In memory of the victims of the Beirut Port explosion

Issue 643 | September 17, 2020

BYBLOS BANK SAL

Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Real estate investment funds raise $39bn in second quarter of 2020

Research provider Preqin indicated that private equity (PE) funds completed 988 real estate transactions globally in the second quarter of 2020, constituting a decline of 48% from 1,904 deals in the first quarter of the year and a drop of 61% from 2,524 transactions in the second quarter of 2019. It added that the aggregate value of PE real estate transactions reached $29.8bn in the covered quarter, constituting a decrease of 61.7% from $77.8bn in the first quarter of 2020 and a drop of 70.8% from $102bn in the second quarter of 2019. In parallel, Preqin indicated that 53 PE real estate investment funds raised a total of $39.2bn in capital commitments worldwide in the second quarter of 2020. In comparison, 78 PE real estate investment funds secured $27.9bn in the first quarter of 2020 and 109 funds raised $36.5bn in the second quarter of 2019. It noted that PE real estate fundraising significantly declined in the second quarter, due to the economic uncertainties caused by the COVID-19 pandemic and the consequent ongoing lockdown measures. It added that 24 PE real estate funds with a primary focus on North America raised $18.9bn in the second quarter of 2020, followed by 17 European-focused funds ($14.1bn), and 10 Asian-focused funds ($5.4bn). Further, it pointed out that investors in real estate are responding to economic uncertainties by directing commitments towards riskier investments. As such, it said that opportunistic funds raised $21.8bn, or 55.6% of total capital commitments in PE real estate funds.

Source: Preqin

KUWAIT

Profits of listed companies down 75% to $905m in first half of 2020

The cumulative net profits of 134 companies listed on Boursa Kuwait totaled KD277.8m, or $905.1m, in the first half of 2020, constituting a decline of 74.6% from KD1.1bn, or $3.6bn, in the same period of 2019. Listed banks generated net earnings of $1bn in the covered period, followed by telecommunications companies with $331.3m, insurers with $78m, consumer goods firms with $32.3m, oil & gas companies with $21.1m, healthcare providers with $7.8m, and basic materials firms with $4.6m. In parallel, financial services providers posted net losses of $384m in the first half of 2020, followed by industrial firms with $118m, then real estate companies with $41.7m, consumer services providers $33.2m, and technology firms with $1.3m. Further, the net earnings of consumer goods companies rose by 44.2%, while the profits of oil & gas firms increased by 12.7% in the covered period. In contrast, the income of basic material companies regressed by 65.5% in the first half of 2020, followed by the profits of healthcare providers (-55.5%), banks (-49.3%), telecommunications firms (-25%), and insurers (-16%). Further, the results of listed financial and consumer services providers, industrial companies, real estate firms and technology companies shifted from aggregate net profits of $970.2m in the first half of 2019 to net losses of $578m in the first six months of 2020.

Source: KAMCO

GCC

Healthcare sector investments to reach $89bn by 2022

Figures released by KPMG show that healthcare-related expenditures in the Gulf Cooperation Council (GCC) countries reached $76bn in 2019, and grew by a compound annual growth rate (CAGR) of 4% from $60bn in 2013. It projected such expenditures to reach $89bn in 2022, and to grow by a CAGR of 5.4% from 2019 and a CAGR of 4.5% from 2013. It attributed the rise in healthcare-related spending in the region to the higher penetration of compulsory health insurance, to the increase in lifestyle diseases such as diabetes, as well as to improved awareness about preventive care among the public. It added that recent government initiatives in the GCC have been focusing on improving the local infrastructure of their healthcare sectors and on reducing their dependence on expatriate physicians and nurses. As a result, it anticipated healthcare-related expenditures to increase, due to higher public and private investments in the sector. It pointed out that healthcare spending by GCC governments accounted for about 70% of total healthcare expenditures in the region in 2019. However, it noted that the expansion of the healthcare sector in the GCC led to an increasing drive to promote private investments in the sector, mainly by encouraging the adoption of public-private partnership models. As a result, KPMG expected that private investments in the region's healthcare sector will expand at a CAGR of 7.4% in the 2018-22 period, while it forecast the GCC governments' healthcare-related expenditures to grow at a CAGR of 4.9% in the covered period.

