600 ISSUES+
Issue 634 | July 2, 2020

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading up 8% to $1,492bn in first quarter of 2020

Trading in emerging markets debt instruments reached $1,492bn in the first quarter of 2020, constituting increases of 8% from $1,381bn in the first quarter of 2019 and of 12% from $1,333bn in the fourth quarter of 2019. Turnover in local-currency instruments reached $897bn in the first quarter of 2020, up by 11% from $808bn in the first quarter of 2019 and by 14% from $784bn in the fourth quarter of 2019. In parallel, trading in Eurobonds stood at $592bn in the first quarter of 2020, and increased by 3% from the same quarter of 2019 and by 8% from $547bn in the preceding quarter. The volume of traded sovereign Eurobonds reached $381bn and accounted for 64% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds reached $204bn, or 34% of the total. In addition, turnover in warrants and options stood at $113m, while loan assignments reached $2.8bn in the first quarter of 2020. The most frequently-traded instruments in the covered quarter were Mexican fixed income assets with a turnover of $290bn, or 19% of the total, followed by securities from Brazil with $161bn (11%) and instruments from China with $104bn (7%). Other frequently-traded instruments consisted of fixed income securities from India at $97bn (6.5%) and from South Africa at $84bn (5.6%).

Source: EMTA

Corporate and sovereign Eurobond issuance to increase by 3% to $638bn in 2020

Bank of America projected sovereigns and corporates in emerging markets (EMs) to issue $638bn in external debt in 2020, which would constitute a rise of 3% from $620bn in 2019. It anticipated Emerging Asia to issue $307bn, or 48% of total EM external issuances, followed by the Emerging Europe, Middle East and Africa (EEMEA) region with $205bn (32%), and Latin America $127bn (20%). Also, it forecast EMs to issue $210bn in sovereign Eurobonds in 2020, which would constitute an increase of 31% from $161bn in 2019, and compared to issuances of $136bn in 2018. It projected investment grade EM sovereigns to issue $153bn, or 73% of aggregate EM sovereign issuances this year, while it anticipated high yield EMs to issue the remaining 27%. On a regional basis, it forecast sovereigns in the EEMEA region to issue $117bn or 55% of total Eurobond issuances in 2020, followed by Latin America with $52bn (25%), and Emerging Asia with $42bn (20%). It indicated that EM sovereigns have already issued $117.8bn in Eurobonds in the first five months of 2020. In parallel, Bank of America projected EM corporates to issue $428bn in bonds in 2020, which would constitute a decline of 7% from $462bn in 2019. On a regional basis, it expected corporates in Emerging Asia to issue $265bn, or 62% of total corporate issuances in 2020, followed by the EEMEA region with $88bn (20.5%), and Latin America with $75bn (17.5%).

Source: Bank of America

MENA

Stock markets down 17% in first half of 2020

Arab stock markets dropped by 16.7% and Gulf Cooperation Council equity markets fell by 15.6% in the first half of 2020, relative to expansions of 9.1% and 9.4%, respectively, in the same period of 2019. In comparison, global stocks decreased by 7.7% and emerging market equities declined by 11% in the covered period. The index of the Beirut Stock Exchange jumped by 97.2% in the first half of 2020, activity on the Damascus Securities Exchange expanded by 31.4%, and the Khartoum Stock Exchange grew by 7.4%. In contrast, activity on the Dubai Financial Market dropped by 25.3% in the first half of 2020, the Egyptian Exchange fell by 23%, the Bahrain Bourse decreased by 20.7%, the Casablanca Stock Exchange contracted by 16.5%, the Abu Dhabi Securities Exchange declined by 15.6%, the Boursa Kuwait fell by 14.7%, the Saudi Stock Exchange dropped by 14%, the Qatar Stock Exchange retreated by 13.7%, the Iraq Stock Exchange regressed by 12%, the Amman Stock Exchange and the Muscat Securities Market fell by 11.7% each, the Palestine Exchange decreased by 10.5%, and the Tunis Bourse declined by 7%.

