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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Equity issuance down 60% to $876m in first half of 2020

Equity Capital Markets (ECM) issuance in the Middle East & North Africa region, which includes equity and equity-related issuances, totaled $875.7m in the first half of 2020, constituting a decrease of 58% from the same period of 2019 and representing the lowest amount for the first half of a year since 2004. There were two initial public offerings in the first six months of 2020 that amounted to $712.8m and accounted for 81.4% of the region's ECM issuance. In parallel, debt issuance in the MENA region reached $69.5bn in the first half of 2020, up by 26% from the same period of 2019 and representing its highest level for the first half of a year on record. Debt issuance in the UAE accounted for $23.3bn, or 33.5% of the total, followed by Saudi Arabia with $19.1bn (27.5%), Qatar with $16.8bn (24.2%), Egypt with $5bn (7.2%), and Bahrain with $3.6bn (5.2%). Further, the amount of announced mergers & acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, declined by 55% annually to $50.7bn in the first half of 2020, mainly due to high base effects from Saudi Aramco's acquisition of a 70% stake in SABIC in the first quarter of last year. In addition, investment banking fees in the region decreased by 25% annually to $522.1m in the first half of 2020. Fees from M&A deals totaled $206.4m and accounted for 39.5% of the overall fee pool, followed by debt capital market underwriting fees with $161m (30.8%), syndicated lending fees with $137.7m (26.4%), and fees from equity capital markets transactions with $17.1m (3.3%).

Source: Refinitiv

Cost of living varies among Arab cities

The Mid-2020 Cost of Living survey, produced by crowd-sourced global database Numbeo, ranked Dubai as the most expensive city among 25 Arab cities and the 160th most expensive among 514 cities worldwide. Beirut followed in 167th place, then Doha (184th), Abu Dhabi (233rd), and Manama (246th) as the five Arab cities with the highest cost of living. The Arab cities that have the lowest cost of living are Cairo (431st), Damascus (442nd), Algiers (443rd), Tunis (463rd), and Alexandria (473rd). The survey is an indicator of the prices of consumer goods and services, such as groceries, restaurants, transportation and utilities. Further, the Rent Index shows that Dubai has the highest residential rents regionally, while rents in Alexandria are the lowest. Also, the Groceries Index indicates that Doha is the most expensive city in terms of grocery prices in the region, while grocery prices in Alexandria are the lowest. In addition, the Restaurant Index shows that Dubai has the highest prices of meals and drinks at restaurants and pubs, while Tunis has the lowest such prices regionally. On a country basis, the Cost of Living survey ranked Qatar as the most expensive country among 16 Arab countries and the 29th costliest among 135 countries worldwide, while Syria is the least costly country in the region and the fifth least expensive globally. Further, the index shows that residential rents and the price of meals and drinks at restaurants and pubs in Qatar are the highest regionally, while Libya is the most expensive country in terms of grocery prices.

Source: Numbeo, Byblos Research

Insurance premiums up 6% to $38.5bn in 2019, penetration rate at 1.6% of GDP

Swiss Re's annual survey of the global insurance market indicated that insurance premiums generated in 12 Arab countries included in the survey totaled $38.5bn in 2019, constituting an increase of 6.1% from $36.3bn in 2018. Insurance firms in the UAE accounted for 33% of aggregate premiums in Arab markets last year, followed by Saudi Arabia (26.2%), Morocco (12%), Egypt (4.9%), Lebanon (4.2%), Qatar (3.6%), Kuwait (3.5%), Algeria (3.2%), Oman (2.9%), Jordan and Tunisia (2.2% each), and Bahrain (2%). The region's aggregate premiums accounted for 0.6% of global premiums and for 7.1% of insurance premiums in emerging markets excluding China in 2019. Further, Arab markets generated $31.2bn in non-life premiums in 2019, up by 6.3% from $29.4bn in 2018. Non-life premiums produced in the Arab world accounted for 0.9% of global non-life premiums and for 12.2% of non-life premiums in emerging markets ex-China last year. Also, aggregate life premiums generated in Arab markets stood at $7.3bn in 2019, up by 5% from $6.9bn in 2018, and represented 0.25% of global life premiums and for 2.5% of life premiums in emerging markets ex-China. In parallel, insurance penetration in Arab markets, or premiums relative to the size of the economy, stood at 1.6% of aggregate GDP in 2019 compared to penetration rates of 7.2% of GDP for global markets and of 2.5% of GDP for emerging markets ex-China. Further, insurance density in Arab markets, or premiums per capita, reached $145.3 in 2019 compared to $818 and $100, respectively, for global and emerging markets ex-China.

