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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global merchandise trade down by 18.5% in second quarter of 2020

The World Trade Organization (WTO) indicated that the volume of global merchandise trade contracted by 3% year-on-year in the first quarter of 2020 and decreased by an estimated 18.5% in the second quarter, the steepest decline on record, due to the coronavirus and associated lockdown measures. It maintained its April forecast that projects the volume of global merchandise trade to decline by 13% in 2020 and to grow by 21% in 2021 under an optimistic scenario that considers a sharp drop in trade in the first half of 2020 and a recovery in the second half of the year. Also, it expected the volume of global merchandise trade to contract by 32% in 2020 and to expand by 24% in 2021 under a pessimistic scenario that takes into account a steeper initial decline in trade activity and a more prolonged and incomplete recovery. It estimated that global trade will only need to grow by 2.5% per quarter for the remainder of the year to meet the optimistic projection, based on the trade outcome in the first half of 2020. As such, it considered that the pessimistic scenario is less likely to materialize. However, it noted that a second wave of COVID-19, weaker-than-expected economic growth, or widespread recourse to trade restrictions, could see the recovery in trade fall short of earlier projections in 2021. It considered that monetary, fiscal and trade policies will play a significant role in determining the pace of the recovery in trade.

Source: World Trade Organization

SAUDI ARABIA

Profits of listed firms down 26% to $20bn in first quarter of 2020

The cumulative net income of 173 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR76.4bn, or $20.4bn, in the first quarter of 2020, constituting a decrease of 26% from the same quarter of 2019. Listed energy firms generated net profits of $16.6bn and accounted for 81.4% of total net earnings in the covered period. Listed banks followed with $3bn (14.8%); then telecommunications firms with $831m (4.1%); consumer services companies with $322m (1.6%); the food & beverages industry with $174.3m (1%); retailers with $141.3m (0.7%); and healthcare equipment & services providers with $65.2m (0.3%). In parallel, listed firms in sectors such as utilities, basic materials, real estate, and transportation registered net losses of $858m in the first quarter of 2020. Further, the net earnings of consumer services companies increased by 596% year-on-year in the first quarter of 2020, followed by the net income of food & staples retailers (+76.3%), the food & beverages industry (+75.6%), software services firms (+27.7%), telecommunications companies (+6.6%) and retailers (+2.1%). In contrast, the net profits of commercial & professional services providers decreased by 99.2% in the covered period, followed by the net earnings of diversified financials providers (-95.1%), insurers (-27.6%), energy companies (-25.7%), media firms (-19%), banks (-7%) and healthcare equipment & services providers (-2.4%).

Source: KAMCO

MENA

IPOs at $814m in first quarter of 2020

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $814.2m in the first quarter of 2020 compared to $57.6m in the same quarter of 2019 and to $30bn in the fourth quarter of 2019. There were four IPOs in the MENA region in the first quarter of 2020 relative to one public listing in the same quarter of 2019 and to five IPOs in the fourth quarter of 2019. Capital raised through IPOs in the MENA region accounted for 3% of total capital raised through IPOs worldwide in the first quarter of 2020, while the number of IPO deals in the region represented 1.7% of global listings. There were two IPO deals in Saudi Arabia that amounted to $748.7m, or 92% of total capital raised through IPOs in the MENA region in the first quarter of 2020. In addition, there was one listing in Oman that raised $52.5m in the covered quarter, equivalent to 6.4% of the MENA region's total deal value, and one deal in Egypt worth $13m, or 1.6% of the total. In Saudi Arabia, Dr. Sulaiman Al-Habib Medical Services Group raised $701m by listing 15% of its shares, and Sumou Real Estate Co raised $47.8m by issuing 30% of its shares in the first quarter of the year. In Oman, AMAN Real Estate Investment Fund floated 50% of its shares and raised $52.5m in January 2020, while the Egyptian company Emerald Real Estate Investments raised $13m by listing 28% of its shares in February.

