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Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Stock markets down 18% in first five months of 2020

Arab stock markets dropped by 18.2% and Gulf Cooperation Council equity markets fell by 17% in the first five months of 2020, relative to expansions of 6.5% and 6.8%, respectively, in the same period of 2019. In comparison, global stocks decreased by 10.4% and emerging market equities declined by 16.8% in the covered period. The index of the Beirut Stock Exchange jumped by 41.8% in the first five months of 2020, and activity on the Damascus Securities Exchange grew by 13.6%. In contrast, activity on the Dubai Financial Market dropped by 29.6% in the first five months of 2020, the Egyptian Exchange fell by 26.8%, the Bahrain Bourse decreased by 21.2%, the Casablanca Stock Exchange regressed by 19.1%, the Abu Dhabi Securities Exchange declined by 18.4%, the Boursa Kuwait dropped by 15.5%, the Qatar Stock Exchange contracted by 15.2%, the Iraq Stock Exchange and the Saudi Stock Exchange retreated by 14% each, the Muscat Securities Market regressed by 11%, the Palestine Exchange fell by 9.6%, the Amman Stock Exchange decreased by 9.5%, and the Tunis Bourse declined by 9%.

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

Coronavirus negatively impacts 71% of startups in region

A survey conducted by ArabNet, a hub for Arab digital professionals and entrepreneurs, about the impact of the coronavirus pandemic on the entrepreneurship ecosystem in the Middle East & North Africa (MENA) region, shows that 22% of startups in the region have suspended their operations since the outbreak of Covid-19 in the region. It noted that another 22% of startups reported moderate losses, 21% are witnessing a steep decrease in demand for their services that is resulting in significant losses, and 5.8% have shut down their operations. In parallel, 11.1% of startups saw an increase in demand for their products or services, 4.1% indicated that they are expanding to new markets, and 2.9% said that they are struggling to meet the rise in demand for their products or services. Further, 21% of startups reported that their revenues increased by 24% or less since the outbreak of Covid-19 in the region, 19.6% said that their income improved by between 25% and 100%, and 8.6% pointed out that their earnings more than doubled. In contrast, 21.7% of startups reported a decline in their revenues by 50% or less, and 10.6% said that their earnings dropped by between 51% and 100%. In addition, 32.2% of startups said that they postponed their expansion plans, and 25.7% lowered their prices and introduced offers. Moreover, 16.7% reduced working hours or sent their staff on leave without pay, 16% have decreased the number of employees, and 9.8% cut salaries by less than 50%. On a sectoral basis, 50% of travel-related startups suspended their operations, while 25% have shut down their company completely. In parallel, 47% of e-grocery and food technology startups have seen their revenues grow during the lockdown, while 46.7% of education technology startups and 33.3% of health technology startups saw a rise in demand.

Source: ArabNet

Greenfield FDI inflows down 16% to $115bn in 2019

Figures released by fDi Markets show that the Middle East & Africa (ME&A) region attracted $115.2bn in greenfield foreign direct investment (FDI) in 2019, constituting a decrease of 16% from 2018. Greenfield FDI to African countries accounted for 66.4% of total greenfield FDI to the ME&A region in 2019, while Middle Eastern countries represented the remaining 33.6%. Egypt attracted $13.7bn in greenfield FDI in 2019, or 12% of the region's total, followed by the UAE with $12.8bn and Saudi Arabia with $12.3bn (11% each), and Nigeria with $10.2bn (9%). Further, ME&A countries attracted 1,746 greenfield FDI projects in 2019, up by 38% from 1,261 projects in 2018. The UAE attracted 393 projects last year and accounted for 22.5% of greenfield FDI projects in the ME&A region, followed by Egypt with 136 projects (7.8%), and South Africa with 123 projects (7%). In parallel, outward greenfield FDI from the ME&A region totaled $71.6bn in 2019. Saudi Arabia was the largest source of greenfield FDI from the ME&A region in 2019 with $21.2bn, or 29.6% of the total, followed by Qatar with $18.9bn (26.4%), and the UAE with $14.2bn (19.8%). In addition, ME&A countries were the source of 739 greenfield FDI projects worldwide in 2019. The UAE was the source of 218 greenfield FDI projects last year, or 29.5% of the region's total, followed by Israel with 149 projects (20.2%), and South Africa with 81 projects (11%).

