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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global merchandise trade to contract by 13% to 32% in 2020, depending on virus spread

The World Trade Organization (WTO) projected the volume of global merchandise trade to decline by 13% in 2020 and to increase by 21.3% in 2021, under an optimistic scenario that considers a sharp drop in trade in the first half of 2020 due to the coronavirus pandemic, followed by a recovery starting in the second half of the year. It estimated the volume of merchandise exports to contract by 17.1% in North America in 2020, followed by Asia (-13.5%), South & Central America (-13%), Europe (-12.2%), and other regions (-8%). In parallel, it expected the volume of merchandise imports to decrease by 22.2% in South & Central America in 2020, followed by North America (-14.5%), Asia (-11.8%), Europe (-10.3%), and other regions (-10%). Further, it forecast the volume of global merchandise trade to decline by 32% in 2020 and to rise by 24% in 2021, under a pessimistic scenario that takes into account a steeper initial decline in trade activity and a more prolonged and incomplete recovery. It estimated the volume of merchandise exports to contract by 41% in North America in 2020, followed by Asia (-36.2%), Europe (-32.8%), South & Central America (-31.3%), and other regions (-8%). In addition, it projected the volume of merchandise imports to decrease by 43.8% in South & Central America in 2020, followed by North America (-33.8%), Asia (-31.5%), Europe (-29%), and other regions (-22.6%). The WTO expected the recovery in trade activity in 2021 to depend on the duration of the pandemic and the effectiveness of the policy responses.
Source: World Trade Organization

Global debt equivalent to 322% of GDP at end-2019, refinancing risks increase

The Institute of International Finance indicated that global debt, which includes the debt of governments, corporates, and households, reached a record-high of $255.3 trillion at the end of 2019, constituting an increase of 4.4% from $244.5 trillion at end-2018. It noted that the debt was equivalent to 322% of global GDP at the end of 2019 compared to 317.5% of GDP at end-2018. It pointed out that the debt of non-financial corporates reached $74.2 trillion, or 91.6% of GDP, at end-2019, followed by government debt with $70 trillion (89% of GDP), financial sector indebtedness with $63.1 trillion (81.3% of GDP), and household debt with $48 trillion (60.2% of GDP). In parallel, the IIF said that emerging market (EM) debt grew from $67.7 trillion at the end of 2018 to a record-high of $71.1 trillion, or 220% of GDP, at end-2019. It indicated that EM non-financial corporate debt totaled $30.3 trillion, or 92% of GDP, at end-2019, followed by EM government borrowing at $16.7 trillion (52.7% of GDP), EM household debt at $13 trillion (40.1% of GDP), and financial sector indebtedness at $11.1 trillion (35% of GDP). Further, it pointed out that the debt of developed markets reached $184.2 trillion or 383% of GDP at end-2019, relative to $177 trillion or 379.3% of GDP at end-2018. The IIF indicated that refinancing risks have increased, with more than $20 trillion of global debt coming due during the remainder of 2020, of which $4.3 trillion is in EM debt. It added that EMs will need to refinance $730bn in foreign currency debt this year.
Source: Institute of International Finance

Working hours to decline by 6.7% in second quarter of 2020

The International Labor Organization indicated that the full and partial lockdown measures that governments around the world enforced to contain the spread of the coronavirus are currently affecting about 2.7 billion workers, or the equivalent to 81% of the world's workforce. It expected the number of working hours to decline by 6.7% in the second quarter of 2020, which is equivalent to the aggregate working hours of 195 million full-time employees. It estimated that 65% out of the 195 million employees are located in Asia and the Pacific, about 12% are in the Americas, 10% are located in each of Europe & Central Asia and Africa, and 3% are in Arab countries. In addition, it considered that 1.25 billion people, or 38% of the global workforce, are employed in sectors that are facing a severe decline in output, as well as drastic reductions in working hours, wage cuts and layoffs. It noted that these sectors are the wholesale and retail trade, with a share of 14.5% of global employment, manufacturing (14%), real estate (4.7%), and accommodation and food services (4.3%). It added that sectors that are facing medium-to-high risks of drastic reductions in working hours, wage cuts and layoffs are the transport, storage and communication industries (6.1% of the global workforce), as well as in art, entertainment and recreation, and other services (5.4%). Also, it said that workers facing medium risks of job losses are in the construction sector (7.7% of the global workforce), financial and insurance activities (1.6%), and the mining and quarrying sector (0.7%). It noted that workers in agriculture, forestry and fishing, which accounts for 26.5% of the global workforce, are at a low-to-medium risk.
Source: International Labor Organization