Source: EY

FDI in Arab world up 2.5% to $34bn in 2019, equivalent to 1.3% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in 18 Arab economies totaled $34.3bn in 2019, constituting an increase of 2.5% from $33.5bn in 2018. The UAE was the largest recipient of FDI in the region with $13.8bn, or 40.2% of total FDI in Arab countries last year, followed by Egypt with $9bn (26.3%), Saudi Arabia with $4.56bn (13.3%), Oman with $3.13bn (9.1%), and Lebanon with $2.22bn (6.5%) as the top five destinations for FDI inflows. Also, Iraq, Qatar and Yemen posted negative flows of $3.08bn, $2.8bn and $371m, respectively, in 2019. In parallel, FDI in the UAE rose by 32.8% last year, followed by flows to Mauritania (+14.5%), Egypt (+10.7%), Saudi Arabia (+7.4%), and Djibouti (+7.1%). In contrast, inflows to Morocco fell by 55% in 2019, followed by inflows to Kuwait (-49%), Bahrain (-43%), Palestine (-30.2%), Sudan (-27.4%), Oman (-25.4%), Tunisia (-18.4%), Lebanon (-16.2%), Algeria (-5.7%), and Jordan (-4.1%). Further, FDI inflows to the 18 Arab countries were equivalent to 1.3% of their aggregate GDP in 2019, unchanged from 2018. FDI inflows to Mauritania were equivalent to 15.7% of its GDP last year, followed by Djibouti (5.7% of GDP), Lebanon (4.3% of GDP), Oman (4.1% of GDP), and the UAE (3.4% of GDP).

Source: UNCTAD, Institute of International Finance, International Monetary Fund, Banque du Liban, Byblos Research

EMERGING MARKETS

Economic activity to contract by 3% in 2020

The International Monetary Fund indicated that the COVID-19 outbreak has had a larger-than-anticipated negative impact on global economic activity in the first half of 2020, and that the recovery will be more gradual than previously expected. As such, it projected global real GDP to retreat by 4.9% in 2020, compared to its April 2020 forecast of a 3% contraction for this year. It attributed the downward revision to weaker consumption from the larger-than-expected disruption to domestic activity, the significant detrimental impact of social distancing and lockdowns, and subdued investment as firms defer capital expenditures amid high uncertainty. The Fund expected real GDP to retreat by 8% in advanced economies and by 3% in emerging markets and developing economies in 2020, relative to a previous forecast of contractions of 6.1% and 1%, respectively. It said that the downward revision to the growth forecast in emerging markets and developing economies reflects the worse-than-anticipated economic impact of stringent domestic lockdown measures and larger spillovers from weaker external demand.

The IMF anticipated that, for the first time, all emerging markets and developing regions will post negative growth in 2020. It forecast economic activity in Latin America & the Caribbean to shrink by 9.4% this year, mainly due to contractions in Brazil and Mexico. Also, it projected real GDP in Emerging & Developing Europe to retreat by 5.8% in 2020, while it forecast activity in the Middle East & Central Asia region to contract by 4.7% this year. In addition, it expected Sub-Saharan Africa's real GDP to shrink by 3.2% in 2020, mainly due to economic contractions in Nigeria and South Africa. Further, it projected economic activity in Emerging & Developing Asia to retreat by 0.8% in 2020, mainly due to a 4.5% decline in India's real GDP.

The Fund considered that global economic prospects are highly uncertain, and added that the outlook depends on several factors that are difficult to predict, such as the depth of economic contraction in the second quarter of 2020, and the magnitude and persistence of the COVID-19 shock.
Source: International Monetary Fund

EMs to invest $2.2tn yearly in infrastructure in 2021-40 period

Global reinsurer Swiss Re expected real GDP in emerging markets (EM) to contract by 0.5% in 2020 due to the coronavirus crisis. It forecast economic activity in EMs to expand by a compound annual growth rate (CAGR) of 4.4% in the 2021-30 period, compared to a CAGR of 5.5% in the previous decade, due to a weak global economic backdrop. It pointed out that, despite the implementation of fiscal stimuli across EMs to cushion the economic impact of the coronavirus, risks to the growth outlook are to the downside. As such, it considered that investments in infrastructure are crucial to improve productivity in EMs and increase the latter's resiliency. It considered that spending on public infrastructure has a higher multiplier effect on economic growth than other fiscal measures, such as tax cuts or direct welfare payments. It added that the COVID-19 pandemic has demonstrated the urgent need for more investment in healthcare infrastructure as well as in infrastructure that secures supply chains.

