650 ISSUES+
Issue 671 | April 29, 2021

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

IPOs up 271% to $106bn in first quarter of 2021

Figures released by EY indicate that capital raised globally through initial public offerings (IPOs) totaled $105.6bn in the first quarter of 2021, constituting an increase of 271% from $28.5bn in the same period of 2020. There were 430 IPOs in the covered period relative to 233 public listings in the first quarter of 2020. It noted that global IPO proceeds and the number of deals posted their best performance for a first quarter in the past 20 years. EY attributed the increase in transactions to strong liquidity in the financial system, to the rapid growth of technology and new economy companies, to speculative and opportunistic transactions, and to platforms that made investing in the stock market more accessible for small investors. Further, IPO proceeds in the Americas reached $45.2bn and accounted for 43% of the total in the first quarter of 2021, followed by Asia Pacific with $34.3bn (32%), and Europe, the Middle East, India & Africa region (EMEIA) with $26.1bn (25%). IPO proceeds increased by 646% year-on-year in the EMEIA area, followed by the Americas (+446%), and Asia Pacific (+105%). In parallel, there were 200 IPO deals in Asia Pacific, representing 47% of the total in the covered period, followed by the Americas with 121 public listings (28%), and the EMEIA area with the remaining 109 IPOs (25%). The number of IPO deals expanded by 218% in the Americas in the first quarter of 2021, followed by the EMEIA region (+179%), and in Asia Pacific (+28%).

Source: EY

EMERGING MARKETS

Green, social and sustainable bond issuance up 7% to $92bn in 2020

Goldman Sachs indicated that Green, Social and Sustainable (ESG) issuance in emerging markets (EM) totaled $92bn in 2020, constituting and increase of 7% from 2019, driven by higher issuance of social and sustainable bonds. It noted that the rise in the issuance of social bonds reflects the COVID-19 shock, while the pick-up in demand for sustainable bonds is related to the flexibility about the use of the proceeds, which can cover both green and social initiatives. It added that government-related entities (GREs) and supranationals issued 48% of total EM ESG bonds in 2020, followed by corporates (37%), and sovereigns (15%). Further, it said that outstanding EM ESG bonds currently stands at about $355bn, with green bonds amounting to $241bn or 68% of the total, followed by sustainable bonds with $63bn (18%), social bonds with $42bn (12%) and sustainably-linked bonds with $9bn (3%). It added that outstanding corporate ESG bonds are currently at about $144bn or 40% of the EM ESG bond stock, followed by GREs with $111bn (31%), supranationals with $70bn (20%), and sovereign ESG bonds with $30bn (9%). It also noted that corporates account for 44% of green bonds, GREs and supranationals represent 67% of social bonds, supranationals and corporates account for 73% of sustainable bonds, while corporates issued 67% of sustainably-linked bonds. It attributed the lower share of ESG sovereign issuance to the limited flexibility in the use of such proceeds for sovereign issuers.

Source: Goldman Sachs

MENA

Press freedoms regress in several Arab countries

International organization Reporters Without Borders ranked Tunisia in first place among 20 Arab countries and in 73rd place among 180 countries on its Press Freedom Index for 2021. Mauritania followed in 94th place, then Kuwait (105th), Lebanon (107th), Qatar (128th), Jordan (129th), the UAE (131st), Palestine (132nd), Oman (133rd), Morocco (136th), Algeria (146th), Sudan (159th), Iraq (163rd), Libya (165th), Egypt (166th), Bahrain (168th), Yemen (169th), Saudi Arabia (170th), Syria (173rd) and Djibouti (176th). As such, 16 out of 20 Arab countries came in the third tier of the global rankings. The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedoms. Reporters Without Borders assigns index scores from zero to 100 per country, with a lower score reflecting a higher level of press freedom in a given jurisdiction. Further, the survey classifies countries in five situational categories of press freedom that are "good", "fairly good", "problematic", "bad", and "very bad". The rankings of seven Arab countries improved, seven declined and six remained the same year-on-year. The Arab region's average score stood at 49.66 points in 2021 compared to an average of 49.29 points in 2020, and was worse than the global average score of 35.08 points. Also, four Arab countries came in the "problematic situation" category, while eight Arab states came in the "bad situation" category and the remaining eight sovereigns were in the "very bad situation" category.

