650 ISSUES+
Issue 673 | May 20, 2021

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 360% of GDP at end-March 2021

The Institute of International Finance indicated that the global debt level, which includes the debt of governments, companies and households, reached $288.7 trillion (tn) at the end of March 2021, constituting a decline of 0.6% from $290.5tn at the end of 2020 and an increase of 11.2% from $259.7tn at end-March 2020. The debt of developed markets accounted for 71.3% of global debt, while the debt of emerging markets (EM) represented the remaining 28.7%. It noted that the debt level was equivalent to 360.4% of global GDP at the end of March 2021 compared to 332.4% of GDP a year earlier. It pointed out that the debt of non-financial corporates reached $84.6tn, or 101.4% of global GDP, at the end of March 2021, followed by government debt with $83.5tn (106.5% of GDP), financial sector indebtedness with $67.5tn (86.5% of GDP), and household debt with $53.3tn (66% of GDP). In parallel, it indicated that EM non-financial corporate debt totaled $37.1tn or 103.4% of GDP, followed by EM government borrowing at $20.2tn (60% of GDP), EM household debt at $16.3tn (46.3% of GDP), and financial sector indebtedness at $12.6tn (36.7% of GDP). Further, it pointed out that the debt of developed markets increased from $185.1tn, or 390.6% of GDP, at end-March 2020, to $202.5tn or 428.5% of GDP at the end of March 2021. Moreover, the debt level of emerging markets grew from $74.6tn, or 235% of GDP, at end-March 2020 to $86.2tn, or 246.3% of GDP, at the end of March 2021.

Source: Institute of International Finance

MENA

Arab fintech index shows regional disparities in adoption of financial technology

The Arab Monetary Fund ranked the UAE in first place among 15 Arab countries on the first edition of its Index of Modern Financial Technologies in Arab Countries (FinxAr). Saudi Arabia followed in second place, then Bahrain, Tunisia, Egypt, Palestine, Lebanon, Kuwait, Qatar, Morocco, Oman, Jordan, Yemen, Iraq, and Sudan. The index aims to identify developments in the financial technology industry (Fintech) and digital financial services in Arab countries, as well as the governments' efforts in enabling and promoting the adoption of Fintech during the 2018-20 period. The index is based on six sub-indices that represent the main pillars of financial technologies and that consist of Policies & Legislation, the Demand Side, Access to Finance, Financial Markets Infrastructure, Talent Development to Support Innovations, and Collaboration & Partnerships. The UAE came first on the Access to Finance and the Collaboration & Partnerships sub-indices, as well as on the Demand Side sub-index, which reflects the incentives given by the authorities to individuals and the private sector to use financial technologies. Also, Bahrain ranked in first place on the Policies & Legislation and the Financial Markets Infrastructure sub-indices. Further, Egypt ranked in first place on the Talent Development to Support Innovations category. The average score of the 15 Arab countries was 0.43, with five countries receiving a score higher than the regional average, while the scores of the remaining 10 countries came below the Arab average.

Source: Arab Monetary Fund

EMERGING MARKETS

Remittance flows to developing economies to rise by 3% to $553bn in 2021

The World Bank projected remittance inflows to low- and middle-income countries (LMICs) at $553bn in 2021, which would constitute an increase of 2.6% from an estimate of $540bn in 2020. It noted that the 1.6% decline in remittance inflows to LMICs in 2020 was smaller-than-expected and lower than the decrease of 4.9% registered during the global financial crisis in 2009. It attributed the anticipated growth in remittance flows to LMICs in 2021 mainly to the expected rebound in economic activity, notably in advanced economies, which will support inflows. It forecast remittance inflows to Latin America & the Caribbean to grow by 4.9% in 2021, followed by inflows to South Asia (+3.5%), the Middle East & North Africa (MENA) and Sub-Saharan Africa (SSA) (+2.6% each), and East Asia & the Pacific (+2.1%), while it projected inflows to Europe & Central Asia to decline by 3.2% this year. As such, it expected remittance flows to South Asia to reach $152bn and to account for 27.5% of total remittances to LMICs in 2021, followed by flows to East Asia & the Pacific with $139bn (25%), Latin America & the Caribbean with $108bn (19.5%), the MENA region with $57bn (10.3%), Europe & Central Asia with $54bn (9.8%), and SSA with $43bn (7.8%). The World Bank indicated that the outlook for remittance flows is subject to significant uncertainties, including the resurgence in the number of the COVID-19 infections or the emergence of new variants of the virus, which would affect the tourism and hospitality industries, among other sectors.

