

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

FDI flows to decline by 15% in 2020 if coronavirus outbreak persists throughout the year

The United Nations Conference on Trade & Development (UNCTAD) forecast global foreign direct investment (FDI) flows to decline by 5% in 2020 if the spread of the coronavirus is contained in the first half of this year. However, it expected FDI flows to contract by 15% and to reach their lowest level since the 2008-09 financial crisis, in case the virus outbreak persists throughout 2020. The UNCTAD had previously projected global FDI flows to increase by 5% in the 2020-21 period. In parallel, it pointed out that the virus outbreak could weigh on the profits of multinational enterprises (MNEs) and, in turn, reduce their reinvested earnings, which is a major component of FDI. It projected the average earnings of the top 5000 listed MNEs worldwide, which account for a significant share of global FDI, to decline by 9% in 2020. It expected the average earnings of automotive firms worldwide to drop by 44% in 2020, followed by the profits of airlines (-42%), the income of hotels & restaurants (-21%), and the earnings of corporates in the basic materials and energy sectors (-13% each). Also, it forecast the earnings of companies in developing countries to decline by 16% this year, followed by the profits of firms in transition economies (-10%), and the income of companies in developed countries (-6%). It anticipated that, among developing economies, the earnings of Asian companies would drop by 18% in 2020, followed by the income of firms in Latin America & the Caribbean (-6%), and the profits of African corporates (-1%).

Source: UNCTAD

MENA

Country risk level stable in fourth quarter of 2019

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was stable in the fourth quarter of 2019, as the average score of 18 Arab economies was 42.13 points relative to 42.12 points in the third quarter of 2019. A higher score represents a lower country risk level. The region's risk level was higher than the global risk level of 47.27 points. The average score of Gulf Cooperation Council (GCC) countries was 59.74 points in the fourth quarter of 2019 relative to 58.81 points in the preceding quarter, while the average score of non-GCC countries stood at 33.33 points compared to 33.77 points in the third quarter of 2019. The Arab world's Political Assessment score of 13.83 points was lower than the global average of 16.49 points, while its Economic Assessment score of 14.85 points was below the global average of 16.46 points. Also, the region's Structural Assessment score was 4.44 points relative to the global average of 4.49 points, while the Access to International Capital Markets average score stood at 4.58 points compared to a global average of 4.53 points. Further the Arab world's Debt Indicators score was 4.44 points, below the global score of 5.3 points. In parallel, Qatar had the lowest country risk level in the Arab world and the 27th lowest globally, followed by Kuwait (36th), the UAE (37th), Saudi Arabia (46th), and Oman (50th) as the five Arab countries with the lowest country risk level. In contrast, Libya (151st), Yemen (157th), Sudan (161st), Mauritania (162nd), and Syria (174th) had the highest country risk level in the region.

Source: Euromoney Group, Byblos Research

Arab countries to incur at least \$42bn in output losses in 2020

In its assessment of the economic cost of the coronavirus pandemic on Arab countries in 2020, the United Nations Economic and Social Commission for Western Asia (ESCWA) estimated that the Arab region would incur at least \$42bn in aggregate GDP losses this year. It said that the losses could be higher when factoring in the impact of lower global oil prices and the spread of the virus to major economies. It noted that governments in the region have enforced measures to fight the virus outbreak in their respective countries, including closing malls, parks, schools and universities; suspending unnecessary workplace attendance; as well as restricting travel. It said that the longer these measures are in place, the heavier the economic cost will be on Arab countries. Further, the ESCWA estimated that Arab countries have lost about \$11bn in net oil revenues between January and mid-March 2020, and are losing about \$550m per day based on current oil prices. It considered that the losses of the region's oil exporters significantly outweigh the gains of the region's oil importers. In parallel, it estimated that businesses in Arab countries have lost about \$420bn in market capitalization between January and mid-March 2020, which is equivalent to about 8% of the region's aggregate capital wealth. Further, it anticipated that the coronavirus would result in at least 1.7 million jobs losses in the region in 2020, which would increase the unemployment rate by 1.2 percentage points. It said that the implementation of "social distancing" is hurting employment across all sectors, especially the services sector, which constitutes a main provider of jobs in the Arab region.

