



Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Private financial wealth to grow by up to 5.6% in 2019-24 period

The Boston Consulting Group (BCG) indicated that private financial wealth in the Middle East region reached \$4.2 trillion (tn) in 2019, compared to \$2.2tn in 2009 and to \$1tn in 1999. As such, it said that the region's private financial wealth grew by a compounded annual growth rate (CAGR) of 8.6% between 1999 and 2009, and by a CAGR of 6.7% between 2009 and 2019. It noted that financial wealth includes cash and deposits, bonds, equities and investment fund shares, as well as life insurance and pensions, among other asset classes. It indicated that the region's private wealth accounted for 1.9% of global private financial wealth in 2019, higher than the share of Eastern Europe & Central Asia (1.6%) and Africa (0.7%), but lower than the share of North America (44.2%), Western Europe (20.7%), Asia excluding Japan (18.6%), Japan (7.8%), Latin America (2.5%), and Oceania (2.1%). In parallel, the BCG projected growth in the Middle East region's financial wealth in the 2019-24 period to vary under three scenarios that assume different global recovery paths from the coronavirus pandemic. It expected the region's private wealth to grow by a CAGR of 5.6% in the 2019-24 period under a "quick rebound" scenario, whereby the pandemic does not have a lasting impact on global macroeconomic indicators, such as on GDP growth, consumption, interest rates, inflation, and capital markets. It projected the region's wealth to increase by a CAGR of 4.3% over the forecast horizon under a "slow recovery" scenario, and by a CAGR of 3.4% under a "lasting damage" scenario, which assumes a more severe economic impact that could cause long-term disruptions in labor and productivity.

Source: Boston Consulting Group

Real estate transparency lags global trends

Jones Lang LaSalle's 2020 Global Real Estate Transparency Index ranked Dubai as the most transparent Arab real estate market and the 36th most transparent among 99 countries and markets worldwide. Abu Dhabi followed in 48th place globally, then Saudi Arabia (57th) and Egypt (60th); while Lebanon (87th), Algeria (91st), Iraq (97th) and Libya (99th) had the least transparent real estate markets. The index aims to compare and contrast transparency conditions across real estate markets worldwide. The scores range from 1.00 to 5.00 points, with a score of 1.00 reflecting full market transparency. The Arab region's average score of 3.9 points in the 2020 survey trailed the global average score of 3.2 points. Also, the average score of Gulf Cooperation Council (GCC) countries was 3.6 points in the 2020 survey, while the score of non-GCC Arab countries stood at 4.2 points. The survey classified the real estate markets of Dubai, Abu Dhabi and Saudi Arabia in the "Semi-Transparent" category, while it placed the markets in Egypt, Morocco, Jordan, Bahrain, Kuwait and Qatar in the "Low-Transparency" category. It also ranked Oman, Tunisia, Lebanon, Algeria, Iraq and Libya in the "Opaque" category. Further, it downgraded Egypt's real estate market from "Semi-Transparent" in the 2018 survey to "Low-Transparency" in the 2020 survey, while it maintained the remaining Arab economies in their 2018 transparency categories.

Source: Jones Lang LaSalle, Byblos Research

M&A deals down 73% to \$27bn in first half of 2020

Figures issued by Bureau Van Dijk and Zephyr show that there were 220 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$27.1bn in the first half of 2020. In comparison, there were 283 M&A deals worth \$100.5bn in the first half of 2019 and 486 transactions that amounted to \$14.7bn in the second half of last year. As such, the number of deals decreased by 22.3%, while the amount of deals dropped by 73% from the first half of 2019. The elevated value of deals in the first six months of 2019 was mainly driven by Saudi Aramco's acquisition in March 2019 of a 70% stake in Saudi Basic Industries Corporation for \$69.1bn. The amount of M&A transactions in Bahrain reached \$11.6bn in the first half of 2020 and accounted for 43% of the region's aggregate deal value. The UAE followed with M&A deals of \$9bn (33.2%), then Saudi Arabia with \$1.9bn (6.8%), Egypt and Qatar with \$1.2bn each (4.5% each), Oman with \$926m (3.4%), Iran with \$877m (3.2%), Kuwait with \$298m (1.1%), Morocco with \$42m (0.2%), Jordan with \$18m (0.1%), and Lebanon with \$1m. Egypt had 79 M&A deals in the covered period, followed by the UAE with 44 transactions, Saudi Arabia with 25 deals, Jordan with 18 transactions, Kuwait with 15 deals, Oman with 13 transactions, and Bahrain with 12 deals; while Iran, Morocco, Lebanon and Qatar had three transactions each, and Algeria had two deals.