Source: World Bank

Trading in Credit Default Swaps down 17% to $431bn in first quarter of 2021

Trading in emerging markets Credit Default Swaps (CDS) reached $431bn in the first quarter of 2021, constituting a decrease of 17% from $521bn in the first quarter of 2020 and a rise of 44.6% from $298bn in the fourth quarter of 2020. The most frequently traded sovereign CDS contracts in the first quarter of 2021 were those of Turkey at $39bn, followed by Brazil at $38bn, and Indonesia at $34bn. As such, traded sovereign CDS contracts on Turkey accounted for about 9% of trading volume in emerging markets CDS in the covered quarter, followed by CDS contracts on Brazil (8.8%), and Indonesia (7.9%). Further, the most frequently traded corporate CDS contracts in the covered quarter were those of Mexico's state-oil company Pemex at about $2bn, which accounted for about 0.5% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, as well as from 12 major international banks and broker-dealers.

Source: EMTA

OUTLOOK

MENA

Tourism activity to return to pre-pandemic levels in 2023

The Institute of International Finance indicated that the COVID-19 outbreak significantly weighed on the oil-importing economies of the Middle East & North Africa (MENA) region that rely heavily on tourism, such as Egypt, Jordan, Lebanon, Morocco and Tunisia. It said that, prior to the pandemic, tourism contributed more than 15% of GDP and 35% of the foreign currency earnings of these countries, but noted that their tourism receipts fell by an average of 75% in 2020. It anticipated the pandemic to have a longer negative impact on the five tourism-dependent MENA economies than on Gulf Cooperation Council (GCC) countries, and projected recent increases in coronavirus cases in key source markets of tourists, such as the European Union, to delay the recovery of tourism receipts. It expected tourism in the MENA region to recover in 2022 and to return to pre-pandemic levels starting in 2023. It added that the pace of recovery of tourism activity in the region's oil-importing economies depends on the progress made in the roll out of vaccines and the quality of healthcare systems, and anticipated tourists from the GCC, the European Union, the United Kingdom, Russia, and the U.S. to spend their vacations in countries where healthcare systems are reliable and vaccination rates are relatively high.

In parallel, the IIF pointed out that the region's oil-importing and tourism-dependent economies entered the pandemic with limited fiscal space, and considered that authorities in the region need to follow the example of several emerging and developing economies that have provided financial support to their tourism sector and assisted firms to adapt their business models to the ongoing pandemic. It considered that downside risks to the projected recovery in tourism activity include the spread of mutations of the coronavirus and the slow rollout of vaccines. Also, it anticipated that additional healthcare costs, as well as social distancing measures, and restrictions at hotels and restaurants, would lead to a decline in tourism receipts in the region's tourism-dependent economies. It said that Egypt, Jordan, Lebanon and Tunisia could face repeated virus outbreaks before vaccines become available more widely, which would limit the probability of reaching herd immunity in these economies before the end of 2022 and, in turn, affect the tourism sector.

Source: Institute of International Finance

SAUDI ARABIA

Vision 2030 to develop domestic capital markets

S&P Global Ratings expected that Saudi Arabia's Vision 2030, a plan to diversify the Saudi economy away from the hydrocarbon sector and to expand the role of the private sector, will accelerate the development of the local debt capital markets. It said that the strategy would require about SAR12 trillion (tn), or the equivalent of $3.2tn, in funding. It estimated that about 24 of the Kingdom's major companies, mostly government-related entities (GREs), will invest around SAR5tn in projects under Vision 2030, while the Public Investment Fund (PIF) will inject SAR3tn, and a new national investment strategy program will help secure the remaining SAR4tn to finance these projects. It considered that banks will not be able to meet on their own the growing borrowing needs of the entities that are funding the projects, given the large investments required under Vision 2030 and their long-term nature. As a result, it anticipated that the Saudi sovereign, the GREs and corporates will resort to the capital markets to source a large part of the funds. It expected this trend to lead to a progressive rebalancing of the Kingdom's financial system and to the development of the domestic capital markets.

