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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Trade in medical products at $2 trillion in 2019

Figures released by the World Trade Organization (WTO) show that trade in medical products totaled $2 trillion in 2019, and accounted for 5% of the world's merchandise trade last year. Imports of medical products reached $1 trillion in 2019, constituting an increase of 5% from 2018. Medicines accounted for 56% of the total value of imported medical products, followed by medical supplies, or consumables for hospital and laboratory use (17%), medical equipment (14%), and personal protective products, such as hand soap, hand sanitizers and face masks (13%). The U.S. imported $193.1bn worth of medical supplies in 2019, and accounted for 19% of global imports of such products, followed by Germany with $86.7bn (9%), and China with $65bn (6%). In parallel, exports of medical products totaled $995.8bn in 2019, up by 6% from 2018. Medicines accounted for 55% of the total amount of exported medical products, followed by medical supplies (17%), as well as medical equipment and personal protective products (14% each). Germany exported $136.2bn worth of medical supplies and accounted for 14% of global exports of such products, followed by the U.S. with $116.6bn (12%), and Switzerland with $90bn (9%). The WTO indicated that many governments and international organizations reported severe shortages in medical products that are critical for the fight against the pandemic, such as personal protective products, ventilators, and oxygen masks. It said that the trade in these critical products totaled about $597bn, and accounted for 1.7% of global trade in 2019.

Source: World Trade Organization

Three quarters of new policy measures supportive of investment climate

The United Nations Conference on Trade and Development (UNCTAD) indicated that 28 countries worldwide adopted a total of 38 investment policy measures between November 2019 and February 2020. It said that 75% of the measures implemented during the covered period aimed to create more favorable investment conditions for foreign and domestic investors. It noted that these policy measures intend to liberalize, promote and facilitate investments in several industries, such as energy, mining, financial services, tourism, and information technology. It added that developing countries implemented the majority of such policies. In contrast, it pointed out that the remaining 25% of measures adopted between November 2019 and February 2020 restricted foreign investments, and were based on national security concerns about the foreign ownership of critical infrastructures and core technologies. It noted that advanced economies enforced all of the restrictive measures during this period. The distribution of the 38 national investment policy measures shows that 13 countries implemented 16 measures related to the promotion and facilitation of investments in the covered period; 11 economies adopted 12 policies related to the entry and establishment of foreign investors; eight countries enforced nine measures affecting the general business climate of a country; and five economies introduced five policies about the treatment of investors.

Source: UNCTAD

EMERGING MARKETS

Fixed income trading up 9.5% to $5.3 trillion in 2019

Trading in emerging markets debt instruments reached $5,341bn in 2019, constituting an increase of 9.5% from $4,879bn in 2018. Debt trading volumes totaled $1,381bn in the first quarter of 2019, $1,211bn in the second quarter, $1,416bn in the third quarter of the year, and $1,333bn in the fourth quarter of 2019. Turnover in local-currency instruments reached $3,058bn in 2019, up by 2.4% from $2.987bn in 2018, and accounted for 57% of the total debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $2,275bn in 2019, up by 22% from $1,871bn in 2018. The volume of traded sovereign Eurobonds reached $1,288bn and accounted for 57% of total Eurobonds traded in 2019, relative to $1,099bn in 2018. The volume of traded corporate Eurobonds reached $921bn, or 40.5% of total traded Eurobonds. In addition, turnover in warrants and options amounted to $6bn, while loan assignments stood at $2bn in 2019. The most frequently-traded instruments in 2019 were Mexican fixed income assets with a turnover of $972bn, or 18% of the total, followed by securities from Brazil with $781bn (15%), and instruments from India with $514bn (10%). Other frequently-traded instruments consisted of fixed income securities from China at $352bn (7%), and Argentina at $251bn (5%).