Source: fDi Markets, Byblos Research

GCC

Coronavirus and economic slowdown to affect hotel occupancy rates in 2020

Global hotel consulting firm HVS indicated that the coronavirus pandemic, along with the challenging economic outlook for Gulf Cooperation Council (GCC) economies, will significantly affect the recovery of the hotel sector in the region in coming years. It projected the average occupancy rate at hotels in Jeddah to decrease from 59% in 2019 to 49% in 2020, the rate at hotels in Abu Dhabi to decline from 71% last year to 47% this year, and the occupancy rate at hotels in Doha to regress from 62% in 2019 to 45% in 2020. It also forecast the occupancy rate at hotels in Dubai to drop from 78% last year to 41% in 2020, while it anticipated the rate at hotels in Riyadh to decrease from 64% in 2019 to 35% this year. Also, it projected the average occupancy rate at hotels in Muscat at 32% in 2020 compared to 61% in 2019, while it forecast the rate at hotels in Manama at 25% this year relative to 59% last year. In parallel, HVS expected the average daily rate per room (ADR) at hotels in Jeddah to drop from $260 in 2019 to $230 in 2020, the rate at hotels in Riyadh to decline from $190 last year to $150 this year, the ADR at hotels in Manama to decrease from $160 in 2019 to $144 in 2020, the rate at hotels in Dubai to regress from $155 last year to $135 this year, the ADR at hotels in Abu Dhabi to drop from $154 in 2019 to $130 in 2020, the rate at hotels in Doha to decrease from $155 last year to $120 this year, and the ADR at hotels Muscat to decline from $117 last year to $105 this year.

Source: HVS, Byblos Research

OUTLOOK

EMERGING MARKETS

Remittance inflows to decline by up to $94bn in 2020 due to COVID-19 and oil price shock

Citi Research projected remittance inflows to 72 economies worldwide to fall by $68bn in 2020, compared to its April projection of a $34bn decline, due to the impact of the COVID-19 pandemic and the oil price shock on global economic activity and employment. It considered that the economic recession in wealthier countries around the world poses significant risks to the ability of migrants or foreign workers to send funds back to their countries of origin, which are lower-income economies. It said that many of the world's largest sources of remittances, such as the U.S. and Saudi Arabia, are also the most impacted by the virus-related shutdowns. It estimated that remittance inflows to the 72 countries could fall by $94.2bn this year under its worst-case scenario that assumes that monetary and fiscal policies in wealthier countries would fail to revive their economies.

Further, it considered that the extent of the decline in remittances depends on the skillset of the migrant population, as well as on the market segment and sector that migrants work in. For instance, it said that less educated and trained workers who originate from less prosperous emerging economies, are more likely to lose their jobs, given that established firms are more inclined to retain their formal and skilled employees. In contrast, it noted that developing countries with an emigrant population that is highly skilled would see a slower reduction in remittance inflows. It added that immigrants who work in sectors that are most vulnerable to virus-related shutdowns, such as hospitality, are more subject to layoffs.

In parallel, it considered that emerging markets and developing economies will need to implement stimulus measures that target the most vulnerable segments of their population in response to the decline in remittance flows. It indicated that countries that have low public debt levels and short-term liabilities, as well as sufficient foreign currency reserves, should be able to introduce stimulus measures. However, it noted that higher spending in economies with limited fiscal space will put at risk their ability to meet their rising debt obligations, which could impact their sovereigns credit ratings.