Source: KPMG

Fixed income issuance up 1% to $98bn in first eight months of 2020

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $97.6bn in the first eight months of 2020, constituting an increase of 1.3% from $96.3bn in the same period of 2019. Fixed income issuance in the covered period consisted of $37.5bn in sovereign bonds, or 38.4% of the total, followed by $24.8bn in corporate bonds (25.4%), $24.7bn in sovereign sukuk (25.3%), and $10.6bn in corporate sukuk (11%). Further, aggregate issuance by GCC sovereigns amounted to $62.2bn in the first eight months of 2020, or 63.7% of total fixed income issuance in the region; while aggregate bonds and sukuk issued by corporates in the GCC reached $35.4bn, or 36.3% of the total. GCC sovereigns issued $1.7bn in bonds and sukuk in January, $10.2bn in February, $4.2bn in March, $27.3bn in April, $3.4bn in May, $3.5bn in June, $11.4bn in July, and $0.5bn in August 2020. In parallel, companies in the GCC issued $3.3bn in bonds and sukuk in January, $10.9bn in February, $1.6bn in March, $1.7bn in April, $6.9bn in May, $4.6bn in June, $5bn in July, and $1.4bn in August 2020. Sovereign issuance in August consisted of $519.5m in bonds issued by Oman, while corporate issuance in the covered month included $1bn in bonds issued by UAE-based companies and $40m in bonds issued by Qatar-based firms. There was no sukuk issuance in August 2020.

Source: KAMCO

OUTLOOK

WORLD

Economic activity to contract by 4% in 2020 amid pandemic

The Institute of International Finance (IIF) projected the global economy to shrink by 3.8% in 2020 as a result of the impact of the COVID-19 pandemic. It anticipated that the global economic downturn this year would be significantly deeper that the contraction of 0.4% in 2009 during the global financial crisis, mainly due to weaker economic activity in China and India. It noted that China has not implemented large economic stimulus measures this year as it did in 2009. It said that the country's large investments in infrastructure projects in 2009 supported the Chinese economy and, in turn, the global economy, and increased commodity prices. It also pointed out that India is experiencing a deep recession in 2020 amid virus-related lockdowns, unlike 2009 when the country posted economic growth.

Further, it anticipated that other Asian economies would also likely post sharper contractions this year than they did in 2009, given their trade linkages to China and India. It also expected a deeper recession in commodity-dependent Latin American countries in 2020 compared to 2009, given the lower global commodity prices. As such, it considered that the recovery from the COVID-19 shock, especially in emerging markets (EMs), is likely to be shallower and more challenging than the upturn from the 2009 global financial crisis.

In parallel, the IIF pointed out that real GDP in EMs fell by 10% annually in the second quarter of 2020. But it indicated that economic activity varies significantly across EMs. For instance, it said that the Chinese economy recovered in the second quarter of 2020 and grew by 3.2% year-on-year, while Peru's real GDP shrank by 30.3% in the covered quarter. In parallel, it estimated that real GDP in advanced economies contracted by 11.5% in the second quarter 2020, and anticipated that the recession in advanced countries this year would be comparable to their economic performance in 2009.

Source: Institute of International Finance

EMERGING MARKETS

Impact of COVID-19 to heighten fiscal and external imbalances

Moody's Investors Service considered that the economic shock from the COVID-19 outbreak heightened existing imbalances in emerging and frontier markets and exacerbated liquidity pressures in these economies. It noted that lower export receipts, weaker tourism activity, subdued global demand, volatility in non-resident capital flows, and public health crises in many emerging and frontier markets weighed on the latters' already weak fiscal and external positions. It anticipated exports in many of these economies to decline by double-digits in 2020, especially in Gulf Cooperation Council oil exporters, Middle East & North Africa tourism-reliant countries and economies that already had high macroeconomic imbalances. It projected a protracted period of subdued economic activity in such economies, due to the anticipated slow recovery in tourism receipts, as well as to the ongoing lower global oil prices and cuts to oil production.

