPT

Deeper reforms needed to achieve higher and sustainable growth

The Institute of International Finance indicated that Egypt is making notable progress on economic reforms under the IMF-supported program. It noted that real GDP growth accelerated from 4.2% in 2017 to 5.3% in 2018, the average inflation rate declined from 23.3% in 2017 to 21% last year, and the unemployment rate decreased from 11.9% in 2017 to a still high level of 10.9% in 2018. In parallel, it said that the fiscal deficit narrowed from 10.7% of GDP in 2017 to 9.5% of GDP in 2018, with the domestic public debt level decreasing from 77.4% of GDP to 70.3% of GDP, and the foreign debt level remaining unchanged at 30% of GDP at end-2018. Further, it indicated that the Egyptian pound has stabilized following the sharp currency devaluation in November 2016, which supported export receipts and improved capital inflows. As such, it pointed out that the current account deficit narrowed from 6.1% of GDP in 2017 to 2.4% of GDP in 2018. It added that foreign currency reserves tripled to the equivalent of 6.5 months of imports cover at end-2018. However, it considered that the implemented economic reforms are not enough to lift the country out of its low-middle-income trap into a trajectory of higher and more durable growth. It considered that the economic recovery needs deeper reforms, especially those that would reduce the size and influence of the state in the economy and that would strengthen the role of the private sector. As such, it noted that authorities should improve the competitive environment by creating room for private sector businesses, as well as update and simplify the cumbersome solvency regime, reduce non-tariff trade barriers, and improve transparency and governance standards in public sector enterprises.

Source: Institute of International Finance

GHANA

Strong economic growth despite external pressure

The International Monetary Fund indicated that Ghana's recent economic performance has been favorable despite a less supportive external environment for frontier economies. It noted that real GDP growth reached 6.7% in the first nine months of 2018, and projected it to remain strong in the medium term, supported by recent oil discoveries. However, it said that the economy experienced some pressure during the second half of 2018, due to the rebalancing of foreign investors' portfolios amid a stronger US dollar, rising U.S. interest rates and volatility in emerging markets, which led to a decline in Ghana's external buffers. Further, the Fund commended the authorities for their progress in implementing the Extended Credit Facility program, which will expire on April 3, 2019, as well as for their success in implementing structural reforms. It added that Ghanaian authorities and the Fund agreed on economic policies aimed at safeguarding macroeconomic stability, improving the monitoring of fiscal risks, strengthening external buffers and enhancing the resilience of the financial sector. It pointed out that monetary policy should remain prudent and complement fiscal adjustment efforts to keep inflationary pressure in check. It added that authorities renewed their efforts to strengthen their external buffers in order to mitigate the risks stemming from Ghana's exposure to external sources of funding and potential policy slippages.

Source: International Monetary Fund



BANKING

JORDAN

Agencies affirm banks' ratings

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Arab Bank at 'BB', and the long-term IDRs of Jordan Islamic Bank (JIB) and Bank of Jordan (BOJ) at 'BB-', with a 'stable' outlook. Also, the agency affirmed the Viability Rating (VR) of Arab Bank at 'bb' and the VRs of JIB and BOJ at 'bb-'. It indicated that the banks' IDRs are driven by their standalone credit profiles. It added that the ratings of JIB and BOJ are constrained by Jordan's challenging operating environment. However, it pointed out that Arab Bank's IDR is constrained but is not capped by Jordan's sovereign risks, given that its operations outside the MENA region would help offset the impact of a potential sovereign crisis. Further, it considered that JIB's and BOJ's VRs reflect their solid domestic franchises, sound asset quality and adequate capital buffers. It added that Arab Bank's VR is mainly supported by the bank's geographic diversification, sound asset quality and solid capital ratios. In parallel, Capital Intelligence Ratings affirmed at 'BB-' the long-term foreign currency ratings (FCRs) of Jordan Kuwait Bank (JKB), Arab Jordan Investment Bank (AJIB) and Investbank (IB), with a 'negative' outlook. It noted that the banks' FCRs are constrained by Jordan's sovereign ratings, given their high exposure to the sovereign and to the Jordanian market. Further, it affirmed at 'BBB' the Financial Strength Rating (FSR) of JKB and AJIB, and at 'BB+' that of IB. It noted that the FSR of JKB is supported by the bank's sound capitalization and adequate operating profitability, but is constrained by weakening asset quality. It added that AJIB's FSR reflects the bank's good asset quality, sufficient liquidity and sound capital adequacy ratio.

