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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Two thirds of countries have data and privacy protection laws

The United Nations Conference on Trade and Development's (UNCTAD) Global Cyberlaw Tracker for 2020, which provides insights about the adoption of e-commerce laws across the world, shows that 81% of countries globally have an e-transaction law in force, compared to 75% in the 2015 survey. It added that 6% of countries have draft legislations that are expected to become law in 2020 and 4% do not have an e-transaction law in place. The survey, which was conducted in February 2020, assesses the state of e-commerce legislation related to e-transactions, online consumer protection, cybercrime, as well as data and privacy protection. Further, it shows that 56% of countries globally have adopted online consumer protection legislations, up from 51% in 2015, while 6% have similar draft laws waiting to be enacted and 9% lack an online consumer protection law in place. In parallel, the survey reveals that 79% of countries worldwide have enacted cybercrime laws relative to 71% in 2015, while 5% have draft legislations and 13% do not have a cybercrime law in force. Also, it indicates that 66% of countries globally have put in place legislation to protect the data and privacy of consumers compared to 55% in 2015, while 10% of sovereigns have draft laws and 19% do not have legislations to protect data and privacy. Further, the survey pointed out that Least Developed Countries (LDCs) are trailing developed and other developing economies in terms of e-commerce laws. It added that 66% of LDCs have cybercrime laws in place, 64% enforce e-transaction laws, 43% have laws to protect data and privacy protection, and 40% have online consumer protection legislation

Source: UNCTAD

MENA

Stock markets down 20% in first four months of 2020

Arab stock markets dropped by 19% and Gulf Cooperation Council equity markets fell by 18% in the first four months of 2020, relative to expansions of 12.1% and 13.1%, respectively, in the same period of 2019. In comparison, global stocks decreased by 14% and emerging market equities declined by 17.6% in the covered period. The index of the Beirut Stock Exchange jumped by 73.7% in the first four months of 2020, and activity on the Damascus Securities Exchange grew by 7%. In contrast, activity on the Dubai Financial Market dropped by 26.7% in the first four months of 2020, the Egyptian Exchange fell by 24.4%, the Casablanca Stock Exchange regressed by 22.8%, the Bahrain Bourse decreased by 18.6%, the Abu Dhabi Securities Exchange declined by 16.7%, the Iraq Stock Exchange retreated by 16.3%, the Qatar Stock Exchange contracted by 16%, the Saudi Stock Exchange dropped by 15.2%, the Boursa Kuwait regressed by 14%, the Tunis Bourse fell by 12.8%, and the Muscat Securities Market decreased by 11.1%. Activity on the Amman Stock Exchange and the Palestine Exchange was suspended in April 2020.

Source: Local stock markets, Dow Jones Indices, Byblos Research

EMERGING MARKETS

Remittance inflows to developing economies to decline by 20% in 2020

The World Bank projected remittance inflows to low- and middle-income countries (LMICs) at $445bn in 2020, constituting a decline of 19.7% from a record high of $554bn in 2019. It attributed the decrease in remittances to LMICs mainly to the drop in the wages of migrant workers and to the loss of jobs in host nations due to the global economic crisis that was triggered by the coronavirus pandemic. It forecast remittance inflows to Europe & Central Asia to fall by 27.5% in 2020, followed by inflows to Sub-Saharan Africa (SSA) (-23.1%), South Asia (-22.1%), the Middle East & North Africa (MENA) (-19.6%), Latin America & the Caribbean (-19.3%), and East Asia & the Pacific (-13%). As such, it expected remittances flows to East Asia & the Pacific to reach $128bn and to account for 28.8% of total remittances to LMICs in 2020, followed by South Asia with $109bn (24.5%), Latin America & the Caribbean with $77bn (17.3%), the MENA and Europe & Central Asia with $47bn each (10.6% each), and SSA with $37bn (8.3%). In parallel, the World Bank projected remittance inflows to LMICs to increase by 5.6% to $470bn in 2021. However, it noted that downside risks dominate the outlook for remittance inflows in 2021, as it anticipated that the recovery from the crisis would be prolonged and difficult. It forecast remittance inflows at $138bn in East Asia & the Pacific in 2021, as well as at $115bn in South Asia, $82bn in Latin America & the Caribbean, $49bn in Europe & Central Asia, $48bn in the MENA, and $38bn in SSA next year.