Source: EMTA

GCC

Fixed income issuance down 33% to $29bn in first quarter of 2020

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $29bn in the first quarter of 2020, constituting a decline of 32.8% from $43bn in the same quarter of 2019. Fixed income issuance in the covered period consisted of $10.7bn in corporate bonds, or 37% of the total, followed by $8bn in sovereign sukuk (27.7%), $5.4bn in sovereign bonds (18.7%), and $4.8bn in corporate sukuk (16.6%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $15.5bn in the first quarter of 2020, or 53.6% of total fixed income issuance in the region; while aggregate issuance by GCC sovereigns reached $13.4bn, or 46.4% of the total. GCC sovereigns issued $0.7bn in sukuk in January, $8.5bn in bonds and sukuk in February, and $4.2bn in sukuk in March 2020. In parallel, companies in the GCC issued $3.1bn in bonds and sukuk in January, $10.9bn in February, and $1.5bn in March 2020. Sovereign issuance in March consisted of $4bn in sukuk issued by Saudi Arabia, and of $200m in sukuk issued by the UAE. In parallel, corporate issuance in the covered month included $800m in bonds issued by UAE-based firms, and $350m in bonds and $40m in sukuk issued by Qatar-based companies.

Source: KAMCO

POLITICAL RISK OVERVIEW - MARCH 2020

ALGERIA

Authorities imposed on March 17 bans on rallies and gatherings in a bid to slow the spread of the coronavirus. As such, the leaders of the demonstrations called on March 20 for a temporary "pause" of their weekly protests that started in February 2019, in order to preserve public health. Activists accused the authorities of exploiting the pandemic to put an end to the anti-government movement, as the police summoned for questioning and arrested dozens of activists despite the suspension of protests. In addition, an appeals court in Algiers sentenced Mr. Karim Tabbou, a leading opposition figure, to one year in prison on charges of "incitement to violence" and "harming national security" through videos on social media.

EGYPT

Tensions increased between Egypt and Ethiopia after the latter refused to sign the agreement drafted by the U.S. about the filling and the operation of the Grand Ethiopian Renaissance Dam. In response, Egypt sought regional and EU support to pressure Ethiopia to sign the agreement, and submitted a draft resolution at the Arab league to underscore support for the water rights of Egypt and Sudan. The Arab League council adopted the resolution and urged Ethiopia to adhere to international laws and to refrain from taking unilateral measures that could overstep Egypt's rights and water interests. Sudan did not support the resolution, as it considered that this issue should be managed in a way that preserves the interests of all parties involved.

ETHIOPIA

Ethnic violence broke out in the eastern Afar region, while counter-insurgency operations continued in the Oromia region as security forces confronted the armed opposition faction Oromo Liberation Army. Further, Prime Minister Abiy Ahmed announced the closure of land borders and banned gatherings due to the coronavirus pandemic, while the electoral board postponed the general elections that were planned for August 2020 without providing a new date for the vote. In parallel, tensions between Ethiopia and Egypt escalated over the Grand Ethiopian Renaissance Dam on the Nile River. The government rejected the Egyptian-drafted resolution endorsed by the Arab League that bans Ethiopia from filling the dam without reaching a three-party agreement, while Ethiopia warned that any possible attack on the dam would prompt retaliation.

IRAN

The International Atomic Energy Agency (IAEA) indicated that Iran had trebled its stockpile of enriched uranium between November 2019 and February 2020. The IAEA identified three sites that Iran used for undeclared nuclear-related activity and requested access to two of them, but the government denied the requests and refused to provide clarifications. The U.S. imposed sanctions on several Iranian nuclear scientists, entities and individuals involved in transporting Iranian petrochemicals, among other companies in Iran and Iraq. Iran called for the lifting of U.S. sanctions amid the coronavirus outbreak, which killed over 2,900 Iranians by end-March.

IRAQ

The U.S. blamed Iran-backed militias for rocket attacks on several camps around Baghdad and retaliated with strikes against weapons' depots held by these militias. In parallel, Prime Minister-designate Mohammed Tawfiq Allawi withdrew his candidacy after failing to win the support of the Sunni and Kurdish blocs in Parliament and losing the support of Shiite parties. President Barham Salih appointed the former governor of the Najaf province, Adnan Al-Zurfi, as Prime Minister and tasked him with forming a government. Several Shiite parties rejected the nomination. Authorities suspended all flights to and from Baghdad International Airport and imposed curfew in Baghdad until April 11 in order to contain the spread of the coronavirus.

LIBYA

Fighting between the Libyan Arab Armed Forces (LAAF), formerly known as the Libyan National Army, and forces allied to the UN-backed Government of National Accord (GNA) intensified throughout March. LAAF forces fired missiles on the Ain Zara neighbourhood killing four civilians, while the GNA retaliated, reportedly killing 25 LAAF fighters. The National Oil Corporation denounced the illegal shipments of jet fuel that arrived from the UAE to the LAAF-held city of Benghazi. United Nations envoy Ghassan Salamé resigned on March 2, citing health reasons, while his political deputy, U.S. diplomat Stephanie Williams, was named acting head of the UN mission.

