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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global FDI flows up 3% to $1.54tn in 2019

The United Nations Conference on Trade & Development (UNCTAD) indicated that global foreign direct investment (FDI) flows totaled $1.54 trillion (tn) in 2019, constituting an increase of 3% from $1.49tn in 2018. The rise in global FDI flows was mainly driven by higher inflows to developed economies, as the impact of the 2017 tax reforms in the U.S. receded, and despite weaker global macroeconomic performance and policy uncertainties for investors. It noted that FDI inflows to developed countries stood at $800bn in 2019, or 52% of global FDI flows, followed by inflows to developing economies with $685bn (44.5%), and to transition economies with $55bn (3.6%). It said that FDI inflows to transition economies grew by 59% in 2019, driven by higher inflows to Russia, Ukraine and Uzbekistan. Further, it noted that FDI inflows to developed economies rose by 5% last year, supported by an 18% increase in FDI to the European Union. In contrast, it indicated that FDI inflows to developing economies declined by 2% from $699bn in 2018. Further, it expected global FDI flows to decrease to between $920bn and $1.08tn in 2020 as a result of the COVID-19 crisis, which would bring global FDI flows to below $1tn for the first time since 2005. It forecast FDI inflows to developed countries at between $480bn to $600bn this year, those to developing economies at between $380bn and $480bn, and inflows to transition economies at between $30bn and $40bn. It indicated that the outlook is highly uncertain and depends on the duration of the coronavirus crisis, the effectiveness of policy interventions to mitigate the economic impact of the pandemic, as well as the ongoing global trade tensions.

Source: UNCTAD

MENA

Cost of living increases in 12 Arab cities in 2020

Mercer's 2020 survey on the cost of living in 209 cities around the world showed that the cost of living in 12 out of 17 Arab cities increased in relative terms from the 2019 survey, while it regressed in four cities, and was unchanged in one city. The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment costs. It uses New York City as the base city for the index and compares all cities against it. Dubai has the highest cost of living in the Arab world and ranks in 23rd place globally. Riyadh followed in 31st place, then Abu Dhabi (39th), Beirut (53rd) and Manama (52nd) as the five cities with the highest cost of living regionally in 2020. In contrast, the Arab cities with the lowest cost of living are Casablanca (121st), Cairo (126th), Rabat (159th), Nouakchott (184th), Algiers (194th), and Tunis (209th). The cost of living increased in Cairo, Beirut, Nouakchott, Muscat, Casablanca, Doha, Kuwait City, Manama, Amman, Riyadh, Djibouti and Rabat. In contrast, it decreased in Algiers, Abu Dhabi, Jeddah, and Dubai, while it was unchanged in Tunis. Mercer conducts the survey annually to help multinational companies determine compensation allowances for their expatriate employees. The rankings also demonstrate how currency fluctuations and changes in the prices of goods and services can affect the purchasing power of expatriates.

Source: Mercer, Byblos Research

Country risk level slightly increases in first quarter of 2020

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world slightly increased in the first quarter of 2020, as the average score of 18 Arab economies was 41.5 points relative to 42.13 points in the fourth quarter of 2019. A higher score represents a lower country risk level. The region's risk level was higher than the global risk level of 47.53 points. The risk level in the Arab world was also higher than the risk levels of Western Europe (73.12 points), North America (72.11 points), Australasia (64.45 points), Central & Eastern Europe (51.6 points), Latin America (46.51 points), Asia (46.02 points), and the Caribbean (42.64 points), while it was lower than the risk level of Sub-Saharan Africa (36.33 points). The Arab world's Political Assessment score of 14.02 points was lower than the global average of 16.77 points, while its Economic Assessment score of 14.08 points was below the global average of 16.04 points. Also, the region's Structural Assessment score was 4.51 points relative to the global average of 4.7 points, while the Access to International Capital Markets average score stood at 4.45 points compared to a global average of 4.73 points. Further the Arab world's Debt Indicators score was 4.44 points, below the global score of 5.3 points. In parallel, Qatar had the lowest country risk level in the region and the 29th lowest globally, followed by Kuwait (33rd), the UAE (39th), Saudi Arabia (45th), and Oman (47th) as the five Arab countries with the lowest risk level. In contrast, Yemen (156th), Sudan (161st), Mauritania (162nd), Lebanon (163rd), and Syria (174th) had the highest risk level in the region.