Source: World Bank

GCC

Fixed income issuance down 18% to $56bn in first four months of 2020

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $56bn in the first four months of 2020, constituting a decline of 17.8% from $68.1bn in the same period of 2019. Fixed income issuance in the covered period consisted of $29.4bn in sovereign bonds, or 52.5% of the total, followed by $12bn in corporate bonds (21.4%), $9.7bn in sovereign sukuk (17.3%), and $4.9bn in corporate sukuk (8.8%). Further, aggregate issuance by GCC sovereigns amounted to $39.1bn in the first four months of 2020, or 69.8% of total fixed income issuance in the region; while aggregate bonds and sukuk issued by corporates in the GCC reached $16.9bn, or 30.2% of the total. GCC sovereigns issued $1bn in sukuk in January, $9.6bn in bonds and sukuk in February, $4.2bn in sukuk in March, and $24.3bn in bonds and sukuk in April 2020. In parallel, companies in the GCC issued $3.1bn in bonds and sukuk in January, $10.9bn in February, $1.5bn in March, and $1.4bn in April 2020. Further, Qatar issued $10bn worth of sovereign bonds in April, the UAE issued $7bn in bonds and $272.3m in sukuk, and Saudi Arabia issued $7bn in bonds. In parallel, corporate issuance in the covered month included $845.7m in bonds and $100m in sukuk issued by Qatar-based companies, and $340.7m in bonds issued by UAE-based firms.

Source: KAMCO

POLITICAL RISK OVERVIEW - APRIL 2020

EGYPT

Fears of terrorist attacks on Copts resurfaced, after Egyptian security forces killed seven suspected jihadists in al-Amirya district in Cairo, who were allegedly plotting to attack Coptic communities during Easter. The Minister of Finance revealed that Egypt has lost about $8.5bn in foreign investment in the past three months due to the economic impact of the coronavirus outbreak. Attempts to mediate talks between Egypt and Ethiopia over the Grand Ethiopian Renaissance Dam stalled, as Sudan said that it will not play the role of intermediary between Egypt and Ethiopia, given that it is a party in the negotiations.

ETHIOPIA

Ethnic violence broke out in the northwest of the country, while the armed opposition continued to launch attacks against civilians in the Oromia region. In response to the coronavirus pandemic, the government declared a five-month nationwide state of emergency. Negotiations with Egypt and Sudan on the filling and operation of the Grand Ethiopian Renaissance Dam on the Nile River reached a stalemate. However, Prime Minister Abiy Ahmed announced that the dam would be filled during the rain season. Ethiopia and Sudan reportedly agreed to coordinate border security operations between the two countries following a wave of violence and clashes between militias on each side of the border.

IRAN

U.S. President Donald Trump warned Iran from attacking U.S troops in Iraq. The U.S. said that eleven Iranian ships repeatedly conducted dangerous and harassing approaches toward six U.S. vessels in international waters. But the Islamic Revolutionary Guards Corps (IRGC) dismissed the claims and accused U.S. forces of illegal maneuvers. The U.S. navy was instructed to destroy any Iranian gunboat that harasses U.S. ships. Also, the U.S. considered the IRGC's launch of its first military satellite in April as a security concern. The government awaits an official response for its request for a $5bn emergency loan from the IMF to fight the coronavirus, but the U.S. said that Iran should not receive financial assistance as it will be used to fund proxy wars.

IRAQ

The Iran-backed militia Kataib Hizbollah demanded full withdrawal of U.S. forces from Iraq. Nine pro-Iranian militias jointly announced efforts to confront the U.S. presence in Iraq. The U.S. offered a $10m reward for information on Muhammad Kawtharani, a senior military commander of Kataib Hizbollah. The U.S. will hold a strategic dialogue with Iraq in June to review their bilateral economic and military relations. President Barham Salih designated intelligence director Mustafa al-Kadhimi as Prime Minister. The pro-Iranian Fateh coalition showed support to Mr. al-Kadhimi. But Kataib Hizbollah condemned the nomination, accusing Mr. al-Kadhimi of involvement in the killing of Iran's Quds Force commander Qassem Soleimani and of Abu Mahdi al-Muhandis, the deputy chief of the Shiite militia coalition Popular Mobilization Units.

LIBYA

Fighting intensified between the Libyan Arab Armed Forces (LAAF) and forces allied to the UN-backed Government of National Accord (GNA), despite renewed international calls for a ceasefire and the spread of the coronavirus. LAAF forces continued to conduct missile strikes on residential areas in southern Tripoli in early April, including on the al-Hadba hospital that was equipped to treat coronavirus patients. Turkey increased military support to the GNA throughout April, partly enabling the latter to make advances across western Libya. GNA forces captured the central coastal towns of Sabratha and Sorman, and surrounded the Tarhuna town, a LAAF stronghold in western Libya. The GNA accused General Khalifa Haftar of staging a coup, after the latter claimed to have a "mandate" from the Libyan people to govern the country.

