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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade to contract by 27% in second quarter of 2020

The United Nations Conference on Trade and Development (UNCTAD) indicated that the value of global merchandise trade declined by 3% quarter-on-quarter in the first quarter of 2020, due to the impact of the coronavirus outbreak and of lower commodity prices on global trade activity. It noted that global merchandise trade was showing signs of a moderate recovery before the outbreak of the virus in late 2019. It said that the UNCTAD free market commodity price index, which measures the price movements of commodities exported by developing economies, decreased by 1.2% month-on-month in January 2020, as well as by 8.5% in February. It also noted that the index dropped by 20.4% month-on-month in March 2020, the sharpest monthly decline on record, mainly due to a 33.2% decrease in the price of fuel exports. It anticipated the downturn in global trade to accelerate in the second quarter of the year, as it projected the value of global trade to fall by 27% quarter-on-quarter in the covered quarter. The organization based its estimates on data available as of May 5, 2020.

Source: United Nations Conference on Trade and Development

GCC

Fixed income maturities at $293bn in 2020-24 period

Figures released by KAMCO show that bonds and sukuk maturities for sovereigns and corporate issuers in the Gulf Cooperation Countries (GCC) stand at $293.3bn in the 2020-24 period, including $38.7bn that are due in 2020, $55bn in 2021, $71.8bn in 2022, $61.1bn in 2023 and $66.7bn in 2024. Sovereign and corporate bonds account for $198bn, or 67.5% of total fixed income maturities in the covered period, while sovereign and corporate sukuk represent $95bn, or 32.4% of the total. Corporate bonds and sukuk maturities stand at $152.4bn, or 52% of the total, while sovereign maturities amount to $141bn, or 48% of the total in the 2020-24 period. The UAE has $94.1bn in upcoming maturities in the next five years, which represents 32.1% of total fixed income maturities, followed by Saudi Arabia with $87.1bn (29.7%), Qatar with $67bn (22.8%), Bahrain with $15.7bn (5.4%), Kuwait with $15.6bn (5.3%), and Oman with $13.7bn (4.7%). Further, maturing bonds and sukuk in US dollar account for $170.1bn, or 58% of total maturities in the covered period, followed by maturities in the Saudi Riyal with $57.1bn (19.5%), and in the Qatari Riyal with $25.8bn (8.8%). On a sectoral basis, banks and other financial services providers have $91bn in maturities in the next five years, accounting for 31% of total corporate maturities, followed by the energy sector with $12bn (8%), the real estate sector with $11.7bn (7.7%), airlines with $11bn (7.2%), the utilities sector with $10bn (6.6%), and the telecommunications sector with $5.2bn (3.4%). KAMCO anticipated fixed income issuances in the GCC to grow this year, driven by refinancing needs and by new funding requirements due to fiscal pressures from slower economic activity and lower oil revenues.

Source: KAMCO

MENA

Companies very confident about providing safe working environment amid pandemic

A PwC survey of finance managers in the Middle East region about the impact of the coronavirus pandemic on their companies indicated that 71% of respondents are very confident in their firm's ability to meet the safety expectations of customers, while 70% of participants are very certain about their company's capability to provide a safe working environment for employees. In addition, 76% of respondents said that their firm is planning to implement safety measures in the workplace, such as testing employees and asking them to wear masks, while around 60% of surveyed participants noted that their company will rearrange work sites in order to promote physical distancing. In parallel, 76% of respondents considered that flexibility in terms of working hours and location will benefit their organization in the long term. However, the survey pointed out that finance managers in the region are less confident about the ability of their firm to generate revenues, as only 50% of respondents showed strong confidence in identifying new revenue opportunities. Further, 86% of respondents are expecting the revenues and profits of their firm to decline this year, with 70% of them anticipating a drop of 10% or more. Moreover, 66% of surveyed finance managers believe that it will take three months or more for their company to get back to "business as usual", while 9% of them considered that the normalization process would take less than one month. The survey was conducted between May 4 and 6, 2020 and covered 70 finance managers and chief financial officers across several industries in the Middle East region.