Source: ESCWA

IPOs at \$30bn in fourth quarter of 2019

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled \$30bn in the fourth quarter of 2019 compared to \$1.1bn in the same quarter of 2018. There were five IPOs in the MENA region in the fourth quarter of 2019 relative to seven public listings in the same quarter of 2018. In comparison, there was one IPO that raised \$57.6m in the first quarter of 2019, six deals that brought in \$2.8bn during the second quarter, and two IPOs that amassed \$190m in the third quarter of last year. As such, there were 14 IPOs in the MENA region that raised \$33.1bn in 2019 relative to 26 deals that brought in \$3bn in 2018. Capital raised through IPOs in the MENA region accounted for 35.5% of total capital raised through IPOs worldwide in the fourth quarter of 2019, while the number of IPO deals in the region represented 1.4% of the number of global listings. The surge in the capital raised through IPOs in the MENA region in the covered quarter is due to the listing of the Saudi Arabian Oil Company, Saudi Aramco, which amounted to \$29.4bn, constituting the largest IPO on record worldwide. The Saudi IPO accounted for 98% of total capital raised through IPOs in the MENA region in the fourth quarter of 2019. In addition, there was one IPO in Qatar that raised \$395.6m in the covered quarter, equivalent to 1.3% of the MENA region's total deal value; one deal in Egypt worth \$108.7m, or 0.4% of the total; as well as one IPO in Kuwait that raised \$33m and one deal in Oman worth \$23.1m (0.1% each).

Source: EY

OUTLOOK

GCC

Non-hydrocarbon activity to contract by 5% in 2020 on global pandemic

Goldman Sachs considered that the coronavirus outbreak and the collapse of the OPEC agreement to cut oil production will have a significant adverse impact on Gulf Cooperation Council (GCC) economies. It forecast the GCC region's non-hydrocarbon GDP to contract by 5% in 2020 due to the spread of the virus, but it expected the impact of the virus outbreak to vary across the region, with the UAE facing the greatest near-term risks. It considered that the contraction in the GCC non-hydrocarbon economy in 2020 will be consistent with the adverse impact of the pandemic on other emerging and developed economies globally. But it expected GCC countries to have a much more limited recovery in non-hydrocarbon economic activity than oil importers, once the pandemic is over, given the recent decline in global oil prices.

Further, it anticipated that the collapse of the OPEC agreement will have a more significant impact than the pandemic on public finances and on the external position of GCC economies. It estimated that the drop in global oil prices would likely lead to a decline of 33% in government revenues across the region this year. It projected the GCC region's average fiscal deficit to widen to 13% of GDP in 2020 under its baseline scenario, and to gradually improve thereafter to reach a balanced fiscal position in 2022. It noted that the baseline scenario forecasts oil prices to decline to \$20 per barrel (p/b) in the second quarter of 2020 and to recover to \$60 p/b by end-2021. Under this scenario, it anticipated Qatar to be the best positioned country in the GCC from a fiscal perspective with an anticipated surplus of 6.5% of GDP in 2022, while it forecast Oman's fiscal deficit to be the widest at 4.9% of GDP. In contrast, it projected the region's fiscal deficit at 14% of GDP in 2020 and at around 3% of GDP in 2022 under a downside scenario, where prices would decrease to \$20 p/b in the second quarter of 2020 and gradually rise to \$50 p/b by end-2021. In addition, it anticipated external dynamics to be the most challenging in Bahrain and Oman, while it expected external buffers in the remaining GCC countries to be sufficient to absorb the impact of lower oil prices even under the downside scenario.

Source: Goldman Sachs

SAUDI ARABIA

Economic impact of coronavirus outbreak highly uncertain

Jadwa Investment projected Saudi Arabia's non-hydrocarbon real GDP growth to decelerate from 3.3% in 2019 to 1.6% in 2020 due to the negative impact of the precautionary measures that authorities introduced to contain the spread of the coronavirus on the retail, restaurants and hotels sectors, among others. Still it noted that mega-projects under the Public Investment Fund will support construction activity, and that the Vision Realization Program will provide support to several economic sectors. It pointed out that the impact of the virus outbreak on the Kingdom's economy is highly uncertain. It said that a prolonged worldwide pandemic could lead to a broad and sustained disruption to global trade and manufacturing output in 2020, which will weigh on the Saudi economy. Further, it forecast growth in the hydrocarbon sector at 13% this year following a contraction of 3.6% in 2019, supported by higher output. It projected real GDP growth at 6.3% in 2020, in case the recovery in hydrocarbon output materializes.