Source: Swiss Re, Byblos Research

Greenfield FDI down 27% to $60bn in 2019

Figures released by fDi Markets show that the Arab region attracted 1,092 greenfield foreign direct investment (FDI) projects for a total of $60.2bn in 2019, compared to 878 projects worth $82.7bn in 2018. As such, the number of greenfield FDI projects in Arab countries increased by 24.4%, while investments dropped by 27.2% last year. Egypt attracted $13.7bn in greenfield FDI in 141 projects, followed by the UAE with $13.6bn (445 projects), Saudi Arabia with $12.5bn (134 projects), Oman with $3.6bn (61 projects), and Morocco with $3.1bn (111 projects). Western Europe and the Middle East were each the source of $17.1bn of total greenfield investments in Arab countries. The Asia Pacific region followed with $12.7bn, then North America with $9bn, Emerging Europe with $2.1bn, Africa with $2bn, and Latin America & the Caribbean with $189m. In parallel, the real estate sector attracted $9bn in greenfield FDI or 15% of the total invested in the region in 2019, followed by the renewable energy sector with $8.8bn (14.5%); the chemicals industry with $7.6bn (12.6%); the coal, oil & and natural gas sector with $7.3bn (12.1%); and the hotels & tourism sector with $6.2bn (10.3%). Also, Egypt, Saudi Arabia and the UAE were the destination of nearly all greenfield FDI made in the real estate sector last year, with $7.1bn, $1.3bn and $0.6bn respectively. Further, a total of 815 companies invested in Arab countries in 2019 compared to 705 firms in 2018, and the top 10 companies accounted for 5.4% of greenfield investment and for 4.1% of job creation last year.

Source: fDi Markets, Byblos Research

OUTLOOK

EMERGING MARKETS

Coronavirus to have long-lasting impact on EM economies

S&P Global Ratings anticipated the contractions in real GDP of most emerging markets (EMs) to be sharper than previously expected, mainly due to the worsening outbreak of the pandemic and to a steeper decline in exports. It projected the average real GDP of EM countries, excluding China, to contract by 4.7% in 2020, which is 2.9 percentage points steeper than its April forecast and relative to a growth rate of 2.6% in 2019. It expected economic activity in EMs, excluding China, to recover by 5.9% in 2021. On a regional basis, it projected real GDP to contract by 7.4% in Latin America, by 4.5% in Emerging Europe, the Middle East and Africa, and by 0.7% in Emerging Asia in 2020.

In parallel, it indicated that the measures that governments have taken to offset the shock from the pandemic will result in wide fiscal deficits and higher public debt levels in EMs and add to the risks that existed prior to the crisis. It noted that risks to the outlook are tilted to the downside, as it pointed out that the strong economic shock this year will increase debt levels of governments, corporations, and households in EMs. It added that rising political pressures and economic costs could lead to poor policy choices and could weigh on a potential recovery. It also considered that the high level of uncertainties surrounding the evolution of the pandemic could generate periods of high volatility and stall the improvement in financial conditions.

In addition, it expected the pandemic to have a long-lasting impact on EM economies through higher debt levels, subdued investment, and damage to labor markets, which will lead to permanent output losses. It noted that the recovery paths will vary across EMs, depending on the evolution of the pandemic, the effectiveness of policy response, initial conditions, the adaptability of the private sector, as well as on external factors.

Source: S&P Global Ratings

MENA

Real GDP to contract by 5.7% in 2020, outlook subject to downside risks

The International Monetary Fund considered that the stringent measures that countries in the Middle East & North Africa (MENA) region imposed to contain the COVID-19 pandemic have significantly weighed on their economic activity. As such, it projected real GDP in the MENA region to shrink by 5.7% in 2020, compared to the Fund's April 2020 forecast of a 3.2% contraction for this year. It expected real GDP in MENA oil exporters to decline by 7.3% in 2020 relative to a contraction of 4.2% in April, due to the collapse of global oil prices, deeper oil production cuts, as well as to pandemic-related lockdowns. In addition, it projected non-oil GDP in MENA oil exporters to shrink by 6.8% in 2020, due to larger-than-anticipated disruptions to trade activity, as well as to the steeper-than-previously expected impact on the tourism and retail sectors. Further, it considered that subdued trade and tourism activity, as well as lower remittance inflows, tighter global financial conditions and spillovers on domestic credit conditions, are mainly offsetting the benefits from lower oil prices for oil importers in the MENA, Afghanistan, and Pakistan (MENAP) region. As such, it projected real GDP in MENAP oil importers to contract by 1.1% in 2020, and noted that the outlook varies across countries.