MENA

Equity issuance at $783m in first quarter of 2020

Equity Capital Markets (ECM) issuance in the Middle East & North Africa, region which includes equity and equity-related issuances, totaled $782.9m in the first quarter of 2020, constituting an increase of 338% from the same quarter of 2019, and despite a decline of 50% in the number of ECM deals. There was only one initial public offering in the first quarter of 2020 that amounted to $699.7m and accounted for 89.4% of the region's ECM issuance. In parallel, debt issuance in the MENA region reached $19.5bn in the first quarter of 2020, down by 40% from the same quarter of 2019, and representing its lowest level in four years. Debt issuance in Saudi Arabia accounted for $9.9bn, or 50.8% of the total, followed by Qatar with $5bn (25.6%), the UAE with $3.3bn (16.9%), and Bahrain with $1.3bn (6.7%). Further, the amount of announced mergers & acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, declined by 85% annually to $14.8bn in the first quarter of 2020, mainly due to high base effects from Saudi Aramco's acquisition of a 70% stake in SABIC in the first quarter last year. In addition, investment banking fees in the region increased by 11% annually to $188.8m in the first quarter of 2020. Syndicated lending fees totaled $69.1m and accounted for 36.6% of the overall fee pool, followed by fees from M&A deals with $58.4m (31%), debt capital market underwriting fees with $45.4m (24%), and fees from equity capital markets transactions with $15.9m (8.4%).
Source: Refinitiv

OUTLOOK

EMERGING MARKETS

Economic output to contract by 1% in 2020

The International Monetary Fund indicated that the implementation of measures to limit the spread of the coronavirus will have a severe impact on global economic activity in 2020. It estimated global output to incur cumulative losses of about $9 trillion during the 2020-21 period. As such, it projected global real GDP to contract by 3% this year, compared to its January 2020 forecast of a growth rate of 3.3%, in case the pandemic fades in the second half of 2020. It said that the anticipated economic contraction this year would represent the steepest recession since the Great Depression. It expected real GDP to retreat by 6.1% in advanced economies and by 1% in emerging markets and developing economies in 2020, relative to previous growth forecasts of 1.6% and 4.4%, respectively. It noted that emerging markets and developing economies are facing additional challenges, including unprecedented shifts in capital flows and currency pressures, and are coping with weaker healthcare systems and more limited fiscal space to provide support to businesses and individuals. It added that several economies have entered the crisis in a weak state with subdued economic growth and elevated debt levels. The Fund considered that global economic prospects are highly uncertain, and added that the outlook depends on several factors that are hard to predict, such as the durability of the pandemic, the intensity and effectiveness of containment efforts, the extent of supply disruptions, the repercussions of tighter global financial conditions, shifts in spending patterns, behavioral changes, confidence trends, and volatile commodity prices.

The IMF forecast economic growth in Emerging & Developing Asia at 1% in 2020, due to the slowdown in economic activity in China and India. It expected Sub-Saharan Africa's real GDP to retreat by 1.6% this year, mainly due to economic contractions in Nigeria and South Africa. Further, it projected real GDP in the Middle East & Central Asia region to shrink by 2.8% in 2020, as it anticipated economic activity to retreat in most countries, including Saudi Arabia and Iran. In parallel, it forecast real GDP to contract by 5.2% in 2020 in each of Emerging & Developing Europe and Latin America & the Caribbean.

Source: International Monetary Fund

MENA

Region to suffer from dual shocks of coronavirus spread and collapse in global oil prices

The World Bank projected the Middle East & North Africa (MENA) region's real GDP to contract by 1.1% in 2020, compared to growth forecasts of 2.6% in October 2019 and 0.5% in March 2020. It attributed the downward revision to the unprecedented dual shocks facing MENA countries from the spread of the coronavirus and the collapse of global oil prices. It said that the pandemic is weighing on the region's consumption, investment, business activity and tourism sector. It added that the fall in oil prices is impacting MENA oil exporters directly, as well as the region's oil importers indirectly through lower remittances and foreign investment inflows.