SUDAN

Peace talks between the transitional government and rebel groups continued, but were met with new delays. The government, the Sovereign Council, and the opposition coalition Forces for Freedom and Change formed a committee to accelerate transitional reforms, and pledged to appoint the Transitional Legislative Council by mid-May 2020. The rebel coalition Sudanese Revolutionary Front announced that it would support the government's appointment of state governors, provided that it takes part in the nomination process. Authorities postponed the trial of former President Omar al-Bashir due to the coronavirus pandemic, while the government imposed a three-week lockdown of the capital Khartoum to prevent the spread of the virus.

SYRIA

Islamic State (IS) militants attacked the regime's military positions in the Al-Sukhna town in the Homs region. However, pro-regime fighters along with Russian air support reportedly attempted to stop the militants from taking the town. An unclaimed bomb attack in the northern town of Afrin killed at least 40 civilians, while Turkey blamed the Kurdish-led People's Protection Forces (YPG) that denied carrying out the attack. Turkey continued its military reinforcements in Idlib. In parallel, the regime said that it intercepted Israeli missiles over the city of Palmyra in the Homs region, and that Israel conducted airstrikes on a military airfield near Damascus.

TUNISIA

Parliament approved on April 4 the government's request for emergency powers in order to contain the spread of the coronavirus and to mitigate its impact on the economy, following a two-week dispute between the Speaker of Parliament Rached Ghannouchi, President Kais Saïed and Prime Minister Elyes Fakhfakh. As such, the Prime Minister is allowed to "temporarily" ratify laws and issue emergency decrees without resorting to Parliament. In parallel, the Minister of Interior announced that authorities arrested two men, including a suspected member of an armed group, in an alleged plot to infect security forces with the coronavirus.

TURKEY

The Turkish army continued its operations against the PKK in the southeast of the country and in northern Iraq, and against the Kurdish-led People's Protection Units militants in the northeast of Syria. Turkish security forces dispersed sit-in protests in the Idlib province in Syria, reportedly organized by jihadist coalition Hei'at Tahrir al-Sham, in order to halt joint Turkish-Russian patrols. In parallel, Turkey increased its military support to the Tripoli-based Government of National Accord in Libya, and Turkish F16 fighter jets carried out their first ever military exercise over Misrata city.

YEMEN

The UAE-backed Southern Transitional Council (STC) announced that it intends to govern the capital city of Aden and other cities in the south, violating the November 2019 Riyadh Agreement between STC forces and the Hadi government that aimed to end hostilities. Fighting between forces loyal to President Abdrabbuh Mansour Hadi and Huthi rebels intensified in the north. Saudi Arabia declared a two-week ceasefire on April 8 in response to an appeal by the United Nations to end hostilities amid the coronavirus pandemic, and extended the ceasefire on April 24 for another month. However, Huthi rebels dismissed the Saudi ceasefire, and demanded that the Kingdom lift its blockade of airspace, land borders and ports in Huthi-held areas. Authorities reported five coronavirus cases in the south on April 29, raising fears of an outbreak of the virus across the country.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Coronavirus pandemic to limit growth potential

Moody's Investors Service indicated that the economic costs of the coronavirus crisis are rapidly accumulating amid the near shutdown of the global economy. It projected economic activity in the Group of 20 (G20) countries to contract by 4% in 2020, with real GDP shrinking by 5.8% among G20 advanced economies and contracting by 1% in G20 emerging markets. It anticipated economic activity to start recovering in the second half of 2020 in case the spread of the virus declines and restrictions on business activity ease, and forecast real GDP of the G20 countries to grow by 4.8% in 2021. However, it noted that the recovery will vary across economies and sectors, and added that countries with weak economic fundamentals are likely to come out of the crisis with permanently subdued growth potential. It indicated that sectors that require a high degree of human contact, such as travel, public transportation and restaurants, are unlikely to fully normalize until the disease is eradicated, or until a vaccine or an effective treatment is available. As such, it considered that many sectors and businesses will struggle to survive in these conditions regardless of policy support to the economy.

It pointed out that there are significant downside risks to the outlook for global economic activity, which include a resurgence of the coronavirus in the second half of 2020 that could lead to further lockdowns, heightened pressure on asset quality in the financial sector, and a permanent shift in consumption behavior.