In parallel, it anticipated that the sharp decline in government revenues and significant increases in public expenditures, amid rigid spending structures, will lead to a substantial widening of fiscal deficits in the 2020-21 period, and expected the significant widening of fiscal deficits to lead to a surge in government financing needs in 2020 and 2021. It considered that the ability of governments in emerging and frontier economies to reduce their annual borrowing needs after the pandemic will rely on their capacity to mobilize public revenues. Further, it expected that large fiscal and external financing gaps will drive governments in these economies to increasingly tap external markets, and anticipated widening current account deficits to increase external pressures in case of inadequate foreign currency reserves. It noted that, despite significant financial support from international financial institutions and official creditors, many low-rated sovereigns will face substantial challenges during the recovery phase.

Source: Moody's Investors Service

SAUDI ARABIA

Medium-term outlook contingent on implementation of Vision 2030

Samba Financial Group projected economic activity in Saudi Arabia to contract by 4.1% in 2020 relative to a marginal growth rate of 0.3% in 2019, while it anticipated a growth rate of 4.7% in 2021, in case authorities reduce COVID-19-related restrictions. Still, it indicated that the outlook for 2021 depends mainly on the time of the potential discovery and the distribution of a coronavirus vaccine. It attributed the economic contraction to lower oil receipts and to the restrictions that authorities imposed on the movement of goods and persons, which led to the decline in domestic consumption. It noted that the COVID-19 outbreak has also affected progress in nascent sectors, such as tourism and small- and medium-sized enterprises. It projected the hydrocarbon sector to contract by 7.2% and for non-hydrocarbon GDP to shrink by 2.3% in 2020. It considered that the medium-term outlook is contingent on delivering most of the Vision 2030 agenda.

In parallel, it anticipated the pressure on the Kingdom's fiscal position to persist for the rest of 2020, and forecast the fiscal deficit to widen from 4.5% of GDP in 2019 to 10.2% of GDP in 2020. It projected the government's fiscal financing needs at SAR277bn, or $73.9bn in 2020, which include SAR44bn in debt amortization. It expected the Kingdom to fund its needs through SAR127bn in domestic debt issuance and SAR94bn in external issuances, which implies a drawdown of SAR101bn, or $26.9bn, from government deposits in 2020. It forecast the fiscal financing requirements for the 2021-24 period at SR790bn, and expected the central government's debt level to reach 41% of GDP by 2022.

In parallel, it projected the current account balance to shift from a surplus 6.5% of GDP in 2019 to a deficit of 0.7% of GDP in 2020. It anticipated the current account to return to a surplus of 3% of GDP by 2024, with the increase in oil output and in the income on the Public Investment Fund (PIF), as well as to higher foreign direct investments and to prospects of wider domestic investment opportunities that will limit capital outflows. It expected the country's official net foreign assets to decline by $33.8bn to $462.5bn at the end of 2020 and to reach $437bn at end-2021, partly reflecting transfers to the PIF and drawdowns from the government's savings. But it forecast the Kingdom's official net foreign assets to grow to $535bn by the end of 2024, in case the current account deficit shifts to a surplus, the fiscal deficit narrows, and foreign currency inflows increase.

Source: Samba Financial Group

JORDAN

Sovereign ratings affirmed with 'stable' outlook

S&P Global Ratings affirmed at 'B+/B' Jordan's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It attributed its rating affirmation and stable outlook to its expectation that Jordan's funding sources and sustained donor support from multilateral and bilateral partners will help cover the government's financing needs and keep debt-servicing costs at low levels in the next 12 months. However, it noted that the outbreak of COVID-19 has adversely affected the country's economic, fiscal and external positions. It added that the ratings are constrained by Jordan's large external imbalances, rising external debt level, weak public finances, subdued economic growth, and ongoing regional conflicts. S&P projected the government's fiscal deficit to widen from 0.6% of GDP in 2019 to 5% of GDP in 2020 despite the government's fiscal consolidation efforts, due to weaker economic activity, lower fiscal revenues, and higher coronavirus-related fiscal spending. It also anticipated the public debt level to increase from 81% of GDP at end-2019 to 91.5% of GDP at the end of 2020. In parallel, S&P projected the current account deficit to widen from 2.3% of GDP in 2019 to 7.5% of GDP in 2020, mainly due to lower tourism receipts and remittance inflows. It anticipated the Central Bank of Jordan's usable reserves to decrease from $3.2bn at end-2019 to $2.1bn at the end of 2020. It also forecast Jordan's external financing needs to reach a peak of 183% of current account receipts and usable reserves in 2020, before gradually declining to about 172% of CARs and usable reserves in the 2021-23 period.