Source: Zephyr, Bureau Van Dijk, Byblos Research

Electronic government systems improve in Arab world, remain below global trends

The United Nations' E-Government Development Index for 2020 shows that the UAE has the most developed electronic government system in the Arab world and the 21st most developed system among 193 countries worldwide. Bahrain followed in 38th place globally, then Saudi Arabia (43rd), Kuwait (46th), and Oman (50th); while Libya (162nd), Sudan (170th), Yemen (173rd), Mauritania (176th), and Djibouti (179th) had the lowest developed e-government systems in the region. The index benchmarks the development of electronic government across member states of the United Nations, and measures the willingness and capacity of national administrations to use information and communication technology to deliver public services. The development of electronic government in the Arab world improved in the past two years, as the region's average score increased from 0.5079 in the 2018 survey to 0.5549 points in 2020. The region's average score came below the global average of 0.5988 points. Also, the average score of Gulf Cooperation Council (GCC) countries was 0.7932 points in the 2020 survey, while the score of non-GCC Arab countries stood at 0.4449 points. The rankings of 10 Arab countries improved, those of seven economies deteriorated and the rankings of two countries were unchanged from the 2018 survey; while the scores of 16 countries increased and those of three economies deteriorated from the previous survey. The UAE ranked in first place among Arab countries on the Online Service and the Telecommunication Infrastructure sub-indices, while Saudi Arabia came in first place regionally on the Human Capital Sub-Index.

Source: United Nations, Byblos Research

OUTLOOK

WORLD

Life and health premiums to contract by 3% in 2020 and grow by 3.2% in 2021

Global reinsurer Swiss Re anticipated that the COVID-19 outbreak will weigh on the global life and health (L&H) insurance sector in 2020, as it expected the worldwide economy to fall into a sharp recession. It projected aggregate L&H premiums to contract by 2.9% in real terms to \$4.2 trillion in 2020. It anticipated the challenging conditions to have a significant impact on the life savings segment, which accounts for more than 50% of total L&H premiums, as the need to access cash funds from savings policies rises in economic downturns. However, it expected protection-type life insurance products, as well as traditional health and medical insurance products, to be less affected and to post a positive growth rate in premiums due to rising risk-awareness among customers in response to the pandemic. Also, it projected global life (including savings and annuities) and traditional health insurance premiums to contract by 4.4% in real terms in 2020 due to the COVID-19 outbreak. However, it considered that the impact of the pandemic on the medical insurance segment is hard to quantify, and expected global medical premiums to expand by a marginal 0.4% in real terms to \$1.4 trillion this year.

Further, it expected global L&H insurance premiums to recover and to grow by a real rate of 3.2% to \$4.4 trillion in 2021. It attributed the anticipated rebound to strong new sales across all segments as lockdown measures are relaxed, as well as to the expansion of online distribution and the accelerated underwriting of products to adjust to the "new norm" of digital interaction. Also, it expected that life savings products will drive the recovery of the L&H insurance sector, but that such products could be less appealing for some customers amid low interest rates. It also considered that rising health risk-awareness will support demand for health and medical insurance. In parallel, Swiss Re anticipated that direct claims related to the pandemic will increase due to higher mortality rates and medical expenses, as well as to COVID-19 testing and costly stationary care treatments, such as intensive care. However, it considered that the impact of higher claims on global L&H insurers will be manageable as mortality rates are lower among insured individuals.

Source: Swiss Re

EMERGING MARKETS

Pandemic to exacerbate structural vulnerabilities

Barclays Capital considered that the COVID-19 pandemic will exacerbate the pre-existing structural vulnerabilities of emerging markets (EMs) and will create new challenges. It indicated that EMs were already adversely impacted by the reversal of globalization even before the pandemic, which is evident in disruptions to trade agreements and in rising global protectionism, as well as in lower foreign direct investment inflows from advanced economies to EMs. But it said that the virus outbreak weakened global demand, accelerated de-globalization, reduced international mobility and caused a deterioration in the fiscal profiles of some EMs, which have added to the latter's vulnerabilities.