Source: Euromoney Group, Byblos Research

Travel and tourism losses expected at $125bn in 2020 from coronavirus pandemic

The World Travel & Tourism Council (WTTC) expected economic losses from the Middle East region's travel & tourism (T&T) sector at $125bn in 2020 under its baseline scenario. It noted that the region's losses will account for 3.6% of economic losses from the global T&T sector. Also, it anticipated the region's tourism sector to post losses of $179bn in 2020 under its worst-case scenario, and to register losses of $99bn under a best case scenario. It forecast the region's T&T sector to lose 3.4 million jobs this year, which will account for 2.8% of job losses in the global T&T industry. Further, it expected the sector to lose 4.9 million jobs in 2020 under its worst-case scenario and 2.7 million in jobs under its best case scenario. In addition, it anticipated international visitor arrivals to the Middle East region to decline by 54% in 2020 under its baseline scenario, by 70% in its worst-case scenario, and by 42% under a best case scenario. It also expected domestic arrivals to the region to decrease by 35% under its baseline scenario, by 66% in a worst case scenario and by 27% in its base case scenario. It noted that Middle Eastern countries could avoid the worst-case scenario if they immediately replace measures to close their borders with 'air corridors' to countries with similar coronavirus infection rates, remove travel bans on non-essential international travel, and implement rapid tests and tracing strategies to help contain the spread of the virus, among other measures.

Source: World Travel & Tourism Council

OUTLOOK

WORLD

Economic activity to contract by 7.6% in 2020, in case of second coronavirus wave

Under its first scenario for the global economy, the Organization for Economic Cooperation and Development (OECD) expected the spread of the coronavirus to recede and to be controlled, while its second scenario projects a second wave of the virus later in the fourth quarter of 2020. In its first scenario, it anticipated global GDP to contract by 6% in 2020 and to grow by 5.2% in 2021, supported by strong carry over effects from a gradual resumption of activity in the second half of 2020. Under its second scenario, it forecast global GDP to shrink by 7.6% in 2020 and to grow by 2.8% in 2021. It projected economic activity in OECD countries to contract by 9.3% in 2020.

The OECD indicated that many emerging markets (EM) and developing economies, particularly commodity producers, are experiencing considerable difficulties due to the dual healthcare and economic crisis. It added that the impact of the coronavirus pandemic is extremely challenging on EMs, with the majority of healthcare systems lacking the resources required to respond effectively. It added that low commodity prices, declining remittance inflows, weak external demand and tighter financial conditions are compounding the challenges for EM economies. It projected the contraction in GDP to exceed 7% in Brazil, Russia, South Africa and Mexico in both scenarios. It anticipated China and Indonesia to witness smaller declines in output, supported by the impact of lower commodity prices on real incomes.

Further, under its first scenario, it forecast private consumption and fixed investment to decline sharply this year in OECD economies before slowly recovering in 2021. It considered that high uncertainty, weak confidence and job losses are likely to keep precautionary savings elevated for some time. But it anticipated spending levels to recover slowly as countries ease containment measures. It added that low demand and liquidity shortages are likely to weaken investment substantially this year. However, it noted that, in the second scenario, uncertainties will intensify, with lower household spending and substantially weaker investment prospects.

Source: OECD

GCC

Macroeconomic imbalances to emerge in 2020

Deutsche Bank projected economic activity in Gulf Cooperation Council (GCC) countries to contract by an average of 5% in 2020, due to cuts in oil production under the OPEC agreement and to lockdown measures. It expected Kuwait's economy to contract by 7.8% in 2020, given its high reliance on the hydrocarbon sector and its commitments to curb production under the OPEC agreement. It anticipated economic activity to contract by 6.2% in Oman and by 5.2% in Bahrain in 2020. It noted that the slowdown in non-hydrocarbon activity in Oman and Bahrain will be more problematic than in other GCC countries, as the two countries face fiscal constraints to support their economies. Also, it forecast real GDP to contract by 5% in the UAE due to the severe shock to the country's non-hydrocarbon sector and given the vulnerability of Dubai's economy to external factors. It said that Saudi Arabia's economic activity will contract by 4.8% this year, mainly as a result of lower hydrocarbon output and as non-hydrocarbon sector activity retreats by about 3%. It expected Qatar's real GDP to contract by 3.5% in 2020, as the country is not bounded by OPEC's cuts and relies mainly on gas production.