Further, the agency expected the coronavirus pandemic to have ramifications for trade relations and globalization in the long term. It noted that companies may consider a range of options, including moving supply chains closer to their markets beyond 2021, while some countries will try to encourage domestic production of medical equipment and other essential goods. In parallel, it said that some of the virus effects on hard-hit sectors such as leisure, hospitality, travel and retail will likely be irreversible. It added that the nature of work and the delivery of services could permanently change in certain sectors as individuals and businesses adapt to social distancing and digitization increase.
Source: Moody's Investors Service

AFRICA

Coronavirus crisis to significantly affect SSA economies

The Institute of International Finance indicated that countries in Sub-Saharan Africa (SSA) are exposed to external shocks, including a deep global recession, to the collapse in commodity prices, and to a sudden halt in capital inflows. It also anticipated significant coronavirus outbreaks across the region, which would exhaust local healthcare systems. It added that more locust infestations are expected in East Africa, with Ethiopia and Kenya being the most at risk. Consequently, it projected real GDP in SSA economies to contract by 1.8% in 2020, with activity in South Africa and Nigeria, the continent's two largest economies, retreating by 4.7% and 2.9%, respectively. It anticipated the slowdown in activity to be broad-based across SSA economies, given the severity of the shock and the limited policy space in the region. It considered that it is difficult to assess the pace of a post-coronavirus recovery, as growth has been historically unstable across the region due to volatile commodity prices that affect the exports of most SSA countries. Also, it said that strict measures to contain the pandemic have interrupted tourism activity, and anticipated this trend to continue in the coming months.

Further, the IIF projected the current account balance to be in deficit in most SSA countries this year, amid lower commodity prices. It anticipated disruptions to global trade and to value chains, as well as locust infestation in East Africa, to further weigh on exports. It also expected tourism activity and remittance inflows to decline, which would affect countries such as Ghana and Kenya. It considered that currency adjustments could mitigate the impact of such shocks, but it noted that fixed or semi-managed exchange rate regimes across most SSA countries are a major limitation. It pointed out that Nigeria is facing significant external stress, and forecast its current account deficit at 3.4% of GDP this year, amid worsening capital flow dynamics. It expected SSA authorities to face more challenges in financing external deficits than during previous crises.
Source: Institute of International Finance

EGYPT

Growth to decelerate to 1.5% in FY2019/20 due to COVID-19 pandemic

The Institute of International Finance indicated that the current global economic recession and the lockdown measures that the Egyptian government enforced to contain the spread of the coronavirus are severely affecting the country's economic activity and are weighing on its fiscal and external positions. It projected real GDP to shift from a growth rate of 5.4% in the first half of the fiscal year that ends in June 2020 to a contraction of 2.5% in the second half of the fiscal year. Consequently, it forecast real GDP growth to decelerate from 5.6% in FY2018/19 to 1.5% in FY2019/20, and expected the manufacturing and services sectors, especially tourism, to be the most affected sectors. It anticipated the average inflation rate to decline from 13.9% in FY2018/19 to 5.7% in FY2019/2020, which would allow the Central Bank of Egypt to further ease monetary policy to support the economy and safeguard financial stability.

Further, it forecast the fiscal deficit to widen from 8% of GDP in FY2018/19 to 8.5% of GDP in FY2019/20, mainly due to increased fiscal spending to limit the spread of the virus and support vulnerable households, as well as to lower tax receipts. It anticipated the public debt level to remain elevated at 92% of GDP at end-June 2020 and at 89.4% of GDP at end-June 2021.

In parallel, the IIF projected the current account deficit to widen from 3.5% of GDP in FY2018/19 to 4.1% of GDP in FY2019/20, due to the sharp decline in export and tourism receipts, remittance inflows, and revenues from the Suez Canal. It noted that the COVID-19 shock has caused a pronounced sudden stop in capital inflows to Egypt, while it said that official foreign currency reserves plunged from $41bn at the end of February 2020 to about $36bn at end-March. It forecast foreign currency reserves to further decline to $33.2bn at the end of June 2020. It expected the International Monetary Fund to approve in the next few weeks the government's request for financial assistance through the Rapid Financing Instrument and a new Stand-By Arrangement. It estimated that the IMF will approve the disbursement of $2.8bn for Egypt, which will help contain the decline in foreign currency reserves, and meet the country's large external financing needs that are forecast at $32.9bn in FY2020/21.
Source: Institute of International Finance

SAUDI ARABIA

Outlook revised to 'negative' on lower oil prices

Moody's Investors Service affirmed at 'A1' the issuer and senior unsecured ratings of Saudi Arabia, while it revised the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to downside risks to the Kingdom's fiscal strength, amid the rapid spread of the coronavirus that led to a sharp decline in global oil prices and a drop in oil demand. In addition, it indicated that the 'negative' outlook reflects uncertainties about the government's ability to offset the decrease in hydrocarbon revenues and to stabilize its debt burden and sovereign assets in the medium term. The agency projected the government's revenues to regress by about 33% in 2020, while it expected the government to further reduce spending on top of the announced cuts of about 3.6% of GDP. Still, it forecast the fiscal deficit to widen from 4.5% of GDP in 2019 to more than 12% of GDP in 2020 and to reach 8% of GDP in 2021. As such, it projected the Kingdom's public debt to increase from less than 23% of GDP at the end of 2019 to around 38% of GDP by end-2021. It also estimated that the government's liquid assets will decline by the equivalent of 7% of GDP in the 2020-21 period, in order to contain the sovereign's borrowing requirements. Further, it forecast the current account balance to shift from a surplus of 6.3% of GDP in 2019 to a deficit of around 6% of GDP in 2020 and of 1% of GDP in 2021. As a result, it expected foreign currency reserves to decline from $488bn at end-2019 to less than $375bn at end-2021.