It anticipated that EMs will invest annually $2.2 trillion, or the equivalent of 3.9% of GDP, in infrastructure during the 2021-40 period, driven by economic growth, urbanization, the digitization of cities, and climate change. However, it estimated infrastructure needs in EMs at $2.7 trillion annually during the 2021-40 period, which will result in an infrastructure investment gap of $520bn annually. It expected most EM investments to be in the energy and transportation sectors.

Swiss Re pointed out that the public sector usually finances 75% of infrastructure investments in EMs, while the private sector covers the remaining 25%. But it considered that national budgets will remain under pressure and that governments will prioritize short-term needs. As such, it anticipated that the private sector will also finance 75% of the existing infrastructure investment gap, raising the total share of the private sector to 35% of the total funding for infrastructure projects. As a result, it estimated the investment opportunities in infrastructure for the private sector in EMs at $920bn per year in the 2021-40 period.
Source: Swiss Re

AFRICA

Oil exposure and debt levels are main drivers of currency vulnerability

Goldman Sachs indicated that the exchange rates of countries in Sub Saharan Africa (SSA) have been relatively stable so far in 2020. However, it noted that the stability of SSA currencies is not directly justified by macroeconomic fundamentals, but by the authorities' fear of floating their currencies. It noted that SSA authorities consider that the stability of the exchange rate can serve as an economic anchor in times of instability, as opposed to the "shock absorber" role typically assigned to floating currencies. Further, it said that external financing from development financing institutions supported foreign currency reserves of SSA economies, which allowed them to absorb the initial coronavirus shock and alleviate concerns about foreign currency liquidity.

However, it expressed concerns about the sustainability of measures that SSA countries are using to stabilize the exchange rates. It expected oil exporters to face a severe deterioration in their current account balances in 2020, which will put additional pressure on their exchange rates or on their foreign currency reserves. It anticipated that Nigeria and Angola will face challenges in financing these imbalances, despite their access to external support. It added that the Angolan kwanza and the Zambian kwacha weakened significantly, as the two countries are facing immediate challenges in servicing their external debt, and could further weaken with the debt restructurings in Angola and Zambia.

It expected the Nigerian naira to depreciate to about NGN500 per dollar in the coming 18 months, as demand for imported products increases with the reopening of the economy. It considered that a moderate import suppression in the country could help contain depreciation pressure. It said that downside risks to the Ghanaian cedi are limited despite the deterioration in the counry's macroeconomic outlook. It noted that Ghana's diversified export base insulated it from the oil price shock, while it deployed its foreign currency reserves to absorb the initial shock. It added that there is a strong political incentive to maintain currency stability before Ghana's elections in December 2020.
Source: Goldman Sachs

MENA

Syrian conflict negatively affects growth and public finances of neighboring Arab economies

The World Bank estimated that the conflict in Syria has reduced the annual average real GDP growth by 1.2 percentage points in Iraq, by 1.6 percentage points in Jordan and by 1.7 percentage points in Lebanon between 2011 and 2018. It noted that the negative impact of the conflict was transmitted through several channels, predominantly through the transit trade across Syria and from service exports such as tourism. It estimated that the conflict increased Iraq's public debt by 23.4% of GDP and Lebanon's public debt by 58% of GDP in the 2011-19 period, as it said that the public debt ratio would have reached 26% of GDP in Iraq and 97% of GDP in Lebanon at the end of 2019 in the absence of the conflict. In contrast, it noted that the public debt level in Jordan would have followed the same trajectory even in the absence of the conflict. In parallel, the World Bank considered that any positive impact on the three economies from a modest recovery in Syria will come from regional stability, rather than from immediate economic opportunities related to the reconstruction of Syria. It estimated the spillover effect at between 0.2 and 0.9 percentage points of additional GDP growth annually in neighboring countries depending on security improvements and the restoration of services in Syria in the next five years. It pointed out that Iraq, Jordan and Lebanon are all net importers of the main materials needed for reconstruction, which implies low direct export opportunities for the three countries.