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

UAE

Earnings of Abu Dhabi companies down 32%, profits of Dubai firms down 53% in first quarter of 2020

The net income of 38 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED6.9bn, or $1.9bn, in the first quarter of 2020, constituting a decrease of 31.5% from AED10.1bn or $2.8bn in the same quarter of 2019. Listed banks generated net profits of $909.3m and accounted for 48.2% of the total earnings of publicly-listed firms in the first quarter of 2020. Telecommunications companies followed with $700m (37.1%), then energy firms with $108.8m (5.8%), real estate companies with $85m (4.5%), insurers with $38.2m (2%), consumer goods firms with $32.1m (1.7%), and services providers with $30.4m (1.6%). In contrast, industrial firms posted net losses of $16.3m in the covered period. In parallel, the cumulative net income of 29 companies listed on the Dubai Financial Market that published their financials totaled AED5bn, or $1.3bn, in the first quarter of 2020, constituting a decrease of 53% from AED10.5bn or $2.8bn in the same quarter of 2019. Listed banks generated net profits of $1.1bn, or 83.3% of net earnings in the covered period. Telecommunication firms followed with $96.7m or 7.2% of the total, then insurers with $79.3m (6%), transportation companies with $37.6m (2.8%), services firms with $21.8m (1.6%), consumer staples companies with $8.9m (0.7%), and investment & financial services providers with $7.8m (0.6%). In contrast, real estate & construction firms posted net losses of $28.2m in the first quarter of 2020.

Source: KAMCO

OUTLOOK

WORLD

Economic losses from drop in tourism could reach 4.2% of global GDP

In its assessment of the impact of the coronavirus pandemic on the global tourism sector, the United Nations Conference on Trade & Development (UNCTAD) considered three different scenarios to capture the direct and indirect effects of the decline in international tourism receipts on national incomes and employment. The "moderate", or optimistic, scenario assumes that the standstill in international tourism will last four months, while the "intermediate" scenario considers an eight-month halt in global tourism, and the "dramatic" scenario assesses the impact of a one-year suspension on tourism activity.

Under its "moderate" scenario, the UNCTAD projected global macroeconomic losses from the contraction in tourism activity at $1.2 trillion, or the equivalent of 1.5% of global GDP. It forecast losses of $2.2 trillion, or 2.8% of the world's GDP under the "intermediate" scenario; and losses of $3.3 trillion, or 4.2% of global GDP, under the "dramatic" scenario. Also, it said that the indirect losses resulting from inter-sectoral linkages in the tourism industry produce a multiplier effect throughout the economy. As such, it estimated that for every $1m lost in international tourism receipts, a country's national income could decline by $2m to $3m.

Further, it anticipated that the number of unemployed unskilled workers in the tourism sector could increase by up to 17% in the worst-affected countries under the "moderate" scenario, by up to 29% under the "intermediate" scenario, and by up to 44% under the "dramatic" scenario. It considered that the adjustment for skilled workers will occur through declines in wages. It projected that the real wages for skilled workers could decline by up to 12% under the "moderate" scenario, by up to 22% under the "intermediate" scenario, and by up to 34% under the "dramatic" scenario.
Source: United Nations Conference on Trade & Development

EMERGING MARKETS

Fallout from coronavirus pandemic worse than previously anticipated

S&P Global Ratings considered that the fallout from the COVID-19 pandemic on many emerging markets (EMs) has been worse than previously anticipated, amid severely high infection rates in some countries and increases in rates that have yet to peak in others. It noted that governments have responded by either extending lockdowns or slowing the easing of lockdown measures. Also, it said that the severe negative shock to domestic demand from the pandemic, as well as the significant slowdown in foreign trade, have weighed on the growth outlook of EMs in 2020. As such, it forecast real GDP in EMs excluding China to contract by 4.7% this year and to grow by 5.9% in 2021. Also, it projected economic activity in Latin America, which is currently the epicenter of the pandemic, to contract by about 7% in 2020, constituting around two percentage points less than the agency's April 2020 forecast. In addition, it revised downward its forecast for GDP growth in EM Asia, as it anticipated economic activity in the region to retreat by 5% this year relative to a previous forecast of a 1.8% growth rate. Further, it projected real GDP in Emerging Europe, the Middle East and Africa to contract by about 4.2% in 2020, nearly unchanged from its April forecast.