Source: Fitch Ratings, Capital Intelligence Ratings

NIGERIA

Rising foreign currency deposits to ease pressure on banks' funding and liquidity

Moody's Investors Service indicated that foreign currency deposits in the Nigerian banking sector increased by 26.6% from the end of 2017 to \$15.3bn at end-2018. It noted that the increase in foreign currency deposits is credit positive for Nigerian banks, as it would boost their foreign currency liquidity and funding profiles amid upcoming bond repayments and possible external shocks. Also, it said that the rise in foreign currency deposits would alleviate the negative pressure of tighter dollar liquidity that some Nigerian banks are facing ahead of their maturing bonds in 2019. In parallel, it indicated that Nigerian banks rely on market funding to support their foreign currency loans, which account for about 50% of total lending. It noted that rising foreign currency deposits would support the banks' foreign currency funding profiles by reducing their loan-to-deposit ratio in US dollars. It added that higher foreign currency deposits would ease competition for these deposits and reduce the banks' reliance on more expensive market-based funding. However, it considered that the growth in foreign currency deposits would only partially ease the risks associated with the banks' foreign currency activities. It said that the asset quality performance of the banks' foreign currency loan portfolios has been historically weak, given their exposure to the volatile oil and gas sector, which makes their credit profiles vulnerable to adverse changes in global and domestic liquidity conditions.

Source: Moody's Investors Service

IRAN

FATF urges Tehran to address its AML/CFT deficiencies by June 2019

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 the majority of Iran's action plan to address its significant AML/CFT deficiencies remains incomplete. In this context, it called on authorities to adequately criminalize terrorist financing, identify and freeze terrorist assets, ensure an adequate and enforceable customer due diligence process, as well as guarantee the full operational independence of the Financial Intelligence Unit. It added that authorities should demonstrate how they are identifying and sanctioning unlicensed money transfer service providers, and should ensure that wired transfers contain complete information on the originator and beneficiary. Further, the FATF commended the passage of the Anti-Money Laundering Act in January 2019. However, it noted that if Iran does not enact the necessary remaining legislation in line with FATF Standards by June 2019, then the FATF will demand increased examination of branches and subsidiaries of financial institutions based in Iran. It said that Iran will remain on the FATF Public Statement until the full action plan is completed. It considered that, until then, risks of terrorism financing originating from Iran will continue to pose a threat to the international financial system. As such, the FATF reiterated its call on all jurisdictions to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.

Source: Financial Action Task Force

TURKEY

Central Bank measure to support credit growth

Goldman Sachs indicated that the Central Bank of the Republic of Turkey (CBT) reduced on February 16, 2019 the reserve requirement ratios for banks' deposits in Turkish lira, and raised the limit of gold that banks can hold. It noted that the CBT lowered by 100 basis points the reserve requirement ratios for deposits and participation funds in lira with maturities of up to one year and for other liabilities with maturities up to three years, and by 50 basis points for all other liabilities. It added that the CBT increased the upper limit of the facility of holding standard gold from 5% to 10% of lira reserve requirements. It said that the CBT's decision aims to support credit growth rather than to ease lira liquidity in the banking sector. It added that the adjustments have released more than \$3.4bn in foreign currency and \$0.6bn in local currency liquidity into the system under the Reserve Option Mechanism (ROM). It noted that the ROM allows banks to hold foreign currency and gold against their reserve requirements in lira. It added that only a small share of reserves held against lira liabilities are actually held in local currency. As such, it considered that reducing the overall reserve requirement ratios in lira without changing the ROM coefficients will lead to a proportional decline in foreign and local currency reserves. In turn, this will release more foreign currency into the system. Further, Goldman Sachs noted that the impact of the increase in the upper limit for scrap gold facility is still uncertain, given that the usage of this facility has been below the upper limit since its introduction.