Source: World Bank

SUDAN

Economic activity to contract by 8% in 2020

The International Monetary Fund indicated that Sudan requested a 12-month staff-monitored program to support the implementation of its comprehensive homegrown reform package. It said that the Sudanese economy is facing overwhelming social and economic challenges. It projected real GDP to shrink by 8% in 2020, following a 2.5% contraction in 2019, due to the COVID-19 outbreak. It said that the reform package will focus on stabilizing the economy, laying the foundation for strong and inclusive growth, reducing fiscal and external deficits, containing the inflation rate, as well as improving governance and the business environment. In addition, it noted that authorities aim to increase domestic revenues and reform energy subsidies to allow for higher social spending to help mitigate the impact of the fiscal adjustments and address the fallout of the pandemic. Also, it noted that the inflation rate reached 114% in May 2020, while the Sudanese pound continues to depreciate rapidly. As such, it considered that the implementation of prudent monetary policy and exchange rate reforms, as intended under the reform program, would reduce the inflation rate, boost external competitiveness, and support the economic recovery. Further, the IMF encouraged the authorities' efforts to solicit international partners to mobilize needed financing for the reform program. It noted that Sudan's debt burden exceeded 190% of GDP at the end of 2019, and that the majority of the debt is in arrears. It stressed that authorities should step up efforts towards debt relief under the Heavily Indebted Poor Country initiative.

Source: International Monetary Fund

AFRICA

Coronavirus and oil price shocks trigger negative rating actions

Fitch Ratings indicated that it downgraded the ratings of seven out of the 19 sovereigns that it rates in Sub-Saharan Africa (SSA) since the beginning of March 2020. It said that Cameroon, Ethiopia, Nigeria and South Africa have a 'negative' outlook on their ratings, while only Côte d'Ivoire carries a 'positive' outlook. It added that the Republic of Congo, Gabon, Mozambique and Zambia are rated 'CCC' or below. It noted that the coronavirus pandemic and the collapse in global oil prices have had a severe impact on SSA economies, and will result in the first economic contraction in decades for the region. It pointed out that the pandemic and the oil price shock had a substantial impact on the region's main oil-exporters, as well as on SSA countries with a high dependence on tourism. It anticipated that the decline in public revenues, along with higher spending on healthcare, will widen the region's fiscal deficits and increase debt levels in 2020. It forecast the SSA region's median government debt level to rise from 60% of GDP at the end of 2019 to 80% of GDP at end-2020. It noted that liquidity risks are increasing, as access to commercial financing is constrained on international markets, while domestic debt markets are shallow. It indicated that 12 out of the 19 rated sovereigns benefited from the International Monetary Fund's rapid financing instruments, while several SSA countries signed an agreement with the G-20 countries to benefit from their Debt Service Suspension Initiative.

Source: Fitch Ratings

ANGOLA

Slower economic recovery to raise fiscal pressure

Barclays Capital expected Angola's economic activity to shrink by 2% in 2020, relative to an earlier forecast of a contraction of 1.5%, and reduced its 2021 forecast from a growth rate of 1% to 0.5%. It indicated that the pace of the recovery will be slower than previously anticipated, given that the exit from the lockdown might be protracted. It noted that the less favorable outlook is likely to impact business and consumer confidence, with implications on household spending and gross domestic capital formation. Further, it anticipated government revenues to decline from 19.8% of GDP in 2019 to 14.5% of GDP in 2020 amid the challenging economic conditions. It expected a limited decrease in government spending from 18.8% of GDP in 2019 to 16.5% of GDP in 2020, as authorities are providing fiscal support against the coronavirus crisis. It forecast the fiscal balance to post a deficit of 2% of GDP in 2020, and projected the gross fiscal financing needs at 20.5% of GDP in 2020. Also, it anticipated the current account balance to shift form a surplus of $5.1bn in 2019 to a deficit of $4bn in 2020, which will increase the country's gross external financing needs from $7.4bn or 8.4% of GDP in 2019, to $12bn or 17.1% of GDP in 2020. It expected Angola to cover its external financing needs from external borrowing of $6bn, financial support from the International Monetary Fund of $2.1bn, loans from the World Bank of $1bn, and a drawdown of foreign currency reserves of $2.2bn. It forecast the public debt level to reach 120% of GDP at the end of 2020 and to remain in triple digits in 2021. It said that authorities indicated that the reprofiling of the debt will not affect Eurobond holders.