Source: PwC

KUWAIT

Profits of listed companies at $6.6bn in 2019

The cumulative net profits of 129 companies listed on Boursa Kuwait with available figures totaled KD2bn, or $6.6bn, in 2019, nearly unchanged from 2018. Listed banks generated net earnings of $4bn and accounted for 59.6% of aggregate net profits last year. Telecommunications companies followed with $958.2m (14.4%), then financial services firms with $601.2m (9%), industrial companies with $569.7m (8.6%), real estate firms with $310.4m (4.7%), insurers with $135.4m (2%), oil & gas companies with $41.3m (0.6%), consumer services providers with $35.1m (0.5%), consumer goods firms with $22.4m (0.3%), healthcare providers with $8.1m and technology companies with $4.9m (0.1% each), as well as basic materials firms with $2.9m. Further, the net earnings of consumer goods companies rose by 132.8% in 2019, followed by the profits of real estate firms (+49%), insurers (+8.3%), telecommunications companies (+5.5%), and banks (+1.1%). In contrast, the income of basic material firms regressed by 88% last year, followed by the profits of healthcare providers (-43.7%), technology companies (-24.7%), financial services providers (-19%), oil & gas firms (-15.5%), and industrial companies (-15.2%).

Source: KAMCO

OUTLOOK

WORLD

Prolonged global economic recession constitutes main risk in coming 18 months

The World Economic Forum's COVID-19 Risks Perception Survey shows that the coronavirus crisis will result in severe economic, social, technological, geopolitical, and environmental challenges worldwide in the next 18 months, with economic fallouts representing the main concerns for the majority of respondents. Specifically, 68.6% of risk professionals cited a prolonged global economic recession as the most likely result of the virus outbreak in the coming 18 months, followed by a surge in bankruptcies and industry consolidation (56.8%), the failure of industries or sectors to properly recover (56%), high structural unemployment (49.3%), and tighter restrictions on the cross-border movement of people and goods (48.7%). The survey anticipated that the build-up of debt as a result of the coronavirus crisis will weigh on government budgets and corporate balance sheets in coming years, while it said that global economic relations could be reshaped and emerging economies could be at risk of entering into a deeper crisis. It added that businesses could face adverse consumption, production and competition patterns. The survey was conducted in the first two weeks of April, and covered 347 senior risk professionals across the world. Respondents were asked to assess 31 global risks that they considered to be the most likely outcome for the world, the most concerning for the world and the most worrisome for companies over the next 18 months.

In parallel, the survey shows that 58.5% of risk professionals are mostly concerned about the impact of a protracted global recession in the next 18 months, followed by high structural unemployment (43.8%), another global outbreak of COVID-19 or different infectious diseases (40.1%), weakening of fiscal positions in major economies (39.2%), and the failure of industries or sectors to properly recover (35.4%). Further, the survey indicated that 66.3% of respondents flagged a prolonged global recession as the most worrisome fallout for companies in the coming 18 months, followed by bankruptcies and industry consolidation (52.7%), an increase in cyber-attacks and data fraud due to a sustained shift in working patterns, and the failure of industries or sectors to properly recover (50.1% each), as well as a protracted disruption of global supply chains (48.4%).

Source: World Economic Forum

MENA

Coronavirus exacerbates vulnerabilities of fragile states

The International Monetary Fund considered that the coronavirus crisis poses substantial challenges for the 10 fragile states in the Middle East & North Africa (MENA), including Afghanistan, Djibouti, Iraq, Lebanon, Somalia, and Sudan. It forecast real GDP to contract by an average of 7% in the region's fragile states in 2020, relative to a growth of 2.6% in 2019, which will reduce their GDP per capita from an average of $2,900 in the 2018-19 period to $2,100 in 2020. It expected the COVID-19 shock to trigger a sharp drop in household incomes in fragile MENA countries. It said that the pandemic is constraining exports and that social distancing is weighing on economic activity, which will reduce income levels, especially for informal and low-skilled workers. Further, it anticipated remittance inflows to these countries to decline by 20% this year as global activity retreats. It indicated that remittance inflows are equivalent to 14% of GDP in the region's fragile states and constitute a major source of income for many households. It considered that the significant downturn will aggravate existing economic and humanitarian challenges.