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In parallel, Jadwa forecast the Kingdom's fiscal deficit to widen from 4.3% of GDP in 2019 to 7.8% of GDP in 2020, and to miss the Ministry of Finance's target deficit of 6.4% of GDP for this year due to lower oil receipts. It anticipated that authorities would introduce additional fiscal stimulus in case of a prolonged and sustained impact of the coronavirus on the economy. Also, it projected the public debt level to rise from 22.3% of GDP at end-2019 to 25.6% of GDP at end-2020, and expected authorities to finance the deficit mostly through the drawdown of deposits at the Saudi Arabian Monetary Authority (SAMA). In addition, it forecast the current account surplus to decrease from 4% of GDP in 2019 to 0.9% of GDP this year, due to lower hydrocarbon and non-hydrocarbon export receipts. As such, it anticipated the overall decline in export revenues to result in a drop of \$14bn in SAMA's net foreign currency reserves to \$485bn at end-2020.

Source: Jadwa Investment

AFRICA

Economic activity to be affected by lower commodity prices, tourism and remittance inflows

S&P Global Ratings anticipated that the immediate economic impact of the coronavirus pandemic on African economies will be mainly from lower commodity prices, reduced tourism and remittance inflows, and from more restricted access to global capital markets or to portfolio investments. It expected countries with a high dependence on hydrocarbon receipts, such as Algeria, Nigeria and Angola, to be affected significantly due to lower global oil prices and hydrocarbon export receipts. In contrast, it considered that oil-importing countries in Africa, such as Tunisia and Egypt, will benefit from the decline in oil prices, through narrower current account deficits and lower spending on fuel subsidies. Further, it indicated that the impact of the pandemic on tourism receipts will depend on the success in containing the spread of the virus ahead of Africa's peak tourism season, which is typically between May and September. It also anticipated remittance inflows to Africa to decline, as European countries, which are the main source of remittance flows to the continent, are struggling with the economic impact of the virus. It said that African economies with high levels of external debt or wide current account deficits will be affected by the reduced appetite of investors for riskier assets. Moreover, the agency considered that the African continent could be the most affected worldwide by the virus outbreak due to its underdeveloped healthcare systems.

In parallel, IHS Markit indicated that economies in Sub-Saharan Africa (SSA) are highly vulnerable to the secondary effects of the coronavirus outbreak, notably due to the slowdown in the Chinese economy. It anticipated that reduced Chinese demand for commodity imports, low commodity prices, and disruptions at ports in 2020 would slow economic growth, worsen the balance of payments of SSA countries that depend on trade with China, and increase the pressures on the public finances of commodity exporters. It expected the decline in agricultural exports in East Africa, amid lower Chinese demand and ongoing destruction of crops by the locust swarms, to have the most immediate drag on growth in that region, especially on Ethiopia. It noted that the disruption to manufacturing activity is likely to be concentrated in Côte d'Ivoire, Ethiopia, Rwanda and South Africa, given their reliance on Chinese imports and end-markets, but it added that this would not have a significant impact on their economic growth.

Source: S&P Global Ratings, IHS Markit

March 26, 2020

ECONOMY & TRADE

WORLD

Global economy to contract by 1.5% in 2020

The Institute of International Finance projected global real GDP to contract by 1.5% in 2020, relative to growth forecasts of +2.6% in October 2019 and of +0.4% on March 19, 2020. It noted that worldwide shutdowns to contain the spread of the coronavirus, as well as the sudden stop in global capital markets, large capital outflows from emerging markets (EMs), and the OPEC oil price war have substantially changed the outlook on the global economy. It added that downside risks to the growth outlook are significant, as its forecasts assume a normalization of global economic activity and a return to positive global growth in the second half of 2020. It expected real GDP to contract by 2.8% in the U.S. and by 4.7% in the European Union in 2020. In parallel, it said that the coronavirus and market stress have affected EMs through subdued economic growth and weak investment activity. Also, it anticipated strong spillovers on EMs from low growth in China, projected at 2.8% in 2020, especially for commodity-exporting countries. It projected real GDP in EMs to grow by 1.1% in 2020, down from a forecast of 4.2% in October 2019. It expected low commodity prices, financial dislocation, and recession in key trading partners to significantly constrain economic activity in EM Asia and Latin America. It anticipated EM Asia to grow by 2.4% in 2020, while it expected Latin America to enter into a deep recession in 2020 and to post an economic contraction of 2.7% in 2020. Also, it projected real GDP in Central & Eastern Europe, the Middle East and Africa to shrink by 0.5% in 2020.