Source: Citi Research

MENA

Non-resident capital inflows to decline by 22% to $177bn in 2020

The Institute of International Finance projected total non-resident capital inflows to the Middle East & North Africa (MENA) region at $176.5bn in 2020, constituting a decline of 21.6% from a peak of $225bn in 2019, largely due to a sharp decline in portfolio investments. It expected sovereign borrowing especially from Gulf Cooperation Council (GCC) countries, to dominate capital inflows this year amid the collapse in global oil prices and the widening fiscal deficits. It also anticipated capital inflows to the MENA region to start recovering in the second half of 2020, as countries emerge from coronavirus-related shutdowns. It forecast portfolio inflows at $50.8bn in 2020 and to drop by 40.7% from a high level of $85.7bn in 2019. It expected FDI inflows to reach $26.8bn in 2020 and to decrease by 23% from $34.8bn in 2019.

In parallel, the IIF projected non-resident capital inflows to the region's oil exporters at $146.5bn in 2020, which would constitute a decrease of 21.1% from $185.7bn in 2019. It expected portfolio inflows to oil exporters to contract by 31.3% to $56.6bn in 2020, and for FDI inflows to regress by 20.8% to $16.4bn this year. It anticipated other inflows to oil exporters to drop by 11% to $73.6bn in 2020. Further, it forecast non-resident capital inflows to the MENA region's oil importers at $30bn this year, representing a decline of 24% from $39.3bn in 2019, mainly due to the shift in portfolio investments from inflows of $3.3bn in 2019 to outflows of $5.8bn in 2020. Also, it expected FDI inflows to regress from $14.1bn in 2019 to $10.4bn this year. It projected official inflows to the region's oil importers to increase by 176% to $20.7bn in 2020, which will partly offset the drop of 67.8% to $4.6bn in other private capital inflows to oil importers. Moreover, the IIF forecast resident capital outflows from the MENA region to decline from $263.4bn in 2019 to $200bn in 2020. It noted that resident capital outflows continue to be driven by foreign investments made by the GCC countries' sovereign wealth funds.

Source: Institute of International Finance

GCC

Economy to contract by 4.4% in 2020 on lower oil prices and coronavirus pandemic

The Institute of International Finance projected real GDP in Gulf Cooperation Council (GCC) economies to contract by 4.4% in 2020 following a growth rate of 0.6% in 2019, due to the adverse impact on their economies of lower global oil prices and the outbreak of the coronavirus. It forecast the hydrocarbon sector's activity to shrink by 5.3% this year compared to a contraction of 1.3% last year, due to lower oil production under the recent OPEC agreement. Also, it expected activity in the non-hydrocarbon sector to retreat by 3.8% in 2020 relative to a growth rate of 2.2% in 2019, amid the decline in consumer confidence and in demand, as well as due to lower public spending and to delayed private and public investments. It projected real GDP to shrink by 5.3% in Oman, by 5.1% in Kuwait, by 4.8% in the UAE, by 4.3% in Qatar, by 4% in Saudi Arabia and by 3.9% in Bahrain in 2020. It indicated that the region's activity could grow by 1.8% in 2021 in case of a partial easing in oil production cuts and a gradual pick-up in private sector non-hydrocarbon activity.

Further, the IIF pointed out that GCC authorities have resumed fiscal adjustments, such as reducing capital spending, despite the economic recession. Still, it projected the region's aggregate fiscal deficit to widen from 2.5% of GDP in 2019 to 10.3% of GDP in 2020, due to an expected drop of $126bn in hydrocarbon receipts and in case oil prices average $40 p/b this year. In parallel, it anticipated the GCC's aggregate current account balance to shift from a surplus of $88.4bn or 5.4% of GDP in 2019, to a deficit of $33.4bn or 2.5% of GDP in 2020, amid lower hydrocarbon export receipts and despite a projected 15% decline in imports. Still, it forecast the consolidated public foreign assets of GCC economies at about $2.6 trillion in 2020. It did not expect an adjustment to any exchange rate regime in the region in the short term. Similarly, S&P Global Ratings considered that GCC sovereigns have sufficient access to foreign currency assets or external financing, to support their economies in times of financial distress and to contain the pressure on their exchange rates.