Also, it considered that the virus-related lockdown measures are likely to have a long-lasting impact on the services sector in EMs, given that the sector is not geared towards work from

home. It added that the drop in mobility due to the pandemic will not just negatively impact tourism-dependent countries, but will also affect economies that have a large aviation sector. It said that the expansion of international travel hubs in EMs was one of the major contributors to the increase in their travel and tourism receipts during the last decade, and added that 10 out of the 20 busiest airports in 2019 are in EMs.

Barclays anticipated that the COVID-19 crisis will also significantly weaken the public finances of some EMs. It classified EMs according to their ability to manage the fiscal deterioration. It noted that "frontier" EMs may need to rely on support from international financial institutions and on debt relief, given the absence of large local markets to finance their wide fiscal deficits. It also expected the pandemic to exacerbate the fiscal vulnerabilities of more "challenged" EMs, such as Brazil and South Africa, which would prompt them to issue more debt denominated in local currency. But it said that "near-developed" or "advanced" EMs, such as China, Russia and South Korea, will continue to have manageable debt and financing profiles.

Source: Barclays Capital

GCC

Economy to contract by 4% to 8% in 2020

S&P Global Ratings projected economic activity to contract by between 4% and 8% across the Gulf Cooperation Council (GCC) countries in 2020, and expected operating conditions to remain weak in the coming few quarters. It forecast real GDP to contract by 7.5% in Abu Dhabi in 2020, by 7% in Kuwait, by 6% in the Emirate of Sharjah, by 5.2% in Qatar, by 5% in each of Bahrain and Saudi Arabia, by 4% in Oman and by 3% in the Emirate of Ras Al Khaimah. It pointed out that the coronavirus pandemic and the low global oil prices will have a "very high" adverse impact on the financial performance of the aviation, tourism and hospitality, and the hydrocarbon sectors across the region, as well as on the time that these sectors need to recover. It noted that the impact of the dual shock will also be "very high" on the non-food retail sector in the UAE, Bahrain and Saudi Arabia, while it estimated the impact on the real estate sector to be "high" in Saudi Arabia and Qatar, and "very high" in the UAE.

In parallel, it expected the fiscal deficit in GCC countries to widen from an average of 5% of GDP in 2019 to 18% of GDP in 2020. However, it projected the deficit to narrow to about 10% of GDP in 2021, as it anticipated oil prices to increase and the OPEC production cuts to ease. Further, it expected the governments' debt stock in the GCC to grow by a record-high of about \$100bn in 2020, which, along with a drawdown of \$80bn in government assets, will finance about \$180bn in government deficits in the same year.

It projected the governments' financing requirements in the GCC at \$490bn during the 2020-23 period, and anticipated government debt issuance to meet 60% of their financing needs, as GCC sovereigns consider that their return on sovereign assets will outweigh the cost of issuing debt, especially with the current global accommodative monetary policy. However, it projected Kuwait and Abu Dhabi to finance the majority of their fiscal deficits through asset drawdowns.

Source: S&P Global Ratings



ECONOMY & TRADE

EMERGING MARKETS

High number of 'negative' outlooks signals upcoming sovereign downgrades

Fitch Ratings indicated that the pace of sovereign rating downgrades in emerging markets (EMs) has eased since March and April 2020, when uncertainties related to the coronavirus shock were at their peak. It noted that there were 18 EM sovereign downgrades between mid-March and the end of April, and only three downgrades since May 12. It added that the net balance of outlooks on the ratings deteriorated from three 'negative' outlooks at the end of February to 25 'negative' outlooks in the first week of May, and to 31 'negative' outlooks currently. It indicated that the coronavirus outbreak impacted mostly economic growth and the fiscal positions of developed markets, while there were additional risks in EMs from rapid capital outflows, the collapse in global oil prices and the depreciation of EM currencies against the US dollar. It noted that these risks have eased due to international policy actions, including fiscal stimulus and lending from the International Monetary Fund. However, it considered that the coronavirus shock continues to pose severe downside risks to EMs, as they face a deep economic recession and higher public debt levels. It added that many EM sovereigns have limited buffers to cushion the shock. It said that economic setbacks in EMs, renewed financial instability and political shocks constitute material downside risks for EMs, and noted that the high number of 'negative' outlooks on sovereign ratings signals that there will be further sovereign downgrades and defaults.