In parallel, the IMF expected the fiscal deficit of MENAP oil importers to widen by 1.4 percentage points of GDP to 8.7% of GDP in 2020 due to fiscal stimuli and the reallocation of public expenditures towards coronavirus-related healthcare spending. It also anticipated the fiscal deficit of the region's oil exporters to deteriorate by 8.5 percentage points of GDP to 11.4% of GDP this year. Further, it projected the current account deficit of MENAP oil importers to narrow from 5.5% of GDP in 2019 to 5.2% of GDP in 2020 despite the erosion of tourism receipts and lower remittance inflows. It forecast the current account balance of MENA oil exporters to shift from a surplus of 3.2% of GDP in 2019 to a deficit of 5.4% of GDP in 2020.

The Fund indicated that downside risks to the MENA region's outlook include a wider and more protracted spread of the virus, a longer-than-anticipated period of low oil prices and production cuts, as well as tighter financial conditions.

Source: International Monetary Fund

JORDAN

COVID-19 to result in worst economic recession since 1989

The World Bank projected Jordan's real GDP to contract by 3.5% in 2020 and to post its worst economic recession since 1989, mainly due to the impact of the COVID-19 pandemic. It noted that the country is facing significant socioeconomic challenges due to the virus outbreak, which has added to the economy's already low growth trajectory and elevated unemployment levels. It anticipated real GDP to grow by an average of 2.1% annually over the medium term, in case of sustained prudent policy measures and support from the international community. But it noted that the economy will continue to operate below its growth potential, given its deeply-entrenched structural weaknesses.

In parallel, it expected the pandemic to severely weigh on Jordan's public finances and external imbalances in 2020. It projected the fiscal deficit to widen from 4.7% of GDP in 2019 to 7.2% of GDP in 2020, due to a significant drop in revenues and an increase in virus-related expenditures. As such, it anticipated the public debt level to rise from 99% of GDP at end-2019 to 111% of GDP at end-2020, and to remain vulnerable to growth- or fiscal-related shocks. Also, it projected the current account deficit to widen from 2.8% of GDP in 2019 to 5% of GDP in 2020, due to a sharp decline in export and tourism receipts that will offset the impact of lower oil prices. It expected the deficit to gradually narrow to about 4.5% of GDP annually over the medium term. It forecast remittance inflows to decline by 15% in 2020, as they are largely sourced from oil exporting economies.

In addition, the World Bank indicated that risks to Jordan's macroeconomic outlook are significant and include a prolonged duration and magnitude of the COVID-19 pandemic, as well as heightened regional uncertainties. It added that the government could face challenges to meet its gross financing needs given the deterioration in global liquidity conditions, which could further increase the country's reliance on official inflows.

Source: World Bank

ECONOMY & TRADE

WORLD

Negative rating actions reach record high in first half of 2020

Fitch Ratings indicated that sovereign downgrades reached their highest level on record in the first half of 2020 with 32 downgrades affecting 26 sovereigns globally. It noted that most rating actions covered sovereigns that are in the 'B' rating category or lower, mostly in Latin America and the Middle East & Africa regions. It added that sovereign ratings are nearly evenly divided between investment-grade and speculative-grade ratings. However, it pointed out that five 'BBB-' sovereigns are on 'negative' outlook, which shows that speculative-grade ratings could soon outnumber those in the investment-grade category for the first time. Also, it said that more than 33% of sovereign ratings are on 'negative' outlook, the highest percentage on record. It added that the average global sovereign rating was near 'BBB-' at end-June 2020, its lowest level on record. In parallel, the agency considered that the trajectory of sovereign ratings will depend on the dynamics of the global economic recovery, fiscal consolidation, and pressures on funding in emerging markets. It did not expect economies to rebound sharply worldwide, as the recovery path will vary across countries based on the severity and depth of recessions, changes in healthcare conditions, lockdown measures, growth among trading partners, and the size and effectiveness of support policies. Further, it noted that prior records of fiscal adjustment after downturns and crises will be a major factor in calibrating implications on sovereign ratings. It considered that investor risk appetite, central banks' stimulus, the magnitude and direction of international capital flows, commodity prices, and currency volatility will influence external funding conditions for emerging markets.

