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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Hospitality market to start recovering in fourth quarter of 2020

Colliers International anticipated the performance of hotels in the Middle East & North Africa (MENA) region to start improving in the fourth quarter of 2020 and to recover in 2021. It noted that the travel and tourism sector in the region has been one of the most affected sectors by the restrictions that governments imposed to contain the coronavirus pandemic. It projected the occupancy rate at hotels in Hurghada in Egypt to decrease by 49% in 2020, followed by occupancy rates at hotels in Alexandria (-48%), Makkah and Sharm El Sheikh (-47% each), Dubai (-46.3%), Beirut (-46%), Madinah (-45%), Manama (-44%), Muscat (-43%), Jeddah and Kuwait City (-42% each), Aqaba, Cairo and Sharjah (-41% each), Ras Al Khaimah (-40.5%), Abu Dhabi (-39%), Al Khobar, Amman and Fujairah (-38% each), and Riyadh (-36%). As such, it expected the occupancy rate at hotels in Cairo at 46% in 2020, followed by Ras Al Khaimah (45.5%), Dubai (42.5%), Alexandria (42%), Abu Dhabi (41%), Riyadh and Sharjah (39% each), Fujairah (36%), Al Khobar, Aqaba and Madinah (35% each), Hurghada and Jeddah (34% each), Amman, Makkah and Muscat (33% each), Manama and Sharm El Sheikh (31% each), Kuwait City (30%), and Beirut (29%). Further, it forecast the occupancy rate at hotels in Makkah to improve by 69% in 2021, followed by Madinah (+61%), Dubai (+57.8%), and Jeddah (+51%), while it projected occupancy rates in the remaining markets to increase by between 40% and 49%, except for Amman and Fujairah (+35% each).

Source: Colliers International, Byblos Research

Remittance inflows up 3% to $59bn in 2019

The World Bank estimated remittance inflows to Arab countries at $59.1bn in 2019, constituting an increase of 2.7% from $57.6bn in 2018, compared to a rise of 1.5% in 2018 and of 13.1% in 2017. The growth in remittance inflows to the Arab region in 2019 was mainly due to an expansion of 8.2% in remittance flows to Qatar and an increase of 7.6% in inflows to Lebanon last year. Further, inflows to Arab countries accounted for 8.3% of global remittance flows and for 10.7% of remittances to developing economies in 2019. Egypt was the largest Arab recipient of remittances with $26.8bn or 45.3% of the total in 2019, followed by Lebanon with $7.5bn (12.6%), Morocco with $6.7bn (11.3%), Jordan with $4.5bn (7.6%), Yemen with $3.8bn (6.4%), Palestine with $2.4bn (4%), Tunisia with $1.9bn (3.2%), Algeria with $1.8bn (3%), and Syria with $1.6bn (2.7%); while the remaining eight Arab countries received $2.2bn in remittances, or 3.7% of the total. Remittance inflows to Palestine were equivalent to 16.3% of GDP in 2019, the highest in the region, followed by Lebanon at 13.3% of GDP, Yemen at 12.6% of GDP, Jordan at 10.2% of GDP, and Egypt at 9% of GDP. When excluding Syria, remittance inflows to Arab countries were equivalent to about 2.6% of the region's GDP last year. The Arab region was the second-smallest recipient among developing markets, ahead of only Sub-Saharan Africa (8.5%). Also, the increase in remittance inflows to Arab countries in 2019 was the second smallest among developing economies, after only East Asia & Pacific (+2.6%).