Further, it anticipated that sovereign issuances, along with the currency peg of the Saudi riyal to the US dollar, will attract to the Saudi bond market more foreign investors who are hunting for higher-yields in an environment of low global interest rates. In addition, it expected that riyal-denominated issuances will increase as the domestic capital markets develop, but it noted that issuances denominated in US dollars will continue to dominate the financial landscape. It anticipated the development of the Saudi debt markets to support the credit profiles of banks and corporates in the long term, especially their funding positions.

Source: S&P Global Ratings

QATAR

Economy to rebound on positive outlook

The Institute of International Finance indicated that authorities in Qatar have limited the fallout from the COVID-19 outbreak on the economy and projected real GDP to grow by 3.2% this year, following a contraction of 3.7% in 2020, supported by higher global oil and gas prices, a rebound in domestic demand, and the end of the diplomatic rift with Bahrain, Egypt, Saudi Arabia and the UAE. It forecast real hydrocarbon GDP to grow by 2.9% in 2021 and for activity in the non-hydrocarbon sector to expand by 3.3% this year. In addition, it considered that the expected increase in natural gas production will support growth prospects beyond 2021. It said that Qatar Petroleum announced $29bn in investments to expand its North Field, which will raise the production capacity of liquefied natural gas from 77 million tons to 110 million tons annually by 2025. It anticipated the expansion to lower Qatar's fiscal and external breakeven oil prices from around $50 per barrel (p/b) in 2020 to $30 p/b by 2025. It expected the government's fiscal policy to support the economic recovery in the short term, and forecast real GDP to expand by 4% in 2022. But it noted that authorities need to implement additional structural reforms to support economic diversification and raise potential growth over the medium-term.

In parallel, it considered Qatar's fiscal position to be sound, and projected the fiscal balance to shift from a deficit of 2.4% of GDP in 2020 to a surplus of 2.5% in 2021. It expected the fiscal balance to shift to sizeable surpluses beyond 2021, as the increase in non-hydrocarbon receipts will more than offset the projected rise in public expenditures. As such, it anticipated the public debt level to decline from 71.8% of GDP at end-2020 to 53% of GDP at end-2022. Also, it projected the current account balance to shift from a deficit of 2.5% of GDP in 2020 to a surplus of 6.3% of GDP in 2021. It expected resident capital outflows at about $26bn in 2021, due mainly to foreign investments by Qatar's sovereign wealth funds, and projected non-resident capital inflows at about $21bn this year, driven by loans to government-related entities and a significant increase in non-resident deposits. As such, it forecast public foreign assets to rise from $347.5bn, or 238% of GDP at end-2020 to $362.8bn, or 214% of GDP at end-2021.

Source: Institute of International Finance

AFRICA

Risks to sovereign ratings stabilize

Fitch Ratings indicated that risks to the ratings of the 19 sovereigns that it covers in Sub-Saharan Africa (SSA) have stabilized, but challenging conditions persist. It said that it has revised the outlook on the ratings of Cameroon and Nigeria from 'negative' to 'stable', and has a 'negative' outlook on the ratings of Kenya, Lesotho, Namibia, South Africa and Uganda, while only Benin and Côte d'Ivoire carry a 'positive' outlook. It added that Angola, the Republic of Congo, Ethiopia, Gabon, Mozambique and Zambia are rated 'CCC' or lower. It expected challenging public finances to weigh on the economic recovery of the SSA region. Also, it anticipated the region's median public debt level to increase from 68% of GDP at the end of 2020 to 75% of GDP by end-2022. It said that risks from the pandemic persist due to the slow deployment of vaccines in SSA. It pointed out that new waves of infections could raise financing pressures in the region, but it considered that their impact on the sovereigns' creditworthiness will be limited, given that containment measures became more targeted. Further, it anticipated international support initiatives to ease immediate liquidity pressures on SSA economies. However, it noted that global policymakers are encouraging SSA governments to address their elevated debt burdens through the G-20 Common Framework, which could require a restructuring of debt to the private sector that will likely qualify as a distressed debt exchange.