Source: Fitch Ratings

AFRICA

Debt relief may be significantly less than expected

Corporate and investment bank Natixis considered that the potential debt relief for Sub-Saharan African (SSA) countries that could materialize from the G-20 Debt Service Suspension Initiative may be significantly less than initially expected, given the lack of clarity on China's participation, as well as on the involvement of private sector creditors. It indicated that the initiative aims to postpone over \$20bn in debt servicing that the poorest 73 member countries of the International Monetary Fund and the World Bank, including 38 SSA economies, owe to the G-20. First, it said that China has been the largest lender to the SSA region since 2011, as SSA countries owe China 75% of their total debt servicing payments to the G-20. But it noted that the extent of the participation of Chinese creditors in the debt relief will depend on which Chinese entities are considered to be official creditors for the purpose of this initiative. It added that China's state-driven economic model makes it difficult to distinguish between official and non-official creditors. Second, it pointed out that the debt relief also takes into account the postponement of \$8bn in debt servicing payments that the eligible countries owe to private financial institutions, but it said that private sector involvement has not yet materialized. It added that the G-20 asked the Institute of International Finance (IIF) to coordinate private sector debt relief, but it noted that the IIF, which was initially optimistic about the prospects of the participation of the private sector, suggested later that such involvement would be less likely. It indicated that the 38 eligible SSA economies owe private sector creditors 28% of their total debt servicing payments.

Source: Natixis

GCC

Agencies take rating actions on sovereigns

S&P Global Ratings affirmed at 'AA-/A-1+' Kuwait's long- and short-term sovereign credit ratings, while it revised from 'stable' to 'negative' the outlook on the long-term ratings. It attributed the outlook revision to risks from the accelerated depletion of funds at the General Reserve Fund, following the collapse of global oil prices and the cut in oil production, which have significantly reduced oil receipts. As such, it estimated that the central government's deficit, when excluding investment income, widened from 10% of GDP in the fiscal year that ended in March 2019 to nearly 40% of GDP in FY2019/20. In parallel, Capital Intelligence Ratings affirmed at 'AA-' Qatar's long-term foreign and local currency ratings, and maintained the 'stable' outlook on the ratings. It indicated that the ratings are mainly supported by the sizeable assets at the Qatar Investment Authority, by flexible government spending, and by low risks to domestic stability. But it noted that the ratings are constrained by the economic fallout from the coronavirus pandemic, the economy's high reliance on hydrocarbon revenues, the government's very large contingent liabilities, as well as by the country's exposure to heightened geopolitical risks. In addition, Moody's Investors Service indicated that Saudi Arabia's 'A1' issuer and senior unsecured ratings are supported in part by a robust government balance sheet, moderate government debt levels, and substantial fiscal and foreign currency buffers. But it said that the 'negative' outlook reflects increased risks to the Kingdom's fiscal position from the shock to global oil demand and prices, and the uncertainties about the government's ability to mitigate losses from oil receipts and to stabilize its debt level in the medium-term.

Source: S&P Global Ratings, Capital Intelligence Ratings, Moody's Investors Service

IRAO

Low policy effectiveness weighs on governance and institutional strength

In its periodic review of Iraq's sovereign ratings, Moody's Investors Service indicated that the country's 'Caa1' issuer rating reflects a rating of 'ba2' on its economic strength, of 'caa3' on the strength of institutions and governance metric, of 'baa3' on the fiscal strength, and of 'caa' on the country's susceptibility to event risk. It indicated that Iraq's 'ba2' economic strength is supported by its strong growth potential that is associated with its large endowment of natural resources. But it said that the low competitiveness of the Iraqi economy, and the significant loss of productive capacity and infrastructure after many years of armed conflict, constrain the country's economic strength rating. Further, it considered that Iraq's 'caa3' rating on the strength of institutions and governance metric reflects the country's considerable institutional challenges and very low policy effectiveness. In addition, it noted that the 'baa3' rating on the fiscal strength is constrained by the government's weak fiscal metrics, amid the rapid increase in the debt burden in the last five years and the large share of debt denominated in foreign currency. In parallel, Moody's indicated that Iraq's rating of 'caa' on the susceptibility to event risk is driven by the country's heightened political risks, which are exacerbated by both domestic and geopolitical risks. Iraq's 'Caa1' rating is seven notches below investment grade.