Source: World Bank, Byblos Research

Exports from Arab region to decline by $28bn, imports to decrease by $35bn in 2020

The United Nations Economic and Social Commission for West Asia (ESCWA) projected total exports from the Arab region to decrease by $28.1bn in 2020, under a scenario where global growth declines moderately due to the coronavirus pandemic. Specifically, it estimated that Arab exports to the rest of the world would regress by $23.7bn and intra-Arab exports would fall by $4.4bn. Under this scenario, it forecast Arab imports to decrease by $35bn, with imports from the rest of the world contracting by $26.9bn and intra-Arab imports retreating by $8.1bn this year. In parallel, under a worse-case scenario where global economic activity contracts by 3%, it expected total exports from the Arab region to decline by $88bn in 2020, with exports to the rest of the world regressing by $74bn and intra-Arab exports falling by $14bn. Also, it forecast total imports to the region to drop by $111bn under this scenario, with imports from the rest of the world contracting by $86bn and intra-Arab imports retreating by $26bn this year. It anticipated that the mining, chemicals, mechanical, electrical and other manufacturing sector will be the most affected by the trade disruptions. Further, it projected the region's fiscal revenues to regress by $7.9bn under the moderate scenario, with income from import tariffs decreasing by $1.8bn and receipts from other indirect taxes declining by $6.1bn. Under a worse-case scenario, it forecast fiscal revenues to contract by $20bn, with income from import tariffs falling by $5bn and revenues from other indirect taxes retreating by $14.9bn.

Source: ESCWA, Byblos Research

UAE

Earnings of Abu Dhabi companies up 5%, profits of Dubai firms up 29% in 2019

The net income of 64 companies listed on the Abu Dhabi Securities Exchange totaled AED38.7bn, or $10.5bn, in 2019, constituting an increase of 4.8% from AED36.9bn or $10bn in 2018. Listed banks generated net profits of $5.9bn and accounted for 56.5% of the total earnings of publicly-listed firms in 2019. Telecommunications companies followed with $2.8bn (27.1%), then energy firms with $824.6m (7.8%), real estate companies with $560.6m (5.3%), services providers with $265m (2.5%), insurers with $203m (1.9%), and consumer goods firms with $133.5m (1.3%). In contrast, investment & financial services providers posted net losses of $161.7m, while industrials registered losses of $94.2m in 2019. In parallel, the cumulative net income of 58 companies listed on the Dubai Financial Market with available figures totaled AED40bn, or $10.9bn, in 2019, constituting an increase of 29.4% from AED30.9bn or $8.4bn in 2018. Listed banks generated net profits of $6.6bn, or 60.3% of net earnings in 2019. Real estate & construction firms followed with $2.7bn or 25.1% of the total, then transportation companies with $603.1m (5.5%), telecommunication firms with $472.2m (4.3%), insurers with $247.8m (2.3%), industrials with $173.2m (1.6%), investment & financial services providers with $161.2m (1.5%), and services firms with $143.1m (1.3%). In contrast, consumer staples companies posted net losses of $210.4m in 2019.

Source: KAMCO

OUTLOOK

EMERGING MARKETS

Economic activity to contract for first time in two decades

S&P Global Ratings forecast real GDP to contract by 0.5% in 2020 in emerging markets (EMs), compared to a growth projection of 4.6% prior to the outbreak of the coronavirus, which reflects the impact of stringent measures to contain the pandemic on domestic demand. It considered that the risks to the economic outlook of EMs are tilted to the downside, given that longer lockdowns could impair household income, reduce the liquidity of companies, and weigh on the asset quality of EM banks. It also anticipated that the economic recovery from the virus will be slower than previously projected, and will be uneven across EM regions. It expected the economic recovery to be stronger in countries that have been quick to implement social distancing policies and robust stimulus packages, such as Chile; while countries with delayed public health responses and limited stimulus programs, like Mexico, will post subdued economic recoveries.

In parallel, the agency anticipated that the impact of the pandemic on the U.S. and the Eurozone will be more pronounced that previously expected, which will, in turn, weigh on the external position of EMs. It considered that economies such as Turkey, which is exposed to the Eurozone, and where the tourism sector is a key contributor to economic activity and is an important source of foreign currency, will be significantly impacted by the prolonged travel restrictions. It also noted that EMs have experienced significant capital outflows in recent months that were triggered by increased aversion towards risky EM assets. It expected investors to gradually return to high-yielding assets as confidence begins to improve, though it said that sentiment will remain volatile in the near term. In addition, S&P considered that the depreciation of local currencies could act as a buffer in EMs with open economies and flexible exchange rates. But it anticipated that, in case global economic activity remains subdued, a steep depreciation in some EM currencies could increase the price of imported basic goods and lead to inflationary pressures.