SUDAN

Prime Minister Abdalla Hamdok survived an assassination attempt that targeted his convoy in the capital Khartoum, prompting the arrest of several Sudanese and foreign suspects. The government and the rebel coalition Sudanese Revolutionary Front (SRF) failed to reach a comprehensive peace deal and agreed to extend talks until April 9, 2020. Separately, the government and the SRF groups of Darfur initiated negotiations about security arrangements, but the South Sudanese mediators postponed the talks until April 1, 2020 following the death of the Sudanese Defense Minister. Sudan closed all borders and imposed a night curfew to contain the spread of the coronavirus. In parallel, the government refused to endorse the Egypt-sponsored Arab League resolution that condemns Ethiopia's role in the filling and operation of the Grand Ethiopian Renaissance Dam.

SYRIA

The Syrian regime kept control of areas that it took during its offensives in February around Idlib, under an agreement between Turkey and Russia. The deal included the creation of a security corridor along the M4 highway between Latakia and Aleppo. The regime announced that it intercepted Israeli missiles targeting Al-Shayrat airbase in the Homs province. President Bashar Al Assad postponed from April 13 to May 20 the parliamentary elections and ordered the closing of schools, mosques and several public offices, as well as the border with Lebanon, in response to the COVID-19 outbreak. Also, Turkish-backed rebels took steps to slow the spread of the virus in the northwest of the country. In the northeast of Syria, the Kurdish-led Syrian Democratic Forces closed all crossing points into regime-controlled territory to reduce the spread of the virus.

TURKEY

Turkey and Russia agreed on a temporary ceasefire deal to end hostilities in Syria's Idlib province. The army continued small-scale operations against the Kurdistan Workers' Party (PKK) in south east Turkey and in northern Iraq. The PKK attacked a gas pipeline near Turkey's border with Iran. The government continued to criminalize the pro-Kurdish Peoples' Democratic Party. Also, the government sustained the crackdown on individuals with suspected links to Islamic State militants. Turkey and the European Union engaged in talk to resolve the issue related to Ankara's decision to allow migrants to cross the border to Greece.

YEMEN

Huthi rebels advanced towards the Marib governorate in the north, which has been held by forces loyal to President Abdrabbuh Mansour Hadi. Clashes took place along the Red Sea coast between the Huthi rebels and government-aligned forces. The cross-border attacks between the Huthi rebels and Saudi Arabia escalated in late March, as Huthi rebels launched drone and missile attacks on Riyadh and on Saudi economic and military installations in provinces along the Saudi-Yemeni border. Saudi Arabia responded with airstrikes on Huthi positions in northern Yemen, as well as on the cities of Sanaa and Hodeida.

Source: International Crisis Group, Newswires

EMERGING MARKETS

Emerging economies need $2.5 trillion rescue package

The United Nations Conference on Trade and Development (UNCTAD) considered that the economic fallout in emerging markets from the global outbreak of the coronavirus is ongoing and is difficult to predict. It said that the coronavirus shock will impact emerging markets through three channels. First, it anticipated that tighter fiscal space and weaker healthcare and social protection systems expose developing economies to higher human and financial tolls, and limit their ability to respond to the crisis. Second, it projected developing countries to lose $800bn worth of export revenues in 2020, mainly due to a significant decline in demand from advanced economies, as well as to a sharp drop in global commodity and energy prices. It pointed out that such a drastic decrease in foreign currency earnings will add to the existing challenges that some developing economies are facing due to the depreciation of their currencies against the US dollar. Third, it noted that developing countries with a high level of debt denominated in foreign currency are facing significant pressure on their debt sustainability, as the pandemic has resulted in record capital outflows from emerging markets.

In response, the UNCTAD urged the international community to coordinate and adopt a $2.5 trillion economic rescue package in order to address the imminent financing gap in many developing countries. First, it said that the international community should make available $1 trillion to developing countries to alleviate their liquidity constraints. Second, it stressed the importance of an immediate standstill on sovereign debt payments of emerging countries, followed by a significant debt relief of around $1 trillion. Third, it called on the international community to earmark an additional $500bn, largely in the form of grants, for emergency health services and related social relief programs. In addition, it considered that the International Monetary Fund should endorse any form of capital controls that a country introduces and should consider these measures as a necessary and fully legitimate part of any policy regime, in order to curtail the surge in capital outflows and to address liquidity problems from sell-offs.