Source: Moody's Investors Service

BANKING

WORLD

Banks subject to 200 rating actions between March and June 2020

S&P Global Ratings indicated that it has taken 200 rating actions on banks globally between March and June 2020, which were triggered by the coronavirus pandemic and by the collapse of global oil prices. It pointed out that 75% of the rating actions were outlook revisions and 25% were downgrades. It added that the outlook bias on the banks' ratings has turned significantly negative since April 2020, as credit conditions deteriorated considerably due to the pandemic. However, it noted that the banks' downgrades this year will be limited due to the strengthening of their balance sheets in recent years and to support from authorities to retail and corporate markets, and in case of a sustained economic recovery. Further, it anticipated that the central banks' responses to the pandemic and their extremely accommodative monetary policies will support the banks' funding profile and mitigate immediate asset quality risks. However, it indicated that these measures could create imbalances over time. It noted that pressures on the banks' net interest margins from the very low interest rates and flat yield curves are turning weak profitability into a structural problem in many banking sectors, particularly in Japan and Western Europe. As such, it pointed out that banks that cannot implement significant structural changes, such as cost cutting and digitalization, will be more affected. The agency added that the moderate level of profitability complicates the buildup of internal and external capital for banks, and increases the likelihood of a new round of consolidation, especially in Europe.

Source: S&P Global Ratings

EMERGING MARKETS

De-risking largely affects Islamic banks in Africa

The General Council for Islamic Banks and Financial Institutions (CIBAFI) indicated that 17.6% out of 101 surveyed Islamic banks said that they experienced a significant decline in their correspondent banking relationships (CBRs) due to 'de-risking' in 2019, while 13.2% noted "some decline" in their CBRs. It added that Islamic banks in North Africa were the most affected by de-risking in 2019, as 38.5% of banks in the region reported a "significant decline" in their CBRs. It said that shortcomings in the banks' provision of information, risks related to Anti-Money Laundering and Combating the Financing of Terrorism, regulatory non-compliance, as well as politically-affiliated customers, were the mains causes for the decline in the CBRs of North African Islamic banks. It added that 20% of Islamic banks in Sub-Saharan Africa reported a "significant decline" and 40% noted "some decline" in their CBRs due to de-risking, then Islamic banks in Europe (14.3% "significant decline" and 43% "some decline"), in the Gulf Cooperation Council countries (13.3% "significant decline" and 46.7% "some decline"), and in the rest of the Middle East region (10.5% "significant decline" and 16% "some decline"). Further, 25% of Islamic banks in the West, Central and South Asia region noted "some decline" in their CBRs, while banks in Southeast Asia did not report any decline in their CBRs. It noted that international wire transfers were the most affected service by the de-risking in 2019, followed by trade finance, clearing and settlements, and foreign exchange services.

Source: CIBAFI

NIGERIA

Banks' ratings constrained by challenging operating environment

Moody's Investors Service indicated that the 'B2' long-term local currency deposit ratings of Zenith Bank, United Bank for Africa and Guaranty Trust Bank are in line with the banks' respective 'b2' baseline credit assessments (BCAs). It said that the banks' BCAs are supported by their solid profitability metrics, which provide significant buffers to absorb an expected deterioration in asset quality, as well as by the banks' significant liquidity buffers and by their deposit-based funding profile. But it pointed out that the three banks' ratings are constrained by Nigeria's difficult operating environment, which is exacerbated by low global oil prices and the COVID-19 pandemic. In parallel, the agency indicated that the 'B2' long-term local currency deposit ratings of First Bank of Nigeria (First Bank), Access Bank, Union Bank of Nigeria (Union Bank), Fidelity Bank, First City Monument Bank and Sterling Bank are one notch above their respective 'b3' BCAs. It pointed out that the six banks' BCAs reflect their high asset risks due to elevated concentrations on both sides of the banks' balance sheets. But it said that the BCA of First Bank is supported by the latter's improving asset quality, satisfactory capital buffers, stable deposit-based funding profile, high stock of liquid assets, resilient foreign currency liquidity buffers, and strong profitability. In addition, it noted that the BCA of Access Bank reflects the bank's solid profitability metrics, stable deposit-based funding profile and adequate local currency liquidity buffers. Further, it indicated that the BCA of Union Bank is supported by the latter's stable deposit-based funding profile and satisfactory local currency liquidity due to the bank's solid retail deposit franchise.