Source: Fitch Ratings

AFRICA

Debt relief at 32% of SSA's external debt servicing

Bank of America expected Sub-Saharan African (SSA) economies to benefit moderately from the suspension of debt service under the G20 Debt Service Suspension Initiative, with up to $15bn in estimated debt suspension. However, it expected the amount of the relief to represent less than 32% of SSA's external debt servicing costs that are coming due in 2020 and 2021. It added that the negotiations on the debt service suspension are progressing at a slow pace, and many countries are resorting to individual talks with bilateral creditors. It anticipated that all debt suspensions in the region will be in the form of debt rescheduling over three years with a one-year grace period, which will keep debt servicing costs elevated through 2024 and 2025. It forecast an aggregate external debt service cost of between $15bn and $20bn per year for SSA's largest eight economies between 2020 and 2024. Further, the bank considered that China's participation in the debt relief initiative will benefit SSA economies, as China accounts for more than 70% of the SSA's bilateral debt servicing. It noted that China has ongoing debt negotiations with several SSA countries, such as Angola and the Republic of Congo. It did not expect any external debt issuance in the region until 2021, as it anticipated SSA countries to resort next year to additional funding from the International Monetary Fund and to concessional loans from international financial institutions.

Source: Bank of America

UAE

Strong external and fiscal positions support ratings

Capital Intelligence (CI) Ratings affirmed at 'AA-' the long-term foreign and local currency ratings of the United Arab Emirates, with a 'stable' outlook on the ratings. It indicated that the ratings are supported by the country's strong external position, stable domestic political situation and high GDP per capita. It expected the current account balance to remain in surplus, despite the adverse impact of the coronavirus outbreak on oil exports and tourism activity, and to average 2.8% of GDP annually in the 2020-21 period. It estimated that the Abu Dhabi Investment Authority, the largest of the UAE's sovereign wealth funds, has around $825bn in assets under management, which is three times the size of the country's external debt stock and which is equivalent to around 200% of the country's GDP. It projected the UAE's real GDP to contract by 3.5% in 2020, mainly as a result of lower oil output and the negative impact of the virus, but it expected the economy to grow by 3.3% in 2021. In parallel, Moody's Investors Service indicated that the UAE's 'Aa2' issuer rating reflects a rating of 'aa3' in terms of economic strength, and ratings of 'a2' on the strength of institutions and governance metric, of 'aa1' on fiscal strength, and of 'baa' on the susceptibility to event risk. It also noted that the 'aa1' fiscal strength reflects Abu Dhabi's very strong government balance sheet that supports the consolidated fiscal accounts of the UAE, as well as the country's contingent liability risks stemming from the elevated debt of government-related entities.

Source: Capital Intelligence Ratings, Moody's Investors Service

ETHIOPIA

Economic slowdown to weigh on public finances

Moody's Investors Service indicated that the anticipated slowdown in Ethiopia's economic activity from the fallout of the COVID-19 outbreak will weigh on the government's public finances. It projected real GDP growth to decelerate to 2% in the fiscal year that ended on July 7, 2020 and in FY2020/21. As such, it forecast public revenues to decline from just below 13% of GDP in FY2018/19 to about 11% of GDP in FY2019/20 and in FY2020/21. Also, it expected authorities to increase expenditures in response to the pandemic and the locust infestation in the country, and forecast the fiscal deficit at about 5% of GDP in FY2019/20 and in FY2020/21. It pointed out that a further drop in public revenues will worsen Ethiopia's debt metrics, and will challenge the government's ability to meet future debt-service commitments. The agency noted that the coronavirus shock and the locust outbreak have reduced tourism receipts, remittance inflows, agricultural exports and foreign direct investments. As such, it projected the current account deficit at 5% of GDP in FY2019/20 and at about 6% of GDP in FY2020/21, despite lower global oil prices and a weaker demand for imports. It noted that foreign currency reserves at the National Bank of Ethiopia are low and cover less than two months of imports, which exposes the country to a high risk of debt distress given low exports receipts. Further, it expected authorities to significantly rely on the international community to meet about $14bn in external-financing requirements in FY2019/20-FY2020/21, as well as on increased financing from a number of bilateral and multilateral sources to alleviate the most immediate liquidity pressures.