Source: Barclays Capital

IRAQ

Agency assigns ratings to two banks, affirms ratings of one bank

Capital Intelligence Ratings (CI Ratings) assigned a long-term foreign currency rating (FCR) of 'B-' to the International Development Bank for Investment and Finance (IDB) and to the Iraq Islamic Bank for Investment and Development (IIB); while it affirmed at 'B' the long-term FCR of National Bank of Iraq (NBI). Also, it assigned a bank standalone rating (BSR) of 'b-' to IDB, IIB and NBI, with a 'stable' outlook on all the ratings. It indicated that IDB's BSR is supported by the bank's solid capital base, strong liquidity profile, satisfactory non-performing loans (NPLs) ratio, and established business franchise. However, it pointed out that the rating is constrained by IDB's worsening credit risk profile due to the challenging operating environment, as well as to the bank's loan portfolio concentration, significant exposure to government securities, and sustained declines in profitability metrics. In addition, it said that IIB's BSR is underpinned by a solid equity base, a strong liquidity profile, a satisfactory net profitability, and an established Islamic banking franchise. But it noted that the rating is constrained by the bank's high borrower concentration, a significant exposure to government securities, and an elevated NPLs ratio. Further, it indicated that NBI's BSR is underpinned by the bank's very solid equity base, strong capital adequacy ratio, high liquidity, as well as improved profitability and asset quality. But it said that the bank's rating is constrained by the challenging operating environment, high sovereign and systemic risk factors, an elevated level of stage 2 loans, as well as by high concentrations in loans and deposits.

Source: Capital Intelligence Ratings

UAE

Outlook on eight banks revised to 'negative'

Moody's Investors Service affirmed the long-term deposit rating of Abu Dhabi Commercial Bank (ADCB) at 'A1', the rating of Abu Dhabi Islamic Bank (ADIB) at 'A2', the ratings of Emirates NBD (ENDB), Dubai Islamic Bank (DIB) and HSBC Bank Middle East (HBME) at 'A3', and the ratings of MashreqBank, the National Bank of Ras-Al-Khaimah (RAKBank) and the National Bank of Fujairah (NBF) at 'Baa1'. In addition, it affirmed the Baseline Credit Assessment (BCA) of HBME at 'baa2', the BCAs of ADCB, MashreqBank and RAKBank at 'baa3', the BCAs of ENDB, ADIB and NBF at 'ba1', and the BCA of DIB at 'ba2'. It indicated that the affirmation of the ratings reflects the banks' solid standalone profiles, with a strong capital base that allows them to absorb significant losses, and sound funding and liquidity positions. It expected the banks' asset quality to deteriorate significantly as a result of the impact of the coronavirus outbreak on the economy. However, it noted that the Central Bank of the UAE's $70bn economic support package will help mitigate the impact of the expected deterioration in asset quality on banks, support their liquidity profile, and ease potential funding challenges. Still, Moody's revised the outlook on the long-term deposit ratings of all banks from 'stable' to 'negative'. It attributed the outlook revision to its expectations that the banks' standalone credit profiles will weaken considerably due to the difficult operating environment in the UAE amid the pandemic, the collapse of global oil prices, and pre-existing economic challenges.

Source: Moody's Investors Service

ARMENIA

Banks' asset quality to come under pressure

S&P Global Ratings maintained Armenia's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with economic and industry risk scores of '8' for each. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 8' include Georgia, Jordan, Russia and Uzbekistan. The agency indicated that Armenia's economic risk score reflects "intermediate risk" in its economic imbalances, "high risk" in its economic resilience, and "extremely high" credit risks in the economy. It anticipated the banks' asset quality to deteriorate, as the sectors that are affected the most by the coronavirus pandemic account for about 15% of total bank loans. It projected the banks' non-performing loans ratio to rise from 5.5% at the end of March 2020 to about 8% to 9% in the 2020-21 period. It noted that the main credit risk in Armenia stem from a very high share of lending in foreign currency. In addition, it expected banks to face heightened but manageable pressure on their profitability amid the challenging operating environment. In parallel, it said that the industry score reflects the country's "high risk" in its competitive dynamics, as well as "very high risk" in its institutional framework and system-wide funding. It anticipated the pressure on the banks' funding profile to increase in the next two years given a higher probability of outflows of non-resident deposits, which account for about 30% of total deposits. It indicated that the trend for the banking sector's economic and industry risks is 'stable'.