Source: S&P Global Ratings

MENA

Real GDP of oil-importing economies to shrink by 0.7% in 2020 from coronavirus pandemic

The International Monetary Fund indicated that the coronavirus pandemic has significantly weakened the outlook of oil-importing economies in the Middle East & North Africa (MENA) region in 2020. It projected real GDP in these economies to contract by 0.7% in 2020 relative to its October forecast of a growth rate of 4.4%, due to lower trade, tourism and remittance inflows, as well as to tighter global financial conditions and the virus-related lockdown measures. It added that reduced capital and remittance inflows from oil-producing economies have offset the positive impact of lower oil prices on the region's oil importers. It anticipated the current crisis to result in weaker economic fundamentals and higher public and external debt vulnerabilities among oil importers, which would add to the imbalances in these economies and constrain their ability to address their immediate challenges.

In parallel, the Fund forecast the aggregate fiscal deficit of oil-importing economies to widen from 6.7% of GDP in 2019 to 8.3% of GDP in 2020, amid subdued economic activity and increased coronavirus-related fiscal spending. It expected the region's public debt level to rise from 93% of GDP at the end of 2019 to 101% of GDP at end-2020, which would leave some countries with limited fiscal space to offset the impact of the pandemic on their economies. Further, it projected the aggregate current account deficit of MENA oil importers to widen from $37bn or 6.1% of GDP last year, to $41.6bn or 6.5% of GDP in 2020, due to lower tourism receipts, remittance inflows and merchandise exports. It considered that oil importers could face difficulties in financing their external deficits, which would increase the pressure on foreign currency reserves and exchange rates of some of these economies. It forecast the foreign currency reserves of MENA oil importers to decline from $129.7bn at end-2019 to $105.1bn at end-2020. It noted that external financing will be vital to help the governments of MENA oil importers contain the negative implications of the virus outbreak on households and firms, given the countries' large financing needs of about $170bn in 2020.

Source: International Monetary Fund

SAUDI ARABIA

Economy to fall into recession in 2020 due to drop in oil prices and coronavirus pandemic

The Institute of International Finance anticipated that Saudi Arabia's economy will fall into recession as a result of the crash in global oil prices and the coronavirus pandemic. It projected non-hydrocarbon sector activity to contract by 1.9% in 2020 compared to a growth rate of 3.2% last year, the first contraction since 1982, due to the restrictive measures that the government implemented to contain the outbreak of the virus. It forecast real hydrocarbon GDP to retreat by 4.8% this year following a contraction of 3.6% in 2019, due to steeper oil production cuts under the recent OPEC agreement. As such, it expected overall real GDP to contract by 3.1% in 2020 following a growth rate of 0.2% in 2019. Still, it anticipated that megaprojects linked to the Public Investment Fund will partly offset the tight fiscal stance.

In parallel, the IIF indicated that, in response to the coronavirus pandemic and lower oil prices, the Saudi authorities cut public expenditures by 5%, in addition to the 2.5% planned spending reduction in the 2020 budget. Still, it forecast the fiscal deficit to widen from 4.5% of GDP in 2019 to 14.4% of GDP in 2020, in case oil prices average $40 per barrel (p/b). It anticipated that the authorities will finance the deficit through the issuance of domestic and external debt, as well as by tapping foreign currency reserves at the Saudi Arabian Monetary Authority (SAMA). As such, it projected the public debt level to rise from of 22.8% of GDP at end-2019 to 36% of GDP at end-2020. In addition, it forecast the current account balance to shift from a surplus of 6.3% of GDP in 2019 to a deficit of 1.2% of GDP in 2020. It anticipated private non-resident capital inflows to the Kingdom to decrease from a peak of $72bn in 2019 to $42bn in 2020, and expected resident capital outflows to exceed non-resident capital inflows. It forecast the official foreign currency reserves at SAMA to decline from $499bn at end-2019 to about $456bn at end-2020, but to be more than sufficient to support the peg of the Saudi riyal to the US dollar. The IIF anticipated that a drop of $10 p/b in oil prices will not impact Saudi Arabia's economic activity, but that it would significantly weigh on its fiscal and external balances.