Source: Reporters Without Borders

UAE

Earnings of Abu Dhabi firms down 13%, profits of Dubai firms down 65% in 2020

The net income of 62 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED37.4bn, or $10.2bn, in 2020, constituting a decrease of 13% from AED43bn, or $11.7bn, in 2019. Listed banks generated net profits of $4.4bn and accounted for 43% of the total earnings of publicly-listed firms last year. Telecommunications firms followed with $2.8bn (27.2%), then energy firms with $1.5bn (14.3%), consumer goods companies $793.5m (7.8%), real estate companies with $532.2m (5.2%), services providers with $263.3m (2.6%), insurers with $211.3m (2.1%), and investment & financial firms with $68m (0.7%). In contrast, industrial companies posted aggregate net losses of $294.2m in 2020. In parallel, the cumulative net income of 55 companies listed on the Dubai Financial Market that published their financials totaled AED13.9bn, or $3.8bn, in 2020, constituting a drop of 65% from AED40bn or $10.9bn in 2019. Listed banks generated net profits of $2.5bn, or 66.6% of net earnings in 2020. Real estate & construction firms followed with $1.1bn or 28% of the total, then telecommunications companies with $391.5m (10.3%), insurers with $282.2m (7.4%), investment & financial services firms with $169.3m (4.5%), services providers with $150.5m (4%), and transportation companies with $75.3m (2%). In contrast, consumer staples firms and industrial companies posted aggregate net losses of $868.6m in 2020.

Source: KAMCO

OUTLOOK

IRAQ

Economic activity to gradually recover, outlook subject to significant downside risks

The World Bank expected economic activity in Iraq to gradually recover from the fallout of the COVID-19 outbreak and the sharp drop in global oil prices, and projected real GDP to grow by 1.9% in 2021 and by 6.3% in the 2022-23 period, following a contraction of 12% in 2020. It attributed the rebound in economic activity to higher global oil prices and smaller oil production cuts under the OPEC+ agreement. It also projected real non-oil GDP growth to recover to 5.5% in 2021 and to converge to its historical potential growth trend in the 2022-23 period. It expected that the authorities would impose additional lockdown measures in response to the pandemic in case of delays in the rollout of the vaccine, which would weigh on economic activity in the near-term. It considered that there are significant downside risks to the medium-term outlook that include the volatility of oil prices, the authorities' failure to implement fiscal and structural reforms in an elections year, delays in the vaccine's rollout, and deteriorating security conditions amid elevated regional geopolitical tensions. Also, it anticipated that the devaluation of the Iraqi dinar would increase the inflation rate to 8.5% in 2021, due to the economy's limited capacity for import substitution.

In parallel, it indicated that the government has adopted an expansionary fiscal stance in 2021, including a higher pubic-sector wage bill, an increase in pension payments, and delays in reform measures. As such, it projected the fiscal deficit to widen from 4.4% of GDP in 2020 to 5.4% of GDP in 2021, despite higher oil export receipts. It also forecast the public debt level at 61.1% of GDP at the end of 2021, and for the government's financing needs to average $13.7bn annually in the next three years. Further, it projected the current account deficit to narrow from 13% of GDP in 2020 to 11.3% of GDP in 2021 and to 4.4% of GDP by 2023, amid the devaluation of the dinar and in case of higher oil export receipts. It anticipated the improvement in the external balance to reduce pressure on foreign currency reserves, and expected reforms to generate new foreign direct investments, which would further reduce external financing needs.

Source: World Bank

NIGERIA

Economic activity to expand by 2.7% annually in 2021-22 period

Deutsche Bank considered that prospects for growth and structural reforms in Nigeria have improved, and projected real GDP to grow by 2.7% in 2021 and 2.6% in 2022, following a contraction of 1.9% in 2020. It attributed the favorable outlook to stronger activity in the non-oil sector, a recovery in global oil prices, and to base effects. It expected the broader services industry to contribute nearly 80% of growth in 2021, in case current trends in the services sectors are sustained, given the significant hit to services as a result of the COVID-19 outbreak last year. Also, it anticipated oil production cuts under the OPEC+ agreement to weigh on economic activity and to reduce the growth rate by 0.8 percentage points in 2021. It forecast the inflation rate to average 18.4% in 2021 relative to 13.2% in 2020, and expected the easing of restrictions on foreign currency to reduce pressure on the Nigerian naira in the parallel market. It considered that the Central Bank of Nigeria (CBN) has sufficient room to maintain interest rates this year at their current level, despite higher inflation rates. However, it anticipated the CBN to raise interest rates by between 100 to 200 basis points in 2022, in case of a stronger economic recovery and lower unemployment rates.