In parallel, it projected the fiscal deficit in GCC economies to widen from 1.5% of GDP in 2019 to 11% of GDP in 2020. It noted that countries will need to rely on local and foreign debt issuances, as well as on drawdowns from official reserves to finance their needs. It forecast Oman's fiscal deficit at 18.3% of GDP in 2020, the widest deficit in the region, and expected it to need financial support from other GCC countries. It considered that Bahrain's fiscal position is relatively better, despite a projected deficit of 10.8% of GDP in 2020, due to fiscal reforms implemented in the past two years and given its access to a $10bn financial aid package from other GCC states. Further, it expected the region's current account balance to shift from a surplus of 4.8% of GDP in 2019 to a deficit of 1.4% of GDP in 2020.

Source: Deutsche Bank

AFRICA

Economic activity to shrink by 2.8% in 2020 amid coronavirus pandemic

The World Bank projected real GDP in Sub-Saharan Africa (SSA) to shrink by 2.8% in 2020, the region's sharpest contraction on record, and compared to a previous growth forecast of 3% in January 2020. It noted that economic activity in SSA economies has significantly deteriorated in the first half of 2020 due to the outbreak of the coronavirus in the region, to the pandemic-related slowdown in major trading partners, to disruptions to global travel and supply chains, as well as to the decline in global commodity prices. It added that the negative impact of these shocks has been exacerbated by heightened investor risk aversion, which resulted in unprecedented capital outflows from the region, in currency depreciations, steep stock market declines, and increased sovereign borrowing costs.

The Bank forecast real GDP to retreat by 5.2% in 2020 among SSA's commodity importers, despite lower oil prices, due to the impact of international travel restrictions on tourism activity in these economies. Also, it projected economic activity to contract by 2.5% this year in the region's oil and metal exporters, as domestic disruptions are compounded by lower external demand for commodities. Further, it anticipated growth at 1.8% in 2020 in the region's agricultural commodity exporters, as it expected lower FDI and tighter financial conditions to slow down investment activity in these economies.

Further, the Bank projected SSA's real GDP to grow by 3.1% in 2021, in case the pandemic fades away in the second half of 2020, growth in major trading partners rebounds and commodity prices increase. It said that risks to the region's growth outlook are tilted to the downside, and include a prolonged and more severe pandemic that would trigger a deeper recession in the region, given the latter's weak healthcare systems and limited fiscal policy space. It added that the impact of the pandemic could substantially increase the region's vulnerability to debt distress, given the elevated debt levels and borrowing costs in some countries.

Source: World Bank

EGYPT

External financing needs at $29bn in 2020 and $24bn in 2021

Goldman Sachs expected the negative impact of the coronavirus crisis on Egypt's balance of payments to be more significant and to last for a longer period of time than previously anticipated. It estimated that net foreign currency outflows from the Egyptian financial system exceeded $23bn in the first quarter of 2020. It projected the current account deficit at 6.5% of GDP in 2020 relative to an earlier forecast of 4.9% of GDP, as it anticipated a steeper-than-expected decline in remittance inflows amid weaker economic prospects in the Gulf Cooperation Council countries. Also, it did not expect tourism activity to fully recover before the end of 2021. It projected the country's gross external financing needs to double from $15bn in 2019 to $29bn in 2020, and to remain elevated at $24bn in 2021. However, it anticipated net portfolio inflows to decline by $10bn in 2020, which implies that the reliance on government borrowing will increase. It noted that the government issued $5bn worth of Eurobonds so far this year, secured $2.8bn in emergency financing from the International Monetary Fund, and concluded a $5.2bn staff-level agreement with the Fund. It expected the government to issue $3bn in Eurobonds in the second half of 2020. Still, it projected the financing gap to be elevated and to result in the decline of foreign currency reserves by $16bn by the end of 2020. It considered that adequate external buffers and access to external borrowing will alleviate the impact of the COVID-19 shock on Egypt's external outlook.