Source: Moody's Investors Service

UAE

Agency affirms ratings of five banks

Capital Intelligence Ratings affirmed the long-term foreign currency ratings (FCRs) of First Abu Dhabi Bank (FAB) at 'AA-', the FCRs of Commercial Bank of Dubai (CBD) and Sharjah Islamic Bank (SIB) at 'A-', the rating of Mashreqbank at 'A', and the FCR of United Arab Bank (UAB) at 'BBB'. It maintained the 'stable' outlook on the ratings of four banks, while it revised the outlook on the FCR of UAB from 'stable' to 'negative' due to the increasingly challenging operating environment and the bank's underlying financial weaknesses. Further, the agency considered that the ratings of all five banks are mainly driven by the UAE government's ability and willingness to continue to support the banks in case of need. It pointed out that FAB's rating reflects the bank's strong key financial metrics, its large size, good customer franchise and management, and diversified business base in the country and overseas. It also indicated that CBD's rating is supported by its good profitability, sound liquidity and moderate capitalization ratios, as well as by its diversified business model. But it noted that the bank's rating is constrained by heightened credit risks due to the COVID-19 pandemic and the collapse in oil prices, which could result in higher loan impairments and lower income. It added that SIB's rating is underpinned by its "national bank" status in the Emirate of Sharjah, as well as by its strong capital ratios, comfortable liquidity level, and satisfactory provision coverage ratio.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

Brent oil prices to reach \$45 p/b at end-2020

ICE Brent crude oil front-month prices reached \$44.3 p/b on July 21, their highest level since March 2020. Oil prices were supported by the passage of a European stimulus package that boosted the outlook for oil demand, by a weaker U.S. dollar and by positive news about a possible COVID-19 vaccine. However, prices were constrained by a higher-than-expected buildup in U.S. oil inventories. In parallel, Fitch Ratings considered that OPEC's decision to partially increase production from August onwards will support a gradual rebalancing of the oil market and will reduce price volatility. It expected the global oil market to shift from a substantial oversupply in the first half of 2020 to a deficit in the second half of the year, as many countries relax their coronavirus lockdown measures. In parallel, Goldman Sachs indicated that the oil market rapidly shifted from a surplus of 19 million b/d in April to a deficit of 4 million b/d in early July. But it expected the oil market deficit to decline to 2.5 million b/d between August and September amid higher OPEC and U.S. oil output, and a slowing recovery in global demand. It noted that the slowdown in the pace of recovery in the oil market, renewed pandemic-related risks, and signs of higher shale drilling show the limited prospects for an increase in oil prices. It forecast Brent prices at \$45 p/b at end-2020.

Source: Fitch Ratings, Goldman Sachs, Refinitiv, Byblos Research

ME&A's oil demand to decline by 6.7% in 2020

Consumption of crude oil in the Middle East & Africa is expected to average 11.8 million barrels per day (b/d) in 2020, which would constitute a decline of 6.7% from 12.65 million b/d in 2019. The region's demand for oil represents 38.5% of demand in developing countries and 13% of global consumption this year.

Source: OPEC, Byblos Research

Nigeria's oil receipts down 13% in first four months of 2020

Nigeria's receipts from the export of crude oil and condensate totaled \$1.46bn in the first four months of 2020, and declined by 12.7% from \$1.68bn in the same period of 2019. Export revenues consisted of \$973.2m from crude oil exports (66.5%), \$285.3m from gas exports (19.5%), and \$205.8m in other receipts (14.1%). The authorities transferred \$613m in hydrocarbon revenues to the Federation Account in the first four months of 2020, while they used \$851.5m to pay global oil companies to guarantee current and future oil production.

Source: Nigerian National Petroleum Corporation

Angola's oil export receipts down 55% year-onyear to \$342m in June 2020

Angola's oil exports reached 38.8 million barrels in June 2020, constituting a decrease of 2.2 million barrels, or about 5.3%, from May 2020, and a drop of 5.1 million barrels, or around 11.6%, from June 2019. In parallel, the country's oil export receipts totaled KZ201.2bn, or \$341.5m, in June 2020, constituting a decline of 10.7% from KZ225.3bn, or \$398.6m, in May 2020 and a fall of 54.5% from KZ442.4bn, or \$1.3bn, in June 2019. In parallel, figures released by the Organization of Petroleum Exporting Countries show that Angola's oil production, based on secondary sources, averaged 1.22 million barrels per day (b/d) in June 2020, down by 4% from 1.28 million b/d in May.