Source: Goldman Sachs



ENERGY / COMMODITIES

Oil prices projected at \$70 p/b to \$75 p/b in near term

ICE Brent crude oil front-month prices declined from their three-month high of \$67.1 per barrel (p/b) on February 22, 2019 to \$64.8 p/b on February 25, but partially recovered to \$66.4 p/b on February 27. Oil prices were constrained by the increase in U.S. oil production to a record-high of 12 million barrels per day (b/d) in the week to February 15. Also, oil prices were affected by U.S. President Donald Trump's criticism of the OPEC cuts and the resulting high prices. However, oil prices were supported by OPEC's commitment to the oil output cuts and by a decline of 8.6 million barrels in U.S. oil inventories in the week to February 22, compared to a 3.7 million barrels build-up in the previous week, as well as by the positive sentiment from the trade talks between the U.S. and China. In parallel, Goldman Sachs expected Brent oil prices to trade at between \$70 p/b and \$75 p/b in the near term, as it projected the global oil market to continue to tighten in March and April. It added that the OPEC and non-OPEC production cuts, as well as a possible acceleration in Venezuela's supply disruptions, would likely support oil prices in the coming months. However, the bank indicated that the strong positive sentiment could fade in the second half of 2019, amid expectations of higher U.S. oil exports and a potential easing of the OPEC output cuts.

Source: Goldman Sachs, Thomson Reuters, Oilprice

Gas and renewables to account for 71% of global energy demand in the 2018-35 period

Royal Dutch Shell Plc projected global energy demand to grow by a compound annual growth rate (CAGR) of 1% between 2018 and 2035. It forecast gas to account for 41% of energy demand growth in the covered period, followed by renewable energy with 30%, oil (15%), nuclear energy (6%) and coal (4%). It expected liquefied natural gas (LNG) to continue to be the fastest-growing source of gas supply, with an expected CAGR of 4% per year between 2018 and 2035, amid an increasing need to significantly reduce carbon emissions by changing the way energy is produced, delivered and used.

Source: Royal Dutch Shell Plc

Nigeria's oil receipts up 68% to \$5.2bn in first 11 months of 2018

Nigeria's crude oil and condensate export receipts totaled \$5.2bn in the first 11 months of 2018, up by 68.2% from \$3.1bn in the same period of 2017. Export revenues during the covered period consisted of \$3.9bn from crude oil exports (74%), \$1.2bn from gas exports (22.7%) and \$172.2m in other receipts (3.3%). The authorities transferred \$159m of total hydrocarbon revenues in November 2018 to the Federation Account, while they used \$446.7m to pay global oil companies.

Source: Nigerian National Petroleum Corporation

Steel output up 1% in January 2019

Global steel production reached 146.7 million tons in January 2019, constituting an increase of 1% from 145.2 million tons in the same month of 2018. Chinese steel production totaled 75 million tons in January 2019 and accounted for 51.1% of global output. India followed with 9.2 million tons (6.3%), then Japan with 8.1 million tons (5.5%) and the U.S. with 7.6 million tons (5.2%).

Source: World Steel Association, Byblos Research

COUNTRY RISK WEEKLY BULLETIN

Base Metals: Copper prices reach eight-month high amid ease in trade tensions and falling inventories