In parallel, S&P anticipated that the measures that EM governments have taken to respond to the pandemic and support their economies will weigh on their fiscal positions. It expected EMs to face higher leverage, weak public revenues, and the potential for rising social unrest, as the pandemic has revealed deep income disparities and poor access to healthcare services. It considered that EMs are experiencing "lockdown fatigue", and did not expect EM countries to reimpose strict nationwide lockdowns. It anticipated the COVID-19 shock to increase debt levels across governments, corporations, and households in EMs, while subdued consumer and business confidence could delay a potential economic recovery and limit its scope. However, it expected the resumption of business activity in key EM trade partners, as well as unprecedented accommodative monetary conditions to support financing conditions for EMs.
Source: S&P Global Ratings

AFRICA

Coronavirus crisis to reduce per capita GDP to 2010 levels

The International Monetary Fund projected economic activity in Sub Saharan Africa (SSA) to contract by 3.2% in 2020, compared to a forecast of a 1.6% contraction last April. It projected real GDP of tourism-dependent economies, to retreat by 10% in 2020, compared to a previous forecast of a contraction of 5%, the steepest downward revision among SSA economies. Also, it expected economic activity of oil-exporting countries in the SSA region to shrink by 5% in 2020, compared to a projected contraction of 3% previously, while it forecast real GDP of other commodity exporters to retreat by 4% relative to -2.5% previously. It anticipated the "more-diversified" SSA economies to grow by about 0.5%, despite a downward revision to growth of 1.5 percentage points from last April.

In addition, it expected economic activity to recover only gradually in the SSA region in 2021, assuming that the pandemic abates and lockdown measures ease in the second half of 2020. It anticipated SSA economies to grow by 3.4% in 2021. It noted that the projected recovery in the SSA region is slower than the expected rebound in global growth next year, as the stimulus packages deployed by SSA countries are considerably smaller than the stimulus in advanced economies and other emerging markets. It expected economic activity in Angola, Nigeria and South Africa to return to pre-crisis levels by 2023 or 2024 at the earliest. Further, it forecast real GDP per capita to contract by 5.4% in 2020 and to grow by 1.1% in 2021, bringing back the region's per capita GDP in 2020 to its 2010 level.

In parallel, the Fund projected the fiscal deficit of SSA economies to widen from 4.4% of GDP in 2019 to 7.6% of GDP in 2020, and expected it to narrow to 5.8% of GDP in 2021, in case growth recovers and pandemic-related measures are scaled down. It anticipated that wide fiscal deficits, weaker currencies, and the lower GDP growth path to raise the region's debt-to-GDP ratio by 7.3% percentage points to 64.8% of GDP at the end of 2020, which will further weaken debt sustainability.
Source: International Monetary Fund