Source: S&P Global Ratings

TURKEY

Agency takes rating actions on 14 banks

Capital Intelligence Ratings downgraded from 'BB-' to 'B+' the long-term foreign currency ratings of Türkiye Ihracat Kredi Bankasi (Türk Eximbank), Türkiye Cumhuriyeti Ziraat Bankasi (TCZB), Türkiye Halk Bankasi (Halk), Türkiye Vakiflar Bankasi (Vakif), Türkiye Is Bankasi, Garanti BBVA (Garanti), Yapi ve Kredi Bankasi (YKB), Akbank, DenizBank (DZB), QNB Finansbank (QNBF), Türk Ekonomi Bankasi (TEB), Burgan Bank (BBT), Türkiye Finans Katilim Bankasi (TFKB) and Kuveyt Türk Katilim Bankasi (KTKB). Also, it affirmed at 'b+' the bank standalone ratings (BSRs) of TCZB and YKB; while it downgraded from 'bb-' to 'b+' the BSRs of Türk Eximbank, Türkiye Is Bankasi, Garanti and Akbank, and from 'b+' to 'b' the BSRs of Halk, Vakif, DZB, QNBF, TEB, BBT, TFKB and KTKB. It maintained at 'negative' the outlook on the ratings of Halk and YKB, while it revised from 'negative' to 'stable' the outlook on the ratings of the other 12 banks. The agency indicated that the downgrades follow its similar action on Turkey's sovereign ratings and reflect the pressure on the banks' credit profiles from the slowdown in economic growth, the country's high short-term external debt rollover needs, and rising risks to financial stability. It expected the banks' asset quality to deteriorate, and for the ongoing depreciation of the Turkish lira to adversely affect the debt-servicing capacity of domestic borrowers in foreign currency. As such, it anticipated banks to increase loan-loss provisions, which will weigh on their profitability.

Source: Capital Intelligence Ratings

Oil prices to average $43.7 p/b in 2020, could reach $60 p/b in 2021

ICE Brent crude oil front-month prices have been trading above $40 per barrel (p/b) in the past week, and reached $43 p/b on June 22, 2020, their highest level since March 2020. Prices increased as global oil consumption started to recover amid the easing of lockdown measures worldwide, while global output remains constrained by the OPEC and non-OPEC production cut agreement and by the shutdown of wells in the United States. However, oil prices declined to $40.3 p/b on June 24 due to a higher-than-expected buildup in U.S. oil inventories and ongoing concerns about a second wave of the pandemic. In parallel, Bank of America expected the oil market to shift from a surplus of 11 million barrels per day (b/d) in the first half of 2020 to a deficit of 2.5 million b/d in the second half of the year. It considered that the positive outlook for oil prices is based on prospects of a rebound in global demand, deep supply cuts, and OPEC's efforts to balance the global oil market. Also, it anticipated that the U.S. shale oil industry will struggle to recover to its prior levels, and projected U.S. oil output to continue to decline. Further, it forecast capital expenditures in the global oil sector to decrease from $322bn in 2019 to $240bn in 2020, and did not expect a significant recovery in 2021. The bank projected Brent prices to average $43.7 p/b this year, while it anticipated prices to reach $60 p/b next year in case OPEC countries commit to the output cuts and global demand continues to rebound

Source: Bank of America, Refinitiv, Byblos Research

Steel output down 5% in first five months of 2020

Global steel production reached 728.7 million tons in the first five months of 2020, constituting a decrease of 5.2% from 768.7 million tons in the same period of 2019. Production in China totaled 411.8 million tons and accounted for 56.5% of global output in the covered period. Japan followed with 36.6 million tons, then India with 35.9 million tons (5% each), the U.S. with 31.3 million tons (4.3%), Russia with 30 million tons (4.1%), and South Korea with 27.4 million tons (3.8%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to decline by 6.4% in 2020

Consumption of crude oil in the Middle East & Africa is expected to average 11.82 million barrels per day (b/d) in 2020, which would constitute a decline of 6.4% from 12.63 million b/d in 2019. The region's demand for oil would represent 38.3% of demand in developing countries and 13% of global consumption this year.

Source: OPEC, Byblos Research

Saudi Arabia's oil exports up 39% in April 2020

Crude oil exports from Saudi Arabia amounted to 10.2 million barrels per day (b/d) in April 2020, constituting an increase of 38.5% from 7.4 million b/d in March and compared to 7.2 million b/d in April 2019. In parallel, the Kingdom's crude oil output averaged 12 million b/d in April, up by 23.4% from 9.7 million b/d in the previous month and relative to 9.8 million b/d in April 2019. Further, Saudi Arabia's crude oil stocks reached 143.5 million barrels in April, down by 8.2% from 156.2 million barrels in March and compared to 193.5 million barrels in April 2019.