Source: S&P Global Ratings

TURKEY

Economic activity and fiscal and external positions to weaken amid pandemic

ABN AMRO indicated that Turkey's real GDP contracted by 9.9% in the second quarter of 2020, reflecting the adverse impact of the COVID-19 pandemic. It noted that the current account balance shifted from a surplus of $8.7bn in the first half of 2019 to a deficit of $19.7bn in the same period of 2020, driven by a decline in exports to the Eurozone and a decrease in tourism revenues, which were partly offset by a drop in energy imports. It projected the current account balance to shift from a surplus of 1.2% of GDP in 2019 to a deficit of 2.5% of GDP in 2020. Further, it forecast the fiscal deficit to widen from 2.9% of GDP in 2019 to 6% of GDP in 2020, mainly due to lower public revenues and higher virus-related spending. In parallel, Moody's Investors Service downgraded Turkey's issuer and senior unsecured debt ratings from 'B1' to 'B2', and maintained a 'negative' outlook on the ratings. It attributed the downgrade mainly to Turkey's rising external vulnerabilities, the increased likelihood of a balance-of-payments crisis and weakening public finances. It indicated that Turkey's foreign currency reserves declined by 40% from end-2019 to $44.9bn as of September 4, reflecting the authorities' unsuccessful attempts to defend the Turkish lira since the beginning of 2020. It estimated that the net foreign currency reserves would be close zero, when netting out the banks' reserves requirements for their local and foreign currency liabilities.

Source: ABN AMRO, Moody's Investors Service

ANGOLA

Sovereign ratings downgraded, outlook 'stable'

Moody's Investors Service downgraded Angola's foreign and local currency long-term issuer ratings from 'B3' to 'Caa1', and revised the outlook on the ratings from 'ratings under review' to 'stable'. The new ratings are seven notches below investment grade. The agency attributed its downgrade to the significant weakening of Angola's fiscal and external positions, amid the sharp drop in oil prices, the coronavirus outbreak, and the depreciation of the currency. It noted that the country's debt metrics are highly sensitive to currency fluctuations, given that more than 90% of the government's debt is denominated in foreign currency or is linked to the US dollar. It added that the Angolan kwanza depreciated by 29% against the US dollar since the beginning of the year, and anticipated it to further depreciate in a low oil price environment, which will raise the public debt level to about 120% of GDP by end-2020. It expected the government's borrowing requirements to rise to about 20% of GDP in 2020, relative to an expected 15% of GDP prior to the shocks. Further, it forecast real GDP to contract by 3.3% in 2020, which will limit the government's capacity to increase non-hydrocarbon tax receipts in the short term. In parallel, Moody's projected the current account deficit at 4.8% of GDP in 2020, compared to a pre-shocks forecast of a surplus of 3.5% of GDP. It noted that lower oil prices and production led to the drop in the Banco Nacional de Angola's net foreign currency reserves from $11.7bn at end-2019 to $10.4bn at end-June 2020. It said that the government has taken a number of steps to supports its reserves, including repatriating $1.5bn from its sovereign wealth fund and accelerating debt reprofiling negotiations with bilateral partners.