The Bank projected real GDP in the MENA region's oil-exporting countries to contract by 1.6% in 2020, with activity shrinking by 3.9% in the region's developing oil exporters and by 0.4% in Gulf Cooperation Council (GCC) economies. It also forecast activity in the MENA's oil-importing countries to expand by 0.6% in 2020. In addition, it expected the region's GDP to rebound and to grow by 2.1% in 2021, in case global oil prices recover, and depending on how swiftly and decisively MENA authorities adopt measures to mitigate the economic and financial disruptions from the coronavirus. It projected real GDP to grow by 1.7% in 2021 in oil exporting economies and by 3.3% in oil-importing countries.

In parallel, it projected the MENA region's fiscal deficit to widen from 4.7% of GDP in 2019 to 9.7% of GDP in 2020, with oil exporters posting a deficit of 10.3% of GDP amid the collapse in global oil prices. It anticipated the deficit in MENA countries to narrow to 8% of GDP in 2021, in case oil prices rebound. Further, it forecast the region's current account balance to shift from a surplus of 1.2% of GDP in 2019 to a deficit of 7.2% of GDP in 2020, and expected the deficit to narrow to 4.6% of GDP in 2021.

Source: World Bank

AFRICA

Economic activity to contract for first time since 1991

Goldman Sachs indicated that the impact of a rapid spread of the coronavirus in Sub-Saharan Africa (SSA) could be severe on the region's economy and population, given that African countries lack developed healthcare and sanitary resources and that their financial readiness to meet such crisis is low. It projected the SSA region's average economic growth rate to decline from 5% to 1% in 2020, under a light shutdown scenario that consists of limited restrictions in certain cities. In contrast, it anticipated the region's real GDP to contract by about 3% in 2020, the first annual contraction since 1991, under a heavy shutdown that is similar to the current lockdowns in the U.S. and the European Union.

In parallel, it estimated that the fiscal positions of Angola, Uganda and Zambia will be the most vulnerable to the repercussions of the coronavirus, as their fiscal deficits would exceed 8% of GDP under the light shutdown scenario, and would reach about 10% of GDP under the heavy shutdown scenario. In contrast, it noted that the fiscal positions of Ethiopia and Senegal would be the least affected under both scenarios. It anticipated the SSA region's financing needs to rise by $75bn in 2020. It noted that authorities will meet some of the funding needs from domestic sources or through bilateral loans. Still, it raised doubts about the debt sustainability of SSA countries, which implies an important role for multilateral institutions and direct aid.

However, the investment bank expressed concerns about the possibility that some SSA countries could choose to forgo debt service and trigger technical default, in case their commercial debt is not included in ongoing debt relief arrangements with the international community and multilateral institutions. It considered that a sovereign default could distract from the crisis response, and could leave a legacy of legal challenges. It pointed out that an increase in support by international and bilateral creditors could help SSA countries to service their commercial debt. It said that in case international support is too limited, then Ghana, Mozambique, Namibia and Zambia would be first to experience significant pressure, given their relatively high short-term external debt levels and financing needs.

Source: Goldman Sachs

ECONOMY & TRADE

GCC

Agencies take rating actions on sovereigns

Fitch Ratings affirmed Saudi Arabia's long-term foreign-currency Issuer Default Rating (IDR) at 'A' with a 'stable' outlook. It indicated that the rating balances the Kingdom's exceptionally large foreign currency reserves and low government debt levels, against its high reliance on hydrocarbons, weak governance indicators, and vulnerability to geopolitical shocks. It noted that the fiscal and external positions have been weakening, and that the recent sharp drop in global oil prices accelerated the downward trend in fiscal and external metrics. Further, Fitch affirmed Kuwait's long-term foreign-currency IDR at 'AA' with a 'stable' outlook. It said that the rating is supported by the country's exceptionally strong fiscal and external balance sheets, while it is in part constrained by the slow pace of reforms to address growing public finance challenges. In parallel, Fitch indicated that Oman faces a significant widening in its fiscal deficit and drawdown of fiscal reserves this year. It forecast the fiscal deficit at about 16% of GDP in 2020, amid lower oil prices and weaker non-oil revenues due to the coronavirus outbreak. It anticipated the government to meet its funding needs in 2020 through a drawdown of over $5bn from the State General Reserve Fund (SGRF) and the issuance of over $4bn in foreign debt. It expected the SGRF assets to be depleted by 2021 in the absence of foreign funding. In parallel, Capital Intelligence Ratings downgraded Bahrain's long-term foreign and local currency ratings from 'BB' to 'BB-', and maintained the outlook at 'negative'. It attributed the downgrade to its expectations that the fiscal and external balances will deteriorate significantly in the next 12 months.