Source: Moody's Investors Service

IRAN

Ratings affirmed, outlook revised to 'negative'

Capital Intelligence Ratings affirmed at 'B' Iran's long-term foreign and local currency ratings, and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to its expectations of a wider fiscal deficit that will increase risks to the government's financing. It projected the fiscal deficit to widen from 5.3% of GDP in the fiscal year that ended in March 20, 2020 to 9.4% of GDP in FY2020/21, driven by higher spending to contain the impact of the coronavirus on the country, as well as by lower government revenues amid the sharp decline in global oil prices. Also, it anticipated tax revenues to decrease, as it forecast economic activity to contract by 5.6% in FY2020/21 amid weak domestic demand and business activity. It expected the widening of the deficit to increase financing risks, given the strained lending capacity of the domestic banking sector and the country's very limited access to international borrowing. It added that higher reliance on borrowing from the Central Bank of Iran poses risks to macroeconomic stability since monetizing the fiscal deficit would further fuel inflationary pressures. It noted that the government withdrew $1bn from the National Development Fund of Iran, the country's sovereign wealth fund, in April 2020, and applied for a $5bn loan from the International Monetary Fund in March. But it did not expect the IMF to approve an emergency funding package for Iran. Further, it indicated that the government's very large contingent liabilities, especially from the banking sector, add substantial risks to fiscal sustainability, even though the central government's debt level is moderate at 32% of GDP as of March 2020. In parallel, it noted that Iran's ratings continue to be constrained by high external political risks.

Source: Capital Intelligence Ratings

NIGERIA

Economy to contract by 3.4% in 2020 due to coronavirus and oil price shocks

The International Monetary Fund indicated that the outbreak of the coronavirus and the sharp drop in global oil prices are severely affecting Nigeria's economic activity and have resulted in large external and fiscal financing needs for 2020. It noted that the dual shock added to the existing challenges that the country is facing, including multiple foreign currency markets and declining foreign currency reserves. It projected real GDP to contract by 3.4% in 2020, the steepest contraction on record, relative to a pre-pandemic growth estimate of 2.5% for this year. Further, it expected Nigeria's hydrocarbon exports receipts to decrease by more than $26.5bn in 2020, which will significantly weaken the country's fiscal and external positions. It forecast the fiscal deficit at 6.8% of GDP in 2020 compared to a deficit projection of 4.6% of GDP prior to COVID-19. In parallel, it anticipated the current account deficit at 3.3% of GDP this year relative to a pre-pandemic deficit estimate of 1.1% of GDP, due to lower hydrocarbon export receipts and remittance inflows. It expected capital flows to significantly weaken this year amid sizeable portfolio outflows, which would put additional pressure on foreign currency reserves and the exchange rate. It cautioned that further declines in oil prices and more protracted virus containment measures would severely strain Nigeria's economic and financing prospects. In parallel, the Fund approved $3.4bn in emergency financial assistance to help authorities meet the urgent balance-of-payments needs stemming from the twin shocks.

Source: International Monetary Fund

GHANA

Agencies take actions on sovereign ratings

S&P Global Ratings affirmed Ghana's long- and short-term foreign and local currency sovereign credit ratings at 'B', and revised the outlook on the long-term ratings from 'stable' to 'negative' due to rising fiscal and external pressures. It anticipated real GDP growth to decelerate from 6.5% in 2019 to 1% in 2020, due to the negative impact of the coronavirus pandemic on domestic demand and to the collapse in global oil prices. It anticipated that slower economic activity and the authorities' fiscal stimulus will widen the fiscal deficit from 7.4% of GDP in 2019 to 9% of GDP this year, which would weigh on Ghana's already elevated financing needs. Also, it said that a change in investor sentiment could lead to non-resident financial outflows, which would put further pressure on the exchange rate. In addition, it projected the current account deficit to widen from 2.7% of GDP in 2019 to 4.3% of GDP in 2020, despite higher revenues from gold exports. Further, Moody's Investors Service affirmed at 'B3' Ghana's long-term local and foreign currency issuer ratings, and revised the outlook from 'positive' to negative'. It attributed the revision to tightening domestic and external funding conditions following the outbreak of the coronavirus, amid the country's very weak debt affordability. In parallel, Fitch Ratings affirmed at 'B' Ghana's long-term foreign currency issuer default rating, with a 'stable' outlook. It said that the rating reflects the agency's expectations that the economy will rapidly recover after the coronavirus pandemic shock, and that additional fiscal and external financing options will be available to the sovereign.