Source: Moody's Investors Service

EMERGING MARKETS

Unconventional monetary policies could have negative consequences

Fitch Ratings indicated that emerging markets (EMs) started unconventional monetary policies, including local bond-buying programs, following liquidity concerns amid signs of severe stress in local markets in the second quarter of 2020 in the wake of the coronavirus outbreak. It said that risks associated with quantitative easing include possible inflationary pressures, exchange-rate depreciation and capital outflows, especially in EMs with high external debt levels or elevated dollarization. However, it considered that the overall impact of the pandemic has so far been disinflationary, which allowed central banks to cut policy rates aggressively. Still, it noted that supply shocks, large stimulus packages and disruptions to international trade could lead to renewed inflationary pressures. In addition, it pointed out that quantitative easing operations can constrain the development of local capital markets, distort prices, and cap yields over the medium term. Further, it said that losses from quantitative easing could impair the balance sheets of EM central banks and undermine medium-term monetary policy. It considered that countries that have independent central banks with a long history of meeting inflation targets, as well as a solid fiscal policy framework without debt-sustainability issues, are best-placed to use quantitative easing. It noted that the use of bond-buying programs in EMs has been so far limited to restoring market confidence rather than as a tool for monetary stimulus. But it said that political pressure for such programs could grow, as government funding needs remain elevated and government debt levels increase.

Source: Fitch Ratings

GCC

Banks face asset quality and profitability risks

The National Bank of Kuwait (NBK) indicated that banks in Gulf Cooperation Council (GCC) economies are facing risks of weaker asset quality, pressure on their profitability and tighter liquidity. But it noted that the banks' high capitalization levels would cushion the expected deterioration in their profitability metrics. It pointed out that GCC banks generally have low non-performing loan (NPL) ratios relative to banks globally, but it expected their asset quality to deteriorate in 2020 due to the high exposure of their loan portfolios to some sectors. For instance, it said that the asset quality of UAE banks could deteriorate in 2020 given their high exposure to the tourism, transportation and wholesale & retail trade sectors, which have been significantly impacted by the coronavirus pandemic and which account for around 25% of total loans. Also, it noted that Kuwaiti banks have a large exposure to the real estate sector, with such loans representing more than 50% of domestic credit at end-April 2020. Further, the NBK anticipated that lower interest rates, as well as the authorities' decision in the UAE, Saudi and Kuwait to defer the payment of loan installments for some borrowers will weigh on the banks' net interest margins and, in turn, on their profitability. It indicated that subdued fee income, amid weak projected credit growth, would also adversely impact the profitability of GCC banks. In addition, it expected that the banks' liquidity could tighten this year as a result of the economic contraction in GCC countries, the deferral of loans repayments, and lower oil prices.

Source: National Bank of Kuwait

SAUDI ARABIA

Agencies take rating actions on banks

Fitch Ratings affirmed at 'BBB+' the long-term Issuer Default Ratings (IDRs) of Arab National Bank (ANB), Gulf International Bank-Saudi Arabia (GIB-SA), Saudi Investment Bank (SAIB) and Bank Aljazira, with a 'stable' outlook on the ratings, following its earlier rating actions on six other Saudi banks. It also maintained at 'bbb+' the Viability Ratings (VRs) of ANB, at 'bbb-' the VR of SAIB and at 'bb+' the VR of Bank Aljazira, while it did not assign a VR for GIB-SA, given that the bank is new and does not have a track record of performance. Fitch maintained the VRs of ANB, SAIB and Bank Aljazira on Rating Watch Negative due to heightened risks of a severe and prolonged deterioration in the operating environment of the banks, and to uncertainties about the magnitude of the coronavirus impact on their financial profiles. In parallel, Capital Intelligence Ratings (CI) affirmed at 'A+' the long-term foreign currency ratings (FCRs) of National Commercial Bank (NCB) and Banque Saudi Fransi (BSF), and at 'A-' the long-term FCR of SAIB. It also affirmed at 'a-' the Bank Standalone Rating (BSR) of NCB, at 'bbb+' the BSR of BSF and at 'bbb' the BSR of SAIB. It maintained the 'stable' outlook on all ratings. CI expected the banks to weather the impact of the coronavirus, due in part to their solid pre-crisis financial fundamentals. It anticipated the banks' asset quality and capitalization to remain sound, while it forecast their funding and liquidity position to be relatively unchanged in the next 12 months. However, it projected the banks' asset quality and profitability to face increasing pressures, amid tighter net interest margins, higher operating costs and additional loan-loss provisioning.