GCC

Agencies take rating actions on sovereigns

Moody's Investors Service downgraded Oman's long-term issuer and senior unsecured bond ratings from 'Ba2' to 'Ba3' and revised the outlook on the ratings from 'stable' to 'negative'. It attributed the downgrade to its expectations of a significant deterioration in Oman's debt metrics and an erosion of its fiscal and foreign currency buffers. It forecast the fiscal deficit at more than 19% of GDP in 2020 and at about 15% of GDP in 2021, which will increase the public debt level to around 86% of GDP at end-2021. It added that the 'negative' outlook reflects significant risks from the government's large financing needs and diminishing external buffers. In parallel, Capital Intelligence Ratings (CI) affirmed Saudi Arabia's long-term ratings at 'A+', with a 'stable' outlook. It noted that the coronavirus pandemic and the collapse in global oil prices weighed on the Kingdom's growth prospects and weakened its public and external finances. It projected the fiscal deficit at 10.6% of GDP in 2020, while it forecast the current account balance to shift from a surplus of 6.3% of GDP in 2019 to a deficit of 1.4% of GDP in 2020. However, CI noted that the Kingdom's credit profile remains supported by its large fiscal buffers and strong net external asset position, as well as by a sound banking sector. In addition, Fitch Ratings affirmed Qatar's long-term foreign and local currency Issuer Default Ratings at 'AA-', with a 'stable' outlook. It indicated that the ratings reflect the country's strong net foreign asset position, favorable debt dynamics, and the authorities' strong response to limit the fiscal impact of the coronavirus pandemic. But it said that the ratings are constrained by elevated government debt and by high contingent liabilities.

Source: Moody's Investors Service, CI Ratings, Fitch Ratings

EGYPT

Pandemic to hinder efforts at deeper reforms

The International Monetary Fund considered that the COVID-19 pandemic has hindered the Egyptian authorities' plan to broaden and deepen the structural reforms that started under the IMF-supported program in the 2016-19 period. It added that the government refocused its priorities to address the current economic and health crisis. It said that authorities have responded to the outbreak with a comprehensive package that supports the economy and healthcare needs. Consequently, the Fund approved $5.2bn in funding under a 12-month Stand-by Arrangement (SBA) to address Egypt's balance-of-payments and budget financing needs from the virus outbreak. It said that the authorities' economic policy framework will focus on necessary social and healthcare spending, and will try to avoid an excessive build-up of the public debt. It added that the structural reforms aim to strengthen the framework of public finances, improve governance and transparency, and reduce barriers to competition, in order to ensure sustainable private sector-led growth. It noted that the Central Bank of Egypt intends to anchor inflation expectations and financial stability, while rebuilding reserve buffers and maintaining a flexible exchange rate. It expected that the disbursements under the SBA, along with financial support from development partners, will address the country's large financing needs. Further, the IMF considered that the exceptionally high level of uncertainty about the severity and length of the global economic downturn will weigh on Egypt's economic prospects.

Source: International Monetary Fund

AFRICA

Limited impact of debt relief from China

Standard Chartered Bank indicated that Sub-Saharan African (SSA) countries will benefit from debt-service relief from China under the G-20 Debt Service Suspension Initiative. It expected the agreement to suspend the repayment of bilateral loans for low-income economies until the end of 2020. It considered that Angola, Zambia, Uganda and Kenya will benefit the most from the suspension of debt payments to China, as they owe a large position of their external debt to Beijing and have not restructured their debt in recent years. Further, it noted that rating agencies are unlikely to view the suspension of debt by official bilateral lenders as credit negative. Also, it anticipated a slowdown in China's Belt and Road investment activity in the region, as the country's willingness to lend will be adversely affected by the debt relief. In parallel, Citi Research indicated that the amount of the suspended debt payments will be small, as African economies have increasingly borrowed on commercial and semi-commercial terms, as well as from multilateral lenders that are not part of the G-20 initiative, notably the World Bank. It said that Eurobonds represent an important share of commercial borrowing in the SSA region, and that the Export-Import Bank of China and the China Development Bank are the dominant Chinese lenders on semi-commercial or on full commercial terms in Africa. It noted that efforts to include Eurobond holders in the debt relief initiative did not succeed, due to the difficulty to get a coordinated stance from a diverse group of Eurobond investors, and to the concerns of African governments about a negative impact on their sovereign credit ratings.