In parallel, it projected the fiscal deficit to narrow from 3.6% of GDP in 2020 to 2.8% of GDP in 2021 if oil prices increase and authorities reduce public spending. Further, it forecast the current account deficit to narrow from 4% of GDP in 2020 to 1.1% of GDP this year, in case of an increase in oil prices and higher remittance inflows. Also, it expected foreign currency reserves to rise from $34.8bn at the end of March 2021 to $39.6bn at the end of this year, supported by the anticipated surplus in the balance of payments, a Eurobond issuance, and additional funding from the International Monetary Fund. Further, it noted that authorities have taken several steps to improve long-term growth prospects, including the CBN's amended remittance policy, which would support foreign currency reserves, stabilize the exchange rate and provide increased liquidity.

Source: Deutsche Bank

PAKISTAN

Near-term outlook to remain challenging

Deutsche Bank reduced its projection for real GDP growth in Pakistan to 1% in the fiscal year that ends in June 2021 from a growth forecast of 2% in December 2020, as the third wave of the COVID-19 pandemic is taking its toll on the economy. It said that the government rolled over the fiscal package of about 1.2% of GDP that it earmarked for 2020, but noted that its impact would be minimal given its small size. It considered that authorities need to take additional fiscal support measures to stimulate domestic demand, which has been the main drag on economic activity, and that the State Bank of Pakistan is unlikely to further ease monetary policy in the near term. It expected the inflation rate to remain in the 9% to 10% range in the second quarter of 2021 due to base effects, as well as to higher global commodity prices, taxes, and local tariffs on utilities. It added that infrastructure spending under the China Pakistan Economic Corridor would significantly eliminate chronic power shortages and improve the transport and logistics infrastructure. It also noted that the anticipated global economic recovery and the depreciation of the Pakistani rupee, along with an upgraded infrastructure, would support exports and medium-term growth prospects.

In parallel, it said that Pakistan's second most pressing near-term challenge consists of overcoming structural public finance problems, after the need to vaccinate the population. It noted that the progress on fiscal reforms, such as reforming the general sales and income taxes and increasing electricity tariffs, is a pre-requisite for the access to $4bn from the International Monetary Fund. It added that this funding is key for Pakistan, as it expected the country's financing needs to rise amid higher imports and external debt amortizations. It considered that "political fatigue" to carry out the needed reforms poses a serious challenge, as the government needs to narrow the fiscal deficit to 7.1% of GDP in FY2020/21 and 5.5% of GDP in FY2021/22 under the IMF program. In addition, it expected remittance inflows to remain elevated, which would contain the current account deficit at below 2% of GDP in FY2020/21 and 2.4% of GDP in FY2021/22.

Source: Deutsche Bank

MENA

Coronavirus continues to weigh on sovereigns' credit profiles

Fitch Ratings indicated that most countries in the Middle East & North Africa (MENA) region saw renewed waves of coronavirus infections in the first quarter of 2021, which prolonged the negative impact of the pandemic on their economic activity, public finances, external receipts and employment level. It noted that some MENA sovereigns, such as Bahrain, Qatar and the UAE are among the countries with the highest vaccination rates in the world. However, it considered that the recovery in the region's economic growth also depends on containing the virus worldwide, specifically in Europe. Further, it pointed out that the ratings of Gulf Cooperation Council (GCC) sovereigns are in the 'B+' to 'AA' range, while the ratings of MENA oil importers mostly fall in the 'B' to 'BBB-' range. It anticipated the fiscal deficits of GCC sovereigns to narrow significantly in 2021, and to vary between 4.8% of GDP and 14.5% of GDP, in case oil prices average $58 per barrel this year. It also forecast Abu Dhabi, Qatar, the Emirate of Ras Al Khaimah and the UAE to post a fiscal surplus of between 1.1% of GDP and 2.4% of GDP in 2021. It said that some MENA sovereigns will continue to rely on debt issuance and/ or on drawdowns of assets to finance their persistent fiscal deficits. Fitch indicated that it has a 'negative' outlook on Jordan, Kuwait, Oman, Saudi Arabia and Tunisia, which mainly reflects the persisting adverse impact of the coronavirus and the drop in oil prices on their economic growth, as well as on their public and external finances.