Source: Angola's Ministry of Finance, OPEC

Base Metals: Copper prices recover by 42% since March 2020

LME copper cash prices closed at \$6,580 per ton on July 13, constituting an increase of 42.3% from a three-year low of \$4,625 a ton in March 2020, and representing their highest level in more than two years. Prices have been gradually recovering from the March low, supported by supply disruptions from coronavirusrelated mine closures, by recovering demand, notably in China, and by stimulus from central banks globally. The increase in prices accelerated in July due to concerns about strikes at mines and additional supply disruptions in Chile. Prices moderated to about \$6,473 per ton between July 14 and July 22, amid rising tensions between the U.S. and China and a spike in the number of coronavirus cases worldwide, which renewed concerns about the global economic recovery and demand for metals. However, the European Union's massive stimulus program, and positive news about a coronavirus vaccine trial, supported copper prices. In parallel, the latest figures show that global demand for refined copper was 7.8 million tons in the first four months of 2020, down by 2.5% year-on-year, as demand regressed by 7% in the European Union, by 6% in Japan, and by 1% in China. Also, global refined copper production reached 7.8 million tons in the covered period, nearly unchanged annually amid higher output from Chile, the Democratic Republic of the Congo and Japan. This was partially offset by lower production in China, India and Zambia.

Source: International Copper Study Group, Refinitiv

Precious Metals: Silver prices to reach \$25 per ounce in coming six to 12 months

Silver prices reached a six-year high of \$22.4 per troy ounce on July 22, 2020, constituting an increase of 23.3% from \$18.25 an ounce at the end of June 2020 and a rise of 25.2% from \$17.9 per ounce at the end of 2019. The surge in prices was driven by high levels of inflows to silver exchange-traded funds (ETFs) amid the low U.S. interest rate environment and, more recently, by a recovery in industrial demand for the metal as countries worldwide gradually reopen their economies from coronavirus-related shutdowns. Lower silver output this year from production disruptions at several mines in Mexico and Peru also contributed to the rise in silver prices. The metal's price is projected to increase to \$25 per ounce in the coming six to 12 months, in case of a continued growth in inflows to silver ETFs and of a recovery in global jewelry consumption. In addition, robust industrial demand for the metal from the growing global solar photovoltaic industry, as well as from the increasing use of silver in electric cars and in the deployment of the 5G network infrastructure, would support the metal's price outlook.

Source: Citi Research, Refinitiv, Byblos Research



			(COU	NTF	RY RI	ISK I	MET	RICS				
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 (%)
Africa	S&P	Moody's	Fitch	CI	IHS								
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	В	B2	B+	B+	B+								
Ethiopia	Stable B	Stable B2	Stable B	Stable	Stable B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
		URD***	Negative	-	Negative	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3 Negative	B Stable	-	BB- Stable	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire		Ba3	B+	-	B+	-/	39.0	21.9	30.9	31.9	121.0	-3.2	
T. Share	-	URD***	Positive	-	Stable CCC	-4	52.2	35.9**	_	-	-	-3.4	_
Libya	-	-	-	-	Negative	-7.4	_	_	_	_	-	2	_
Dem Rep	CCC+	Caa1	-	-	CCC	0.5	15.7	1.2 Ostati	4.4	2	104.1	0.7	2.0
Congo Morocco	Positive BBB-	Stable Ba1	BBB-	-	Stable BBB	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Stable	Stable	Stable	-	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				07.0	22.0	101.2		0.7
Tunisia	-	B2	- В	-	Negative BB-	-8.5	163.2	161.2	-	-	-	-11.5	
	-	URD***	Stable	-	Negative	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Fasc	Stable	-	-	-	B+ Stable	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+	B2	B+	-	B+	-4./	73	23.0	21	4.0	143.4	-1.5	2.0
	Stable	Stable	Stable	-	Stable	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle Ea													
Bahrain	B+ Stable	B2 Stable	BB- Stable	BB-	BB- Negative	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	В	BB-	0.1			201.7	22.3	327.0		- 0.1
Iraq	- B-	- Caa1	- B-	Negative -	Negative CC+	-4.1	30.0	2.0	-	-	-	-0.4	-
	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+	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	Stable AA-	Stable Aa2	Negative AA	Stable AA-	Stable AA-	-4.0	94.0	/2.1	03.0	9.4	131.0	-0.2	4.3
	Negative		Stable	Stable	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-	Ba3	BB	BBB-	BBB-								
Qatar	Negative AA-	Negative Aa3	Negative AA-	Negative AA-	Negative A+	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Stable	Stable	Stable	Stable	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	1.7	23.1	50.7	0.0	1,2	30.7	٥,٥	0.5
UAE	-	- Aa2	-	- AA-	Stable AA-	-	-	-	-	-	-	-	
	-	Stable	-	AA- Stable	Stable	-0.8	19.2	68.7	_		-	5.9	-0.8
Yemen	-	-	-	-	CC Stable	-5.1	54.7	18.1	-	_	_	0.7	
	-	-	-	-	Stable	-5.1	J 4 ./	10.1				U./	一而