Source: Standard Chartered Bank, Citi Research

ETHIOPIA

Ratings affirmed at 'B', outlook 'negative'

Fitch Ratings affirmed Ethiopia's long- and short-term foreign- and local-currency Issuer Default Ratings (IDRs) at 'B', with a 'negative' outlook. It noted that the ratings are supported by the country's robust medium-term economic growth potential, sustained external financial support to ease financing pressures, the predominance of concessional official borrowing relative to commercial debt, and an improving policy framework. But it said that the ratings are constrained by weak external finances, including persistent current account deficits, low foreign currency reserves and rising external debt repayments, as well as by low development and governance indicators. It added that the 'negative' outlook reflects the adverse impact of the COVID-19 pandemic on the country's economic activity and on its public and external finances, in addition to political uncertainties that could increase inflationary pressure and weigh on tax collection and FDI inflows. As such, the agency reduced its average real GDP growth forecast to around 3% from 7% previously in FY2019/20 and FY2020/21. It expected the inflation rate to average 18% in FY2020/21 compared to 20% in FY2019/20, despite the National Bank of Ethiopia's tight monetary policy. Further, it estimated the fiscal deficit to have widened to 4% of GDP in FY2019/20 due to increased coronavirus-related fiscal spending, and expected the deficit to remain at that level in FY2020/21. In parallel, it forecast the current account deficit at 4.5% of GDP in FY2020/21.

Source: Fitch Ratings

SAUDI ARABIA

NCB and SAMBA merger to create largest bank in the country

Goldman Sachs considered that a potential merger between Saudi banks National Commercial Bank (NCB) and Samba Financial Group (SAMBA) could unlock synergies at a time of increasing pressures on the asset quality and interest margins of Saudi banks, amid lower global oil prices and coronavirus-related disruptions. It indicated that NCB announced on June 25, 2020 that it has entered into a framework agreement to begin due diligence and negotiate the terms of a potential merger with SAMBA. It said that the shareholders of SAMBA would receive for every share they hold between 0.736 and 0.787 newly-issued shares in NCB, which would result in a total of between 1.441 billion and 1.54 billion newly-issued NCB shares. It added that the two banks plan to complete the due diligence process and sign a potential deal in the coming four months. Further, it pointed out that a merger between the two banks would create an entity that has $200bn in assets, which would be equivalent to about 29% of the Saudi banking sector's assets. It also indicated that the combined entity has a loan portfolio amounting to $110bn, or 27% of the sector's aggregate loans. It added that the new entity's investment portfolio would reach $60bn. Goldman Sachs indicated that NCB was in merger discussions with Riyad Bank in 2019 and that the negotiations were unsuccessful. But it noted that NCB has more common shareholder ownership with SAMBA than with Riyad Bank. It said that the Public Investment Fund, the Public Pension Agency and the General Organization for Social Insurance are the largest shareholders of NCB and SAMBA, as the three entities own 55% of NCB and 42% of SAMBA.

Source: Goldman Sachs

OMAN

Coronavirus pandemic weighing on banks

Fitch Ratings anticipated that the spread of the coronavirus will increase the pressure on the Omani banking sector in 2020 amid the already challenging domestic operating environment. It forecast a significant rise in impaired loans this year, which will be partly offset by the measures that the Central Bank of Oman put in place to limit the deterioration in the capacity of borrowers to repay their loans. Also, it projected the profitability of banks to decline in 2020 following an increase in expected credit losses, and anticipated that rising cost of risk, the recent cuts in interest rates, and weaker non-interest income will further weigh on profitability. It considered that banks have a capitalization cushion of about OMR1.3bn before breaching regulatory capital ratios. In parallel, Moody's Investors Service downgraded from 'Ba3' to 'B1' the long-term foreign currency deposit ratings of Bank Muscat, Bank Dhofar, National Bank of Oman (NBO), Sohar International Bank (SIB), HSBC Bank Oman (HBON), Oman Arab Bank (OAB) and Bank Nizwa. It revised the outlook on the ratings from 'under review' to 'negative'. Further, it downgraded from 'ba2' to 'ba3' the Baseline Credit Assessment (BCA) of Bank Muscat and HBON, while it affirmed at 'ba3' the BCAs of Bank Dhofar, NBO, SIB and OAB and at 'b1' the BCA of Bank Nizwa. It attributed the rating downgrades to the government's weakened capacity to support the banks in case of need, as reflected by the sovereign downgrade.