Source: Institute of International Finance, S&P Global Ratings

ECONOMY & TRADE

WORLD

Global trade to contract by 14% in 2020

Deutsche Bank expected global trade to contract by 13.6% in 2020, to recover by 7.5% in 2021 and to reach pre-crisis levels by late 2022. It projected global trade to bottom out in the second quarter of 2020, with a quarter-on-quarter decline of 21%, before it starts to recover in the second half of 2020. However, it indicated that global trade could fall by about 20% in 2020 and remain flat in 2021 under a scenario that assumes a steeper economic recession. It noted that there are two obstacles to a faster recovery, which consist of the possibility that global value chains remain impaired for an extended period of time, and of a second COVID-19 wave following the unlocking of the global economy. As such, it expected a fairly muted recovery in global trade. It added that the different patterns and stages of the spread of the virus around the world increase the risk of repeated disruptions of global supply chains during the recovery phase. In parallel, it considered that the pandemic might result in a reorganization of global value chains. It said that important production lines might be repatriated or at least relocated close to the national borders of developed economies in the aftermath of the COVID-19 crisis. But it considered that a balanced approach between the current state of global value chains and a complete repatriation of production lines could be the emergence of "continental value chains", which is the relocation of production lines to the same continent, combined with higher inventory levels.

Source: Deutsche Bank

SYRIA

Economic losses at $530bn in 2011-19 period

The Syrian Center for Policy Research (SCPR) estimated Syria's accumulated GDP losses at $421bn in the 2011-19 period, which is equivalent to about 7.7 times the country's GDP in 2010 and 21.6 times its GDP in 2019. It noted that the economic contraction reached 37.6% in 2013, its steepest level, then slowed to 14% in 2014 and 0.4% in 2015, before accelerating again to 14% in 2016 as the conflict intensified across the country. However, it said that economic activity expanded by about 3.3% in 2017 due to the relative improvements in security conditions, while it retreated by 1.9% in 2018. It estimated economic growth at 7.9% in 2019 amid the reduction in violence and the substantial growth of the agricultural sector. It noted that internal trade accounted for 20% of total GDP losses in the 2011-19 period, followed by government services with 19%, the transportation and communication sectors with 15%, the mining sector with 12%, the agricultural sector with 11%, and the finance and real estate sectors with 7%. Further, it estimated the total economic losses at $530.1bn during the covered period, which consist of accumulated GDP losses, the damaged capital stock, the informal use of oil and gas resources, as well as military expenditures. It estimated at $65bn the damaged capital stock, which includes destroyed public and private properties, equipment, and residential and non-residential buildings. Also, it noted that the informal use of oil and gas resources amounted to $10bn, the government's military expenditures reached $24bn, and military spending by armed groups totaled $13.8bn in the covered period.

Source: Syrian Center for Policy Research

UAE

Dubai's real GDP to retreat by 5.5% in 2020

Bank of America anticipated Dubai's real GDP to contract by about 5.5% in 2020, and expected a subsequent slow recovery to economic activity. It attributed the magnitude of the recession to the lockdown measures in the country in response to the coronavirus pandemic and to the slowdown in global economic activity. It projected Dubai's fiscal deficit at 3.9% of GDP relative to a budgeted deficit of 0.5% of GDP in 2020, despite a 50% reduction in capital expenditures, a 20% decrease in administrative spending, and the Emirate's decision to freeze hiring. Also, it anticipated that the government of Dubai will cover the stimulus package in response to the coronavirus pandemic from special reserves in the 2020 budget. It forecast the fiscal deficit to reach 5.3% of GDP this year when including the interest that Dubai pays on sovereign loans from Emirates NBD Bank (ENBD). It expected authorities to finance the fiscal deficit mainly from additional loans from ENBD, as well as by drawing down the government of Dubai's deposits at ENBD or through private placements. In parallel, it estimated the Dubai government's debt level at 65.6% of GDP at end-March 2020. However, it considered that the breakdown of the debt is favorable in terms of rollover risk, as it estimated that 86.5% of the debt stock is in the form of loans from ENBD as well as credit facilities from Abu Dhabi and the Central Bank of the UAE.