Source: Institute of International Finance

EMERGING MARKETS

Debt relief initiative raises prospects of default on private-sector debt

Moody's Investors Service indicated that the initiative of the International Monetary Fund and the World Bank to provide financial support to low-income countries creates some fiscal space to increase healthcare spending and minimize the economic and social impact of the coronavirus outbreak. It noted that many low-income countries that have high external debt and are vulnerable to capital outflows and currency depreciation will benefit from reduced risks of financial turmoil. It added that the initiative responds to requests for support from African nations, which called for the waiver of all interest payments on their external debt in 2020 and a possible extension of the waiver, among other requests for support. However, it noted that some measures under the initiative could lead to the suspension of payments of private sector debt obligations or to the renegotiation of these obligations. It pointed out that missed or delayed payments of interest or principal constitute a default under its definition, even if the issuers and investors agree to revise the legal payment terms. As such, it said that the initiative can carry near-term negative credit implications for investors and negative rating actions on several frontier market sovereigns. It also noted that public debt restructuring will have longer-term implications for sovereigns active in international debt markets. It considered that the magnitude of the debt relief could influence the governments' willingness to restructure private-sector debt. It added that losses arising from short-term delays to interest payments might be limited, but longer payment holidays could entail sizeable losses for creditors.

Source: Moody's Investors Service

JORDAN

Pandemic to weigh on economic activity and external balance in 2020

The International Monetary Fund indicated that Jordan has maintained macroeconomic and financial stability despite a challenging external environment. However, it noted that the country continues to suffer from subdued economic growth, elevated unemployment and poverty rates, rising public debt levels, as well as significant challenges related to the spread of the coronavirus and to the large population of Syrian refugees. It projected the country's real GDP to contract by 3.7% in 2020, following a growth rate of 2% in 2019, mainly reflecting lower tourism, foreign direct investment and remittance inflows due to the coronavirus outbreak. But it anticipated economic activity to recover and to grow by 3.7% in 2021. Also, it forecast the fiscal deficit to widen from 6.1% of GDP in 2019 to 6.7% of GDP in 2020, but to narrow to 5.7% of GDP in 2021. It projected the public debt level to increase from 79.3% of GDP at end-2019 to 87.2% of GDP at end-2020 amid a widening fiscal deficit, and to slightly decline to 86.6% of GDP by end-2021. Further, it noted that the current account deficit narrowed from 7% of GDP in 2018 to 2.8% of GDP in 2019, mainly as a result of a strong recovery in export and tourism receipts, and lower imports. But it projected the deficit to widen to 5.8% of GDP in 2020, mainly due to a significant decline in exports amid the virus outbreak. It anticipated the country's gross usable international reserves to remain adequate at $16.1bn, or nine months of imports, at end-2020.