Source: Institute of International Finance

EGYPT

Outbreak of coronavirus to weigh on fiscal and external balances

Fitch Ratings anticipated that the outbreak of the coronavirus will weigh on Egypt's external finances, economic growth and fiscal performance. First, it projected Egypt's tourism receipts to be insignificant, given the stand-still in international tourism flows, and noted that a recovery in tourism activity to pre-crisis levels will take time, even if travel restrictions are lifted. It noted that this would negatively affect the country's external position and economic growth. Second, it anticipated that subdued international demand will constrain Egypt's merchandise exports and receipts from traffic through the Suez Canal, and that remittance inflows could also decline. It added that lower domestic demand will reduce imports, but it did not expect the drop in imports to be sufficient to prevent a significant widening of the current account deficit. It considered that the scale of the deterioration in the country's external balance will depend on how long the pandemic will affect global demand. Third, Fitch said that the global financial turmoil likely resulted in portfolio outflows from Egypt in March 2020, and that it could lead to additional outflows in the next six months. As such, it anticipated that the wider current account deficit, combined with portfolio outflows, will weigh on Egypt's international reserves and/or on the exchange rate. It expected that the Central Bank of Egypt's official foreign reserves, which stood at \$45.5bn at the end of February, will be sufficient to provide a buffer against short-term volatility caused by capital outflows. However, it cautioned that such reserves may be rapidly depleted in case of sustained outflows.

Source: Fitch Ratings

OMAN

Agencies downgrade sovereign ratings

Fitch Ratings downgraded Oman's long-term foreign-currency Issuer Default Rating from 'BB+' to 'BB', with a 'negative' outlook. It attributed the rating downgrade and the 'negative' outlook to the continued deterioration in the country's fiscal and external balances, which could accelerate in case global oil prices remain at low levels. It noted that the 2020 budget, which is based on an oil price of \$58 per barrel, targets a deficit of between 8% of GDP and 9% of GDP this year. However, it estimated that the deficit could be wider than the target by more than six percentage points of GDP in 2020, if oil prices remain at about \$34 per barrel for the rest of the year. In this case, it anticipated that the government would cut spending and accelerate fiscal reforms to contain the widening of the deficit, and could also increase oil production. It also projected the public debt level to rise from 60% of GDP at end-2019 to 70% of GDP at end-2020, in case oil prices remain at current levels. In parallel, Moody's Investors Service downgraded Oman's long-term issuer and senior unsecured ratings from 'Ba1' to 'Ba2', and revised the outlook on the rating from 'negative' to 'stable'. It attributed the rating downgrade to a deterioration in Oman's fiscal strength, as reflected by a higher-than-expected public debt level and weaker-than-anticipated debt affordability metrics. It anticipated the debt level to continue to rise in the next two years, despite its expectation that the government would implement a significant medium-term fiscal adjustment program that aims to slow down and eventually reverse the rise in the debt burden.

Source: Fitch Ratings, Moody's Investors Service

MAURITANIA

Macroeconomic stability contingent on the sustained implementation of reforms

The International Monetary Fund indicated that Mauritania's performance under the IMF-supported program has been strong, as authorities continue to implement prudent economic policies and are proceeding with reforms. It noted that the government's efforts helped maintain macroeconomic stability and strengthen debt sustainability in 2019. It said that real GDP grew by about 6% in 2019, supported by strong activity in the extractive and non-extractive sectors, as well as by favorable trade conditions. It indicated that the fiscal balance posted a sizable surplus last year, which helped reduce the external public debt level. Further, it noted that foreign currency reserves increased from \$918m at the end of 2018 to \$1.14bn at end-2019, while the inflation rate was at 2.3% in 2019. However, the Fund anticipated that the slowdown in global economic activity and decline in commodity prices, which resulted from the coronavirus outbreak, will weigh on the country's economy in 2020. It added that the worsening of the coronavirus pandemic and the prevailing domestic security threats pose significant downside risks to Mauritania's growth prospects. The Fund encouraged authorities to continue to prepare for a possible outbreak of the virus in the country, and announced its readiness to support Mauritania in responding to the economic impact of the virus through its emergency financing facilities. Further, it called on authorities to continue implementing prudent economic policies and structural reforms amid the prevailing uncertain global environment.