Source: S&P Global Ratings, Moody's Investors Service, Fitch Ratings

SAUDI ARABIA

Drop in global oil prices raises concerns about long-term stability of currency peg

Goldman Sachs considered that the peg of the Saudi riyal to the US dollar has helped Saudi Arabia maintain monetary stability, has allowed the accumulation of substantial foreign currency reserves, and has supported the country's external balance. However, it pointed out that the sharp fall in global oil prices has increased concerns about the long-term stability of the peg, and added that exchange rate stability requires that foreign currency reserves remain sufficient to cover narrow money supply M1. As such, it said that authorities need to take economic measures in order to stem the net outflow of foreign currency and, in turn, prevent reserves from falling below the M1 coverage threshold. It considered that a fiscal adjustment, rather than a monetary adjustment, would be the preferable choice to address the impact of the current oil price shock, as it said that a currency devaluation could lead to an increase in inflationary pressure, erode real income, trigger structural capital outflows, and adversely impact long-term growth. In contrast, it noted that fiscal tightening would allow the targeting of specific segments of the population that can absorb fiscal measures. For instance, it pointed out that authorities could increase the value-added tax rate on luxury goods, and could introduce progressive income and wealth taxes. In parallel, it said that a de-pegging or a devaluation of the riyal may be desirable in the event of a structural shift in long-term oil price expectations that would lower buffers to below the M1 coverage threshold. It said that foreign currency reserves could possibly fall below this threshold as early as next year, if oil prices stay "lower for longer" as a result of the coronavirus pandemic.

Source: Goldman Sachs

JORDAN

Banks' capital adequacy ratio at 17%, NPLs ratio at 5.2% at end-June 2019

The International Monetary Fund indicated that the banking sector in Jordan is well-capitalized, liquid and profitable, despite the subdued growth environment in the country. It said that the sector's aggregate capital adequacy ratio stood of 17% at the end of June 2019, which is higher than the regulatory minimum of 12%. It also noted that the banks' non-performing loans (NPLs) ratio is low, despite increasing from 4.9% at the end of 2018 to 5.2% at the end of June 2019. It pointed out that stress tests suggest that a 100% increase in the banks' NPLs stock from a deterioration in economic conditions would only reduce the sector's capital adequacy ratio from 17% to 15.6%. It noted that the modest deterioration in the capital position reflects the sector's ability to withstand severe negative shocks to asset quality. Further, the Fund pointed out that credit to the private sector grew by only 5% in 2019, compared to an expansion of around 10% over the 2016-17 period, due to elevated real lending rates. However, it said that credit to small- and medium-sized enterprises (SMEs) continues to rise, supported by the authorities' implementation of reforms to facilitate SMEs' access to finance. In addition, the IMF indicated that the Central Bank of Jordan issued Basel III regulations on capital adequacy and liquidity requirements, and has proactively cooperated with banks to ensure a smooth transition to international accounting standards IFRS 9.

Source: International Monetary Fund

QATAR

Banks' net earnings stable in first quarter of 2020

Regional investment bank EFG Hermes indicated that the aggregate earnings of Qatar National Bank, Doha Bank, Masraf Al Rayan, Qatar Islamic Bank, and the Commercial Bank of Qatar were flat year-on-year in the first quarter of 2020. It said that the banks' net interest income grew by 12% annually in the first quarter of the year, supported by a rise of six basis points in interest margins, as well as by an 11.2% year-on-year increase in the loan portfolio and a 10% expansion in pre-provisions income in the covered quarter. Also, it said that the banks' provisioning costs rose by 39% year-on-year in the first quarter of 2020, following a change in the banks' Expected Credit Loss models to incorporate weaker macroeconomic assumptions due to the coronavirus pandemic and lower oil prices. In parallel, it indicated that there is still strong appetite from non-residents to deposit funds at Qatari banks, as such deposits accounted for 24% of total deposits; while it noted that the public sector accounted for about 35% of total deposits at end-March 2020. Also, it said that the loans-to-deposits ratio has been on a slight upward trend in the past few months and that it stabilized at about 122% at end-March 2020. Further, it pointed out that the non-performing loans ratio reached 2.2% at end-March 2020, and anticipated that the real estate market could weigh on the banks' asset quality this year. Also, it said that unrealized losses on investment portfolios during the first quarter of 2020 led to a decline in the banks' Common Equity Tier One ratios. But it noted that the banks' total capital ratios are above 16%, significantly higher than the minimum requirements.