Source: International Monetary Fund

IRAQ

Economy to contract by 7.5% in 2020, elevated financing risks

Standard Chartered Bank projected Iraq's real GDP to contract by 7.5% in 2020, relative to a previous forecast of a 2.1% growth rate. It noted that the revision is due to the recent agreement between OPEC and non-OPEC oil producers to cut oil output, as well as to a deep recession in the non-hydrocarbon sector from social unrest and coronavirus-related disruptions. It expected hydrocarbon production to decline from an average of 4.7 million barrels per day (b/d) in 2019 to 4 million b/d in the second half of 2020, resulting in an average of 4.25 million b/d in 2020. Further, it anticipated the fiscal deficit at 13% of GDP in 2020 relative to an earlier forecast of 10% of GDP, while it projected the current account deficit at 11% of GDP in 2020 compared to 8% of GDP previously. It estimated that a decline of 250,000 b/d in oil output results in a loss equivalent to 1.5% of GDP in oil receipts. It said that it is unclear how Iraq will meet its financing needs in the absence of a new government. It expected the country to monetize the fiscal deficit and tap foreign currency reserves to meet its obligations. It said that tapping foreign currency reserves, which reached $63.5bn at end-November 2019, increases risks to the currency peg to the US dollar. It considered that Iraq may face challenges in coping with lower oil prices for a prolonged period of time without external support. As such, it noted that the country requested $2bn from the World Bank and could seek additional funding from the International Monetary Fund.

Source: Standard Chartered Bank

UAE

Outlook on ratings of two emirates revised to 'negative' on heightened macroeconomic risks

S&P Global Ratings affirmed at 'A/A-1' the long- and short-term foreign currency credit ratings of the Emirate of Ras el Khaimah (RAK) and at 'BBB/A-2' those of the Emirate of Sharjah, and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision on the ratings of the two emirates to heightened economic, fiscal, and external risks mainly due to the coronavirus pandemic and to the recent collapse of global oil prices. Also, it anticipated the uncertainty about the duration and full impact of the coronavirus on the two Emirates to raise the risk that contingent liabilities will materialize from state-owned entities (SOEs). The agency projected RAK's real GDP to contract by 2% in 2020, which will increase the risks to the Emirate's fiscal position. It projected the fiscal surplus to decrease from 1.4% of GDP last year to 0.3% of GDP in 2020, as it estimated that lower public revenues will offset any planned reduction in expenditures. Still, it forecast the public debt level to decline from 10.8% of GDP at end-2019 to 9.4% of GDP at end-2020, as the government plans to exercise an early redemption option on two bonds this year. In parallel, S&P projected Sharjah's real GDP to contract by 3% in 2020 due to the low oil price environment and the protracted lockdown period. Also, it forecast the fiscal deficit to widen from 6.2% of GDP in 2019 to 7.2% of GDP this year, due to an expected decline in public revenues and the authorities' planned stimulus. In addition, it forecast the Emirate's public debt level to rise from 33.7% of GDP at the end of 2019 to 46.8% at end-2020.

Source: S&P Global Ratings

GCC

Banks can absorb up to $36bn in credit losses

S&P Global Ratings indicated that the COVID-19 pandemic and the sharp drop in global oil prices will significantly weigh on the profitability of the 23 rated banks in the Gulf Cooperation Countries (GCC) in 2020, as banks will focus on preserving their asset quality rather than on generating new businesses amid limited lending growth. It projected the banks' interest margin to narrow this year due to lower interest rates, while it expected their asset quality to deteriorate and their cost of risk to increase. However, it anticipated that GCC banks will be able to weather the dual shocks and absorb the expected credit losses, due to their strong profitability and loan-loss provisions built over the previous years. As such, it assessed the banks' capacity to cover their annual credit losses by using their net operating income and the excess in their provisions, which is the total amount of provisions held in excess of a 100% coverage ratio. It said that all rated GCC banks will be able to absorb their credit losses by only using their net operating income this year, with Saudi banks being the most solid and Omani banks being the least resilient. Further, it indicated that Kuwaiti banks have the strongest capacity to withstand an increase in the cost of risk in 2020 when taking into account the excess in their provisions, while banks in Bahrain, Oman, and the UAE are the most vulnerable in the current crisis. Overall, it estimated that GCC banks will be able to absorb up to $36bn, or 2.7 times their estimated credit losses, using their net income and provisions, before starting to deplete their capital base.