Source: International Monetary Fund



BANKING

EGYPT

Coronavirus outbreak to have adverse implications on banking sector

Fitch Ratings and Moody's Investors Service indicated that the coronavirus outbreak will adversely affect the credit growth, asset quality and profitability metrics of Egyptian banks in 2020, despite the Central Bank of Egypt's (CBE) recently-announced interest rate cuts and other measures to support the economy. The two agencies expected the banks' lending growth to slow down this year, due to weaker economic activity, as well as to lower demand and delays in capital expenditures. Further, they anticipated that a coronavirus-driven slowdown in business activity and disruptions to the trade and services sectors, which account for a significant share of the country's GDP, will weigh on the banks' asset quality in 2020. Fitch indicated that the challenging operating environment will more likely affect banks that have a higher exposure to small businesses, while Moody's said that the CBE's deferral of loan payments of small- and medium-sized enterprises will only mask and delay the recognition of problem loans at banks. Further, Moody's expected the banking sector's profitability to weaken this year, amid subdued lending growth, higher loan provisioning, and lower fee and commission income. The two agencies anticipated that the CBE's recent interest rate cut of 300 basis points will squeeze the banks' interest margins, given that a high proportion of the banks' assets consists of cash, interbank placements and short-term Treasury bills that yield lower interest income. Further, Moody's indicated that banks are well-positioned to weather the challenging conditions without jeopardizing financial stability, given their strong funding and liquidity, as well as their limited exposure to riskier business and consumer loans.

Source: Fitch Ratings, Moody's Investors Service

OMAN

Agencies take rating actions on banks

Moody's Investors Service downgraded from 'Ba2' to 'Ba3' the long-term foreign currency deposit ratings of Bank Muscat, Bank Dhofar, National Bank of Oman (NBO), Sohar International Bank (SIB), HSBC Bank Oman (HBON), Oman Arab Bank (OAB) and Bank Nizwa. In addition, it affirmed at 'Ba1' the long-term local currency deposit rating of HBON and at 'Ba2' the rating of Bank Nizwa, while it lowered from 'Ba1' to 'Ba2' the ratings of the other banks. It revised the outlook on all the ratings from 'negative' to 'stable'. Further, it downgraded the Baseline Credit Assessment (BCA) of Bank Muscat, NBO, HBON and OAB by one notch each, while it affirmed the BCA of Bank Dhofar, SIB, and Bank Nizwa. In parallel, Fitch Ratings downgraded from 'BBB-' to 'BB+' the long-term Issuer Default Rating (IDR) of HBON, from 'BB+' to 'BB' the rating of Bank Muscat, from 'BB' to 'BB-' the IDRs of Bank Dhofar, NBO, and Ahli Bank (ABO), and from 'BB' to 'B+' the rating of SIB. In addition, it lowered the Viability Rating (VR) of SIB by two notches, while it downgraded the VRs of the other six banks by one notch each. Fitch has a 'negative' outlook on all the banks' ratings, except for SIB that has a 'stable' outlook on its ratings due to balanced risks to its standalone credit profile. The agencies attributed the rating actions to the government's deteriorating capacity to support the banks in case of need, as well as to the more challenging operating environment and the weakening standalone credit profiles of some banks.

Source: Moody's Investors Service, Fitch Ratings

UAE

Asset quality of banks to deteriorate despite Central Bank measures

Moody's Investors Service indicated that the AED100bn Targeted Economic Support Scheme that the Central Bank of the UAE launched, along with other measures to reduce the impact of the coronavirus on the economy, will help limit the deterioration in the asset quality of banks. It noted that the support scheme provides \$13.6bn in available funding for banks to grant relief for up to six months from principal and interest payments on loans to all private sector and retail borrowers that are economically affected by the virus. It added that the plan reduces the regulatory buffer on domestic systematically-important banks as well as the banks' capital conservation buffer, which will free up an additional \$13.6bn in lending capacity. Still, Moody's expected the asset quality of UAE banks to materially deteriorate due to the spread of the coronavirus, as well as to slowing global trade, low oil prices, a strong local currency, and geopolitical tensions. It expected borrowers in the tourism, transportation, trade and real estate sectors to be the most affected by the spread of the virus, and small and medium-sized enterprises to be vulnerable to economic shocks. Also, it considered the reduction in the banks' buffers to be credit negative, but it said that the regulatory capital requirements remain elevated. Overall, it said that UAE banks benefit from sizable buffers, including strong capital, healthy problem loan coverage and strong liquidity. In parallel, it noted that the Central Bank of the UAE's decision to lower interest rates will reduce the banks' net interest margins.