Source: Bank of America

ETHIOPIA

Sovereign ratings downgraded, on review for further downgrade

Moody's Investors Service downgraded from 'B1' to 'B2' Ethiopia's long-term issuer and senior unsecured ratings, and placed the ratings on review for possible downgrade. It attributed its action to the significantly negative impact of the coronavirus pandemic on Ethiopia's fragile external position, which has increased the risk of a severe balance-of-payments crisis. It noted that the spread of the virus, the deteriorating global economic outlook, the collapse in global oil prices, and the financial market turmoil are resulting in lower FDI inflows and exports receipts, as well as in larger external financing needs. It expected Ethiopia's external financing requirements at about 8% of GDP in the fiscal years that end on July 7, 2020 and on July 7, 2021, which would weigh on the country's foreign currency reserves that it estimates at below two months of import cover. Further, the agency indicated that its decision to place the ratings on review for further downgrade reflects Ethiopia's intention to seek relief on its public-sector debt servicing under the Group of 20 initiative, which could extend to private-sector creditors. In parallel, Citi Research anticipated that the pandemic and the global economic slowdown, combined with higher food prices and adverse weather conditions, will weigh on the country's economic outlook in 2020. Also, it expected the political situation in the country to impact the economic policy outlook and the direction of exchange rate policy. It considered that authorities are currently unprepared to manage the consequences of a significant devaluation or depreciation of the Ethiopian birr, and that they would rather weather through the economic costs generated by ongoing foreign currency shortages.

Source: Moody's Investors Service, Citi Research

GCC

Banks' cost of risk to increase in 2020

Goldman Sachs indicated that most banks under its coverage in Gulf Cooperation Council (GCC) countries have missed their net income targets in the first quarter of 2020 due to weaker revenues and higher cost of risk, despite a better-than-expected growth in lending. It said that lending expanded by 5% quarter-on quarter in Saudi Arabia and by 2% in Qatar, but it contracted by 2% in the UAE in the first quarter of 2020. It indicated that lower interest rates reduced the margins of GCC banks. It noted that interest rates declined by an average of 40 basis points (bps) at Saudi banks, by 11 bps at UAE banks, and by six bps at Qatari banks in the first quarter of 2020. In addition, it pointed out that the cost of risk at GCC banks doubled from an average of 60 bps in the first quarter of 2019 to an average of 120 bps in the same quarter of 2020, and expected it to reach 140 bps in 2020 relative to 90 bps in 2019. It anticipated the cost of risk to reach 200 bps at UAE banks, 150 bps at Kuwaiti banks, 135 bps at Qatari banks, and 105 bps at Saudi banks. Also, it projected the aggregate net income of UAE banks to fall by 47%, the profits of Qatari banks to decline by 25%, and the income of Saudi banks to decrease by 14.8% in 2020. It expected the return-on-equity ratio of Qatari banks to regress from 16.5% in 2019 to 11.5% in 2020, to decline from 13.5% to 7% at UAE banks, to decrease from 13% to 10.5% at Saudi banks, and to fall from 12% to 6% at Kuwaiti banks.