Source: Goldman Sachs

SAUDI ARABIA

About 1.2 million expatriates to exit labor market in 2020

Jadwa Investment projected the unemployment rate in Saudi Arabia at about 12% by the end of 2020, unchanged from 2019. It forecast that about 1.2 million expatriate workers will exit the local labor market by the end of 2020, which will create more opportunities to employ Saudi citizens in certain sectors. In addition, it indicated that a Royal Decree was issued in April 2020 in an attempt to mitigate the impact of the coronavirus impact on employers and to help minimize job losses in the labor market. It noted that the government will cover 60% of the salaries of Saudi workers in the private sector for three months under the Saned scheme, with the exception of employees in the information and communications technology sector, food retailers and financial institutions. In parallel, it anticipated that the transportation, wholesale & retail, hotels & restaurants, non-oil manufacturing, and entertainment & leisure industries, will be the most affected sectors by the coronavirus, as it did not expect them to return to full capacity in the near term despite the progressive easing of the lockdown measures. Further, it noted that small and medium-sized enterprises (SMEs), which employ a large percentage of young Saudis, are also vulnerable to the impact of the pandemic, especially in terms of liquidity, which makes it difficult for them to continue paying salaries. It considered that the announced measures related to SMEs could help support these companies, but it added that a significant rise in the number of SME bankruptcies could increase youth unemployment.

Source: Jadwa Investment

ANGOLA

Suspension of debt servicing to official creditors raises risks to private-sector creditors

Moody's Investors Service indicated that the conclusion of Angola's negotiations with some of its oil-importing partners to restructure existing financing facilities will provide tangible liquidity relief amid significant economic, financial and social pressures from the coronavirus shock and the low oil price environment. It considered that an extension of maturities on bilateral debt, particularly the debt owed to Chinese banks, will generate significant liquidity relief for Angola, but will not reduce the latter's elevated debt burden. It noted that Angola's bilateral debt reached $28.6bn at the end of 2019, or 65% of its outstanding external debt, and was equivalent to about 42% of its estimated 2020 GDP. It said that the other components of the country's external debt consist of multilateral debt with $4.2bn (9% of external debt), Eurobonds with $8bn (18%), and suppliers' credit debt with $4.2bn (9%). Moody's considered that the suspension of debt-service obligations to official creditors will allow authorities to allocate fiscal resources to essential healthcare efforts and social spending, and will help alleviate pressure on the external sector's and the government's liquidity. Further, it noted that the government announced its participation in the G20 Debt Service Suspension Initiative. But it pointed out that support within the G20 for the suspension of debt servicing from private creditors on similar terms will result in negative implications for Angola's sovereign ratings.

Source: Moody's Investors Service

TURKEY

Higher interest rates needed to attract capital inflows and contain imports

Goldman Sachs considered that the deleveraging and de-risking of the Turkish private sector has adversely impacted the country's economic growth, and has pushed authorities to loosen their monetary and fiscal policies in an attempt to offset the adverse economic impact of the deleveraging process. It added that the government has been reluctant to attract foreign funding, and has instead relied on financing from state-owned banks and, increasingly, from the Central Bank of the Republic of Turkey (CBRT). It noted that looser policies since 2019 increased domestic demand and led to higher imports, which weakened the external balance and resulted in an underfunded balance of payments. It projected the current account balance to shift from a surplus of 1.1% of GDP in 2019 to a deficit of 3% of GDP in 2020. It said that the CBRT has intervened in the market to limit the depreciation of the lira, and sold more than $40bn in foreign currency in the first four months of 2020, which exceeded the amount it sold in full year 2019. As a result, it noted that the CBRT's foreign currency reserves fell by around 30% from $81bn at end-2019 to $55.6bn currently, which is equivalent to 3.5 months of imports cover. It considered that the wide current account deficit and the CBRT's large interventions in the foreign current market, which exceed $10bn per month, are not sustainable and could lead to the depletion of reserves. As such, it indicated that authorities will need to increase policy rates to encourage capital inflows, and to slow down domestic demand in order to contain imports.