Source: Moody's Investors Service

NIGERIA

Protracted period of low global oil prices is negative for banks

Moody's Investors Service indicated that a protracted period of low global oil prices is credit negative for Nigerian banks, as it would weaken their liquidity in foreign currency and increase the risks to their asset quality. It anticipated that low global oil prices would reduce deposits in foreign currency from local oil exporters, while the Central Bank of Nigeria could impose restrictions on the amounts of foreign currencies available to clients, which would hinder business opportunities for banks. Further, it noted that low oil prices would weaken the banks' asset quality, given that lending to the oil & gas sector represented around 28% of total loans as of September 2019. It projected the banks' problem loans ratio to exceed its initial projection of between 6% and 8%, in case oil prices remain at their current low levels in the coming two quarters. Still, it indicated that the impact of the recent decline in oil prices on the banks' asset quality would be more manageable than the effect of the drop in prices in 2016, given that most Nigerian banks have restructured since then some of their loans to the oil & gas sector. It said that non-performing loans (NPLs) in the oil & gas sector accounted for about 24% of the banking system's NPLs at end-September 2019, down from 45% a year earlier. Further, the agency noted that a depreciation of the Nigerian naira is also a risk to the banks' asset quality, given that around 45% of the sector's total loans are denominated in foreign currency.

Source: Moody's Investors Service



ENERGY / COMMODITIES

Oil prices to average \$36 p/b in 2020

ICE Brent crude oil front-month prices closed at \$24.9 per barrel (p/b) on March 18, 2020, their lowest level since 2003. Prices increased slightly to \$27.4 p/b on March 25, 2020, but remained nearly 60% lower than the \$66 p/b reached at end-2019. The sharp drop in prices is mainly due to factors related to oil supply and demand. On the supply side, the oil price war between Saudi Arabia and Russia is putting downward pressure on oil prices, while the implementation of measures to limit the spread of the coronavirus are negatively affecting global oil demand. In contrast, market expectations of a U.S. stimulus package to limit the impact of the coronavirus on the economy, which the U.S. Senate enacted on March 25, have supported prices in recent days. In parallel, ABN AMRO projected global oil demand to decline by 10% to 15% in the second quarter of 2020 due to the impact of the worldwide lockdown measures on the transportation and aviation sectors, among others. It expected a modest recovery in global oil demand in the third quarter of the year. It anticipated global oil inventories to increase in the short term and to reach their highest level in five years, which would limit the upside potential for oil prices at \$50 p/b in 2020 and 2021. It expected these dynamics to push international oil companies to cut their capital expenditures. However, it estimated that the impact of lower capital spending on global oil supply will be limited in the near term. As such, it projected Brent oil prices to average \$33 p/b in the second quarter of 2020, \$30 p/b in the third quarter of the year and \$40 p/b in the fourth quarter, with an average of \$36 p/b in full year 2020.

Source: ABN AMRO, Refinitiv, Byblos Research

ME&A's oil demand to grow by 1% in 2020

Consumption of crude oil in the Middle East & Africa is expected to average 12.76 million barrels per day (b/d) in 2020, which would constitute a rise of 1% from 12.63 million b/d in 2019. The region's demand for oil would represent 38.1% of demand in developing countries and 12.8% of global consumption this year.

Source: OPEC, Byblos Research

Steel output up 1% in first two months of 2020

Global steel production reached 294 million tons in the first two months of 2020, constituting an increase of 1% from 291 million tons in the same period of 2019. Production in China totaled 154.7 million tons and accounted for 52.6% of global output in the covered period. India followed with 19 million tons (6.4%), then Japan with 16.2 million tons (5.5%), the U.S. with 14.8 million tons (5%), Russia with 11.6 million tons (4%), and South Korea with 11.1 million tons (3.8%).

Source: World Steel Association, Byblos Research

Iran's oil supply outlook contingent on sanctions

The Oxford Institute for Energy Studies indicated that the five-year outlook for Iran's oil supply is largely defined by the U.S. sanctions. It forecast output at about 1.5 million barrels per day (b/d) in the foreseeable future, below the pre-sanctions level of 3.2 million b/d. It added that Iran requires financing and technology to apply enhanced oil recovery methods at several maturing oilfields and to develop new projects. It said that authorities estimated the industry's investment needs at \$200bn. It did not expect Iran's production capacity to exceed pre-sanctions level by 2024, as the country will not be able to attract investments during the next five years, even if sanctions are lifted in 2021.