Further, the IMF expected the pandemic to overwhelm the limited healthcare capacity of the region's fragile economies, which already suffer from a shortage in doctors and hospital beds. It considered that shortages from reduced imports and global competition for medical equipment will exacerbate vulnerabilities. It added that high levels of food insecurity further compound the health and poverty challenges, amid disruptions in food supply and adverse weather conditions that affected agricultural output in some countries. It expected poverty rates and economic disruptions to worsen in the absence of a fiscal response, as the fiscal space is already limited in these countries. The Fund considered that swift international support is essential to provide critical medical equipment and to fund the necessary increase in spending on healthcare, as well as to provide some economic aid.

Source: International Monetary Fund

ARMENIA

Near-term outlook to weaken significantly due to coronavirus impact

The International Monetary Fund indicated that the outbreak of the coronavirus and the tightening of global financial conditions have disrupted Armenia's favorable macroeconomic conditions and have significantly weakened the country's near-term outlook. It projected real GDP to contract by 1.5% in 2020 following a growth rate of 7.6% in 2019. It noted that the government has proactively responded to the coronavirus shock by enforcing widespread containment measures, while supporting vulnerable individuals and businesses. It added that the Central Bank of Armenia reduced its policy rate, continued to ensure ample market liquidity, and intervened in the market to limit excessive exchange rate volatility. In parallel, the Fund approved the government's request to increase Armenia's access to funding under the current three-year Stand-By Arrangement, which will make about $280m, equivalent to 2.2% of GDP, immediately available to authorities. It considered that the financial support will help authorities contain short-term risks and will provide resources to meet the urgent social and economic implications of the pandemic.

In parallel, the IMF indicated that the virus outbreak will significantly weaken Armenia's public and external balances this year. It projected the fiscal deficit to widen from 1% of GDP in 2019 to 5% of GDP in 2020, due to lower revenues amid the contraction in economic activity and to increased spending on healthcare and economic support. Also, it anticipated the central government's debt level to rise from 50% of GDP at end-2019 to 61% of GDP at end-2020. It noted that the authorities are committed to pursuing their medium-term goal of debt sustainability once the crisis abates, which could help lower the public debt level over the medium term, in line with the government's fiscal rule. In parallel, it expected the current account deficit to widen from 8.2% of GDP last year to 8.6% of GDP in 2020. It forecast Armenia's gross international reserves to decrease from $2.85bn, equivalent to 5.7 months of imports at end-2019, to $2.2bn or four months of imports at end-2020.

Source: International Monetary Fund

SAUDI ARABIA

Fiscal adjustment measures to reduce budget sensitivity to oil price volatility

Moody's Investors Service anticipated that the fiscal measures that the Saudi Arabian authorities recently announced could limit the deterioration in public finances from significantly lower oil prices and production cuts. It anticipated that government oil revenues will decline by 12% of GDP in 2020 due to lower hydrocarbon receipts. It said that the planned cuts to public spending, which will affect capital and current outlays, will reduce government expenditures by the equivalent of 4% of GDP. It estimated that the planned increase of the valued added tax (VAT) rate from 5% to 15% could generate up to 5% of GDP in additional non-hydrocarbon revenues per year. As such, it projected the combined effects of the planned measures in 2020 to result in fiscal savings of between 9% of GDP and 10% of GDP this year. However, it anticipated that the full scale of the fiscal adjustment in 2020 will be mitigated by the authorities' response to the socioeconomic impact of the coronavirus pandemic, which will entail spending at between 1% of GDP and 2% of GDP. As such, it projected the fiscal deficit to widen from 4.5% of GDP in 2019 to less than 10% of GDP this year, in case authorities fully implement the newly-announced measures. It said that the impact of such measures on the fiscal balance after 2020 will depend on the authorities maintaining the spending cuts. It expected the VAT hike to improve the budget structure in the long term and to reduce the fiscal breakeven oil price by $14 to $15 per barrel (p/b) from about $79 p/b in 2019.