S&P Moody's Fitch CI IHS Stable St	Net FDI / GDP (%)
Asia Armenia - Ba3 BB- - B- -	_
Armenia - Ba3 BB- - B- - Stable Negative - Stable -1.8 48.5 81.7 - - - - -6.2 China A+ A1 A+ - A - - - - - -6.2 India BBB- Ba3 BBB- - BBB - BBB Negative Negative Stable - Negative -6.6 69.8 - 39.5 19.4 90.7 -2.5 Kazakhstan BBB- Ba3 BBB - BBB Stable Positive Stable - Stable 0.5 21.9 - 25.7 4.7 87.4 0.6 Pakistan B- B3 B- - CCC - 5table - 5table - - - - - - - - - - -	
Armenia - Ba3 BB- - B- - Stable Negative - Stable -1.8 48.5 81.7 - - - - -6.2 China A+ A1 A+ - A - - - - - -6.2 India BBB- Ba3 BBB- - BBB - BBB Negative Negative Stable - Negative -6.6 69.8 - 39.5 19.4 90.7 -2.5 Kazakhstan BBB- Ba3 BBB - BBB Stable Positive Stable - Stable 0.5 21.9 - 25.7 4.7 87.4 0.6 Pakistan B- B3 B- - CCC - 5table - 5table - - - - - - - - - - -	
Stable Stable Stable - Stable - Atable -	
India BBB- Negative Baa3 BBB Negative BBB - Negative Stable - Negative -6.6 69.8 - 39.5 19.4 90.7 -2.5 Kazakhstan BBB- Baa3 BBB - BBB - BBB Stable Positive Stable - St	0.8
Kazakhstan BBB- Stable Baa3 BBB - BBB - BBB Stable BBB - BBB - BBB - BBB Stable BBB - BBB	1.6
Pakistan B- B3 B CCC Stable URD*** Stable - Stable -6.5 72.1 30.4 50.1 28.3 144.3 -6.1	1.5
	0.87
I ontrol K. Magtown Milliano	
Central & Eastern Europe Bulgaria BBB Baa2 BBB - BBB	
Romania BBB- Baa3 BBB BBB- Stable Positive - Stable 0.1 20.5 - 26.0 2.0 100.8 3.9	1.9
Negative Negative Stable - Negative -2.9 36.6 - 25.8 4.2 95.1 -4.6 Russia BBB- Baa3 BBB - BBB-	2.4
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 B3 B- - B- Stable Stable - Stable - 2.3 63.9 - 59.3 9.3 129.2 -3.7	1.0

^{*} Central Government

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are estimates for 2018

 $^{** \}textit{External debt, official debt, debtor based}$

^{***} Under Review for Downgrade

SELECTED POLICY RATES

	Benchmark rate	Current	Last	meeting	Next meeting		
		(%) Date		Action	C .		
USA	Fed Funds Target Rate	0.00-0.25	10-Jun-20	No change	29-Jul-20		
Eurozone	Refi Rate	0.00	16-Jul-20	No change	10-Sep-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	20-Jul-20	No change	20-Aug-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	20-Jul-20	No change	21-Sep-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	9.00	20-Jul-20	Cut 50bps	07-Sep-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 (+961) 1 339436 Fax:

IRAO

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