Source: Goldman Sachs

BANKING

GCC

Banks' assets up 3% in first quarter of 2020

KAMCO indicated that the aggregate assets of 37 listed banks in Oman, Qatar, Saudi Arabia and the UAE reached $1.97 trillion (tn) at the end of March 2020, and increased by 12% from a year earlier. It said that banks in Kuwait and Bahrain delayed their financial reporting due to the COVID-19 crisis. It added that the banks' assets grew by 2.7% from end-2019, driven by a rise of 4.6% in the assets of Islamic banks and an increase of 2.3% in those of conventional banks. Further, it noted that the banks' net loans stood at $1.22tn at the end of March 2020, increasing by 2.8% from end-2019 and by 17% from a year earlier. In parallel, it pointed out that aggregate deposits totaled $1.5tn at the end of March 2020 and rose by 3.1% from end-2019 and by 12.8% from end-March 2019. Further, it said that the banks' net interest income declined by 3.3% quarter-on-quarter to $12.6bn in the first quarter of 2020, mainly due to lower interest rates as part of the governments' measures to support their economies. It added that the banks' non-interest income increased by 6.3% to $5.6bn in the covered quarter. In addition, it noted that the banks' net interest margin was 3.16% in the first quarter of 2020 compared to 3.18% in the previous quarter. In parallel, it expected the proportion of bad loans at banks in Gulf Cooperation Council (GCC) countries to increase in case authorities delayed the reopening of their economies. Still, it anticipated GCC banks to be able to withstand the impact of COVID-19 over the near term, supported by their adequate capital and liquidity buffers.

Source: KAMCO

JORDAN

Construction and trade account for 42% of lending at end-March 2020

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD27.6bn, or $38.9bn, at the end of March 2020, constituting an increase of 2.1% from JD27.1bn, or $38.2bn, at end-2019 and a rise of 4.9% from JD26.4bn, or $37.2bn, at end-March 2019. Credit in foreign currency represented 12.6% of the total at the end of March 2020 relative to 11.7% a year earlier. The resident private sector accounted for 88.8% of total credit at end-March 2020 relative to 88.4% a year earlier, followed by the central government with 6.5%, down from 7.3% at end-March 2019, the non-resident private sector with 2.3%, public entities with 1.9%, and financial institutions with 0.5%. The distribution of credit by main sectors shows that construction represented JD7bn or 25.5% of the total at the end of March 2020, down from 25.8% a year earlier, while general trade accounted for JD4.4bn or 16.1% of the total relative to 17.4% at end-March 2019. Public services & utilities followed with JD4.3bn or 15.5% of the total; then industry with JD3.5bn (12.5%); financial services with JD674.7m (2.4%); tourism, hotels & restaurants with JD647.7m (2.3%); agriculture with JD338.5m and transportation with JD332.6m (1.2% each); and mining with JD274.7m (1%). In parallel, loans & advances reached JD17.9bn at the end of March 2020, followed by receivables of Islamic banks with JD6.3bn, overdrafts with JD3.1bn, credit cards with JD189.9m and discounted bills with JD186.6m.

Source: Central Bank of Jordan

EGYPT

Banks' profits down 10% in first quarter of 2020

Regional investment bank EFG Hermes indicated that the aggregate net profits of Qatar National Bank Alahli, Commercial International Bank, Crédit Agricole Egypt, Al Baraka Bank Egypt, Abu Dhabi Islamic Bank-Egypt, Housing & Development Bank, and Egyptian Gulf Bank, stood at EGP6bn, or $379.1m in the first quarter of 2020, constituting a decrease of 10% from the same quarter of 2019. It attributed the drop in profits to the increase in the income tax rates, as well as to higher provisioning costs and lower income from fees. It anticipated the banks' aggregate earnings to fall by 24% in 2020, in case the cost of risk reaches a level similar to its peak in 2016. Further, it pointed out that the seven banks' aggregate loans stood at EGP386.3bn, or $24.5bn, at the end of March 2020, and rose by 9% from a year earlier. It noted that the expansion of loans in the local currency decelerated from 27% at end-March 2019 to 15.2% at end-March 2020, while lending in foreign currency contracted by 5% from a year earlier due to the appreciation of the Egyptian pound. It said that the banks' aggregate non-performing loans ratio stood at 3.6% at end-March 2020 compared to 3.8% a year earlier. It considered that the impact of the economic slowdown on the customers' ability to repay their loans might not be clear until September 2020. In addition, it indicated that the banks' aggregate deposits grew by 7% annually to EGP784bn, or $49.8bn, at the end of March 2020 compared to an annual growth rate of 11% at the end of March 2019.