Source: Fitch Ratings

EGYPT

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Egypt's long- and short-term foreign and local currency sovereign credit ratings at 'B/B', with a 'stable' outlook on the foreign currency ratings. It attributed the rating affirmation to expectations that the authorities' ongoing implementation of fiscal and economic reforms will support medium-term growth prospects. Also, it anticipated that the economic recovery and lower domestic interest rates would put the public debt level on a downward path, but it expected the debt trajectory to be sensitive to fluctuations of the exchange and inflation rates, among other factors. It forecast the debt level and interest-to-revenue ratio to remain high at 89.3% of GDP and 48.6%, respectively, in the fiscal year that ends in June 2021, but expected them to decline starting in FY2021/22. It projected the government's gross financing needs at about 40% of GDP in FY2020/21, and considered that lower domestic interest rates would allow the government to reduce its debt rollover risks. In parallel, it attributed the 'stable' outlook to the agency's expectations that the pressures on the external and public debt metrics will start to decline in 2022. Further, the agency anticipated that the adequate level of foreign currency reserves, as well as Egypt's access to domestic and external debt markets, will allow the country to cover its higher external financing needs and upcoming maturities. However, S&P considered that a substantial decline in foreign currency reserves and the authorities' reduced ability to service the debt would lead to negative rating actions. It added that fiscal slippages, higher borrowing costs, or a significant depreciation of the currency that would prevent the debt level from declining in 2022 could also lead to negative rating actions.

Source: S&P Global Ratings

SUDAN

Additional financial support contingent on reforms

The International Monetary Fund indicated that Sudan has made sustained progress under its Staff Monitored Program, and expected the country to establish a six-month track record of satisfactory reforms. It said that the Sudanese authorities have unified the multiple exchange rates, freed-up important resources for social spending by reducing expensive and regressive subsidies, as well as enacted key laws and regulations to improve governance and the business climate. It expected real GDP growth to turn positive in 2021, but it anticipated macroeconomic conditions to be challenging due to elevated inflation rates and to the country's weak external position. It noted that Sudan has cleared its arrears with the World Bank and the African Development Bank with bridge financing from the United States and the United Kingdom, and added that authorities are stepping up efforts to clear Sudan's arrears to the IMF under the Heavily-Indebted Poor Country (HIPC) debt relief initiative. It said that the Fund approved a financing plan of about $1.4bn to mobilize the necessary resources to clear the country's arrears to the IMF, which would allow Sudan to fully benefit from the new special drawing rights (SDR) allocation that the Fund will formally consider soon. But it pointed out that member countries of the IMF need to make formal financial pledges and secure additional cash grants to fill a residual financing gap of $36m, in order for Sudan to benefit from the SDR allocation. It indicated that member countries would provide the necessary financial commitments in case authorities continue their strong reform efforts and meet the other requirements stipulated under the HIPC process, which would unlock significant new financial resources to address Sudan's large development and poverty reduction needs.

Source: International Monetary Fund

GHANA

Real GDP growth to rebound to 4.8% in 2021

The International Monetary Fund indicated that authorities in Ghana responded effectively to the fallout from the COVID-19 outbreak. It projected real GDP to grow by 4.8% in 2021, following a contraction of 0.4% in 2020, supported by the strong policy response to the pandemic as well as by a rebound in the mining and services sectors. Also, it indicated that the inflation rate surged to double digits last year due to higher prices of food, but expected it to drop to the Bank of Ghana's target of 8% by the end of 2021. In parallel, the IMF considered that authorities should step up fiscal consolidation efforts to address pre-existing fiscal rigidities and public debt vulnerabilities that the pandemic exacerbated, and to create space for social, healthcare, and development spending. It said that the fiscal deficit, including liabilities in the energy and financial sectors, reached 15.5% of GDP in 2020, while gross financing needs exceeded 20% of GDP last year. As such, it noted that the public debt level rose from 64.4% of GDP at the end of 2019 to 78% of GDP at the end of 2020. It called on authorities to implement revenues and spending measures progressively, given the social implications of such measures. It anticipated the energy sector to drive the rise in the public debt level, in case authorities do not address the sector's financial viability, as well as improve its efficiency and revenue collection.