Source: Moody's Investors Service

TUNISIA

Sovereign ratings downgraded on coronavirus impact

Fitch Ratings downgraded Tunisia's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'B+' to 'B', with a 'stable' outlook. It attributed the downgrade to the country's worsening macroeconomic imbalances and to the deterioration of the external and public debt trajectories due to the economic impact of the coronavirus. It projected the current account deficit to stabilize at 9% of GDP in 2020, as lower energy imports, the contraction in domestic investment and the compression in local demand will offset the decline in external receipts. It noted that the wide current account deficit and the temporary halt in fiscal consolidation will increase the country's net external debt level from 77% of GDP at end-2019 to 90% of GDP at end-2021. It said that the pressure on the exchange rate from the wide current account deficit poses downside risks to the sustainability of the government's debt, given that foreign currency liabilities accounted for 73% of the public debt stock at end-2019. As a result, it expected the public debt level to rise from 72.5% of GDP at end-2019 to a record 86% of GDP at end-2021, in case of a moderate depreciation of the dinar, a contraction in real GDP and a widening of the fiscal deficit. Further, it estimated Tunisia's gross external funding requirements at 16% of GDP annually in the 2020-21 period, but it noted that strong support from multilateral and bilateral creditors will help Tunisia meet its financing needs in the coming two years. In parallel, it forecast the economy to contract by 4.3% in 2020, its sharpest contraction on record.

Source: Fitch Ratings

EGYPT

External funding needs at $45bn in FY2020/21

Bank of America projected Egypt's external financing requirements at $38.4bn in the fiscal year that ends in June 2020 and at $44.6bn in FY2020/21. It said that the financing needs include current account deficits of $15bn in FY2019/20 and of $19.7bn in FY2020/21 amid reduced tourism receipts, lower remittance inflows, subdued revenues from the Suez Canal, and weak trade dynamics. It also noted that Egypt needs to cover short-term external debt of $11bn per year, as well as amortizations of medium- and long-term external debt of $11.9bn in FY2019/20 and $13bn in FY2020/21. It expected Egypt to roll over, between April and July 2020, $9.3bn worth of deposits that some Gulf Cooperation Council countries placed at the Central Bank of Egypt (CBE). It forecast the external financing gap at between $15bn and $16bn annually in FY2019/20 and FY2020/21. It anticipated authorities to finance the gap in FY2019/20 by drawing down on the CBE's foreign currency reserves, which it projected to decline from $51bn at end-June 2019 to $36bn at end-June 2020, as well as through $2.8bn from the International Monetary Fund. It expected authorities to finance the gap in FY2020/21 through $9bn from a new program with the IMF and from other multilateral sources, as well as through $7bn in market debt issuance. It anticipated that the availability of external funding will support the CBE's foreign currency reserves in FY2020/21, which will remain at $36bn at end-June 2021, covering seven months of imports. Further, it did not expect the CBE to proceed with a sharp depreciation of the pound, given the need to preserve the "carry trade" in Egyptian Treasury bills, to maintain domestic confidence, and to support the decline in imports.

Source: Bank of America

TURKEY

Coronavirus outbreak exacerbates fiscal and external imbalances

Goldman Sachs projected Turkey's economic activity to contract by 5% in 2020 due to the coronavirus pandemic. It indicated that Turkey entered the COVID-19 crisis with limited policy space, given the aggressive fiscal easing in 2019. It considered that key risks to the Turkish economy are the wide fiscal and external imbalances that have been exacerbated by the coronavirus pandemic. It projected the current account deficit to widen to 2% of GDP in 2020 amid a sharp fall in tourism receipts, which will increase the country's external financing needs. It anticipated Turkey to face challenges in securing its financing needs, even though the scale of the current account deficit is not alarming, as the private sector continues to deleverage and foreign investors keep selling Turkish government bonds. As such, it expected the sizable financing gap to put persistent pressure on the Turkish lira and on the Central Bank of the Republic of Turkey's (CBRT) foreign currency reserves. It said that the CBRT is in a difficult position to fund the fiscal deficit that it projected at 8% of GDP in 2020, and to support the private sector, given its limited reserve buffers, which increases depreciation risks to the lira. It pointed out that, in case the government is unable to attract significant foreign funding, then it may need to increase taxes and tariffs to further reduce imports.