Source: UNCTAD

GCC

Profitability and lending activity at banks to decline in 2020

S&P Global Ratings expected the earnings and lending activity of banks in the Gulf Cooperation Council (GCC) countries to be negatively affected this year by the significant decline in global oil prices and the measures to contain the spread of the coronavirus. It anticipated that slower activity in the real estate and hospitality sectors, as well as in consumer-related industries and small- and medium-sized enterprises, would result in fewer growth opportunities for banks and weigh on their asset quality. Consequently, it projected the non-performing loans ratio to double in 2020 from about 2.9% in 2019. Also, it anticipated that the cost of risk could reach between 1.5% and 2% of total loans, and forecast the overall amount of problematic assets to rise to about 20% of total loans by the end of 2020. It considered that the measures that the GCC authorities put in place to support their respective economies will mainly provide banks with more time, rather than address the concerns arising from clients with cash flow problems. Further, the agency anticipated that the funding of GCC banks is vulnerable to the large share of deposits from governments and government-related entities, as well as to deposit outflows. Still, it considered that GCC banks have good liquidity indicators, with relatively limited wholesale or external funding.

In parallel, S&P expected the profitability of GCC banks to decline in 2020, due to limited business opportunities, and as banks focus more on preserving their asset quality rather than on generating new business amid the coronavirus pandemic. In addition, it projected the banks' strong capital metrics to continue to support their creditworthiness in 2020. Further, it considered that a wave of bank mergers and acquisitions could take place in the region, as banks are likely to seek stronger shareholders or to merge with peers to enhance resilience. It considered that risks to the banks' outlook are contingent on the duration of measures related to COVID-19. It also expected delays or cancellations of important scheduled events, such as the Expo 2020 in Dubai and the pilgrimage season in Saudi Arabia, to further weigh on the profiles of GCC banks.

Source: S&P Global Ratings

EGYPT

Coronavirus to weigh on external finances in 2020

Goldman Sachs expected Egypt's balance of payments to come under pressure in the near term, due to a drop in tourism receipts and to sharp portfolio outflows as a result of the coronavirus outbreak. It said that the impact of the pandemic on the tourism and investment channels has raised the concerns of investors about the sustainability of Egypt's external finances and the stability of the currency. But it considered that the country has sufficient external buffers to weather these shocks.

It projected a 40% decline in current account receipts and a 25% decrease in current account payments in the second quarter of 2020, but it expected the current account receipts and payments to normalize by the end of the year. Under these assumptions, it anticipated the current account deficit to widen from 3.1% of GDP in 2019 to about 5% of GDP in the near term, before narrowing back to previous levels by mid-2021. It forecast net portfolio flows to remain negative throughout 2020, as it considered that a potential recovery in portfolio inflows in the second half of 2020 to be insufficient to offset the projected portfolio outflows of $12bn in the first half of the year.

In parallel, Goldman Sachs indicated that its present expectations for the current account deficit and portfolio outflows would result in a potential shortfall of about $10.5bn in Egypt's external financing needs this year, which will be reflected in a decline in foreign currency reserves from $41.8bn at the end of 2019 to about $31bn by the end of 2020. It expected foreign currency reserves to stabilize in 2021. Further, it noted that the deterioration in Egypt's external balance sheet could potentially put pressure on the exchange rate. But it anticipated that authorities will try to maintain the currency at near current levels. It said that downside risks to its projections include a slower-than-expected recovery in tourism activity and a sustained weakness in global financial markets that could lead to further portfolio outflows.

Source: Goldman Sachs

WORLD

Virus outbreak could lead to systemic crisis

Global reinsurer Swiss Re expected the coronavirus outbreak to trigger a global recession that could lead to a systemic crisis. It noted that, despite the global nature of the virus, the subsequent economic consequences can be amplified or weakened by many global, regional and structural factors. It pointed out that highly indebted households or corporates are among the factors that could amplify the shock from the pandemic, as they will face difficulties in servicing their debt amid the decline in their incomes, making recessions deeper and recoveries more protracted. It indicated that institutional buffers such as monetary policy actions can help offset the shock, with central banks cutting interest rates and introducing asset purchase facilities to avoid extreme tail risks such as a global credit crisis. However, it noted that, in the absence of global policy coordination, policy-makers will have to come up with new and unorthodox means to shield their economies from a deeper recession, amid increasingly exhausted monetary policies and often constrained fiscal policies. It considered that the European Union is more fragile than the U.S. and China, with relatively less room to manoeuver on the monetary and fiscal policy fronts. Further, it indicated that severe liquidity issues that emerged in the corporate and government bond markets could amplify the recession. It added that the concentration in investment portfolios, as a result of more risk-taking and passive investing amid the low-yield environment, are likely to amplify the shock.