Source: Goldman Sachs

UAE

Agency takes rating actions on 11 banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Emirates Development Bank (EDB) at 'AA', the rating of Abu Dhabi Islamic Bank (ADIB) and of Emirates Islamic Bank (EIB) at 'A+', the IDR of Mashreqbank and of Al Masraf at 'A', the rating of Commercial Bank of Dubai (CBD) at 'A-', as well as the IDR of the National Bank of Ras Al-Khaimah (Rakbank), of Sharjah Islamic Bank (SIB), of Bank of Sharjah, of United Arab Bank (UAB), and of Commercial Bank International (CBI) at 'BBB+'. It indicated that the outlook on all the banks' ratings is 'stable'. It pointed out that the banks' IDRs reflect the UAE government's strong capacity and willingness to support the banks in case of need. It said that the authorities' capacity to support the banking sector is underpinned by sovereign wealth funds and recurring hydrocarbon revenues, despite lower global oil prices. In addition, the agency affirmed the Viability Rating (VR) of Mashreqbank at 'bbb-', the rating of CBD and of SIB at 'bb+', the VR of ADIB and of Rakbank at 'bb', the rating of EIB at 'bb-', and the VR of Al Masref and CBI at 'b+'. Also, it downgraded the VR of Bank of Sharjah from 'bb-' to 'b+' and placed its rating on 'Rating Watch Negative', while it lowered the VR of UAB from 'b+' to 'b'. It attributed the downgrades of the VRs in part to the weakening in the banks' asset quality. It added that the operating environment for banks in the UAE has deteriorated significantly as a result of the coronavirus outbreak and the collapse in global oil prices. As such, it expected the pressure on the banks' asset quality, capital ratios and profitability to increase, as lower government spending in key sectors such as construction, contracting and hospitality, as well as delayed payments, will weigh on borrowers' ability to service their debt.

Source: Fitch Ratings

ARMENIA

NPLs ratio at 5.8% at end-January 2020, capital adequacy ratio at 17.2%

The International Monetary Fund indicated that Armenian banks are well-capitalized, liquid and stable. It said that the sector's capital adequacy ratio stood at 17.2% at the end of January 2020, slightly down from 17.7% at end-2018. It added that the Central bank of Armenia (CBA) recently announced the reduction from 10% to 9% in the banks' Tier One capital adequacy ratio, amid the introduction of Basel III capital buffers. It noted that all Armenian banks have capital cushions in excess of Basel III requirements. Further, it said that the banks' liquid assets represented 27.5% of total assets at end-January 2020, up from 27.3% at end-2018, while they were equivalent to 112.8% of short-term liabilities at the end of January 2020 compared to 116.6% at the end of 2018. In parallel, the Fund pointed out that the banking sector's non-performing loans (NPLs) ratio grew from 4.8% at the end of 2018 to 5.8% at end-January 2020, while provisions covered 47% of NPLs at the end of January 2020 relative to 56.6% at end-2018. It noted that the CBA has encouraged a voluntary and prudent restructuring of loans, in order to help borrowers that are heavily impacted by the coronavirus pandemic to manage the shock. It indicated that private sector lending grew by 18.5% in 2019, supported by a 32% increase in household credit. In addition, it indicated that the dollarization rate of loans and liabilities declined from 57.1% and 58.3%, respectively, at end-2018 to 52% and 55.4%, respectively, at end-January 2020. It anticipated that authorities will consider a temporary reduction in reserve requirements in case pressure on liquidity increases.

Source: International Monetary Fund

NIGERIA

Banks facing weaker asset quality and liquidity shortages

Moody's Investors Service indicated that the 'negative' outlook on Nigeria's banking sector reflects its expectations that banks will face a significant weakening in their asset quality and foreign-currency liquidity in the next 12 to 18 months, due to low global oil prices and the coronavirus pandemic. It anticipated credit growth to decelerate from 14% in 2019 to between 7% and 9% in 2020, mainly due to reduced lending to corporates, which account for about 90% of the banks' loans. Also, it projected the banks' non-performing loans (NPLs) ratio to rise from 6% at end-2019 to between 12% and 15% over the coming 12 to 18 months, and to further increase in case of sustained low oil prices. But it noted that Nigerian banks have sufficient loan-loss reserves to write off some of their NPLs. Also, it anticipated that the banks' high exposure to loans denominated in foreign currency, estimated at 40% 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 14.3% of risk-weighted assets at end-2019 to about 12.7% at end-2021, due to higher risk-weighted assets and increased loan-loss provisions. But it considered that the banks' capital ratios remain adequate to absorb unexpected losses. Further, it forecast the growth of foreign currency-denominated deposits, estimated at about 25% of total deposits, to significantly deteriorate, which could result in renewed shortages of foreign currency in case of sustained low oil prices.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Brent prices to average $42 p/b in 2020