Source: International Monetary Fund

BANKING

SAUDI ARABIA

Low risks for banking sector's funding

S&P Global Ratings maintained Saudi Arabia's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', and its economic and industry risk scores at '5' and '3', respectively. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 4' include Ireland, Kuwait, Malaysia, New Zealand, Poland, Slovenia, Spain, and Taiwan. The agency indicated that Saudi Arabia's economic risk score reflects its "high risk" in economic resilience, as well as "intermediate risks" in economic imbalances and credit risks in the economy. It expected credit growth to expand by more than 10% in the 2021-2022 period, following a 14% increase in 2020. However, it anticipated asset quality at Saudi banks to deteriorate as banks lift payment deferrals in the current year. As such, it expected credit losses to reach 1.2% of total loans in 2021 and 1.1% in 2022. Further, under its base-case scenario, it expected the cost of risk to exceed 100 basis points in 2021, before normalizing in 2022. It said that the trend for economic risk is 'stable'. In parallel, S&P said that the industry score reflects the country's "intermediate risk" in its institutional framework and competitive dynamics, as well as "low risk" in its system-wide funding. It said that the 'stable' trend for the industry risk reflects the agency's expectations that banks will maintain high levels of core deposits and that their strong liquidity metrics will remain intact.

Source: S&P Global Ratings

JORDAN

Private sector lending up 2% in first quarter of 2021

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD57.3bn, or $80.8bn at the end of March 2021, constituting increases of 0.4% in the first quarter of the year and of 5.2% from end-March 2020. Claims on the resident private sector grew by 2.2% from the end of 2020 to JD26.8bn and credit to the non-resident private sector expanded by 3.7% to JD635.7m, leading to an expansion of 2.3% in overall private sector credit facilities in the first quarter of 2021. Lending to the resident private sector accounted for 46.8% of total assets at the end of March 2021 compared to 46.4% a year earlier. In parallel, resident private sector deposits reached JD29.2bn at the end of March 2021 and rose by 1.3% from JD28.85bn at end-2020; while non-resident private sector deposits stood at JD4.9bn, up by 3.1% in the first quarter of the year and by 21.5% from the end of March 2020. Also, the government's deposits totaled JD912.8m and those of public non-financial institutions reached JD253.4m at the end of March 2021. Claims on the public sector accounted for 23.1% of total assets at end-March 2021 compared to 22.9% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.9bn, or $8.3bn, at end-March 2021, down by 3.8% from end-2020 and up by 7.3% from a year earlier; while capital accounts and allowances stood at JD8.8bn, or $12.5bn, and increased by 0.8% in the first quarter of 2021. Also, deposits at foreign banks reached JD3.9bn, or $5.5bn, at end-March 2021 and dropped by 13.4% in the first quarter of the year; while the sector's foreign liabilities totaled JD9.4bn, or $13.3bn, down by 1.1% from end-2020.

Source: Central Bank of Jordan

PAKISTAN

Banks highly exposed to government securities

In its periodic review of the ratings of five Pakistani banks, Moody's Investors Service indicated that the 'B3' long-term local currency deposit ratings of Habib Bank, National Bank of Pakistan (NBP), United Bank, MCB Bank, and Allied Bank mainly reflect the banks' baseline credit assessments (BCAs), which shows the banks' standalone intrinsic strength in the absence of government support. It said that the ratings of United Bank, MCB Bank, and Allied Bank are supported by a BCA of 'b3' and mirror Pakistan's sovereign ratings due to the banks' high exposure to government securities. It pointed out that the ratings are underpinned by a steady deposit-based funding profile and high liquidity buffers. But it noted that the ratings of the three banks are constrained by pressures on asset quality and profitability from the coronavirus pandemic. In parallel, it indicated that the ratings of Habib Bank and NBP are supported by a BCA of 'caa1', as well as by the high probability of government support in case of need, which reflects their systemic importance. It said that the BCA of Habib Bank shows its modest capital buffers as well as the risks on asset quality and profitability as a result of the pandemic. Further, it noted that the BCA of NBP is constrained by the high level of non-performing loans, in addition to modest capital buffers and substantial contingent liabilities. It added that the ratings of Habib Bank and NBP are supported by the banks' stable deposit-based funding profile and adequate liquidity buffers. Further, it indicated that the two banks' creditworthiness is linked to that of the government due to their holdings of government securities.