Source: Swiss Re

EMERGING MARKETS

Non-resident capital inflows to drop by 53% in 2020

The Institute of International Finance projected total non-resident capital flows to emerging markets (EMs) to fall by 53% from $937bn in 2019 to $444bn in 2020, their lowest level since the 2008 global financial crisis, due to the impact of the coronavirus outbreak on global economic activity and risk sentiment, as well as to the drop in commodity prices. Also it expected non-resident capital flows to EMs, excluding China, to reach $304bn this year, which would constitute their lowest level since 2004. It attributed the decline in capital flows to EMs ex-China this year mainly to lower FDI inflows, which it projects at $294bn in 2020, as well as to portfolio outflows of $41bn given the risk-averse investor sentiment in the first half of 2020. Further, it pointed out that portfolio equity outflows reached $72bn and debt outflows stood at $25bn so far in 2020, with most of the outflows coming from EM Asia, followed by other EMs that started to face significant outflows with the spread of the pandemic. It expected non-resident portfolio flows to EMs to start recovering in the second half of 2020, in case countries emerge from coronavirus-related shutdowns and benefit from accommodative monetary policies. But it forecast equity flows to slowly recover this year, due to a subdued rebound in EM growth. Further, it pointed out that EMs will not be able to deal with significant current account deficits and will have to draw down their foreign currency reserves as a result of weaker capital flows. As such, it expected many EM economies to seek multilateral support in coming months due to the lack of policy space to support their economies.

Source: Institute of International Finance

ARMENIA

Outlook on ratings revised to 'negative' on impact of virus outbreak

Fitch Ratings affirmed Armenia's long-term foreign currency Issuer Default Rating at 'BB-', and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the adverse impact of the coronavirus outbreak on Armenia's economy, given its exposure to fluctuations in global commodity prices, its reliance on the tourism sector, and its dependence on Russia through the remittance, trade and FDI channels. It added that the country's elevated net external debt level and wide current account deficit are only partly financed by non-debt creating capital inflows. It said that the economic shock from the pandemic has put Armenia's public debt level on a higher trajectory, despite the government's strong macroeconomic policies and commitment to reforms. As such, it projected real GDP growth to decelerate from 7.6% in 2019 to 0.5% in 2020. It expected growth to recover to 5.5% in 2021, in case of a rebound in external demand, investments and private consumption. Further, it projected the fiscal deficit to widen from 1% of GDP in 2019 to 5% of GDP this year, due to coronavirus-related fiscal spending, as well as to weak growth. But it expected the deficit to narrow to 3.5% of GDP in 2021, in case of stronger GDP growth. It anticipated the public debt level to rise from 53.6% of GDP at end-2019 to 59.2% of GDP at end-2020, before declining to 56% of GDP at end-2021. It projected the current account deficit to average 8.3% of GDP annually in the 2020-21 period, amid lower tourism revenues, commodity export receipts, and remittances from Russia.

Source: Fitch Ratings

NIGERIA

Rating downgraded on worsening external balance

Fitch Ratings downgraded Nigeria's long-term foreign currency Issuer Default Rating from 'B+' to 'B', and maintained the 'negative' outlook on the rating. It attributed the downgrade to the worsening of the external balance following the recent drop in global oil prices and the spread of the coronavirus. It considered that the reversal of portfolio inflows could magnify the impact of the oil price shock, as the stock of portfolio investments in short-term naira debt securities was equivalent to about 72% of foreign currency reserves at end-2019. It forecast the current account deficit to widen from 4.2% of GDP in 2019 to a record 4.9% of GDP in 2020. It anticipated that the continued reluctance of the authorities to adjust the exchange rate, as well as portfolio outflows and a wide current account deficit, would lead to a decline in foreign currency reserves to 2.5 months of current account payments at end-2020, their lowest level since 1994. Fitch expected lower oil receipts and the contraction in economic activity to weigh on the government's already weak finances, as it estimated the fiscal breakeven oil price at $133 p/b. It projected the fiscal deficit at 5.8% of GDP in 2020, while it anticipated low fiscal revenues to constitute a major challenge to debt sustainability. It expected the public debt level to stabilize at 31% of GDP in the 2020-21 period, its highest level since 2005. In parallel, the International Monetary Fund indicated that the Nigerian authorities requested financial assistance under the Fund's Rapid Financing Instrument to support their efforts in containing the impact of the virus on the economy and the balance of payments.