ICE Brent crude oil front-month prices averaged $32.4 per barrel (p/b) in May 2020, constituting an increase of 20.7% from an average of $26.9 p/b in April. The jump in prices was mainly due to the OPEC and non-OPEC decision to cut oil production by a total of 9.7 million barrels per day (b/d) starting on May 1, 2020. Oil prices reached $39.8 p/b on June 3, 2020, their highest level since March 2020, driven by optimism that major oil producers will extend the supply cuts beyond June, as well as by continued recovery in China and the easing of lockdown measures in other countries. Also, the decline in the U.S. oil rig count, which is an indicator for future oil production, provided support for oil prices, as it fell by 65% since mid-March, the steepest drop on record. In parallel, Citi Research expressed concerns that the positive sentiment in the oil market might be based on misleading and temporary factors. It noted that the increase in Chinese oil imports may not signal a recovery in demand, as China tends to aggressively buy oil when prices are below $40 p/b and stops the excessive buying when prices rise. Citi forecast Brent prices to average $29 p/b in the second quarter of 2020, $39 p/b in the third quarter of the year, $48 p/b in the fourth quarter, and $42 p/b in 2020.
Source: Citi Research, Refinitiv, Byblos Research

Iraq's oil exports receipts up 47% in May 2020

Preliminary figures show that Iraq's crude oil exports totaled 99.6 million barrels in May 2020, constituting a decrease of 3.5% from 103.1 million barrels in April 2020. They averaged 3.21 million barrels per day (b/d) in May 2020, down by 6.6% from an average of 3.44 million b/d in the previous month. Oil exports from the central and southern fields reached 96 million barrels in May, while shipments from the Kirkuk fields totaled 3.5 million barrels. Oil receipts stood at $2.1bn in May, up by 47% from $1.4bn in April 2020 due to the recovery in global oil prices.
Source: Iraq Ministry of Oil, Byblos Research

Steel output down 4% in first four months of 2020

Global steel production reached 581 million tons in the first four months of 2020, constituting a decrease of 4.1% from 605.7 million tons in the same period of 2019. Production in China totaled 319.5 million tons and accounted for 55% of global output in the covered period. Japan followed with 30.7 million tons (5.3%), then India with 30 million tons (5.2%), the U.S. with 26.7 million tons (4.6%), Russia with 22.9 million tons and South Korea with 22.4 million tons (4% each).
Source: World Steel Association, Byblos Research

Energy investments to fall by $400bn in 2020

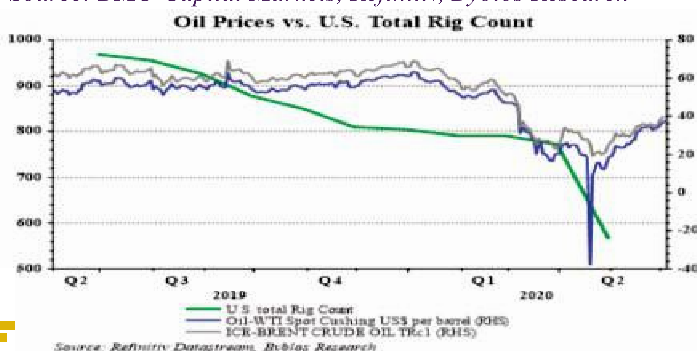
The International Energy Agency projected global investments in the energy sector at $1.5 trillion in 2020, constituting a decline of about $400bn, or of 20% from 2019, the steepest drop in such investments on record. It forecast investments in oil & gas projects to fall by $244bn this year, followed by a decline of $79.4bn in investments in the power sector, a decrease of $30bn in energy end-use and efficiency projects, and a drop of $14bn in coal-related projects. It anticipated investments in oil & gas upstream projects to regress by $161bn and those in midstream and downstream projects to decline by $84bn in 2020.
Source: International Energy Agency, Byblos Research