Source: S&P Global Ratings

TURKEY

Recovery in banks' earnings delayed beyond 2020

Goldman Sachs expected the recovery in the earnings of Turkish banks, following the 2018-19 downturn, to be delayed beyond 2020, amid the impact of the pandemic on the economy. It indicated that Turkish authorities announced measures to support the banking sector and the economy, such as changing the classification criteria of non-performing loans (NPLs), doubling the size of the Credit Guarantee Fund (CGF) collateral from TL25bn to TL50bn, and providing additional liquidity facilities to banks. It said that the increase in the size of the CGF should support lending to the retail, small- and medium-sized enterprise (SMEs) and commercial sectors, and offset the contraction in other loan segments. Still, it projected loans denominated in Turkish lira to grow by 12% in 2020, down from a previous forecast of 20%, while it expected loans denominated in foreign currency to contract by 5% in 2020. In parallel, it anticipated the banks' net interest margin to expand by an average of 50 basis points in 2020, relative to an earlier forecast of 60 basis points. It considered that there is limited room for additional declines in deposit rates, while the yields on loans denominated in lira are at their lowest level in more than five years. Further, it anticipated the NPLs ratio to increase from 6.6% in 2019 to 7.5% in 2020 and to about 8% in 2021. It anticipated the pressure on the banks' asset quality to start from the SMEs segment. It projected the cost of risk to increase from 240 basis points in 2019 to 260 basis points in 2020, driven by state-owned banks. It expected the cost of risk to normalize to 170 basis points in 2021.

Source: Goldman Sachs

NIGERIA

Outlook on banking sector revised to negative on drop in oil prices and coronavirus pandemic

Moody's Investors Service revised the outlook on Nigeria's banking sector from 'stable' to 'negative', as it anticipated banks to face weak asset quality and tight foreign currency liquidity, due to the impact on economic activity of low global oil prices and the coronavirus pandemic. It anticipated credit growth to decelerate, mainly due to reduced lending to corporates, which account for about 90% of the banks' loans. Also, it projected problem loans to rise from 6% of total loans at end-2019 to between 8% and 10% of total loans over the coming 12 to 18 months, due to weaker creditworthiness of most corporate borrowers. It anticipated that the banks' high exposure to loans denominated in foreign currency, estimated at 41% of total loans, will also weigh on their asset quality in case of a further devaluation of the Nigerian naira. In parallel, the agency expected the sector's tangible common equity to decline from 14% of risk-weighted assets at end-2019 to 13% at end-2021, due to higher risk-weighted assets and an anticipated increase in loan-loss provisioning costs. But it considered that the banks' capital ratios are sufficient to absorb unexpected losses. Also, it projected the sector's return on assets to drop from 2.5% at end-2019 to between 0.5% and 1% at end-2020 as a result of narrower interest margins as well as higher costs and provisions. Further, it forecast the growth of foreign currency-denominated deposits, estimated at about 25% of total deposits, to significantly decelerate, which could result in renewed shortages of foreign currency in case of sustained low oil prices.

Source: Moody's Investors Service

OMAN

Banks' asset quality to deteriorate

Regional investment bank EFG Hermes projected the aggregate earnings of Bank Muscat, Bank Dhofar, National Bank of Oman and Bank Sohar to decline by 11% in 2020, compared to a decrease of 4% in 2019, mainly due to lower fee income and higher cost of risk. It anticipated the banks' net interest margin to be stable in 2020 but to contract in 2021, mainly due to higher funding costs, as the sector's liquidity starts to tighten from the drawdown of public sector deposits amid lower oil receipts. Also, it indicated that the Stage 2 loans at Omani banks represent 20% of their loan portfolio, which is well above the median of 7% at GCC banks. It noted that the Central Bank of Oman (CBO) instructed banks to allow distressed borrowers, such as small- and medium-sized enterprises, to delay the payment of their loan instalments for up to six months, without downgrading the risk classification of their loans. It added that the CBO requested banks to defer the risk classification of loans that are related to government projects for six months. However, it considered that an increase in the banks' non-performing loans is inevitable. It anticipated that layoffs, salary reductions, as well as delays in government payments similar to the 2014-17 period, could weigh on the banks' asset quality. In addition, it indicated that there is room for consolidation among Omani banks. It noted that Bank Dhofar is in urgent need to merge, and considered that Bank Sohar would be a good match despite the failed efforts of the two banks to merge in the 2014-16 period.