Source: Moody's Investors Service

NIGERIA

Banks' credit fundamentals stabilize

Fitch Ratings indicated that the outlook for the credit fundamentals of Nigerian banks has stabilized following the COVID-19 shock, as short-term risks from the economic impact of the pandemic diminished. It added that it has removed the majority of the banks' ratings from Rating Watch Negative. It said that the banks' profitability, capitalization, funding and liquidity metrics have been resilient during the pandemic. It noted that the deterioration of the banks' asset quality has so far been limited, due to the forbearance and debt relief measures extended to borrowers. It expected the sector's non-performing loans ratio to increase to 10% once support measures end, which would be lower than the pre-COVID-19 level. In parallel, it indicated that two Nigerian banks have returned to the international debt markets for the first time in three years. It pointed out that the issuances were significantly oversubscribed, which reflects strong investors' demand amid improved market sentiment and low interest rates in developed markets. It anticipated the appetite of investors for such issuances to persist due to favorable global financing conditions. It expected the banks to use the proceeds from the Eurobond issuances to refinance their US dollar obligations and to extend domestic and regional loans in foreign currency, as well as to reduce their funding costs and lengthen their funding maturities. It predicted that additional Nigerian banks will tap the Eurobond market in the 2021-22 period in order to take advantage of the favorable financing conditions as well as to lengthen their funding maturity profiles and raise funding in foreign currency.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $62 p/b in 2021

ICE Brent oil front-month prices reached $66.66 per barrel (p/b) on May 19, 2021 constituting a drop of $2.05 or 3% from $68.71 p/b a day earlier, and representing their lowest level since April 27. However, prices increased to $69.46 p/b on May 18, reaching their highest level since March 11, as optimism for oil demand surged with the reopening of the U.S. and European economies. However, the recent downward pressure on oil prices was mainly driven by renewed concerns from rising coronavirus cases in Asia, specifically in India, Taiwan, Thailand and Vietnam. In parallel, the U.S. Energy Information Administration (EIA) estimated the global consumption of petroleum and liquid fuels at 96.2 million barrels per day (b/d) in April 2021, constituting an increase of 15.8 million b/d from the same month of the previous year, but still below the April 2019 levels by 4 million b/d. It forecast global consumption of petroleum and liquid fuels to average 97.7 million b/d in 2021 and 101.4 million b/d in 2022. Further, it noted that Brent oil prices were stable in April 2021 as countries such as the U.S. saw a rise in oil demand due to an increase in economic activity, while oil demand in countries such as India declined sharply due to the rise in the number of coronavirus cases. It expected oil prices to average $65 p/b in the second quarter of 2021, $63 p/b in the third quarter, $60 p/b in the fourth quarter, $62 p/b in 2021, and $61 p/b in 2022.
Source: EIA, Refinitiv, Byblos Research

Middle East demand for gold bars and coins down 5% in first quarter of 2021

Net demand for gold bars and coins in the Middle East totaled 14.4 tons in the first quarter of 2021, constituting a decline of 5.4% from 15.2 tons in the same period of 2020. It accounted for 4.2% of global demand for bars and coins in the covered period. Gold demand in Iran reached 6.2 tons, representing 43% of the region's total demand. Saudi Arabia followed with 3.2 tons (22.2%), then the UAE with 2.3 tons (16.2%), Kuwait with 1.1 tons (7.4%), and Egypt with 0.7 tons (5%).
Source: World Gold Council, Byblos Research

OPEC's oil basket price down 2% in April 2021

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $63.24 per barrel (p/b) in April 2021, down by constituting a decline of 2% from $64.56 p/b in March 2021. Equatorial Guinea's Zafiro price was at $64.75 p/b, followed by Nigeria's Bonny Light at $64.17 p/b, and Saudi Arabia's Arab Light at $64.09 p/b. All prices in the OPEC basket posted monthly decreases of between $0.31 p/b and $2.04 p/b in April 2021.
Source: OPEC