Source: Fitch Ratings, Capital Intelligence Ratings

ALGERIA

Economy to contract by 5% in 2020 on coronavirus impact and lower exports

IHS Markit projected Algeria's economic activity to contract by 5% in 2020 due to the imposition of restrictive measures to address the coronavirus pandemic, as well as to lower hydrocarbon exports. Also, it forecast the fiscal deficit to widen from 8% of GDP in 2019 to 10% of GDP in 2020, despite the government's plan to reduce spending by 30% this year. It anticipated that the government is likely to maintain high subsidy levels to avoid triggering social unrest, given the reliance of the population on social spending and subsidies. But it expected the government to reduce fixed investment by more than 5% in 2020. It considered that the Algerian authorities are likely to focus on finalizing infrastructure projects, and would delay large-scale new projects in the coming one to two years in order to cope with the current crisis. It also expected the public debt level to rise from 45% of GDP at end-2019 to 55% of GDP at end-2020, as it anticipated that the government will likely issue local debt to finance its deficit. Further, it indicated that Algeria continues to post wide current account deficits, despite the introduction of measures since 2017 to reduce the import bill. It projected the current account deficit to widen from 9% of GDP in 2019 to 23% of GDP in 2020, mainly due to an anticipated decline of 35% in export receipts. Further, it forecast official foreign currency reserves to decline from $63bn at end-2019 to less than $50bn at the end of 2020, while it expected the Algerian dinar to depreciate by around 20% this year.

Source: IHS Markit

ARMENIA

Economic activity to contract by 1.5% in 2020

The International Monetary Fund indicated that the Armenian authorities requested an increase in the financial support from the IMF by about $175m, given the urgent balance-of-payments financing needs that have resulted from the impact of the coronavirus on the economy. It said that the disbursement of about $280m will help the authorities meet urgent medical and socioeconomic needs. The Fund noted that the pandemic, along with the recent oil price shock and the tightening of global financial conditions, will significantly weaken the economy's near-term growth prospects and weigh on its fiscal and external balances. It projected real GDP to contract by 1.5% in 2020 following a growth rate of 7.6% in 2019, due to the virus-related restrictions on domestic mobility and activity, as well as to reduced external demand, tighter financial conditions, and disruptions in global trade and supply chains. It welcomed the authorities' measures to provide support to businesses and vulnerable individuals, which are equivalent to about 2% of GDP and include liquidity provisions to businesses, direct labor subsidies, and lump sum transfers to vulnerable individuals. In parallel, it forecast the fiscal deficit to widen from nearly 1% of GDP to about 5% of GDP in 2020, amid lower revenues and higher coronavirus-related fiscal spending. It projected the government debt level to exceed 60% of GDP at the end of 2020, but to decline gradually over the medium term, as the crisis fades and in case authorities remain committed to their fiscal goals.

Source: International Monetary Fund

ETHIOPIA

Outlook revised to 'negative' on weaker economic activity and external position

S&P Global Ratings affirmed Ethiopia's 'B/B' long- and short-term foreign and local currency sovereign ratings, while it revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to the volatile global economic backdrop that is likely to weaken the country's economic activity and external position over the next 12 months. It expected the outbreak of the coronavirus to weigh on sectors that generate foreign currency, including agriculture, travel, tourism and exports. It projected foreign currency reserves to decline from $3.6bn at the end of 2019 to $2.6bn at end-2020, and to cover 2.3 months of current account payments. It also forecast the current account deficit to exceed 7% of GDP in the 2020-21 period. In addition, it considered that Ethiopia's growth prospects could moderate through 2021 due to the negative impact of the pandemic and of foreign exchange shortages on domestic consumption and private investment. It added that slower growth in China, the country's largest trading partner and main official creditor, is likely to weigh on Ethiopia's economic activity in 2020 and 2021. It forecast real GDP growth to average 5.5% annually in the 2020-23 period, down from 9% annually in the 2015-19 period. In parallel, S&P indicated that low public revenues, combined with still-high debt servicing costs, could expose the government to higher contingent risks, put strains on foreign currency reserves, and weaken the government's ability to service commercial financial obligations. It noted that the public sector's external debt is equivalent to 8.5 times the level of foreign currency reserves.