Source: The Oxford Institute for Energy Studies

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Base Metals: Copper prices at lowest level since 2016 amid coronavirus spread

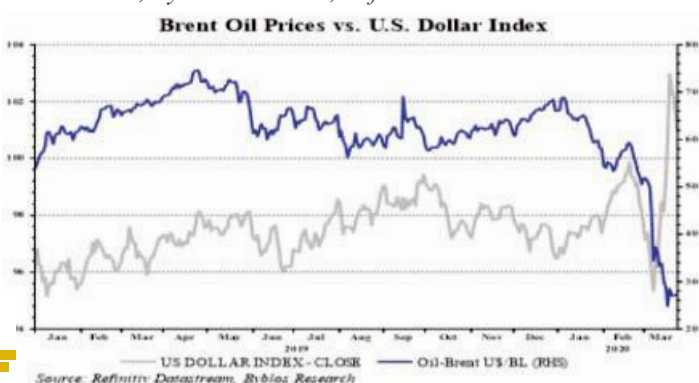
LME copper cash prices averaged \$5,264 per metric ton so far in March 2020, down by 7.5% from an average of \$5,688 per ton in February. Prices declined by 24.8% from the end of 2019 and closed at \$4,625 per ton on March 23, their lowest level since October 2016. The rapid decline in prices was caused by heightened concerns about a slowdown in global economic activity and demand for metals, as more countries imposed shutdowns and restrictions to curb the coronavirus outbreak. However, copper prices recovered to \$4,846 per ton on March 25, driven by concerns about supply disruptions amid lockdowns in mining countries, as well as by improved market sentiment due to the U.S. Federal Reserve's stimulus measures. In parallel, the latest available figures show that global demand for refined copper was 24.3 million tons in 2019, down by 0.8% year-on-year, as Chinese demand grew by about 2%, while demand from the rest of the world decreased by around 3%. On the supply side, global refined copper production reached 23.9 million tons in 2019, down by 0.6% annually, amid lower output from Chile, India, Japan, Peru, the U.S., Zambia, and some European countries. This was offset by higher production in Australia, Brazil, China, Iran and Poland. Refined copper output grew by 9% in Oceania and by 2% in Asia, while it declined by 10% in Africa, by 6% in Latin America, by 2.5% in Europe and by 2% in of North America.

Source: International Copper Study Group, Refinitiv

Precious Metals: Gold prices to increase to \$1,700 per ounce in coming three months

Gold prices have been volatile so far in March 2020 amid continued developments related to the coronavirus outbreak. Prices increased by 5.1% from end-February to \$1,668 per troy ounce on March 6, 2020, and declined thereafter by 11.6% to \$1,475 an ounce on March 19 as investors sold their holdings in gold exchange-traded funds to offset their losses from other asset classes. Prices then recovered by 9.4% to \$1,613 per ounce on March 25, as the U.S. announced a \$2 trillion stimulus package to offset the economic impact of the virus. Gold prices are projected to rise to \$1,700 per ounce in the coming three months, supported by expectations of a global economic slowdown, which would lead central banks, including the U.S. Federal Reserve and the European Central Bank, to further ease their monetary policies. Moreover, central banks worldwide are expected to continue to purchase the metal, albeit at a slower pace than in the past two years, which will also support gold prices. Downside risks to the near-term price outlook could arise from a significant decline in jewelry demand for the metal in China and India.

Source: Citi, Byblos Research, Refinitiv



March 26, 2020

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								
Africa													
Algeria	-	-	-	-	BB+	-5.2	36.9*	2.2	-	-	-	-9.1	-
	-	-	-	-	Negative								
Angola	B-	B3	B	-	B-	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
	Negative	Stable	Negative	-	Stable								
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
	Stable	Stable	Stable	Stable	Positive								
Ethiopia	B	B1	B	-	B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
	Stable	Negative	Negative	-	Stable								
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
	Stable	Positive	Stable	-	Stable								
Côte d'Ivoire	-	B3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
	-	Stable	Positive	-	Stable								
Libya	-	-	-	-	B-	-7.4	-	-	-	-	-	2	-
	-	-	-	-	Stable								
Dem Rep Congo	CCC+	Caa1	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Positive	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
	Stable	Stable	Stable	-	Stable								
Nigeria	B	B2	B+	-	BB-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
	Negative	Negative	Negative	-	Stable								
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
	-	-	-	-	Negative								
Tunisia	-	B2	B+	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
	-	Negative	Negative	-	Negative								
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
	Stable	-	-	-	Stable								
Rwanda	B+	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB	BB+	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
	Positive	Stable	Stable	Negative	Stable								
Iran	-	-	-	B	BB-	-4.1	30.0	2.0	-	-	-	-0.4	-
	-	-	-	Stable	Negative								
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
	Stable	Stable	Stable	-	Stable								
Jordan	B+	B1	BB-	B+	BB+	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
	Stable	Stable	Stable	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
	Stable	Stable	Stable	Stable	Stable								
Lebanon	SD	Ca	C	SD	B-	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
	-	Stable	-	-	Negative								
Oman	BB	Ba2	BB	BBB-	BBB-	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Negative	Stable	Negative	Negative	Negative								
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A	A+	AA-	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	-
	-	-	-	-	Stable								