Source: Fitch Ratings, Moody's Investors Service

NIGERIA

Banks to face renewed foreign currency shortages

Moody's Investors Service anticipated foreign currency shortages in Nigeria to intensify in the next 12-18 months in case of sustained low oil prices, which will weigh on the banks' liquidity in foreign currency. It said that nearly 50% of the banks' $7bn in foreign-currency borrowings mature in the next 12 to 18 months. It noted that banks are prepared for these upcoming maturities, but it noted that the repayments will come due amid slowing growth in foreign currency deposits, which will create funding pressure. It indicated that banks have substantially narrowed their foreign currency funding gap from $5.5bn at the end of 2016 to $984m at end-2019. It also said that the banks' liquidity in foreign currency has improved, as loans denominated in foreign currency represented 106% of deposits in foreign currency at the end of 2019 relative to 135% at end-2016. It added that the banks' liquid assets in foreign currency were equivalent to 42% of total assets in foreign currency at the end of 2019 compared to 34% at end-2016, which shows the bank's improved ability to cover sudden withdrawals in foreign currency. In parallel, it pointed out that, under a moderate scenario whereby foreign currency deposits decline by 20%, the foreign-currency loans-to-deposits ratio would increase to 133%, with a funding gap of $3.8bn. It noted that, under a severe-case scenario whereby foreign currency deposits decline by 35%, the loans-to-deposit ratio in foreign currency would rise to 164% with a funding gap of $5bn, which reflects acute funding challenges for banks.

Source: Moody's Investors Service

TURKEY

Banking sector has extremely high funding risks

S&P Global Ratings maintained Turkey's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', and its economic and industry risk scores at '8' and '9', respectively. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 9' include Argentina, Bangladesh, Egypt, Greece and Kazakhstan. The agency indicated that Turkey's economic risk score reflects its "very high risks" in economic imbalances and credit risks in the economy, as well as its "high risk" in economic resilience. It anticipated economic risks to remain elevated in the coming two years given weak domestic demand, currency volatility, political uncertainties, and elevated maturing short-term foreign debt. It expected the banks' asset quality to weaken in the near term, mainly due to an anticipated recession in 2020 from the detrimental impact of the coronavirus pandemic, as well as to the sharp depreciation of the Turkish lira that reduced the repayment capacity of borrowers in foreign currency. It forecast the non-performing loans ratio to rise from 4.6% at the end of May 2020 to between 11% and 12% by end-2021. It said that the trend for economic risk is 'negative', as it anticipated subdued economic growth or ineffective fiscal counter-measures to significantly weigh on the banks' outlook. In parallel, S&P noted that the industry score reflects the country's "very high risk" in its system-wide funding, its institutional framework, and its competitive dynamics. It said that the high industry risk and the latter's 'negative' trend show the banks' high vulnerability to adverse market sentiment and risk aversion.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $40 p/b in 2020