Source: Joint Organizations Data Initiative, Refinitiv

Base Metals: Copper prices recover by 27% between March and June 2020

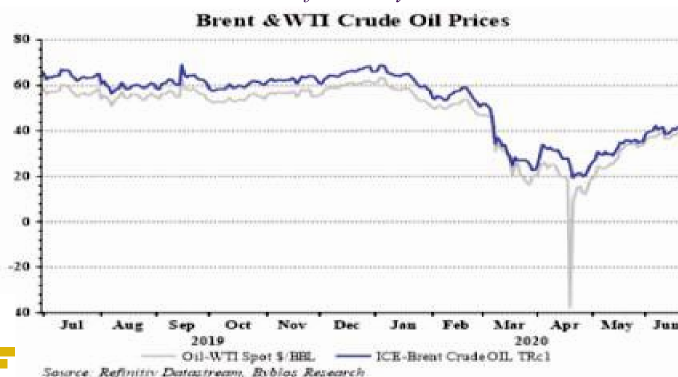
LME copper cash prices averaged $5,703 per ton in the month-to-June 23, 2020, constituting an increase of 8.8% from an average of $5,241 a ton in May. Prices grew by 27.4% from a three-year low in March and reached $5,892 per ton on June 23, their highest level since January 24. The rise in prices was supported by lower copper inventories and robust demand from China. In addition, stronger-than-expected economic data in Europe and the U.S. boosted hopes of a rapid recovery in global economic activity, which contributed to the upward trend in prices. The increase in copper prices was also driven by rising supply risks, as the number of coronavirus cases continues to grow in South America, the largest copper producing region, which is disrupting production. Still, investment bank Julius Baer did not expect copper prices to return quickly to their pre-coronavirus peak level of $6,343 per ton reached in January. In parallel, the latest figures show that global demand for refined copper was 5.7 million tons in the first quarter of 2020, down by 2.5% year-on-year, as demand regressed by about 6% in Japan, by 4% in China, and by 2.5% in the European Union. Also, global refined copper production reached 5.8 million tons in the first quarter, unchanged annually amid higher output from Chile, the Democratic Republic of Congo and Japan. This was partially offset by lower production in China and Zambia.

Source: ICSG, Julius Baer, Refinitiv

Precious Metals: Gold prices to hit $2,000 per ounce in coming 12 months

Gold prices reached an eight-year high of $1,772 per troy ounce on June 24, 2020, up by 2.3% from the end of May 2020 and by 16.6% from end-2019. The metal's price has been supported by fears of a second wave of coronavirus in the U.S. and Europe, which have fuelled demand for the safe haven asset. Also, major central banks around the world are easing their monetary policies in order to address the economic impact of the pandemic, which raises the attractiveness of holding a non-yielding asset like gold. Further, investors have increased their holdings of the metal in order to hedge against the rise in the inflation rate in the U.S., which also contributed to the increase in prices. The metal's price is projected to reach $1,800 per ounce in the coming three months, $1,900 an ounce in the next six months, and $2,000 per ounce in the coming 12 months, supported by continued inflows to gold ETFs. Prices could trade above $2,000 per ounce in the next 12 months, in case the U.S. inflation rate exceeds the U.S. Federal Reserve's 2% target without a corresponding monetary policy response. But downside risks to the metal's price include weaker physical demand, especially for jewelry.

Source: Goldman Sachs, 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 (%)
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	Stable	-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	-	Ba3	B+	-	B+								
	-	URD***	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	-	B-								
	Stable	Negative	Negative	-	Negative	-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-	Ba3	BB	BBB-	BBB-								
	Negative	Negative	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	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												
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-	B+	B-								
	Stable	Negative	Stable	Stable	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	18-Jun-20	No change	06-Aug-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	24-Jun-20	No change	23-Sep-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	22-Jun-20	No change	20-Jul-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	24-Jun-20	No change	05-Aug-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	25-Jun-20	No change	23-Jul-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	4.50	19-Jun-20	Cut 100bps	31-Jul-20

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