Source: S&P Global Ratings

AFRICA

Sustained capital outflows to weigh on banking sectors in 2020

Moody's Investors Service indicated that a prolonged period of capital outflows from emerging markets (EMs) will have an adverse impact on the foreign-currency liquidity, asset quality and profitability of African banks in 2020. It said that the banking sectors of Angola and the Democratic Republic of the Congo are the most exposed to capital outflows, given their high dollarization rates, as well as to the elevated reliance of the Angolan economy on hydrocarbon exports. It also noted that Nigeria's banking system is vulnerable to sustained capital outflows, even though banks have reduced their unhedged loans in US dollars and increased their buffers in foreign currency. In contrast, it considered that banks in Morocco and South Africa are less vulnerable, due to their low exposure to loans and funding in foreign currency. Moody's pointed out that the challenging operating conditions reduced investors' risk appetite and drove them to increasingly withdraw their investments from EMs, including from Africa, which is affecting the banks' liquidity. Further, it said that portfolio outflows and lower commodity prices will deplete foreign currency reserves and put pressure on domestic currencies, which will add challenges to the banks' financial profiles. It anticipated the banks' non-performing loans ratios to increase, mainly due to unhedged loans denominated in foreign currency. It also noted that banks with a relatively high share of foreign-currency loans will register declines in their capital ratios that are reported in local currencies, given that the conversion of foreign-currency loans inflates the size of loans in local currency and increases the risk-weighted assets. In parallel, it expected the banks' profitability to weaken, due in part to higher provisioning costs.

Source: Moody's Investors Service

SAUDI ARABIA

Banks' profits to decline by 15% in 2020 on narrower interest margins

Goldman Sachs projected the aggregate profits of the eight largest Saudi banks at SAR36.7bn, or $9.8bn, in 2020, which would constitute a decline of 14.8% from SAR43.1bn in 2019, mainly as a result of a contraction in interest margins. It anticipated the net interest margin to narrow from 3.38% in 2019 to 3.12% this year, largely due to the Saudi Arabian Monetary Authority's cumulative interest rate cut of 125 basis points in March 2020, as well as to weak demand for loans and to pressure on funding. However, it considered that lower rates would be offset in part by an increase in higher yielding mortgages. Further, it forecast the earnings of the eight Saudi banks to increase by 9% to SAR39.85bn, or $10.6bn, in 2021, partly supported by a recovery in lending growth, and in case the contraction in the interest margins flattens next year. It expected the banks' aggregate lending to increase by 2% in 2020, similar to the trend in 2016 when oil prices fell sharply, mainly due to the adverse impact of the coronavirus pandemic and the fall in global oil prices on credit demand. It anticipated retail and private sector lending to contract in 2020, but to be offset by a rise in the government's borrowing to finance wider fiscal deficits amid low oil prices. It expected the banks' asset quality to deteriorate this year amid a low oil price environment and weaker economic activity.

Source: Goldman Sachs

JORDAN

Coronavirus outbreak to weaken banks' asset quality and profitability

Fitch Ratings indicated that the spread of the coronavirus will weigh on the asset quality and profitability of Jordanian banks in 2020. But it expected the banks' capital and liquidity buffers to remain adequate this year. It noted that the weak operating environment due to the virus outbreak will result in higher impairments, restructuring and rescheduling of loans. It said that the Central Bank of Jordan's measures, which allow banks to postpone loan installments and restructure loans without any additional charges, will ease the pressure on borrowers, but will delay the recognition of 'Stage 3' loans and will understate the banks' actual level of problem loans. It expected the tourism and hospitality sectors to be the most affected by the pandemic due to weaker domestic and external demand, as well as to the ongoing travel restrictions. Further, it considered that the banks' moderate-to-high exposure to government debt could add pressure on their asset quality. In parallel, it anticipated the banks' profitability to weaken in 2020, due to lower business volumes and tighter profit margins as a result of the decrease in interest rates. Still, it expected banks to continue to generate moderate pre-impairment operating profits over the medium term, which they could use to absorb higher impairment charges. It anticipated the banks' capital buffers to be adequate this year, amid slow lending growth and modest internal capital generation. It said that lower remittance inflows could weigh on the banks' liquidity and funding costs.