Source: EFG Hermes

MOROCCO

Banking sector faces high economic risks

S&P Global Ratings maintained Morocco's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' include Bahrain, Croatia, Guatemala, Indonesia and Portugal. S&P indicated that Morocco's economic risk score reflects its "very high risk" in economic resilience and in credit risk in the economy, as well as its "low risk" in economic imbalances. It forecast lending growth at about 1% in the next 12 months, while it expected the banks' non-performing loans ratio to exceed 7% in the covered period due to the adverse impact of the coronavirus outbreak on economic activity. Further, it said that the industry score reflects Morocco's "high risk" in its competitive dynamics and in its system-wide funding, and its "intermediate risk" in its institutional framework. It added that the trend for the banking sector's economic and industry risk is 'stable'. In parallel, Moody's Investors Service revised from 'stable' to 'negative' the outlook on Morocco's banking sector. It said that the revision reflects its expectation that the banks' asset quality and profitability will deteriorate in the next 12 to 18 months amid disruptions to economic activity from the outbreak of the coronavirus. Still, it expected the banks' strong funding profiles and elevated liquidity buffers to help mitigate the impact of the deterioration in economic conditions on the banking sector.

Source: S&P Global Ratings, Moody's Investors Service

Brent prices to average $36 p/b in 2020

ICE Brent crude oil front-month prices averaged $26.9 per barrel (p/b) in April, down by 20.4% from an average of $33.7 p/b in March 2020. They also averaged $44.9 p/b in the first four months of 2020, constituting a decrease of 31.6% from $65.7 p/b in the same period of 2019. The decline in prices is due to a fall in global oil demand amid lockdown measures to limit the global spread of the coronavirus, as well as to disagreements among OPEC and non-OPEC countries to reduce supply following their March 6 meeting. The new OPEC agreement to cut production by 9.7 million barrels per day (b/d) on April 12, did not provide significant support to prices, as global oil inventories were near full capacity. However, oil prices have started to recover from $20 p/b on April 27, 2020 to $31 p/b on May 5. Goldman Sachs indicated that oil supplies have begun to decline quickly, while demand has started to improve marginally. But it considered that any short-term price rally to above production costs will disrupt the ongoing reduction in supply, which will trigger downside pressure on prices. It expected any significant recovery in oil prices to take time to materialize, as inventory levels decline through the second half of 2020. It anticipated a global deficit of 2 million b/d in the oil market in 2021, due to expectation of lower upstream activity. It projected Brent oil prices to average $35.8 p/b in 2020, and to increase gradually to an average of $55.6 p/b in 2021.
Source: Goldman Sachs, Refinitiv, Byblos Research

Iraq's oil exports receipts down 52% in April 2020

Preliminary figures show that Iraq's crude oil exports totaled 103.1 million barrels in April 2020, constituting a decrease of 2% from 105.1 million barrels in March 2020. They averaged 3.44 million barrels per day (b/d) in April 2020, up by 1.4% from an average of 3.4 million b/d in the previous month. Oil exports from the central and southern fields reached 100.5 million barrels in April, while shipments from the Kirkuk fields totaled 2.3 million barrels. Oil receipts stood at $1.4bn in April, down by 52% from $3bn in March 2020 due to the decline in global oil prices.
Source: Iraq Ministry of Oil, Byblos Research

Middle East's jewelry demand down 9% to 43 tons in first quarter of 2020

Demand for jewelry in the Middle East totaled 42.9 tons in the first quarter of 2020, constituting an increase of 2.7% from 41.8 tons in the fourth quarter of 2019 and a decline of 9.3% from 47.3 tons in the same quarter of 2019. It accounted for 13.2% of global jewelry demand. Consumption of gold jewelry in the UAE reached 9.5 tons, representing 22.2% of the region's demand. Saudi Arabia followed with 9.2 tons (21.5%), then Iran (18%), Egypt (16.2%), and Kuwait (7.8%).
Source: World Gold Council, Byblos Research

Nigeria's oil receipts up 64% in January 2020

Nigeria's receipts from the export of crude oil and condensate totaled $626.8m in January 2020, up by 105.2% from $305.4m in December 2019 and by 64.2% from $381.7m in January 2019. Export revenues consisted of $361.2m from crude oil exports (57.6%), $91.1m from gas exports (14.5%), and $174.5m in other receipts (27.8%). Further, the authorities transferred $242.1m in hydrocarbon revenues to the Federation Account in January 2020, while they used $384.7m to pay global oil companies to guarantee current and future oil production.
Source: Nigerian National Petroleum Corporation