Source: Fitch Ratings, Capital Intelligence Ratings

ANGOLA

Banks' ratings constrained by asset quality risks

Moody's Investors Service indicated that the long-term local currency deposit ratings of Banco Angolano de Investimentos, Banco de Fomento Angola and Banco Economico have been on review for downgrade since April 2, 2020. It said that the placement on review for downgrade follows a similar action on the sovereign ratings at the end of March 2020. It noted that uncertainties in the operating environment for banks in Angola increased following the collapse of global oil prices. It added that the banks' credit profiles are linked to the profile of the sovereign, given their large holdings of government securities. It pointed out that the 'B3' long-term local currency deposit ratings of Banco Angolano de Investimentos and Banco de Fomento Angola are in line with their 'b3' baseline credit assessment (BCA). It added that the two banks' ratings reflect high risks to their asset quality, which are exacerbated by the challenging operating environment. However, it noted that the ratings are supported by the banks' capital base, resilient profitability, as well as by their liquid and deposit-funded balance sheets. Further, it indicated that the 'Caa1' deposit rating of Banco Economico incorporates possible government support to the bank in case of need, resulting in a rating uplift of three notches from its 'ca' BCA. It pointed out that Banco Economico's ratings reflect the bank's weak solvency due to high risks to asset quality, amid its low capitalization and profitability levels. But it noted that these weaknesses are mitigated by the bank's reasonable funding profile and fair local currency liquidity.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices at around $40 p/b in short term

ICE Brent crude oil front-month prices have been relatively stable in the first half of July 2020, trading at about $43 per barrel (p/b). Prices closed at $43.8 p/b on July 15, their highest level since March 2020. Oil prices were supported by OPEC's 107% compliance rate to the June production cut agreement, and by a sharp decline in U.S. oil inventories. Under the existing OPEC output cut agreement, producers are set to ease the production cut from 9.7 million barrels per day (b/d) to 7.7 million b/d from August through December. However, the expected output cut could exceed 7.7 million b/d in August, given that Iraq, Nigeria and Angola pledged to over-comply with the production cuts in order to make up for their high output between May and June 2020. Despite these positive indicators for the global oil market, prices have been stable as market participants were cautious amid concerns that countries could tighten coronavirus-related lockdown measures. Also, rising tensions between the U.S. and China could weigh on global markets sentiment and, in turn, constrain oil prices. In parallel, the International Energy Agency indicated that the global oil market is slowly rebalancing from the coronavirus shock. It expected oil prices to trade at about $40 p/b in the coming months. However, it considered that the accelerating number of COVID-19 cases in several countries are keeping the risks to the oil price outlook tilted to the downside.

Source: International Energy Agency, Refinitiv, Byblos Research

OPEC's oil basket price up 47% in June 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $37.1 per barrel (p/b) in June 2020, which constitutes a rise of 47.2 % from $25.2 p/b in May 2020. Angola's Girassol posted a price of $43.1 p/b in the covered month, followed by Equatorial Guinea's Zafiro at $40.8 p/b, and Gabon's Rabi Light at $40.7 p/b. In parallel, all prices included in the OPEC reference basket posted monthly increases of between $8.4 p/b and $14.6 p/b in June 2020.

Source: OPEC, Byblos Research

OPEC oil output down 8% in June 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 22.3 million barrels per day (b/d) in June 2020, down by 7.8% from 24.2 million b/d in May. OPEC noted that 10 member countries agreed to reduce their output as of May 2020. Saudi Arabia produced 7.6 million b/d, or 34% of OPEC's total output, followed by Iraq with 3.7 million b/d (16.7%), the UAE with 2.3 million b/d (10.5%), Kuwait with 2.1 million b/d (9.4%), and Iran with 1.9 million b/d (8.7%).