Source: Moody's Investors Service

GHANA

Ratings downgraded on weaker public finances

S&P Global Ratings downgraded Ghana's long-term foreign and local currency sovereign credit ratings from 'B' to 'B-', with a 'stable' outlook, and affirmed the short-term ratings at 'B'. It attributed the downgrade to the country's weakening public finances as a result of the COVID-19 pandemic. It projected the fiscal deficit to widen from 7.4% of GDP in 2019 to 13.5% of GDP in 2020, one of the widest deficits among rated African sovereigns. It considered that authorities are likely to limit their fiscal adjustment, as reflected by the government's medium-term targets that suggest slower fiscal consolidation, and by the continued suspension of the Fiscal Responsibility Act that caps the fiscal deficit at 5% of GDP annually. It projected the public debt level at 70.6% of GDP at end-2020 and 71.7% of GDP by end-2021. Further, the agency forecast the current account deficit to widen from 2.7% of GDP in 2019 to 4.2% of GDP in 2020, mainly as a result of lower oil exports receipts amid the weak oil price environment. In addition, it considered that Ghana's external financing needs of about 6% of GDP in 2020 have partly been covered by a Eurobond issuance of $3bn in February and a disbursement of $1bn from the International Monetary Fund in April. But it said that external financing could be more difficult to access next year in case the fiscal deficit remains wide. It forecast the gross external financing needs at 126.5% of current account receipts and usable reserves in 2020.

Source: S&P Global Ratings

EMERGING MARKETS

Central banks purchases of government bonds could affect sovereign credit metrics

S&P Global Ratings indicated that global sovereign debt issuance rose sharply so far in 2020, as policymakers responded to the economic recession with aggressive stimulus measures. It noted that central banks in some emerging markets (EMs) have increased their purchases of government bonds in order to smooth the impact of large debt issuances on the stability of their financial markets. However, it indicated that there are risks to sovereign credit metrics in EMs from the large accumulation of government debt by EM central banks over a long period of time. It pointed out that advanced economies typically have deep domestic capital markets, strong public institutions, including independent central banks, low and stable inflation rates, and transparent and predictable economic policies. It considered that these attributes allow their central banks to maintain large government bond holdings without losing investor confidence or triggering capital outflows. In contrast, it noted that EM sovereigns with less credible public institutions and narrower monetary, exchange rate and fiscal flexibility, have a lower capacity to monetize fiscal deficits without raising financial and economic risks. It said that bond buying by EM central banks could trigger large capital outflows, currency devaluations, and increases in domestic interest rates. It added that politicians could put pressure central banks to expand these programs, as monetizing the fiscal deficit could solve the government's funding constraints, which would negatively affect the credibility of monetary authorities.

Source: S&P Global Ratings

MAURITANIA

NPLs ratio at 21.5% at end-2019, capital adequacy ratio at 25.3%

The International Monetary Fund indicated that the Banque Centrale de Mauritanie's (BCM) has continued to strengthen the prudential and supervisory framework for banks. It noted that the sector's risk-weighted capital adequacy ratio stood at 25.3% at the end of 2019, up from 24.7% at end-2018. It added that the BCM has required banks to raise by two-thirds their minimum capital starting in January 2020, and that 13 out of 18 banks have complied so far, while the undercapitalized banks are being addressed. In parallel, it said that the banks' aggregate liquid assets represented 20.9% of total assets at end-2019, up from 19.6% a year earlier. The Fund indicated that growth in private sector lending decelerated from 19.4% in 2018 to 12.8% in 2019. It added that net private sector loans stood a 41% of the sector's assets, while deposits were equivalent to 63.2% of total assets at end-2019. As such, it pointed out that the aggregate private sector loans-to-deposits ratio reached 94.7% at-end 2019, nearly unchanged from 94.5% a year earlier. It indicated that the banks' non-performing loans (NPLs) ratio stood at 21.5% at the end of 2019 relative to 22.6% at end-2018, while the banks' provisions to gross NPLs excluding accrued interest declined from 77.8% at end-2018 to 76.1% at end-2019. Further, the IMF indicated that the BCM instructed banks to transfer fully provisioned NPLs out of their balance sheets after five years, and that it adopted a new set of regulatory penalties applicable to banks.