Source: EFG Hermes

ENERGY / COMMODITIES

Brent prices to average $35 p/b in 2020

ICE Brent crude oil front-month prices traded at between $19 per barrel (p/b) and $21 p/b in the past week, their lowest levels since 2001. But they closed at $22.5 p/b on April 29, up by 10% from the previous day, driven by a lower-than-expected increase in U.S. oil inventories and signs of positive global developments related to the pandemic. Prices averaged $27 p/b so far in April, down by 20% from an average of $33.7 p/b in March 2020. In parallel, West Texas Intermediate (WTI) oil prices have been trading at between $12 p/b and $15 p/b in the past week, after closing at -$37.6 p/b on April 20. Prices continue to reflect a distressed oil market, amid oversupply and narrowing storage space. Goldman Sachs expected global storage capacity to reach its limit by mid-May 2020. It considered that the event of negative WTI prices on April 20 is an indicator of how will global oil benchmarks trade in case oil inventories reach their full capacity, which will translate into substantial volatility with more drops in prices, until the physical market is balanced. It expected global oil demand to decline by about 18 million barrels per day around mid-May. As such, it considered that oil supply should decrease by the same amount in order to stabilize oil prices, which is nearly twice the cut under the new OPEC agreement. In parallel, Moody's Investors Service expected weak oil prices to persist until output drops to levels that will ease the strain on storage facilities. It projected Brent and WTI prices to average $35 p/b and $30 p/b, respectively, in 2020. It anticipated production cuts to accelerate in the second half of 2020.

Source: Goldman Sachs, Moody's Investors Service, Refinitiv

Algeria's oil and gas receipts down 28% in first two months of 2020

Algeria's oil and gas export receipts reached $4.56bn in the first two months of 2020, constituting a decline of 28.2% from $6.35bn in the same period of 2019, due to the collapse in global oil prices and lower domestic output. They accounted for 93.1% of total exports in the covered period. Algeria's oil and gas output and exports have been falling in recent years due to growing domestic consumption and the lack of foreign investment. In parallel, the Ministry of Energy indicated that the country's proven oil reserves currently stand at 10 billion barrels and that proven natural gas reserves total 2.36 billion cubic meters.

Source: Refinitiv

Steel output down 1% in first quarter of 2020

Global steel production reached 443 million tons in the first quarter of 2020, constituting a decrease of 1.4% from 449.2 million tons in the same period of 2019. Production in China totaled 234.5 million tons and accounted for 53% of global output in the covered period. India followed with 27.5 million tons (6.2%), then Japan with 24.4 million tons (5.5%), the U.S. with 22 million tons (5%), Russia with 18 million tons (4%), and South Korea with 17 million tons (3.8%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to decline by 5% in 2020

Consumption of crude oil in the Middle East & Africa is expected to average 12 million barrels per day (b/d) in 2020, which would constitute a decline of 4.8% from 12.63 million b/d in 2019. The region's demand for oil would represent 38.2% of demand in developing countries and 12.9% of global consumption this year.