Source: Fitch Ratings

PAKISTAN

State Bank of Pakistan supports banks facing adverse impact of COVID-19

Moody's Investors Service considered that the recent measures that the State Bank of Pakistan (SBP) took will help banks cope with the adverse impact of the coronavirus outbreak. It noted that the SBP cut its policy rate by 150 basis points to 11%, reduced the banks' capital conservation buffers by 100 basis points to 1.5%, and relaxed the terms for new and existing loans, among other forbearance measures. It expected the measures to mitigate the deterioration in the banks' asset quality, amid lower business generation and slower lending growth. It considered that the cut in the policy rate will help support credit growth and improve borrowers' repayment capacity. However, it said that the decrease in the rates will reduce the banks' earnings. Further, it indicated that the lower capital conservation buffer, which will free about $4.8bn in capital, or the equivalent of 10% of the loans portfolio, will support lending activity. Moody's added that the SBP offered cash flow relief through loan refinancing schemes and loan payment holidays to borrowers, including exporters and manufacturers that are affected by the pandemic. It noted that the SBP is also allowing borrowers to delay principal payments for up to one year at the discretion of the lender. It considered that the grace period reduces the risk of asset impairment and supports the value of securitized assets over the long term. It said that the SBP also postponed until the end of August 2020 the preparation of pro forma accounts based on the International Financial Reporting Standard IFRS 9, in order to support the banks' capital ratios that will be adversely affected by higher provisions under IFRS 9.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $30 p/b in third quarter of 2020

ICE Brent crude oil front-month prices have been less volatile over the past week, trading between $30 per barrel (p/b) and $32 p/b. The OPEC and non-OPEC producers' decision to cut oil production by a total of 9.7 million barrels per day (b/d) starting on May 1, 2020 has provided support for prices. However, prices closed at $27.7 p/b on April 15, as investors doubted the ability of the production cut agreement to counter the impact of the coronavirus on global oil demand. Goldman Sachs considered that the production cut is too small and too late to prevent storage facilities from reaching maximum capacity. It also highlighted compliance risks, as it estimated that the voluntary production cuts would reduce global output by only 4.3 million b/d from the first quarter of 2020, in case of full compliance to the cuts by core-OPEC countries and of 50% compliance by all other participants. In addition, it noted that the commitment to reduce output by Brazil, Canada and the U.S. by an aggregate of 3.7 million b/d are difficult to execute due to geopolitical and legal challenges in enforcing the cuts, but it expected their production to decline over time due to market dynamics. In parallel, Morgan Stanley considered that the OPEC agreement will help reduce inventory starting in the second half of 2020. It raised its forecast for oil prices from an average of $25 p/b to $30 p/b in the third quarter of 2020.

Source: Goldman Sachs, Morgan Stanley, Refinitv

MENA's crude oil exports to decline by 4% in 2020

Crude oil exports from the Middle East & North Africa region are forecast to reach 17.7 million barrels per day (b/d) in 2020, down by 4% from 18.4 million b/d in 2019. The GCC countries' oil exports would account for 71.5% of the region's oil exports this year, while non-GCC exporters would represent the balance of 28.5%. Saudi Arabia's oil exports are projected at 7.3 million b/d this year, or 41% of the region's oil exports, followed by Iraq at 3.9 million b/d (22%), and the UAE at 2.4 million b/d (13.4%).

Source: International Monetary Fund, Byblos Research

Qatar's annual LNG output to increase to 126 million tons following North Field expansion

Qatar's state-owned company Qatar Petroleum announced that the drilling of 80 development wells at the North Field East Project started on March 29, 2020. It said that the first phase of the North Field expansion project will increase Qatar's liquefied natural gas (LNG) production capacity from 77 million tons per year to 110 million tons annually. It added that the second phase of the expansion project will further raise annual LNG output capacity from 110 million tons to 126 million tons. Qatar's natural gas production reached 4.46 million barrel of oil equivalent in 2019.