Source: International Monetary Fund

AFRICA

Collapse in oil prices to weigh on peg of CFA franc

Fitch Ratings indicated that the recent collapse in global oil prices and the COVID-19 outbreak have put pressure on the peg of the CFA franc to the euro in the Central African Economic and Monetary Community (CEMAC). It noted that the members of the currency union, which consist of Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea and Gabon, are significantly dependent on the hydrocarbon sector, and that the drop in oil prices has resulted in a surge of the countries' external financing needs. However, it noted that CEMAC countries are highly reliant on official creditor support, which funds the majority of their external financing needs. Still, it pointed out that, in the absence of additional external funding in the second half of 2020 and if oil prices remain at current levels, CEMAC countries will have to tap their pooled stock of foreign currency reserves. Under such a scenario, it forecast the region's foreign currency reserves to decline from $7.5bn at the end of 2019 to $5.5bn at end-2020. The agency anticipated that a faster depletion of aggregate reserves, could push the Banque Centrale des États d'Afrique Centrale to resort to the convertibility guarantee that the French Treasury provides, which would limit devaluation risks in the short term. It added that risks to the peg from capital flight are limited, given the low level of foreign currency deposits and the very weak participation of non-residents in the regional bond market. Further, Fitch considered that the ability of CEMAC countries to maintain the peg of the CFA franc in the medium term is contingent on oil prices beyond 2020, as well as on politically-challenging policy measures and future levels of official creditor support.

Source: Fitch Ratings

BAHRAIN

Agency takes rating actions on five banks

Fitch Ratings downgraded the long-term Issuer Default Ratings (IDRs) of the Arab Banking Corporation (ABC) and Ahli United Bank (AUB) from 'BBB-' to 'BB+', and the IDRs of the Bank of Bahrain & Kuwait (BBK) and the National Bank of Bahrain (NBB) from 'BB-' to 'B+'. It maintained the 'stable' outlook on the IDRs of AUB, BBK and NBB, and the 'negative' outlook on ABC's ratings. In parallel, the agency downgraded the Viability Ratings (VRs) of ABC and Gulf International Bank (GIB) from 'bbb-' to 'bb+', the VR of AUB from 'bb+' to 'bb', and the ratings of BBK and NBB from 'bb-' to 'b+'. It attributed the negative actions on the banks' ratings to the downgrade of Bahrain's sovereign rating from 'BB-' to 'B+' and its country ceiling from 'BBB-' to 'BB+'. It said that AUB's IDR is driven by a moderate probability of support from Kuwait if needed, but the likelihood of the bank's ability to receive and utilize this support is constrained by Bahrain's country ceiling. It pointed out that GIB's IDRs are not affected by the downgrade of its VR, as they are underpinned by potential support from the Saudi authorities. Further, it attributed the downgrade of the ratings of BBK and NBB to increased pressure on the banks' standalone profiles due to the deteriorating operating environment in Bahrain and to the sovereign's weaker ability to support banks. It added that the 'negative' outlook on ABC's ratings reflects significant risks from a further deterioration of the bank's operating environment.

Source: Fitch Ratings

Oil prices to reach $48 p/b in fourth quarter of 2020

ICE Brent crude oil front-month prices traded at between $39 per barrel (p/b) and $41 p/b between September 8 and 15, and remained at their lowest levels since July 2020, as concerns about a slower recovery in global oil demand continue to weigh on oil prices. In this context, the International Energy Agency cut its forecast for oil demand growth in 2020, amid weakening market sentiment and an increase in the number of coronavirus cases worldwide. Also, pledges to reopen oil ports in Libya put downside pressure on prices. However, prices increased by 4.2% day-to-day to close at $42.2 p/b on September 16, 2020, as Hurricane Sally in the Gulf of Mexico forced many U.S. offshore oil producers to shut down operations. In parallel, Citi Research considered that the current low oil price environment will not persist for a long period of time, as it has been driven by short-term factors, such as a shift in the sources of China's oil imports, the reduction in Saudi Aramco's selling prices for October, as well as a sell-off in oil contracts by traders and investors. It added that lower oil prices will slow down the recovery in U.S. oil production, which will reduce the growth in global oil supply. It forecast Brent oil prices to average $48 p/b in the fourth quarter of 2020, as it anticipated a steeper decline in global oil inventories in the covered quarter than in the third quarter of the year.
Source: Citi Research, Refinitiv, Byblos Research