Source: Goldman Sachs

UAE

Banks' earnings down 32% on higher provisioning costs

Moody's Investors Service indicated that the aggregate net profits of First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank and Dubai Islamic Bank, which accounted for 74% of banking assets at end-March 2020, reached $1.6bn in the first quarter of 2020, constituting a drop of 32% from $2.3bn in the same quarter of 2019. It attributed the decline in income to higher expected credit losses from the coronavirus pandemic, which prompted banks to increase their provisioning costs by 222% from the first quarter of 2019. Also, it indicated that the four banks' combined cost of risk rose from 83 basis points (bps) in 2019 to 202 bps in the covered quarter, due to higher provisioning and the more challenging operating environment. In parallel, it said that the banks' net interest income increased by 17% year-on-year in the first quarter of 2020, while non-interest income declined by 3% annually. Also, it indicated that the banks' aggregate operating expenses grew by 21% year-on-year in the covered quarter due to higher depreciation charges, information technology-related costs and merger integration costs. It added that the banks' combined return on assets stood at 1% in the first quarter of 2020 compared to 1.7% in 2019. Further, the agency anticipated that the authorities' measures to contain the coronavirus outbreak, subdued global economic activity, as well as the collapse in global oil prices will materially weaken the banks' asset quality and weigh on their profitability. It anticipated the banks' provisioning requirements to increase during the coming quarters, but expected their capitalization level to mitigate upcoming credit losses.

Source: Moody's Investors Service

TURKEY

Agency takes rating actions on 16 banks

Fitch Ratings affirmed at 'B+' the long-term foreign currency Issuer Default Ratings (IDRs) of 15 Turkish banks, and downgraded by one notch the rating of Turkiye Halk Bankasi (Halkbank) to 'B'. It revised from 'stable' to 'negative' the outlook on the ratings of T.C. Ziraat Bankasi, Turkiye Vakiflar Bankasi, Turkiye Garanti Bankasi, Denizbank, QNB Finansbank, Turk Ekonomi Bankasi (TEB), ING Bank, Kuveyt Turk Katilim Bankasi (Kuveyt Turk), Turkiye Finans Katilim Bankasi (Turkiye Finans), Burgan Bank, Alternatifbank, and ICBC Turkey Bank. It attributed the outlook revision to the risk of increasing government intervention in the banking sector amid Turkey's weakening external finances, which will weigh on the banks' ability to service their foreign currency obligations. It added that the ratings of Denizbank, QNB Finansbank, TEB, ING Bank, Kuveyt Turk, Turkiye Finans and ICBC Turkey Bank are largely underpinned by shareholder support. In parallel, it maintained the 'negative' outlook on the ratings of Yapi ve Kredi Bankasi, Akbank and Turkiye Is Bankasi. In addition, the agency maintained Halkbank's rating on Rating Watch Negative (RWN) due to the significant risk of punitive measures on the bank from ongoing U.S. legal proceedings, as well as due to uncertainties about potential support from authorities in case such measures materialize. The agency pointed out that the Viability Ratings of all 16 banks are unaffected by the rating actions.

Source: Fitch Ratings

NIGERIA

Banks face increased asset quality risks

The International Monetary Fund considered that the Nigerian banking sector is entering a period of stress from a strong position, as banks have been well-capitalized before the onset of the coronavirus pandemic with improving asset quality and liquidity metrics. It noted that the sector's capital adequacy ratio stood at 14.6% at the end of 2019, while the non-performing loans ratio declined from 11.7% at end-2018 to 6.1% at the end of 2019. However, it considered that banks are vulnerable to the weakening of asset quality amid the current low oil price environment, given their exposure to the oil & gas sector that represents 26% the sector's loans. It also expected the banks' profitability to deteriorate this year, due to the Central Bank of Nigeria's (CBN) imposition of caps on banking fees starting in January 2020, as well as to the pressure on their net interest income. The Fund pointed out that the CBN is actively monitoring the impact of the COVID-19 crisis on banks through stress tests. It added that the stress tests showed that the sector's capital adequacy ratio will remain above 10% even at the current low oil prices. Further, it said that the CBN has allowed banks to temporarily restructure loans to sectors affected by the pandemic, but the IMF noted that banks should provide such relief only to fundamentally sound borrowers. It considered that the CBN could ask the foreign subsidiaries of Nigerian banks to hold higher capital levels than the local capital requirements, which would reduce cross-border risks and, in turn, lower the need to support banks that are under stress.