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	-	Ba3	BB-	-	B-	-1.8	48.5	81.7	-	-	-	-6.2	-
	-	Stable	Stable	-	Stable								
China	A+	A1	A+	-	A	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
	Stable	Positive	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
	Stable	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB-	Baa2	BBB	-	BBB	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
	Positive	Stable	Positive	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
	Stable	Stable	Stable	-	Negative								
Russia	BBB-	Baa3	BBB	-	BBB-	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
	Stable	Stable	Stable	-	Stable								
Turkey	B+	B1	BB-	BB-	B+	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
	Stable	Negative	Stable	Negative	Negative								
Ukraine	B	Caa1	B-	-	B-	-2.3	63.9	-	59.3	9.3	129.2	-3.7	1.0
	Stable	Stable	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

*** CreditWatch negative

**** Under Review for Downgrade

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



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.00-0.25	15-Mar-20	Cut 100bps	29-Apr-20
Eurozone	Refi Rate	0.00	12-Mar-20	No change	30-Apr-20
UK	Bank Rate	0.10	26-Mar-20	No change	07-May-20
Japan	O/N Call Rate	-0.10	16-Mar-20	No change	28-Apr-20
Australia	Cash Rate	0.25	19-Mar-20	Cut 25bps	07-Apr-20
New Zealand	Cash Rate	0.25	16-Mar-20	Cut 75bps	13-May-20
Switzerland	SNB Policy Rate	-0.75	19-Mar-20	No change	18-Jun-20
Canada	Overnight rate	0.75	13-Mar-20	Cut 50bps	15-Apr-20
Emerging Markets					
China	One-year Loan Prime Rate	4.05	20-Mar-20	No change	20-Apr-20
Hong Kong	Base Rate	0.86	16-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	19-Mar-20	Cut 25bps	N/A
South Korea	Base Rate	0.75	16-Mar-20	Cut 50bps	28-May-20
Malaysia	O/N Policy Rate	2.50	03-Mar-20	Cut 25bps	05-May-20
Thailand	1D Repo	0.75	25-Mar-20	No change	20-May-20
India	Reverse repo rate	5.15	06-Feb-20	No change	03-Apr-20
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	9.25	16-Mar-20	Cut 300bps	02-Apr-20
Turkey	Repo Rate	9.75	17-Mar-20	Cut 100bps	22-Apr-20
South Africa	Repo rate	5.25	19-Mar-20	Cut 100bps	21-May-20
Kenya	Central Bank Rate	7.25	23-Mar-20	Cut 100bps	N/A
Nigeria	Monetary Policy Rate	13.50	24-Mar-20	No change	25-May-20
Ghana	Prime Rate	14.50	18-Mar-20	Cut 150bps	22-May-20
Angola	Base rate	15.50	27-Jan-20	No change	27-Mar-20
Mexico	Target Rate	6.50	20-Mar-20	Cut 50bps	26-Mar-20
Brazil	Selic Rate	3.75	18-Mar-20	Cut 50bps	06-May-20
Armenia	Refi Rate	5.25	17-Mar-20	Cut 25bps	28-Apr-20
Romania	Policy Rate	2.00	20-Mar-20	Cut 50bps	N/A
Bulgaria	Base Interest	0.00	02-Mar-20	No change	01-Apr-20
Kazakhstan	Repo Rate	12.00	16-Mar-20	No change	27-Apr-20
Ukraine	Discount Rate	10.00	12-Mar-20	Cut 100bps	23-Apr-20
Russia	Refi Rate	6.00	20-Mar-20	No change	24-Apr-20



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