ICE Brent crude oil front-month prices averaged $42.2 p/b in the first half of 2020, constituting a drop of 32.2% from an average of $62.3 p/b in the second half of 2019. The decline in prices was due to the spread of the coronavirus that led to the enforcement of lockdown measures worldwide, which reduced global demand for oil. Also, prices averaged $33.5 p/b in the second quarter of the year, down by 34.7% from $51.1 p/b in the preceding quarter. The decline in oil prices was exacerbated by supply factors in the second quarter of 2020, amid the inability of OPEC and non-OPEC oil producers to reach an agreement on production cuts, which triggered an oil price war between Saudi Arabia and Russia. However, the new OPEC agreement on April 12 to cut production by 9.7 million barrels per day (b/d), as well as the shutdown of wells in the United States and the easing of global lockdown measures, supported oil prices. As such, they averaged $40.8 p/b in June 2020, constituting a rise of 25.8% from the previous month, the highest monthly price average since February 2020. In parallel, Reuters' oil price poll of 44 industry analysts projected Brent oil prices to average $38 p/b in the third quarter of 2020 and $42.7 p/b in the fourth quarter of the year. The survey expected prices to average $40.4 p/b in 2020, up from an earlier forecast of $37.6 p/b in May. But a global rise in COVID-19 cases, which could lead to further restrictions and could slow the economic recovery, is a key downside risk to the price outlook.
Source: Refinitiv, Byblos Research

Middle East accounts for 38% of world's proven natural gas reserves

BP estimated the Middle East region's proven natural gas reserves at 2,670 trillion cubic feet (tcf) at the end of 2019, equivalent to 38% of the world's natural gas reserves. Iran held the region's largest proven natural gas reserves with 1,130.7 tcf, or 42.3% of the Middle East's total reserves, at end-2019. Qatar followed with 871.6 tcf (32.6%), then Saudi Arabia with 211.3 tcf and the UAE with 209.7 tcf (7.9% each), Iraq with 125.1 tcf (4.7%), Kuwait with 59.9 tcf (2.2%) and Oman with 23.5 tcf (0.9%).
Source: BP, Byblos Research

Iraq's oil exports receipts up 34% in June 2020

Preliminary figures show that Iraq's crude oil exports totaled 84.5 million barrels in June 2020, constituting a decrease of 15.2% from May 2020. They averaged 2.82 million barrels per day (b/d) in June 2020, down by 12.3% from the previous month. Oil exports from the central and southern fields reached 81 million barrels in June, while shipments from the Kirkuk fields totaled 3.5 million barrels. Oil receipts stood at $2.9bn in June, up by 34% from $2.1bn in May 2020 due to the recovery in global oil prices.
Source: Iraq Ministry of Oil, Byblos Research

Nigeria's gas output at 218.4 billion cubic feet in March 2020

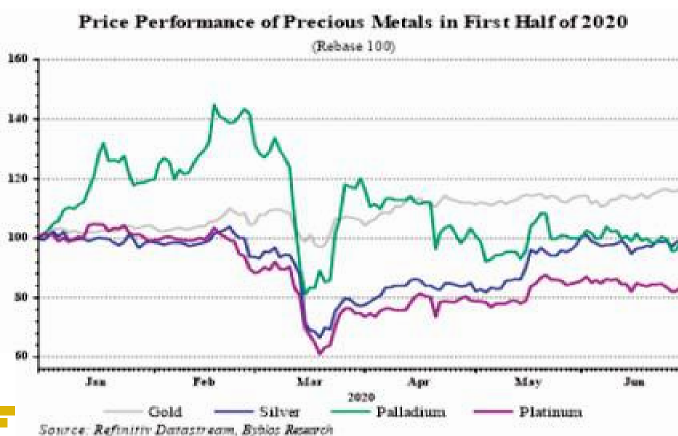
The Nigerian National Petroleum Corporation indicated that natural gas output totaled 218.4 billion cubic feet (bcf) in March 2020. It added that gas production amounted to 3,120 bcf between March 2019 and March 2020. Further, it said that 120.7 bcf of the produced gas in March 2020 went for commercial use, out of which 87.3 bcf, or 72.3%, were exported and 33.5 bcf, or 27.7%, were for domestic consumption.
Source: Nigerian National Petroleum Corporation