Source: Fitch Ratings, International Monetary Fund

MENA

Coronavirus pandemic exposes funding and liquidity gaps at banks

S&P Global Ratings anticipated the coronavirus pandemic to expose funding and liquidity weaknesses at banks in the Middle East, Turkey, and Africa (META) region, as the measures enforced to contain the virus have pushed the global economy into recession. It said that, while customer deposits are a major source of funding for META banks, the latter continue to exhibit funding and liquidity gaps partly due to the lack of large and deep domestic capital markets and to low saving rates. It considered that customer deposits are hardly sufficient to fund the loan books of most banks in the region. It anticipated the growth in foreign currency deposits to remain subdued or to decline, as measures to contain the virus in META will reduce foreign investments as well as tourism, export and remittance receipts. As such, it said that nonresident deposits and wholesale funding are critical sources of financing to ensure the stability of the region's banking sectors. Also, the agency noted that, given the recent rise in risk aversion, some of the banking systems in the META region, which have been dependent on external funding, will face higher funding costs, capital outflows, and slower lending growth in the coming months, which could further weigh on the banks' funding and liquidity profiles. Further, S&P indicated that, amid the spread of the coronavirus, some governments have asked their local banks to support their economies through increased lending, while other governments have resorted to central bank refinancing. But it noted that the latter measures could lead to the depreciation of local currencies, increase credit risks, and weaken the banks' capitalization in case of foreign currency mismatches.

Source: S&P Global Ratings

TURKEY

Increase in banks' refinancing risks

Fitch Ratings considered that the reliance of Turkish banks on external foreign currency funding has been declining since the end of June 2018, due to significant foreign currency deposit inflows, as well as to lower demand for lending in foreign currency. However, it pointed out that refinancing risks at Turkish banks are on the rise with the change in investor sentiment due to the spread of the coronavirus. The agency noted that the banks' external debt declined by $16bn from end-2018 to $145bn at the end of 2019, mainly reflecting debt repayments and lower debt rollover rates. Further, it indicated that customer deposits in foreign currency grew by 17% from end-2018 to $22bn in 2019, and represented 51% of total deposits. It added that the banks' available foreign currency liquidity reached $81bn at end-2019, and was sufficient to meet their external debt service requirements of $35bn to $40bn while still covering 20% of foreign currency deposits. However, it pointed out that the rise in foreign currency deposits has increased risks to the banks' foreign currency liquidity in case of a reversal in deposit flows. In this context, Fitch anticipated that a prolonged market closure, along with substantial deposit outflows, would put significant pressure on the foreign currency liquidity positions of Turkish banks. Under such a scenario, it considered that some lenders would need to rely on monetizing foreign currency assets by, for example, collecting maturing foreign currency loans.

Source: Fitch Ratings

SAUDI ARABIA

Outlook on banking sector revised to negative

Moody's Investors Service revised the outlook on Saudi Arabia's banking sector from 'stable' to 'negative', due to the shift in the banks' business environment caused by the simultaneous sharp drop in global oil prices and the outbreak of the coronavirus. It noted that the 'negative' outlook takes into account a deterioration in the banking sector's asset quality, profitability, funding, and liquidity, and weaker government support, which would be partly offset by the banks' strong capitalization. It indicated that the weakening operating environment, as well as the delays or cancellations of government construction projects, will weigh on the banks' lending growth and asset quality in the next 12 to 18 months. But it said that the impact will be partly mitigated by the government's $32bn funding package to support private businesses. Further, it expected the banks' profitability to weaken as a result of lower interest rates, subdued credit demand, and higher impairment and provisioning costs. In parallel, it anticipated funding costs to increase marginally given tighter funding conditions, but to remain lower than in other Gulf Cooperation Council countries, due to the high level of non-interest bearing deposits in the Saudi banking sector. Further, it expected the banks' funding profile to come under pressure due to the slowdown in government and public-sector deposit inflows, as well as to lower corporate profits and household savings capacity. Still, it anticipated the banking sector's capital and liquidity buffers to remain strong in the next 12 to 18 months, which would provide adequate loan-loss absorption capacity as borrowers come under stress.