Base Metals: Copper prices recover by 19% between March and May 2020

LME copper cash prices averaged $5,443 per ton in the first five months of 2020, constituting a drop of 12.5% from $6,221 a ton in the same period of 2019. Prices decreased by 24.8% in the year-to-March 23 period and closed at $4,625 per ton, their lowest level in more than three years. The decline in prices was due to the outbreak of the coronavirus, which adversely impacted global demand for metals and affected economic activity worldwide. However, copper prices recovered by 19% from the March low and reached $5,507 a ton on June 2, their highest level since March 11. The increase in prices was supported by improved demand prospects as major economies reopened. In addition, Citi Research attributed the recovery in prices mainly to the significant improvement in the Chinese economy and market sentiment. It noted that a tightening of supply in the scrap market, disruptions to mine supply, and higher marginal production costs have also contributed to the price increase. In parallel, the latest figures show that global demand for refined copper was 3.7 million tons in the first two months of 2020, down by 2.1% year-on-year, as demand fell by about 4% in China and by 2% in Japan. Also, global refined copper production exapanded by 0.6% to 3.85 million tons in the first two months of the year, amid higher output from Chile, the Democratic Republic of Congo and Japan. This was partially offset by lower production in China and Zambia.
Source: International Copper Study Group, Citi Research

Precious Metals: Silver prices to rise by 9% to $17.6 per ounce in 2020

Silver prices averaged $16.4 per troy ounce in the first five months of 2020, which constitutes an increase of 7.4% from $15.3 an ounce in the same period of 2019. Prices also rose from an average of $15.1 per ounce in April 2020 to $16.3 an ounce in May 2020, and closed at a three-month high of $18.3 per ounce on June 1, before slightly moderating to $17.7 an ounce on June 3, 2020. The upward trend in prices has been driven by increasing demand for silver exchange-traded funds (ETF) amid low U.S. interest rates, as well as by an expansion in industrial demand for the metal, as countries worldwide start to reopen their economies after several months of coronavirus-related shutdowns. Overall, the metal's price is projected to increase by 8.6% to an average $17.6 per ounce in 2020, in case demand for ETF and industrial consumption continues to increase in coming months. Further, prices are forecast to rise to $18.3 per ounce in the long term, supported by stronger demand for the metal from the growing global solar photovoltaic industry, as well as from the increasing use of silver in electric cars and in the deployment of the 5G network infrastructure around the world.
Source: BMO Capital Markets, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	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	-	-	-	-	CCC								
	-	-	-	-	Negative	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+	Caa1	-	-	CCC								
	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 Stable	BB- Negative	- -	B- Stable	-1.8	48.5	81.7	-	-	-	-6.2	-
China	A+ Stable	A1 Stable	A+ Stable	- -	A Stable	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
India	BBB- Stable	Baa2 Stable	BBB- Stable	- -	BBB Negative	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	BBB Stable	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
Pakistan	B- Stable	B3 URD***	B- Stable	- -	CCC Stable	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
Central & Eastern Europe													
Bulgaria	BBB Positive	Baa2 Stable	BBB Positive	- -	BBB Stable	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
Romania	BBB- Negative	Baa3 Stable	BBB- Stable	- -	BBB- Negative	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
Russia	BBB- Stable	Baa3 Stable	BBB Stable	- -	BBB- Stable	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
Turkey	B+ Stable	B1 Negative	BB- Stable	BB- Negative	B- Stable	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
Ukraine	B Stable	Caa1 Stable	B- Stable	- -	B- 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	22-May-20	No change	16-Jun-20
Australia	Cash Rate	0.25	02-Jun-20	No change	07-Jul-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	03-Jun-20	No change	15-Jul-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	0.50	28-May-20	Cut 25bps	16-Jul-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	4.00	22-May-20	Cut 40bps	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	3.75	21-May-20	Cut 50bps	23-Jul-20
Kenya	Central Bank Rate	7.00	27-May-20	No change	N/A
Nigeria	Monetary Policy Rate	12.50	28-May-20	Cut 100bps	20-Jul-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	1.75	29-May-20	Cut 25bps	N/A
Bulgaria	Base Interest	0.00	01-Jun-20	No change	01-Jul-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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