Source: Fitch Ratings

IRAN

Sovereign ratings affirmed, outlook 'negative'

Capital Intelligence Ratings affirmed Iran's long- and short-term foreign and local currency ratings at 'B', with a 'negative' outlook on the long-term ratings. It said that the ratings reflect the agency's expectations of sustained budgetary and external liquidity pressures due to the U.S. sanctions on oil exports and financial institutions. It indicated that the ratings are constrained by large macroeconomic stability risks, as well as by volatile security conditions and geopolitical risks. It added that, despite the country's very low external debt level, the ability of the authorities to service it on time has weakened due to U.S. sanctions and to the inclusion of Iran on the Financial Action Task Force blacklist in February 2020. It stated that it would revise the outlook to 'stable' in the next 12 months if the U.S. and Iran reach an agreement over the nuclear deal, which would lead to the lifting of U.S. sanctions and to a decline in geopolitical tensions. In contrast, it added that it would downgrade the ratings in case geopolitical tensions escalate or large contingent liabilities of the central government materialize. It noted that the fiscal deficit has widened from 5.1% of GDP in the fiscal year that ended on March 20, 2020 to an estimated 8.1% in FY2020/21, as the adverse economic impact of the COVID-19 pandemic has weighed on tax revenues and raised pressure on government spending. It pointed out that the widening deficit led the government to increasingly rely on local funding through the issuing of bonds that local banks subscribed to, given the country's very limited access to international borrowing and to its external assets held overseas.

Source: Capital Intelligence Ratings

JORDAN

Continued multilateral support essential for growth outlook

Standard Chartered Bank expected the Jordanian economy to gradually recover from the COVID-19 outbreak and projected real GDP to grow by 2.3% in 2021, following a smaller-than-initially forecast contraction of 1.5% 2020. It anticipated domestic consumption to remain at a low level, given the high unemployment rate and the expected slow rebound in tourism activity. It considered that the wide fiscal deficits and elevated public debt level would limit the authorities' ability to support the recovery and to address social discontent in the near- to medium terms. In parallel, it anticipated that the increase of global oil prices and the recovery in imports to weigh on the current account deficit, which widened from just under $1bn in 2019 to $2.4bn in the first nine months of 2020. It added that foreign currency reserves at the Central Bank of Jordan declined from a multi-year high of $14.2bn at the end of July 2020 to $12.2bn at end-February 2021, and expected reserves to remain at an adequate level, given sustained multilateral funding. As such, it considered that continued support from the International Monetary Fund is key for the growth outlook. It added that the authorities have requested the IMF to increase funding by $200m under the Extended Fund Facility, which may bring total disbursements by the IMF to about $2bn in the 2020-24 period.

Source: Standard Chartered Bank

ARMENIA

Real GDP growth to average 2.3% annually in 2021-22 period

The International Monetary Fund expected the Armenian economy to recover in 2021 from the COVID-19 outbreak and from the conflict in the Nagorno Karabakh province. It projected real GDP growth at 1% this year and 3.5% in 2022, following a contraction of 7.6% in 2020. It indicated that the authorities' immediate policy priorities consist of supporting the economic recovery, including by fast-tracking large-scale vaccinations, and the timely implementation of planned public investments. It considered that near- and medium-term growth prospects are contingent on strengthening the public investment management framework in order to provide quality infrastructure. It projected the inflation rate to peak in the first half of 2021 and to decline to about 4% by the end of 2021, as the temporary impact of imported food inflation and the pass-through effect from the recent depreciation of the dram dissipate. In parallel, the Fund forecast the fiscal deficit at 5.4% of GDP this year, and considered that the government's fiscal stance balances the need to maintain policy support with debt sustainability. It stressed the need for authorities to broaden the tax base and to keep current expenditures under control, in order to provide adequate space for future social and development spending. Also, the IMF projected the current account deficit to widen from 3.1% of GDP in 2020 to about 5% in 2021 due to a recovery in imports. It expected foreign currency reserves to remain at an adequate level, supported by the Eurobond issuance earlier this year. It considered that a faster-than-expected rollout of the COVID-19 vaccines would boost growth prospects, while additional waves of coronavirus infections, heightened global financial volatility or trade tensions would delay the recovery and add pressure on the external position.