Source: Moody's Investors Service

MOROCCO

Central bank to triple banks' refinancing capacity

Moody's Investors Service considered that the measures that Bank Al-Maghrib (BM) announced on March 30, 2020 would ease the adverse impact of the coronavirus outbreak on Moroccan banks. It noted that the measures provide banks access to BM's refinancing tools in Moroccan dirhams and foreign currencies, broaden the securities and commercial papers that banks can use as collateral for refinancing at BM, as well as lengthen the tenor of BM's refinancing operations. The agency anticipated that the full implementation of these measures would triple the banks' refinancing capacity from BM and would support their liquidity. As such, it anticipated the recent measures to improve the banks' access to funding in order to meet cash calls from borrowers impacted from the pandemic. Also, it expected BM's measures to help limit the deterioration in the banks' asset quality through supporting the broader Moroccan economy. However, it noted that additional lending by banks, in case the outbreak persists for more than a few months, would raise long-term solvency risks, as a higher number of borrowers could face difficulties in financing their loans. In turn, it considered that such deterioration in asset quality could increase the sector's problem loans ratio. It expected borrowers in the tourism, trade and transportation sectors to be the most affected by the virus outbreak, and for small- and medium-sized enterprises to be especially vulnerable to economic shocks. It noted that the manufacturing sector could also face challenges, as Moroccan exports to European countries decline.

Source: Moody's Investors Service

Oil prices to exceed $30 p/b in summer 2020

ICE Brent crude oil front-month prices were highly volatile during the past week, as they increased from $22.7 per barrel (p/b) at end-March 2020, their lowest level since 2003, to $32.8 p/b on April 8. The rise in oil prices was mainly due to expectations that OPEC and non-OPEC producers will reach a production cut agreement in their meeting on April 9, 2020. Julius Bär indicated that the decline of global oil consumption, amid lockdown measures to limit the spread of the coronavirus, is contributing to an excess in supply that is putting downward pressure on oil prices. It considered that the collapse of oil demand requires a swift adjustment on the supply side, in order to prevent the market from running out of storage capacity. It expected oil prices to remain volatile in the near term, amid uncertainties related to the size of the demand shock, the duration of the coronavirus-driven economic downturn, and possibilities of shifts in oil politics among producers. But it anticipated oil demand to start recovering in the third quarter of 2020, in case of a rebound in global economic activity. It projected U.S. oil production to start declining, which would slow the buildup in oil inventories. It considered that the price outlook is skewed toward the upside over the medium term, as it projected Brent oil prices to increase above $30 p/b during the summer season of 2020, and to exceed $40 p/b in early 2021.
Source: Julius Bär, Refinitiv, Byblos Research

Production deficit in palladium market to narrow in 2020

Citi Research projected global palladium demand to decrease by 14.2% to 9.5 million ounces in 2020, due to a 25% decline in jewelry demand, a 15% drop in autocatalyst consumption, and a 9.4% decrease in industrial demand. It also expected global palladium supply to fall by 9.4% to 9.3 million ounces this year, due mainly to a 15.4% decline in South African output. As such, it forecast the production deficit in the palladium market to narrow from 875,000 ounces in 2019 to 257,000 ounces in 2020.
Source: Citi Research

Iraq's oil exports up 7%, receipts down 41% in March 2020

Preliminary figures show that Iraq's crude oil exports totaled 105.1 million barrels in March 2020, constituting an increase of 7% from 98.3 million barrels in February 2020. They averaged 3.4 million barrels per day (b/d) in March 2020, nearly unchanged from the previous month. Oil exports from the central and southern fields reached 101.4 million barrels in March, while shipments from the Kirkuk fields totaled 3.3 million barrels. Oil exports receipts stood at $3bn in March, down by 40.8% from $5.1bn in February 2020, amid the decline in global oil prices.
Source: Iraq Ministry of Oil, Byblos Research