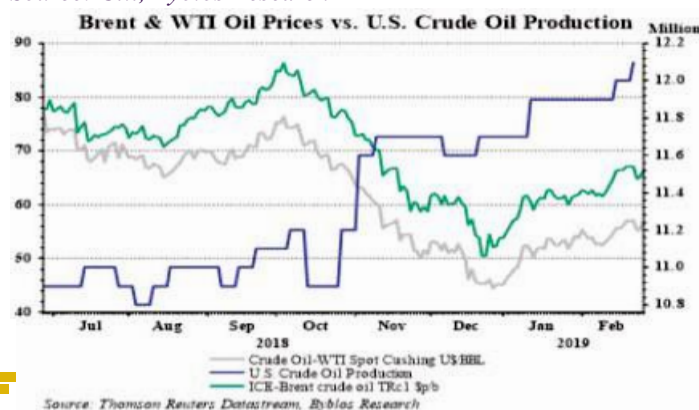
LME copper three-month future prices reached \$6,507 per metric ton on February 27, 2019, constituting an increase of 9.1% from \$5,965 per ton at end-2018, and reaching their highest level since July 2018. The surge in prices was driven by expectations that the U.S. and China are close to reaching a trade agreement after U.S. President Donald Trump announced that he will delay the scheduled increase in tariffs on Chinese imports. In addition, prices were supported by expectations of higher demand from China, the world's top copper consumer, a weaker US dollar and signs of falling supply, as copper stocks at LME warehouses reached their lowest level since mid-2005. In parallel, the latest available figures show that global demand for refined copper rose by 2.2% annually to 22.1 million tons in the first 11 months of 2018, as Chinese demand grew by 5.5%, while demand in the rest of the world regressed by 1%. On the supply side, global refined copper production increased by 1.5% annually to 21.7 million tons in the covered period. The rise in copper output was driven by higher production from Japan, Chili and China, which were partly offset by lower output from India, Indonesia and the Philippines. Refined output grew by 10% in Africa, by 2% in Latin America and by 1.5% in Asia, while it declined by 2.5% in North America and was unchanged in Europe and Oceania.

Source: International Copper Study Group, Thomson Reuters

Precious Metals: Palladium prices at record high on rising automotive demand and supply concerns

Palladium prices continued to rise and reached a record-high of \$1,558 per troy ounce on February 27, 2019, which constitutes an increase of 23.4% from \$1,263 an ounce at the end of 2018 and of about 50% from \$1,041 per ounce at end-February 2018. The rise in the metal's price is mainly due to higher automotive demand, especially in Europe and China, from the increased usage of catalytic converters, and as automotive markets move away from diesel-powered vehicles. It also reflects concerns of supply shortages, especially in the South African palladium market. In fact, news that labor strikes will be held at 15 mining firms in South Africa, one of the largest palladium-producing countries, further aggravated supply concerns amid an already tight global palladium market. Also, Norilsk Nickel, the world's largest palladium producer, anticipated that tighter emissions regulations in major automotive markets worldwide, along with supply shortages, are expected to widen the production deficit in the palladium market in 2019. As a result, palladium prices are projected to hit a new record-high of \$1,600 per ounce in 2019.