Source: International Monetary Fund

OMAN

Banks face significant challenges in 2021

Fitch Ratings considered that banks operating in Oman will face significant challenges in 2021 mainly due to the ongoing disruptions to economic activity from the COVID-19 pandemic and from low oil prices, as well as to the authorities' restrictive fiscal policies. It expected the difficult operating conditions to weigh on the banks' asset quality, profitability and capital position. Also, it forecast the banks' average impaired loans ratio to increase by 100 to 150 basis points in 2021, once the deferral measures for payments expire. It added that the tightening of liquidity conditions and the surge in loan impairment charges led to the decline of the banks' profitability in 2020, but it anticipated profitability to improve in 2021. However, it noted that a slow rebound in economic activity, the low confidence of borrowers and the elevated cost of risk will limit the recovery of the banks' earnings. Further, it considered that the banks' capital buffers are adequate, and forecast their capital ratios to be stable this year, in case of modest credit growth and cautious dividends distribution. It expected the sector’s credit growth to be in the low single digits in 2021, partly due to the government’s limited support for large projects. Also, it pointed out that the banks' liquidity conditions tightened in 2020 due to the outflows of large government deposits from the banking sector. It anticipated that plans for significant sovereign issuance in 2021, the increase in oil prices and the introduction of the value-added tax in the first half of 2021 to reduce the need for the government to withdraw its deposits.

Source: Fitch Ratings

TUNISIA

Banking sector significantly affected by operating environment

Moody's Investors Service classified the macro profile of the Tunisian banking system in the "very weak +" category. It indicated that risks to the banks' operating environment originate from the country's economic strength of ‘ba3’, its institutional and governance strength of 'ba3', and a susceptibility to adverse events of 'b'. It pointed out that the sector's assessment takes into account the country's fiscal and external imbalances, delays in the implementation of reforms, the large informal economy, and the elevated unemployment rate. It said that the country's economic vulnerabilities are weighing on consumption, investment and monetary conditions, which, in turn, have affected the banks' credit and funding environments. It expected credit growth to be in single digits in 2021, but it noted that any increase in inflationary pressures that leads to a tighter monetary policy could slow lending. In addition, it considered that the weak underwriting standards of Tunisian banks have created large loan concentrations, while inaccurate collateral valuations led to large under-provisioning of non-performing loans (NPLs). It added that the banks' inefficient loan recovery environment constrains their capacity to reduce the volume of NPLs. Further, it cautioned that the banks' growing reliance on central bank funding and higher investment in government securities increase credit and refinancing risks, given that the government's finances are under pressure. Also, it considered that the banks' net loan-to-deposit ratio, which stood at 115.7% in November 2020, is elevated and reflects persisting tight liquidity conditions at banks.

Source: Moody's Investors Service

MOROCCO

Pressures on banks' profitability to persist in 2021

Moody's Investors Service indicated that the net profits of the four banks that it rates in Morocco decreased by 53% in 2020, mainly due to the increase in provisioning costs in anticipation of higher credit losses, the sharp decline in transaction volumes, and to exceptional one-off donations to Morocco's COVID-19 national special fund. It noted that the banks' operating income grew by 5.3% in 2020, mainly driven by higher net interest income, despite lower interest rates and slower credit growth. It said that the growth in lending decelerated from 5.3% in 2019 to 3.9% in 2020. In addition, it indicated that the banks' non-interest income regressed in 2020 as a result of lower trading volumes and the adverse impact of the lockdown measures on business activity. In parallel, the agency pointed out that the banks' operating expenses increased by 11.9% last year. However, it noted that the banks' cost-to-income ratio regressed from 52% in 2019 to 50.7% in 2020, when excluding their one-off contributions to the COVID-19 special fund. Further, it said that the banks' cost of risk increased significantly from 76 basis points (bps) in 2019 to 175 bps in 2020, due to the rise in loan-loss provisions amid expectations of higher problem loans as a result of the pandemic. It estimated that the banks' impairment charges rose by 136% in 2020. It anticipated pressures on the profitability of Moroccan banks to persist in the medium term amid elevated cost of risk, but it expected their net interest income to grow by 3% to 5% in 2021 and for their non-interest income to recover slowly.