OPEC's oil basket price up 4% in August 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $45.19 per barrel (p/b) in August 2020, constituting a rise of 4.1% from $43.42 p/b in July 2020. Iraq's Basrah Light posted a price of $46.1 p/b, followed by Angola's Girassol at $45.83 p/b, and Algeria's Sahara Blend at $45.64 p/b. In parallel, all prices in the OPEC basket posted monthly increases of between $0.05 p/b and $6.89 p/b in August 2020.
Source: OPEC

Global consumption of primary energy to grow by CAGR of 1% in 2018-50 period

BP projected the global consumption of primary energy to increase from 576 exajoules in 2018 to 725 exajoules in 2050, or by a compound annual growth rate (CAGR) of 0.7%, under a "business-as-usual" scenario that assumes slow progress in reducing carbon emissions. In comparison, the global consumption of primary energy is expected to grow by a CAGR of 0.3% in the 2018-2050 period to 625 exajoules in 2050, under BP's "rapid" and "net zero" scenarios that assume the rapid implementation of policies that reduce carbon emissions by 70% and 95%, respectively, by 2050. Under either scenarios, BP expected the growth in global energy demand to be supported by increasing levels of prosperity in emerging economies.
Source: BP, Byblos Research

Egypt to invest $3.8bn in energy in FY2020/21

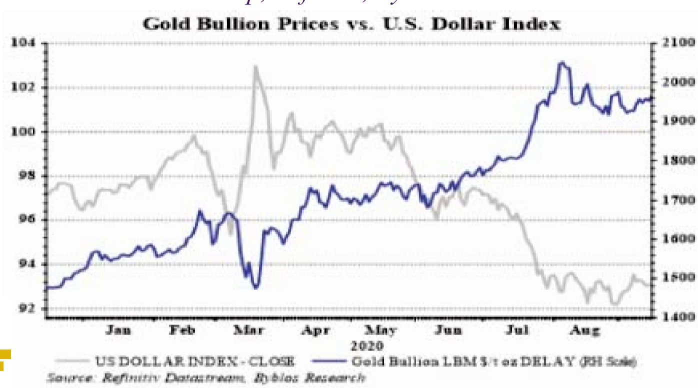
The Egyptian government announced plans to invest EGP60.6bn, or $3.8bn, in the "development of the petroleum, natural gas, and mineral resources sector" in the fiscal year that ends in June 2021. It indicated that the amount would account for about 8.2% of the government's overall investments in the current fiscal year. It anticipated the petroleum sector's output at current prices to increase from EGP547.3bn, or $34.7bn, in FY2019/20 to EGP586.6bn, or $37.2bn, in FY2020/21.
Source: Mubasher

Base Metals: Nickel prices to average $13,000 per ton in 2020

The LME cash prices of nickel averaged $14,543 per ton in August 2020, constituting an increase of 8.5% from an average of $13,402 a ton in July. Prices closed at $15,676 per ton on September 2, their highest level since November 2019. The solid economic recovery and strong demand for metals in China, a weaker US dollar in August and lower nickel ore inventories at Chinese ports drove the rise in nickel prices. In addition, prices grew after the People's Bank of China injected new funds in the country's financial system, which boosted investors' risk sentiment. Also, steady demand for nickel for the production of stainless steel and concerns about lower supply from Indonesia and the Philippines, the world's largest producers of nickel, supported nickel prices. Further, the U.S. Federal Reserve's plans to promote higher inflation, progress in U.S.-China trade talks in August, and signs of a potential coronavirus treatment breakthrough contributed to the price increase. However, nickel prices moderated to an average of $15,056 per ton between September 3 and September 16, mainly due to a stronger US dollar, and renewed tensions between the U.S. and China. Still, Fitch Ratings revised upward its nickel price projection for 2020 from $11,500 per ton in April to $13,000 a ton in August, due to stronger-than-expected price performance in the first eight months of 2020.
Source: Fitch Ratings, Refinitiv