Source: OPEC, Byblos Research

Base Metals: Copper prices up 6% in April 2020

LME copper cash prices closed at $5,233 per ton on April 29, 2020, their highest level in more than six weeks, constituting an increase of 6% from $4,939 per ton at the end of March 2020 and a rise of 13.1% from the three and a half-year low of $4,625 per ton they reached on March 23. The recovery in prices this month was mainly driven by supply disruptions resulting from coronavirus-related shutdowns of major mines, and by plans to reopen businesses in some major economies, which could boost demand for metals. The increase in copper prices was also supported by stimulus packages and cuts in policy rates announced by major central banks globally, which improved market sentiment. These factors offset the downward pressures on prices from market expectations that supply will increase as producers are emerging from lockdowns. In parallel, the latest available figures show that global demand for refined copper was 2.07 million tons in January 2020, down by 0.5% year-on-year, as Chinese demand declined by about 3%, while demand from the rest of the world increased by around 2%. On the supply side, global refined copper production reached 2.07 million tons in January 2020, up by 3% annually, amid higher output from Chile, China and Japan. This was partially offset by lower production in the Democratic Republic of Congo and Zambia. Refined copper output grew by 17% in the Americas, by 4% in Oceania, by 2.5% in Europe and by 1.5% in Asia, while it declined by 14% in Africa.

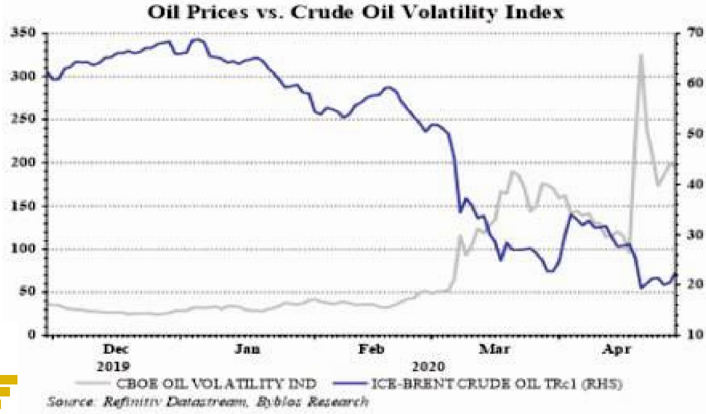
Source: International Copper Study Group, Refinitiv

Precious Metals: Gold prices to increase by 17% to $1,624 per ounce in 2020

Gold prices averaged $1,683 per troy ounce in April 2020, up from an average of $1,593 an ounce in March, $1,597 per ounce in February, and $1,559 an ounce in January 2020. Also, the metal's price closed at a seven-year high of $1,738 per ounce on April 23, 2020, up by 7.8% from the end of March 2019 and by 14.3% from end-2019. The rise in gold prices has been supported by an increase in investor demand for gold exchange-traded funds (ETFs), as well as by aggressive monetary policy easing by central banks worldwide amid the coronavirus outbreak, which has increased the attractiveness of holding a non-yielding asset like gold. Prices gradually moderated from their seven-year high and decreased in four consecutive trading days to close at $1,701 an ounce on April 29, 2020. They are projected to decline in coming months, and to average $1,628 per ounce in the second quarter of 2020 and $1,613 an ounce in the third quarter of the year, mainly as a result of a stronger US dollar. Gold prices are forecast to increase by 16.6% to an average of $1,624 per ounce in 2020.

Source: ABN AMRO, Refinitiv, Byblos Research

Oil Prices vs. Crude Oil Volatility Index



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 (%)
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	Negative	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-								
	-	URD***	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	Negative	-	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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	0.00-0.25	29-Apr-20	No change	10-Jun-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	27-Apr-20	No change	16-Jun-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	3.85	20-Apr-20	Cut 20bps	20-May-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	8.75	22-Apr-20	Cut 100bps	21-May-20
South Africa	Repo rate	4.25	14-Apr-20	Cut 100bps	21-May-20
Kenya	Central Bank Rate	7.00	29-Apr-20	Cut 25bps	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	6.00	21-Apr-20	Cut 50bps	14-May-20
Brazil	Selic Rate	3.75	18-Mar-20	Cut 50bps	06-May-20
Armenia	Refi Rate	5.00	28-Apr-20	Cut 25bps	16-Jun-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	27-Apr-20	No change	08-Jun-20
Ukraine	Discount Rate	8.00	23-Apr-20	Cut 200bps	11-Jun-20
Russia	Refi Rate	5.50	24-Apr-20	Cut 50bps	19-Jun-20

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