Source: Moody's Investors Service

TURKEY

Banks' external refinancing risks increase

Fitch Ratings indicated that the unexpected replacement of the governor of the Central Bank of the Republic of Turkey (CBRT) on March 20, 2021 resulted in a significant depreciation of the Turkish lira and higher refinancing risks for Turkish banks. It noted that several Turkish banks raised debt in foreign currency in the first quarter of 2021 at lower costs than in 2020 amid more favorable market conditions. However, it anticipated new foreign currency borrowing by banks to decrease moderately, given the higher cost of foreign funding, lower investor confidence, weak demand for loans in foreign currency, and sufficient foreign currency liquidity in the banking sector. It forecast the debt servicing needs of the banks' short-term external borrowing at between $45bn and $50bn in 2021, in the event of a full market shutdown. In parallel, the agency indicated that the dollarization rate of deposits at Turkish banks rose from 51% at the end of 2019 to 55% at end-2020, and expected that a sustained depreciation of the lira and high inflation rates could result in an increase in the deposit dollarization rate at banks. It estimated that foreign currency liquidity at Turkish banks reached $95bn as at March 26, 2021, which it considered sufficient to service the banks' short-term external debt in the event of a short-lived market shutdown, and to still provide about 20% coverage for foreign currency deposits. But it anticipated several banks to resort to the collection of maturing loans in foreign currency or expected the CBRT to relax mandatory reserves requirements on foreign-currency liabilities, in case of full market closure and domestic deposit outflows.

Source: Fitch Ratings

Oil prices to average $73 p/b in 2021

ICE Brent crude oil front-month prices reached $67.27 per barrel (p/b) on April 28, constituting their highest level so far in April, compared to a recent high of $69.63 p/b on March 11. The upward pressure on oil prices is mainly driven by increased optimism about a recovery in global fuel demand, despite the surge in the number of COVID-19 cases worldwide and the slow rollout of vaccines. Further, the decision of OPEC and non-OPEC producers on April, 27, 2021 to stick to the gradual lifting of restrictions on oil production between May and July 2021 shows that the group is confident about a recovery in oil demand. However, the recent surge in the number of new coronavirus cases in India, Brazil and Japan may limit the anticipated recovery. In parallel, Goldman Sachs expected global oil demand to significantly rebound in the coming months. It noted that targeted lockdown measures have limited the negative impact of the pandemic on economic activity, and added that countries with a high rate of vaccination, such as the U.K. and the U.S., exhibited higher economic activity. It projected global oil demand to significantly increase from the current level of 94.5 million barrels per day (b/d) to 99 million b/d in the third quarter of 2021, as the rollout of the vaccine accelerates in Europe, which would result in a pick-up in travel activity. Also, it anticipated global jet demand to recover by 1.5 million b/d, following the easing of international travel restrictions in May 2021. In parallel, it forecast oil prices to average $75 p/b in the second quarter of 2021, $80 p/b in the third quarter, and $75 p/b in the fourth quarter, as well as $73 p/b in 2021.
Source: Goldman Sachs, Refinitiv, Byblos Research

Global steel output up 10% in first quarter of 2021

Global steel production reached 487 million tons in the first quarter of 2021 and increased by 10% from about 443 million tons in the same period of 2020. Production in China totaled 271 million tons and accounted for 55.7% of global output in the covered period. India followed with 29.6 million tons (6.1%), then Japan with 23.7 million tons (4.9%), the U.S. with 20.4 million tons (4.2%), and Russia with 18.9 million tons (3.9%).
Source: World Steel Association, Byblos Research