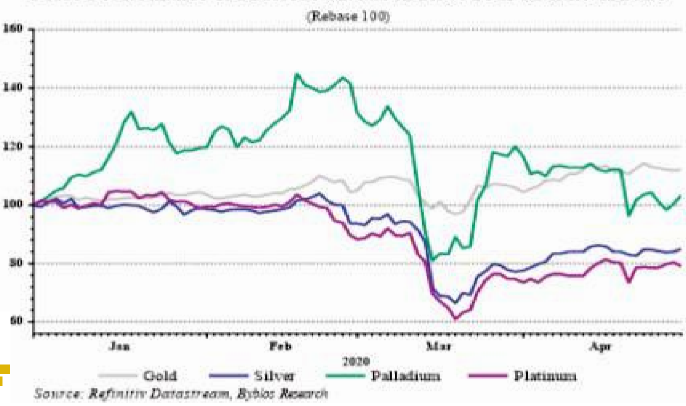
Base Metals: Aluminum prices down 12% in first four months of 2020

The LME cash price of aluminum averaged $1,633 per ton in the first four months of 2020, constituting a decrease of 12.1% from an average of $1,858 a ton in the same period of 2019. They averaged $1,773 per ton in January, $1,688 a ton in February, $1,611 per ton in March, and $1,458 a ton in April 2020. Further, aluminum prices closed at $1,426 per ton on April 8, 2020, their lowest level since November 2015, constituting a drop of 20% from the end of 2019. The decrease in prices is largely due to lower demand, especially from the automobile industry, and a slowdown in global economic activity due to the outbreak of the coronavirus. Aluminum prices continued to decline, in contrast to the prices of other base metals that stabilized due to supply disruptions. In fact, global aluminum production increased by 2.1% in the first quarter of this year, as most of aluminum smelters, even in countries with strict lockdowns, have been designated as critical industries and allowed to continue operating. Also, the resumption of capacities at smelters around the world, along with new ones that came online, have offset any decline in output that resulted from coronavirus-related shutdowns. Aluminum prices are expected to remain low, as the global aluminum industry usually takes time to respond to price signals.
Source: International Aluminium Institute, Refinitiv

Precious Metals: Palladium prices to average $2,100 per ounce in 2020

Palladium prices averaged $2,229 per troy ounce in the first four months of 2020, constituting an increase of 57% from $1,420 an ounce in the same period of 2019, and compared to an average of $1,538 an ounce in 2019, due to an undersupplied palladium market amid persistent production disruptions. However, the metal's price declined by 11% from $1,986 an ounce at the end of April 2020 to a six-week low of $1,770 per ounce on May 5, 2020, mainly due to concerns of weakening demand for autocatalyst amid the coronavirus outbreak. Pressure on prices persisted, as they closed at $1,785 per ounce on May 6, 2020. Further, Norilsk Nickel, the world's largest palladium producer, anticipated that the palladium market will end the year with a small and temporary surplus of 100,000 ounces, mainly due to its expectations of a steep decline in automotive demand throughout the remainder of 2020. It projected the production surplus to shift to a deficit in 2021, as autocatalyst demand for the metal recovers. Overall, palladium prices are forecast to average $2,100 an ounce in full year 2020, and are expected to slightly increase to an average of $2,150 per ounce next year.
Source: Refinitiv, Norilsk Nickel, Byblos Research

Price Performance of Precious Metals in First Four Months of 2020



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	- -	- -	- -	- -	BB- Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	CCC+ Stable	B3 Stable	B Negative	- -	B- Stable	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Positive	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Negative	B1 Negative	B Negative	- -	B+ Stable	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Negative	B3 Negative	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	- -	B3 Stable	B+ Positive	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	B- Stable	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Positive	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B- Stable	B2 Negative	B Negative	- -	BB- 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 URD***	B+ Negative	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB- Negative	BB+ Stable	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Negative	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Negative	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Stable	B+ Stable	BB+ Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA- Stable	Aa2 URD***	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	SD -	Ca Stable	C -	SD -	B- Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB- Negative	Ba2 URD***	BB Negative	BBB- Negative	BBB- Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Stable	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Negative	A Stable	A+ Stable	AA- Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- 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	29-Apr-20	No change	10-Jun-20
Eurozone	Refi Rate	0.00	30-Apr-20	No change	04-Jun-20
UK	Bank Rate	0.10	07-May-20	No change	18-Jun-20
Japan	O/N Call Rate	-0.10	27-Apr-20	No change	16-Jun-20
Australia	Cash Rate	0.25	05-May-20	No change	02-Jun-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	2.00	05-May-20	Cut 50bps	07-Jul-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	3.00	06-May-20	Cut 75bps	17-Jun-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-May-20	No change	01-Jun-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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