Source: EFG Hermes

TUNISIA

Banks' asset quality to weaken on virus impact

S&P Global Ratings classified Tunisia's banking sector in 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '10' and an industry risk score of '9'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 10' include Belarus, Nigeria, and Ukraine. S&P indicated that Tunisia's economic risk score reflects "extremely high risks" in its economic resilience and in credit risks in the economy, as well as "high risks" in its economic imbalances. It forecast real GDP to contract by about 5% to 5.5% in 2020 due to the coronavirus pandemic. It said that the expected economic contraction will significantly accelerate the correction in real estate prices in the 2021-22 period, which will affect the banks' loan portfolios due to their large exposure to mortgages and real estate developers. It projected credit losses to rise from 1.2% in 2019 to 1.6% in 2020 and 2.5% in 2021. It noted that the pandemic will affect the borrowers' ability to pay back their debts and expected the banks' non-performing loans (NPLs) ratio to increase from 14% at the end of 2019 to between 19% and 22% in the 2021-22 period. Further, S&P said that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its system-wide funding and "high risks" in its competitive dynamics. It expected that the Central Bank of Tunisia's liquidity support to banks could exacerbate their unbalanced funding profiles and put pressure on the exchange rate.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices projected at $40 p/b in 2020

ICE Brent crude oil front-month prices continued to trade at between $38 per barrel (p/b) and $42 p/b so far in June 2020 and closed at $40.7 p/b on June 17, 2020. The International Energy Agency (IEA) raised its forecast for global oil demand by 500,000 barrels per day (b/d) to 91.7 million b/d in 2020, which supported oil prices, while the increase in U.S. oil inventories in the week that ended on June 12 exerted downside pressure on prices. In parallel, the Institute of International Finance expected global oil supply to fall by 7.8 million b/d in the second quarter of 2020, as the OPEC and non-OPEC output cut agreement took effect in May and production declined sharply in the U.S. and Canada. Further, it forecast oil demand to drop by 20% in the second quarter of 2020, before starting to recover in the third and fourth quarters of this year. It pointed out that China's oil imports may not rebound as sharply in the second half of this year as previously anticipated, as it excessively imported oil to take advantage of cheap oil prices. It expected global oil consumption to average 92 million b/d in 2020, and forecast Brent prices to average $40 p/b in 2020 and $45 p/b in 2021. It noted that downside risks to the price outlook include weak compliance to the OPEC agreement, resilient U.S. shale oil production to the low price environment, and a sustained slowdown in the global economy due to the pandemic.
Source: Institute of International Finance, IEA, Byblos Research

OPEC's oil basket price up 43% in May 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $25.2 per barrel (p/b) in May 2020, which constitutes a rise of 42.5% from $17.7 p/b in April 2020. Prices registered the first monthly increase since December 2019. Angola's Girassol posted a price of $28.6 p/b in the covered month, followed by the UAE's Murban at $28.2 p/b, and Equatorial Guinea's Zafiro at $26.8 p/b. In parallel, all prices included in the OPEC reference basket posted monthly increases of between $4.3 p/b and $13.9 p/b in May 2020.
Source: OPEC, Byblos Research

Energy investments in MENA at $792bn in 2020-24

APICORP projected total committed and planned investments in the MENA region's energy sector at about $792bn in the 2020-24 period. It forecast planned investments at $466bn, with the power sector accounting for 32% of the total, followed by the gas industry (27%), the oil sector (22%), and the chemicals industry (20%). In parallel, it expected total committed investments at $343bn in the same period, with the oil sector accounting for 41% of committed investments, followed by the power industry (27%), the gas sector (26%), and the chemicals industry (6%).
Source: APICORP, Byblos Research