Source: Citi, Byblos Research



February 28, 2019

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	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	-0.8	80.5	42.1**	50.5	26.7	102.2	-2.1	1
	Negative	Stable	Stable	-	Stable								
Egypt	B	B3	B	B+	B+	-9.3	92.5	35.8	51.8	45	115.4	-2.6	3
	Stable	Positive	Positive	Stable	Positive								
Ethiopia	B	B1	B	-	B+	-3.7	59.5	30.5**	27.2	3.6	146.2	-6.2	4.1
	Stable	Stable	Stable	-	Stable								
Ghana	B	B3	B	-	BB-	-6	71.2	34.5**	38.9	31.9	121.8	-4.1	6
	Stable	Stable	Stable	-	Stable								
Ivory Coast	-	Ba3	B+	-	B+	-3.8	48.8	33.5**	-	-	-	-4.6	-
	-	Stable	Stable	-	Stable								
Libya	-	-	B	-	B-	-25.1	112.1	-	-	-	-	-1.5	-
	-	-	Stable	-	Stable								
Dem Rep Congo	CCC+	B3	-	-	CCC	-0.6	16.2	12.9**	4.4	3	104.1	0	2.8
	Stable	Negative	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.2	64.4*	34.6	30.6	7.4	93	-4.3	2.1
	Negative	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-5.1	24.8	8.2**	67.6	22.8	104.2	2	0.7
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	CC	-4.1	167.5	166.6	-	-	-	-14.2	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-5.2	70.5	82.6	-	-	-	-9.6	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-5.1	41.2	23.7**	21	4.6	145.4	-8.6	2.8
	Stable	-	-	-	Stable								
Rwanda	B	B2	B+	-	B+	-2	42.6	38.4**	13.2	5.1	102.8	-8.9	2.9
	Positive	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.9	88.4	169.4	201.7	22.3	327.6	-2.5	0.4
	Stable	Stable	Stable	Stable	Stable								
Iran	-	-	-	B+	BB-	-3.2	44.2	2.1	-	-	-	1.3	-
	-	-	-	Negative	Negative								
Iraq	B-	Caa1	B-	-	CC+	5.6	51.8	32.5	3.7	2.2	100.9	6.9	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	-	BB-	A	-2.9	96.0	70.1	63.6	9.4	151.0	-9.6	4.5
	Stable	Stable	-	Negative	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	11.6	18.8	41.3	32.8	0.55	87.9	11.3	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	B-	Caa1	B-	B	B-	-9.7	150.0	183.3	136.8	50.1	136.2	-25.6	2.8
	Stable	Stable	Negative	Negative	Stable								
Oman	BB	Baa3	BB+	BBB-	BBB	-2.0	48.7	80.7	44.9	4.5	140.3	-3.3	1.5
	Stable	Negative	Stable	Stable	Stable								
Qatar	AA-	Aa3	AA-	AA-	A+	3.6	53.4	84.6	60.9	3.4	173.9	4.8	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A+	A+	AA-	-4.6	19.4	27.6	8.0	1.2	36.9	8.4	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	0.6	17.8	54.9	-	-	-	7.2	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-10.7	62.5	19.4	-	-	-	-9.3	-
	-	-	-	-	Negative								



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								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.5	31.5	50.1	28.3	144.3	-5.9	0.87
	Stable	Negative	Stable	-	Negative								
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	30-Jan-19	No change	20-Mar-19
Eurozone	Refi Rate	0.00	24-Jan-19	No change	07-Mar-19
UK	Bank Rate	0.75	07-Feb-19	No change	21-Mar-19
Japan	O/N Call Rate	-0.10	23-Jan-19	No change	15-Mar-19
Australia	Cash Rate	1.50	05-Feb-18	No change	05-Mar-19
New Zealand	Cash Rate	1.75	13-Feb-19	No change	27-Mar-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	28-Feb-19	No change	18-Apr-19
Malaysia	O/N Policy Rate	3.25	24-Jan-19	No change	05-Mar-19
Thailand	1D Repo	1.75	06-Feb-19	No change	20-Mar-19
India	Reverse repo rate	6.25	07-Feb-19	Cut 25bps	04-Apr-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	15.75	14-Feb-19	Cut 100bps	28-Mar-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-Jan-19	No change	27-Mar-19
Nigeria	Monetary Policy Rate	14.00	22-Jan-19	No change	26-Mar-19
Ghana	Prime Rate	16.00	28-Jan-19	Cut 100bps	25-Mar-19
Angola	Base rate	15.75	28-Jan-19	Cut 75bps	28-Mar-19
Mexico	Target Rate	8.25	07-Feb-19	No change	28-Mar-19
Brazil	Selic Rate	6.50	06-Feb-19	No change	20-Mar-19
Armenia	Refi Rate	5.75	29-Jan-19	Cut 25bps	12-Mar-19
Romania	Policy Rate	2.50	07-Feb-19	No change	01-Mar-19
Bulgaria	Base Interest	0.00	01-Feb-19	No change	01-Mar-19
Kazakhstan	Repo Rate	9.25	14-Jan-19	No change	04-Mar-19
Ukraine	Discount Rate	18.00	31-Jan-19	No change	14-Mar-19
Russia	Refi Rate	7.75	08-Feb-19	No change	22-Mar-19



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