Saudi Arabia's oil exports down 12% in February 2021

Total oil exports from Saudi Arabia, which include crude oil and other oil products, amounted to 6.85 million barrels per day (b/d) in February 2021, constituting a drop of 11.6% from 7.75 million barrels per day (b/d) in January and a decrease of 12.4% from 7.83 million b/d in February 2020. In parallel, crude oil output averaged 8.1 million b/d in February 2021, compared to an average of 9.1 million b/d in the preceding month and of 9.8 million b/d in February 2020. Further, oil export receipts reached $12.6bn in February 2021, decreasing by 11% from $14.1bn in January 2021 and declining by 1.4% from $12.8bn in February 2020.
Source: JODI, General Authority for Statistics

ME&A's oil demand to expand by 4.4% in 2021

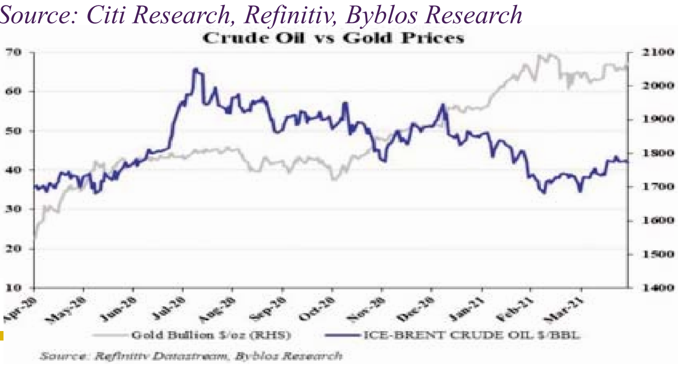
Consumption of crude oil in the Middle East & Africa is expected to average 12.2 million barrels per day (b/d) in 2021, which would constitute a rise of 4.4% from 11.69 million b/d in 2020. The region's demand for oil would represent 23.6% of demand in non-OECD countries and 12.6% of global consumption this year.
Source: OPEC

Base Metals: Copper prices to average $9,675 per ton in 2021

LME copper cash prices closed at $9,880 per ton on April 28, 2021, constituting an increase of 27.5% from $7,749 a ton at the end of 2020 and a surge of 113.6% from a low of $4,625 per ton in March 2020. The closing price of copper on April 28 was the highest since March 2011. Renewed concerns about supply disruptions in Chile and in Peru, a decrease in LME-registered inventories, as well as a weaker US dollar were the main drivers of the recent surge in copper prices. In addition, strong demand for the metal reinforced expectations of supply shortages this year, which also supported prices. As such, Goldman Sachs projected copper prices to average $9,675 per ton in 2021. The bank expected prices to reach $15,000 per ton in 2025, as a result of constrained supply and a surge in demand for copper amid de-carbonization efforts. In parallel, the latest available figures show that global demand for refined copper was 2 million tons in January 2021, constituting a decrease of 1.2% from the same month of 2020, as the 2% growth in Chinese demand partly offset the 5% decrease in demand from the rest of the world. In parallel, global refined copper production grew by 1.7% to 2.1 million tons in the first month of the year, as higher output from China, the Democratic Republic of the Congo and Zambia was partially offset by lower production in Brazil, Chile, India, Mexico, Russia, Spain and Sweden.
Source: ICSG, Goldman Sachs, Refinitiv