OPEC oil output down 21% in May 2020

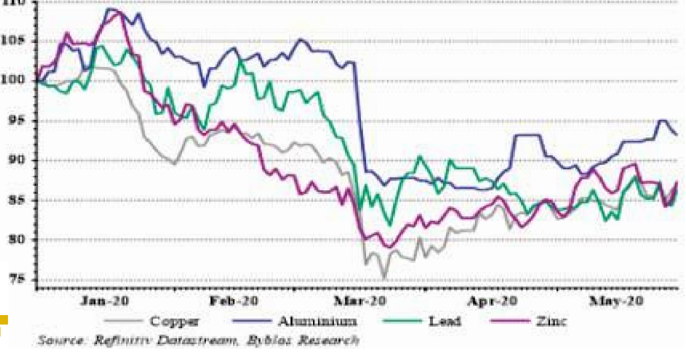
Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 24.2 million barrels per day (b/d) in May 2020, down by 20.7% from 30.5 million b/d in April. OPEC noted that 10 member countries agreed to reduce their output as of May 2020. Saudi Arabia produced 8.5 million b/d, or 35% of OPEC's total output, followed by Iraq with 4.2 million b/d (17.2%), the UAE with 2.5 million b/d (10.2%), Kuwait with 2.2 million b/d (9.1%), and Iran with 2 million b/d (8.2%).
Source: OPEC, Byblos Research

Base Metals: Zinc prices down by 26% in first five months of 2020

The LME cash price of zinc averaged $2,052 per ton in the first five months of 2020, constituting a decline of 25.6% from the same period of 2019. The decrease in prices was due to lower demand for metals and the slowdown in global economic activity following the outbreak of the coronavirus. However, zinc prices recovered by 13.6% from a four-year low in March and reached $2,048 a ton on June 5, their highest level since February 21. The increase in prices was driven by supply disruptions amid coronavirus-related mine closures, and by production cuts due to the low price environment. In addition, prices grew as a result of strong demand from China and of expectations of a recovery in demand for metals, as several countries started to slowly reopen their economies. Further, ABN Amro indicated that the improving economy in China and the stimulus from central banks around the world led to positive sentiment in the market, which, in turn, supported the price increase. However, the upward trend in zinc prices reversed and they closed at $1,966 per ton on June 12 due to a rise in the metal's inventories, to an unfavorable outlook for the U.S. economy, as well as to new concerns about a second wave of coronavirus infections. Prices recovered to $2,011 a ton on June 17 supported by promising trials of a coronavirus vaccine and a sharp rebound in U.S. retail sales.
Source: ABN Amro, Refinitiv

Precious Metals: Platinum prices to reach $900 per ounce by end-2020

Platinum prices decreased from an average of $986.7 per troy ounce in January to $961 an ounce in February and to $759 per ounce in March 2020, due to the adverse impact of the coronavirus outbreak on automotive and jewelry consumption, and on demand for platinum exchange-traded funds. The metal's price also reached a 17-year low of $593 per ounce on March 19, 2020. However, prices have recovered in the second quarter of 2020, as they increased from an average of $752.5 per troy ounce in April to $794 an ounce in May, and closed at $819 an ounce on June 17, 2020. The gradual increase in platinum prices has been supported by a recovery in jewelry and automotive demand, as countries worldwide started to ease lockdown measures, as well as by persistent disruptions to supply from South Africa. Platinum prices are forecast to continue to rise and to reach $900 per ounce by the end of 2020 and $1,000 an ounce by the end of 2021. Downside risks to the price outlook could arise from lower automotive demand for the metal amid expectations of a palladium-to-platinum substitution in catalytic converters.
Source: Commerzbank, Refinitiv, 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	-	-	-	-	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	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	10-Jun-20	No change	29-Jul-20
Eurozone	Refi Rate	0.00	04-Jun-20	No change	16-Jul-20
UK	Bank Rate	0.10	07-May-20	No change	18-Jun-20
Japan	O/N Call Rate	-0.10	16-Jun-20	No change	15-Jul-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	18-Jun-20	No change	24-Sep-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	18-Jun-20	No change	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	30-Jun-20
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	2.25	17-Jun-20	Cut 75bps	05-Aug-20
Armenia	Refi Rate	4.50	16-Jun-20	Cut 50bps	28-Jul-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	08-Jun-20	No change	20-Jul-20
Ukraine	Discount Rate	6.00	11-Jun-20	Cut 200bps	23-Jul-20
Russia	Refi Rate	5.50	24-Apr-20	Cut 50bps	19-Jun-20

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