Source: Qatar Petroleum, International Monetary Fund

Surplus in copper market to widen in 2020

Citi Research projected global refined copper consumption to decline by 4.3% to 22.8 million tons in 2020, compared to a growth of 1.5% in 2019. The contraction mainly reflects a 10% decrease in demand for the metal outside of China that would partly be offset by a 1.2% increase in Chinese consumption. It also forecast global refined copper production to fall by 2.1% to 23.3 million tons this year, relative to an increase of 2.2% in 2019. As such, it anticipated the production surplus in the copper market to widen from 3,000 tons last year to 539,000 tons in 2020.

Source: Citi Research

Base Metals: Zinc prices down 21% in first quarter of 2020

The LME cash price of zinc averaged $2,126 per ton in the first quarter of 2020, constituting a decline of 10.8% from the fourth quarter of 2019 and a decrease of 21.4% from the first quarter of last year. Prices averaged $2,351 per ton in January, $2,113 a ton in February, and $1,904 per ton in March 2020. They closed at $1,803 per ton on March 24, their lowest level since April 2016, down by 21% from the end of 2019. The decline in prices is mainly due to the outbreak of the coronavirus, which weighed significantly on demand for metals and on global economic activity. The decrease in demand led to a surge in the metal's inventories, which, in turn, put downward pressure on prices. Further, weaker demand reinforced expectations of a shift in the zinc market from a deficit to a surplus this year. However, zinc prices recovered to $1,920 per ton on April 15, driven by supply disruptions, as more than 20% of zinc mines around the world are currently offline or operating at reduced capacity amid the pandemic. Fitch Ratings revised downward its forecasts for zinc prices in 2020 from $2,300 per ton to $2,000 per ton in March and to $1,900 per ton in April, due to lower demand, growing inventories and expectations of larger-than-anticipated oversupply in the market in the absence of major mine disruptions.

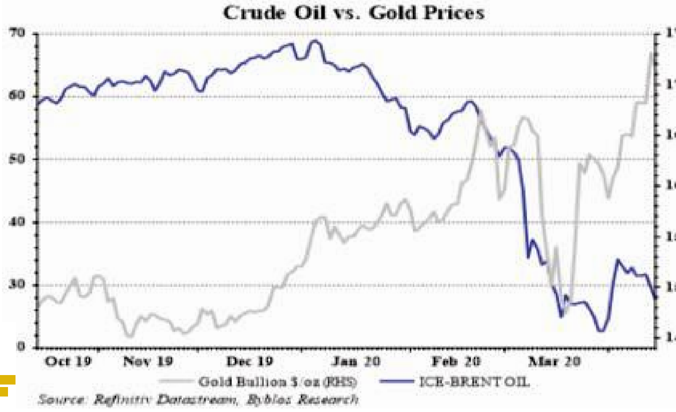
Source: Fitch Ratings, UBS, Refinitiv

Precious Metals: Gold prices reach seven-year high of $1,730 per ounce

Gold prices reached a seven-year high of $1,731 per troy ounce on April 14, 2020, up by 3% day-on-day, by 7.4% from the end of March 2020 and by 13.8% from the end of 2019. Prices closed at $1,717 per ounce on April 15, 2020. The surge in the metal's price was driven by strong investor demand for gold exchange-traded funds (ETFs) amid expectations of a global recession, as the International Monetary Fund projected global economic activity to contract by 3% this year due to the coronavirus pandemic. Also, prices are forecast to trade at around $1,700 an ounce in the coming three months, as the slowdown in the global economy is leading central banks worldwide, such as the U.S. Federal Reserve and the European Central Bank, to ease their monetary policies. Further, gold prices are projected to average around $1,600 an ounce in the next 12 months. Upside risks to the price outlook include higher demand for gold ETFs in case of an uncontrolled spread of the coronavirus, as well as rising inflationary expectations and the continued purchase of the metal by central banks. In contrast, downside risks to gold prices could stem from a significant decline in jewelry demand in China and India.

Source: Julius Bär, Refinitiv, Byblos Research

Crude Oil vs. Gold Prices



Source: Refinitiv Datastream, 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+								
	Negative	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					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-								
	-	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	0.25	15-Apr-20	No change	03-Jun-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	4.25	14-Apr-20	Cut 100bps	21-May-20
Kenya	Central Bank Rate	7.25	23-Mar-20	Cut 100bps	27-Apr-20
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	12-May-20
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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