Precious Metals: Palladium prices at $2,775 an ounce in 2021

Palladium prices averaged $2,486 per troy ounce in the year-to-April 28, 2021 period, constituting an increase of 11.2% from an average of $2,235 an ounce in the same period last year. Prices surged to an all-time high of $2,930 an ounce on April 28, 2021 supported by expectations of a rebound in demand for palladium from the automotive sector, which accounts for 80% of the metal's global demand. Also, strong demand prospects amid expectations of supply disruptions from Norilsk Nickel, the world's largest palladium producer, supported the metal's price. In parallel, Citi Research projected palladium prices to increase in 2021, supported by expectations of a recovery in automotive output, the increasing probability of substituting rhodium for palladium and ongoing supply disruptions amid low inventories. It also expected the potential delays to the resumption of mining activity at Norilsk Nickel to support the rise in the metal's price. It projected palladium prices to increase from an average of $2,800 an ounce in the second quarter to $3,000 per ounce in the third quarter of 2021, and to reach $2,800 an ounce in the fourth quarter of the year. As such, it forecast prices to rise from an average $2,201 per ounce in 2020 to $2,775 an ounce this year.
Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
			LT Foreign currency rating										
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	B-	B2	CCC		B+								
	CWN**	RfD***	-	-	Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	B3	B	-	BB-								
	Stable	Negative	Stable	-	Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	B+	-	B+								
	-	Stable	Positive	-	Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-	BBB								
	Negative	Negative	Stable	-	Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-	B-								
	Stable	Negative	Stable	-	Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Tunisia	-	B3	B	-	B+								
	-	Negative	Negative	-	Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-	B+								
	Negative	Negative	Stable	-	Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+	B2	B+	BB-	B+								
	Stable	Stable	Stable	Negative	Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B	B-								
	-	-	-	Negative	Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+	B+								
	Stable	Stable	Negative	Stable	Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	AA-	A1	AA	AA-	AA-								
	Negative	Stable	Negative	Negative	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	SD	CCC								
	-	-	-	-	Negative	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	B+	Ba3	BB-	BB	BB-								
	Stable	Negative	Negative	Negative	Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+	A+								
	Stable	Negative	Negative	Stable	Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-	AA-								
	-	Stable	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	Stable	-	Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Negative	Negative	-	Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-	BBB-								
	Stable	Positive	Stable	-	Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB	Baa1	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Negative	Negative	Negative	-	Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+	B2	BB-	B+	B-								
	Stable	Negative	Stable	Stable	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
*** CreditWatch with negative implications*
****Review for Downgrade*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, IHS Markit, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.00-0.25	28-Apr-21	No change	16-Jun-21
Eurozone	Refi Rate	0.00	22-Apr-21	No change	10-Jun-21
UK	Bank Rate	0.10	18-Mar-21	No change	06-May-21
Japan	O/N Call Rate	-0.10	27-Apr-21	No change	18-Jun-21
Australia	Cash Rate	0.10	06-Apr-21	No change	04-May-21
New Zealand	Cash Rate	0.25	14-Apr-21	No change	26-May-21
Switzerland	SNB Policy Rate	-0.75	25-Mar-21	No change	17-Jun-21
Canada	Overnight rate	0.25	21-Apr-21	No change	09-Jun-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Apr-21	No change	20-May-21
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	18-Mar-21	No change	N/A
South Korea	Base Rate	0.50	15-Apr-21	No change	27-May-21
Malaysia	O/N Policy Rate	1.75	04-Mar-21	No change	06-May-21
Thailand	1D Repo	0.50	24-Mar-21	No change	05-May-21
India	Reverse repo Rate	4.00	07-Apr-21	No change	N/A
UAE	Repo Rate	1.50	16-Mar-20	No change	N/A
Saudi Arabia	Repo Rate	1.00	16-Mar-20	Cut 75bps	N/A
Egypt	Overnight Deposit	8.25	28-Apr-21	No change	17-Jun-21
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	19.00	15-Apr-21	No change	06-May-21
South Africa	Repo Rate	3.50	25-Mar-21	No change	20-May-21
Kenya	Central Bank Rate	7.00	29-Mar-21	No change	N/A
Nigeria	Monetary Policy Rate	11.50	23-Mar-21	No change	25-May-21
Ghana	Prime Rate	14.50	22-Mar-21	No change	24-May-21
Angola	Base Rate	15.50	29-Mar-21	No change	27-May-21
Mexico	Target Rate	4.00	25-Mar-21	Cut 25bps	13-May-21
Brazil	Selic Rate	2.75	17-Mar-21	Raised 75bps	05-May-21
Armenia	Refi Rate	5.50	16-Mar-21	No change	04-May-21
Romania	Policy Rate	1.25	15-Mar-21	Cut 25bps	12-May-21
Bulgaria	Base Interest	0.00	01-Apr-21	No change	03-May-21
Kazakhstan	Repo Rate	9.00	26-Apr-21	No change	07-Jun-21
Ukraine	Discount Rate	7.50	15-Apr-21	Raised 100bps	17-Jun-21
Russia	Refi Rate	5.00	23-Apr-21	Raised 50bps	11-Jun-21

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

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
Boulevard Bischoffsheim 1-8
1000 Brussels
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
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 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