Source: OPEC, Byblos Research

Global renewable energy demand up 12% in 2019

BP estimated the consumption of global renewable energy at 29 exajoules (EJ) in 2019, up by 12.2% from 25.8 EJ in 2018. Consumption in the Asia-Pacific region reached 10.8 EJ, or 37.3% of global demand for renewable energy last year, followed by Europe with 8.2 EJ (28.2%), North America with 6.7 EJ (23.1%), South & Central America with 2.7 EJ (9.4%), Africa with 0.4 EJ (1.4%), the Middle East with 0.12 EJ (0.4%), and the Commonwealth of Independent States with 0.03 EJ (0.1%).

Source: BP, Byblos Research

Base Metals: Zinc prices to decrease by 20% in 2020 amid supply surplus

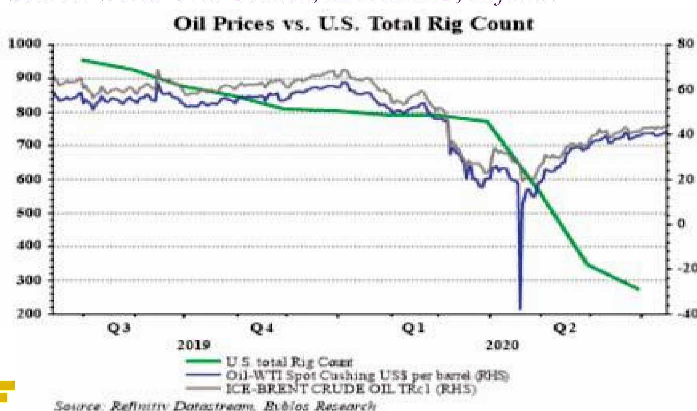
The LME cash price of zinc averaged $2,047 per ton in the first half of 2020, constituting a decline of 25% from the first half of 2019. The decrease in prices was due to lower demand for metals and the slowdown in global economic activity following the outbreak of the coronavirus. However, zinc prices have been gradually recovering from a four-year low in March 2020, supported by supply disruptions amid coronavirus-related mine closures, as well as by a rebound in Chinese demand. Also, the increase in prices was driven by expectations of a recovery in demand worldwide, as major economies reopened and as central banks around the world announced stimulus packages. Further, zinc prices jumped by 11.8% between July 3 and July 13, and closed at $2,254 per ton, their highest level since January 24. Rising supply risks in Chile, and lower zinc output in China in June accelerated the recovery in prices. In addition, zinc prices spiked after Canadian mining company Teck Resources reported shipment delays from its Red Dog operation in Alaska, one of the world's largest zinc mines. S&P Global Market Intelligence expected zinc prices to "cautiously" increase in the near term. However, it projected prices to decrease by 20% to an average of $2,000 per ton in 2020, as the supply surplus in the market will further weigh on prices in the second half of 2020.

Source: S&P Global Market Intelligence, Refinitiv

Precious Metals: Gold prices to reach $1,900 per ounce at the end of 2020

Gold prices averaged $1,647 per troy ounce in the first half of 2020, which constitutes an increase of 26.2% from an average of $1,305 an ounce in the same period of 2019. Also, the metal's price rose from an average of $1,582 an ounce in the first quarter of 2020 to $1,712 per ounce in the second quarter of the year, and reached an eight-year high of $1,812 an ounce on July 8, before slightly moderating to $1,807 per ounce on July 15, 2020. The increase in prices is mainly due to record-high levels of inflows in gold exchange-traded funds (ETFs), as investors diversified their portfolios amid the low interest rate environment and uncertainties related to the COVID-19 pandemic. In fact, global net inflows to gold ETFs stood at $39.5bn in the first half of 2020 compared to $5.5bn in the first six months of 2019. Gold prices are projected to further increase to around $1,900 per ounce at the end of 2020, and to reach $2,000 an ounce by the end of 2021, mainly supported by continued strong demand for gold ETFs. But downside risks to the metal's price outlook include weaker physical demand, especially for jewelry.

Source: World Gold Council, ABN AMRO, Refinitiv



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	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	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	15-Jul-20	No change	17-Sep-20
Australia	Cash Rate	0.25	07-Jul-20	No change	04-Aug-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	15-Jul-20	No change	09-Sep-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	16-Jul-20	No change	27-Aug-20
Malaysia	O/N Policy Rate	1.75	07-Jul-20	Cut 25bps	10-Sep-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	06-Aug-20
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	29-Jul-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	5.00	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

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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