Base Metals: Nickel prices drop by 20% in first half of 2020

The LME cash price of nickel averaged $12,471 per ton in the first half of 2020, constituting a decrease of 19.5% from an average of $15,489 a ton in the second half of 2019. Prices declined by 22.5% in the year-to-March 23 and closed at $10,806 per ton, their lowest level since March 2019. The decrease in nickel prices was due to the coronavirus pandemic, which weighed significantly on global economic activity and on demand for metals. However, prices increased by 20.2% from the March low and reached $12,987 per ton on June 8, their highest level since February 17, 2020. The recovery in prices in the second quarter of the year was mainly driven by supply disruptions due to coronavirus-related mine closures, as well as by strong demand from China and by stimulus from central banks around the world. In addition, prices were supported by improving demand prospects globally, as major economies are emerging from lockdown measures. Also, stronger-than-anticipated economic data in Europe and the U.S. increased expectations of a rapid recovery in economic activity, which contributed to the increase in prices. Nickel prices were broadly stable in June, averaging $12,727 per ton, due to rising supply risks, specifically in South America, which offset the downward pressure on prices from concerns about a second wave of the virus and from expectations of a market oversupply.
Source: Refinitiv, Byblos Research

Precious Metals: Silver prices to reach $21 per ounce by end-2020 on higher industrial demand

Silver prices averaged $16.6 per troy ounce in the first half of 2020, which constituted a rise of 9.1% from an average of $15.2 an ounce in the same period of 2019. They also increased from an average of $15 per ounce in April 2020 to $16.3 per ounce in May and to $17.7 per ounce in June, and closed at $18 an ounce on July 1, 2020. Prices have largely been driven by higher demand for the metal from the global industrial sector, as countries start to reopen their economies after several months of coronavirus-related shutdowns. The metal's price is projected to continue to rise and to reach $19 per ounce by the end of September, $21 an ounce by end-2020, and $22 per ounce by the end of June 2021, supported by the ongoing recovery in industrial production, as well as by higher photovoltaic demand. In addition, given the surge in safe haven demand for precious metals amid the current environment of low U.S. interest rates, some investors are likely to diversify part of their gold holdings by purchasing other metals like silver, which will also support prices.
Source: Goldman Sachs, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating 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+ Stable	B3 Stable	B Negative	- -	CCC Negative	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Stable	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B Negative	B2 URD***	B Negative	 -	B+ Negative	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B Negative	B3 Negative	B Stable	- -	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	- -	Ba3 URD***	B+ Positive	- -	B+ Stable	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	- -	- -	- -	- -	CCC Negative	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+ Positive	Caa1 Stable	- -	- -	CCC Stable	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB- Stable	Ba1 Stable	BBB- Stable	- -	BBB Stable	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B- Stable	B2 Negative	B Negative	- -	B- 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 URD***	B Stable	- -	BB- Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	B+ Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB- Negative	BB- Negative	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	- -	- -	- -	B Negative	BB- Negative	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B- Stable	Caa1 Stable	B- Negative	- -	CC+ Stable	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	BB+ Stable	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA- Stable	Aa2 URD***	AA Stable	AA- Stable	AA- Stable	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	SD -	Ca Stable	C -	SD -	CCC Negative	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB- Negative	Ba3 Negative	BB Negative	BBB- Negative	BBB- Negative	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Negative	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A- Stable	A1 Negative	A Stable	A+ Stable	A+ Stable	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	- -	AA- Stable	AA- Stable	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	- -	- -	- -	- -	CC Stable	-5.1	54.7	18.1	-	-	-	0.7	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	Ba3	BB-	-	B-								
	-	Stable	Negative	-	Stable	-1.8	48.5	81.7	-	-	-	-6.2	-
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
India	BBB-	Baa2	BBB-	-	BBB								
	Stable	Stable	Stable	-	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	25-Jun-20	No change	13-Aug-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	25-Jun-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	5.00	25-Jun-20	Cut 50bps	13-Aug-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-Jul-20	No change	03-Aug-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	24-Jul-20

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

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

CYPRUS

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

NIGERIA

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

ADIR INSURANCE

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