Source: International Monetary Fund

OMAN

Banks' ratings downgraded on deteriorating operating environment

Capital Intelligence Ratings (CI Ratings) downgraded from 'BBB-' to 'BB+' the long-term Foreign Currency Ratings (FCRs) of Bank Muscat, the National Bank of Oman (NBO), Ahli Bank and Oman Arab Bank (OAB); while it lowered from 'omA+' to 'omA-' the long-term National Scale Rating of Alizz Islamic Bank. In addition, it downgraded from 'bbb-' to 'bb+' the Bank Standalone Rating (BSR) of Bank Muscat and from 'bb+' to 'bb' the BSRs of NBO, Ahli Bank and OAB. It also maintained the outlook on all the ratings at 'negative'. The agency indicated that the downgrades follow its similar action on Oman's sovereign ratings. It attributed the negative rating actions mainly to the deterioration in the operating environment for Omani banks as a result of the outbreak of the coronavirus and the subsequent sharp drop in global oil prices. It expected the prevailing conditions to have an adverse impact on the banks' financial fundamentals, especially on their asset quality and profitability. However, it considered that the banking sector's solid financial soundness metrics at the end of 2019 will help the banks weather through this downturn. It added that the Central Bank of Oman announced a stimulus package of OMR8bn, equivalent to about 27% of GDP, in an attempt to soften the impact of the pandemic on the economy and on the banking sector. Further, it considered that the government's ability to support the banking sector has moderated. It pointed out that the banks' BSR takes into account the limited diversification of the Omani economy, elevated refinancing risks, low monetary policy flexibility, and high geopolitical risks.

Source: Capital Intelligence Ratings

Brent prices to average $42 p/b in 2020

ICE Brent crude oil front-month prices increased from an average of $30 per barrel (p/b) in the first half of May 2020 to about $36 p/b on May 20, their highest level since March 11, 2020. Oil prices rose for five consecutive days due to signs that OPEC and non-OPEC countries are abiding by their recent production cut agreement, as well as to growing optimism that the easing of global lockdown measures will boost economic activity and oil demand worldwide. Also, a drawdown in U.S. oil inventories supported prices, as it eased concerns about global oversupply. Still, a second wave of the coronavirus outbreak constitutes a major risk to global oil demand. As such, the upward potential for oil prices remains limited in the short term. In parallel, Citi forecast Brent prices to average $42 p/b in 2020 and $57 p/b in 2021, amid signs of recovering demand and expectations of a strong compliance with the OPEC production cut agreement. It noted that the oil market has, to this date, avoided reaching full inventory capacity. It expected the oil market to move into a deficit from June 2020 onwards. It added that many oil companies have reduced capital spending and halted operations in high-cost projects, as oil prices fell below operational cost. It considered that these developments could accelerate the drop in non-OPEC output, especially in North America, in 2020 and 2021, as well as to the deferral of new projects.

Source: Citi Research, Refinitiv, Byblos Research

OPEC's oil basket price down 48% in April 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $17.7 per barrel (p/b) in April 2020, the lowest monthly average since December 2001. It fell by 48% from $33.9 p/b in March 2020, constituting the fourth consecutive monthly decline, the longest period of monthly retreats in nearly five years. The OPEC attributed the sharp drop in prices to the widening surplus in the global oil market.

Source: OPEC

OPEC oil output up 6.3% in April 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 30.4 million barrels per day (b/d) in April 2020, up by 6.3% from 28.6 million b/d in March 2020. Saudi Arabia produced 11.6 million b/d, or 38% of OPEC's total output, followed by Iraq with 4.5 million b/d (14.9%), the UAE with 3.8 million b/d (12.6%), Kuwait with 3.1 million b/d (10.3%), and Iran with 2 million b/d (6.5%).

Source: OPEC, Byblos Research

Reforms in Iraq's energy sector to help reduce vulnerability to oil prices

The International Energy Agency anticipated Iraq's oil receipts to decline by 70% in 2020, in case global oil prices remain at their current levels. It considered that Iraq's dependence on oil limits its ability to invest in infrastructure, as the country tends to cut capital spending when oil prices fall. It indicated that authorities need to implement crucial reforms to the energy sector, such as reforming the electricity tariffs system. It added that electricity subsidies cost the government about $12bn per year. Also, it considered that reforms include incentives to stimulate private investment in natural gas projects. It noted that most of the gas in oil production is flared or not extracted.