Global oil supply to increase by 5.9 million b/d through 2025

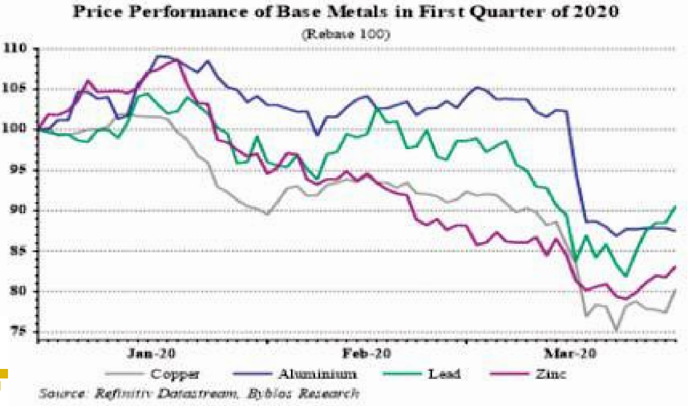
Global oil supply capacity is expected to increase by 5.9 million barrels per day (b/d) by 2025, and to exceed the growth in demand. The U.S. is projected to account for 2.5 million b/d, followed by Brazil (1.1 million b/d), Guyana, Iraq and the UAE (0.6 million b/d each), and Canada (0.5 million b/d). In contrast, Angola, Colombia, Egypt, Nigeria, Russia and the United Kingdom are forecast to post the biggest declines in oil supply.
Source: International Energy Agency

Base Metals: Nickel prices decrease by 17% in first quarter of 2020

The LME cash price of nickel averaged $12,708 per ton in the first quarter of 2020, constituting a decline of 17.4% from the fourth quarter of 2019. Prices averaged $13,526 per ton in January, $12,716 per ton in February and $11,846 per ton in March 2020. They closed at $10,806 on March 23, their lowest level in more than a year, down by 22.5% from the end of 2019. The decline in the metal's price is due to weaker global economic activity and demand for metals, and to the rapid spread of the coronavirus worldwide. In fact, demand for nickel from stainless steel mills, the largest consumers of the metal, and from batteries that power electric vehicles, decreased in the first quarter of 2020. Nickel prices recovered to $11,434 per ton on April 8, driven by lower supply following coronavirus-related shutdowns at major mines around the world. Analysts anticipated prices to be supported by a narrower surplus in the nickel market, as they expected the decrease in nickel supply to offset the weak demand from stainless steel mills. Still, Fitch Ratings revised downward its forecasts for nickel prices in 2020 from $14,000 per ton to $12,500 per ton in March and to $11,500 per ton in April, as it expected the contraction in the global economy to weigh further on demand for nickel from the construction, oil and gas, chemical and automotive industries, among others.
Source: Fitch Ratings, Refinitiv, Byblos Research

Precious Metals: Silver prices to average $15.8 per ounce in 2020

Silver prices averaged $14.9 per troy ounce in March 2020, which constitutes a decline of 16.8% from $17.9 per ounce in February 2020, and compared to an average of $16.2 an ounce in 2019. The metal's price reached an 11-year low of $12.1 per ounce on March 18, 2020, as investors sold their holdings of silver exchange-traded funds to offset their losses from other asset classes. However, prices recovered since then and increased by 23.3% to $15 an ounce on April 8, 2020, mainly driven by strong demand for silver bar and coins given the metal's relatively low current price. Further, prices are anticipated to gradually rise throughout the year and to average $15.8 an ounce in 2020, but weak industrial demand amid the coronavirus outbreak is expected to prevent prices from recovering to their average of $18 per ounce in the first two months of 2020. In addition, the metal's price is forecast to increase to $17.3 an ounce in 2021, supported by stronger industrial demand for the metal next year, as the impact of the coronavirus pandemic on global economic growth dissipates, and if the US dollar weakens against major currencies.
Source: Refinitiv, Citi Research, Byblos Research



COUNTRY RISK METRICS

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

COUNTRY RISK METRICS

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

** Central Government*
*** External debt, official debt, debtor based*
**** 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	07-Apr-20	No change	05-May-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	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	19-Mar-20	Cut 25bps	N/A
South Korea	Base Rate	0.75	09-Apr-20	No change	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	4.40	27-Mar-20	Cut 75bps	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	9.25	02-Apr-20	No change	14-May-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	30-Mar-20	No change	27-May-20
Mexico	Target Rate	6.50	20-Mar-20	Cut 50bps	14-May-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	01-Apr-20	No change	01-May-20
Kazakhstan	Repo Rate	9.50	03-Apr-20	Cut 250bps	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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