OPEC oil output unchanged in April 2021

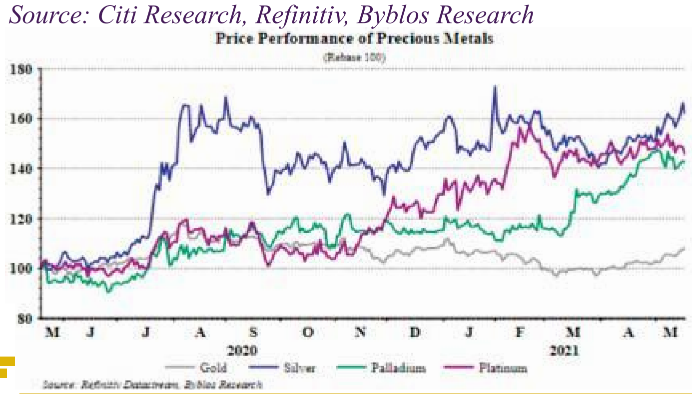
Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 25.1 million barrels per day (b/d) in April 2021 and was nearly unchanged from 25 million b/d in March 2021. Saudi Arabia produced 8.1 million b/d, or 32.4% of OPEC's total output, followed by Iraq with 3.9 million b/d (15.6%), the UAE with 2.6 million b/d (10.4%), Iran with 2.4 million b/d (9.5%), and Kuwait with 2.3 million b/d (9.3%).
Source: OPEC

Base Metals: Aluminum prices to average $2,471 per ton in 2021

The LME cash price of aluminum averaged $2,149 per ton in the first four months of 2021, constituting an increase of 31.6% from an average of $1,633 a ton in the same period of 2020. Further, prices closed at $2,530 per ton on May 7, 2021, their highest level since April 2018. Concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry, were the main driver of the increase in aluminum prices. In addition, strong demand for the metal, decreasing LME-registered inventories and improved prospects of a global economic recovery contributed to the rise in prices. However, aluminum prices declined to $2,384 per ton on May 19, as a higher-than-expected inflation rate in the U.S. triggered worries about tighter credit conditions that would weigh on the demand for commodities. In addition, prices regressed due to statements by Chinese authorities that the markets interpreted as potentially placing caps on commodity prices. In parallel, Citi Research indicated that the physical aluminum market is at its tightest level in years, as global inventories have been declining significantly. It projected prices to average $2,471 per ton in 2021 and $2,763 a ton in 2022, as it expected a decline in supply from global efforts to reduce carbon emissions and persistent demand for the metal to lead to supply deficits in the aluminum market starting in 2021, which would support prices in the next few years.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices up 38% in year-to-May 19 period

Platinum prices averaged $1,179 per troy ounce in the year-to-May 19, 2021 period, constituting an increase of 38.4% from an average of $851.8 an ounce in the same period of 2020, with prices reaching a six-year high of $1,294 per ounce on February 19 of this year. A weaker dollar, higher inflation rates, and declining real interest rates globally drove the rise in the metal's price and reinforced the appeal of platinum as a hedge against inflationary pressures. Also, anticipations that the economic recovery would boost demand for platinum in industrial and global automotive production supported the metal's price. In parallel, Citi Research projected platinum prices to increase throughout 2021, supported by expectations of robust industrial demand, the ongoing substitution of palladium for platinum, as well as by longer-term demand prospects for hydrogen fuel-cells. As such, it projected platinum prices to increase from an average of $1,200 per ounce in the second quarter of 2021 to $1,250 an ounce in the third quarter, and to reach $1,300 per ounce in the fourth quarter of the year. As such, it forecast prices to rise from an average $886 an ounce in 2020 to $1,225 per ounce in 2021.
Source: Citi Research, Refinitiv, Byblos Research



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								
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	Negative	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	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												
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	06-May-21	No change	24-Jun-21
Japan	O/N Call Rate	-0.10	27-Apr-21	No change	18-Jun-21
Australia	Cash Rate	0.10	04-May-21	No change	01-Jun-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-May-21	No change	21-Jun-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	06-May-21	No change	08-Jul-21
Thailand	1D Repo	0.50	05-May-21	No change	23-Jun-21
India	Reverse repo Rate	4.00	07-Apr-21	No change	04-Jun-21
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	06-May-21	No change	17-Jun-21
South Africa	Repo Rate	3.50	20-May-21	No change	22-Jul-21
Kenya	Central Bank Rate	7.00	29-Mar-21	No change	26-May-21
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	13-May-21	No change	24-Jun-21
Brazil	Selic Rate	3.50	05-May-21	Raised 75bps	16-Jun-21
Armenia	Refi Rate	6.00	04-May-21	Raised 50bps	N/A
Romania	Policy Rate	1.25	12-May-21	No change	07-Jul-21
Bulgaria	Base Interest	0.00	03-May-21	No change	01-Jun-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