Source: International Energy Agency

Base Metals: Nickel prices recover amid supply disruptions

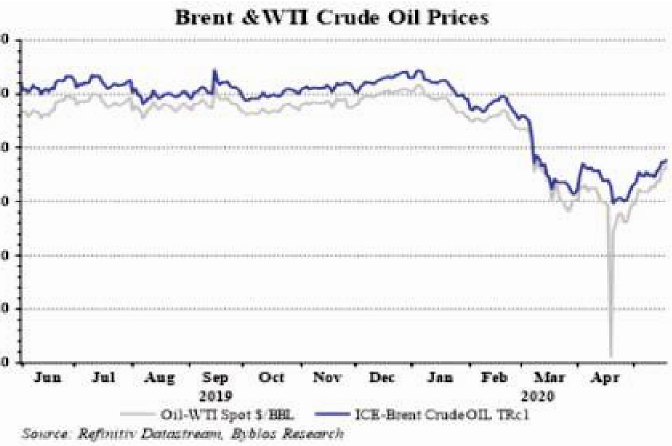
The LME cash price of nickel declined gradually from an average of $13,526 a ton in January to an average of $12,716 per ton in February, then to $11,846 a ton in March and to $11,785 per ton in April 2020. The decrease in the metal's prices was due to the spread of the coronavirus pandemic, which weighed significantly on global economic activity and on demand for metals. Prices closed at $12,603 per ton on May 20, their highest level in more than eight weeks, up by 16.6% from a one year-low of $10,806 per tons on March 23. The recovery in prices was mainly driven by supply disruptions amid shutdowns at major mines around the world in order to contain the spread of the virus. Prices also increased after Brazilian mining company Vale, one of the world's largest producers of nickel, cut its 2020 production target for the metal by about 20,000 tons due to the pandemic. Further, prices were supported by expectations of a recovery in global economic activity and in demand, as China and other countries started to ease the lockdown measures and to reopen their economies. Prices of base metals also improved, as positive data from a potential coronavirus vaccine lifted hopes of a faster recovery in the global economy.

Source: Refinitiv, Byblos Research

Precious Metals: Platinum prices at three-month high of $844 per ounce

Platinum prices regressed in the first four months of 2020, as they declined from an average of $987 per troy ounce in January to $961 an ounce in February, $759 an ounce in March and to $752.5 an ounce in April 2020. The decline in prices was due to the adverse impact of the coronavirus pandemic on demand for jewelry and automobiles. However, prices increased by around 10% from end-April to reach $844 an ounce on May 20, 2020, due to supply disruptions in South Africa, as well as to expectations of a gradual rebound in autocatalyst and industrial demand as countries worldwide start to ease lockdown measures. Global platinum demand is forecast to decrease by 18% to 6.95 million ounces in 2020 due to a 52% retreat in demand for bars & coins and ETFs, a 15% drop in jewelry consumption, a 14% decline in automotive demand, and a 5% decline in industrial consumption. Also, global platinum production is projected to contract by 13% to 7.2 million ounces in 2020, with mine supply representing 73.5% of total output. Supply from South African mines is expected to account for 69% of global mine output this year, followed by production in Russia (12.9%), Zimbabwe (8.3%), and North America (6.6%).

Source: Refinitiv, World Platinum Investment Council



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	-	-	-	-	B+								
	-	-	-	-	Negative	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	CCC+	B3	B	-	CCC								
	Stable	Stable	Negative	-	Negative	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	B2	B		B+								
	Negative	URD***	Negative	-	Negative	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-								
	Negative	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***	Stable	-	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	Negative	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	B	BB-								
	-	-	-	Negative	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	Negative	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	CCC								
	-	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	Negative	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A-	A1	A	A+	A+								
	Stable	Negative	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	-	Negative	-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	URD***	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-								
	Negative	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	Stable	-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	22-May-20
Australia	Cash Rate	0.25	05-May-20	No change	02-Jun-20
New Zealand	Cash Rate	0.25	13-May-20	No change	24-Jun-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-May-20	No change	22-Jun-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	0.50	20-May-20	Cut 25bps	24-Jun-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	14-May-20	No change	25-Jun-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	8.25	21-May-20	Cut 50bps	25-Jun-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	27-May-20
Nigeria	Monetary Policy Rate	13.50	24-Mar-20	No change	25-May-20
Ghana	Prime Rate	14.50	15-May-20	No change	27-Jul-20
Angola	Base Rate	15.50	07-May-20	No change	24-Jul-20
Mexico	Target Rate	5.50	14-May-20	Cut 50bps	25-Jun-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	N/A
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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293