Precious Metals: Gold prices to reach $2,200 per ounce until the end of 2020

Gold prices averaged $1,713 per troy ounce in the first eight months of 2020, constituting an increase of 27.3% from an average of $1,345 per an ounce in the same period of 2019. They traded at a low of $1,475 per ounce on March 19 and reached an all time-high of $2,052 an ounce on August 6, supported by record-high inflows to gold exchange-traded funds (ETFs), as investors diversified their portfolios amid the weakening US dollar and low U.S. interest rates. In fact, global inflows to gold ETFs reached $52.9bn in the year-to-September 11, 2020 period, the latest available figure, and grew by 3.6 times from $14.7bn in the same period of 2019. However, the metal's price slightly moderated this month and closed at $1,967 per ounce on September 16. Further, Heraeus Group, a precious metal refining technology firm, projected gold prices to increase to $2,200 per ounce until the end of 2020, supported by higher investments in the safe haven asset amid the low interest rate environment, as well as by a recovery in jewelry demand. But it considered that consumer demand for the metal, especially for jewelry, could decline in the longer term, given the high price of gold.
Source: Heraeus Group, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	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	-4.8	-	-	-	-	-	-21.4	-
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-4.0	127.1	7.7	91.1	45.4	122.9	-14.4	9.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.3	86.5	6.0	71.4	44.8	120.1	-4.6	1.8
Ethiopia	B	B2	B		B+								
	Negative	Negative	Negative	-	Negative	-3.2	31.3	2.3	64.8	4.5	175.3	-7.3	2.0
Ghana	B-	B3	B	-	BB-								
	Stable	Negative	Stable	-	Negative	-9.0	66.7	2.7	49.6	52.1	128.0	-4.3	3.8
Côte d'Ivoire	-	Ba3	B+	-	B+								
	-	Stable	Positive	-	Stable	--5.5	43.2	4.8	-	14.4	-	-4.0	0.2
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep Congo	CCC+	Caa1	-	-	CCC								
	Stable	Stable	-	-	Stable	-1.5	12.6	0.3	6.4	1.9	120.7	-5.3	2.5
Morocco	BBB-	Ba1	BBB-	-	BBB								
	Stable	Stable	Negative	-	Stable	-7.4	61.6	6.0	40.4	9.2	101.3	-8.9	1.0
Nigeria	B-	B2	B	-	B-								
	Stable	Negative	Negative	-	Negative	-5.0	47.6	4.5	62.1	56.7	130.1	-6.6	0.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Tunisia	-	B2	B	-	B+								
	-	URD**	Stable	-	Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.0	46.7	0.5	28.51	5.18	140.33	-5.52	0.5
Rwanda	B+	B2	B+	-	B+								
	Negative	Stable	Stable	-	Stable	-12.46	67.5	4.76	30.01	7.51	124.17	-16.44	1.0
Middle East													
Bahrain	B+	B2	B+	BB-	BB-								
	Stable	Stable	Stable	Negative	Negative	-12.1	114.4	-0.9	207.3	33.9	349.5	-10.1	2.2
Iran	-	-	-	B	BB-								
	-	-	-	Negative	Negative	-9.3	-	-	-	-	-	-5.0	-
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-17.5	84.4	-0.1	6.9	8.3	140.9	-11.0	-1.0
Jordan	B+	B1	BB-	B+	BB+								
	Stable	Stable	Negative	Stable	Stable	-5.0	85.6	1.7	82.9	11.6	170.0	-6.8	1.5
Kuwait	AA-	Aa2	AA	AA-	AA-								
	Negative	URD**	Stable	Stable	Stable	-9.7	11.6	2.1	72.6	0.9	160.6	-13.6	0
Lebanon	SD	C	C	SD	CCC								
	-	-	-	-	Negative	-12	197.2	7.5	143.0	80.3	149.7	-5.1	1.5
Oman	BB-	Ba3	BB-	BBB-	BBB-								
	Negative	Negative	Negative	Negative	Negative	-16.5	83.8	1.7	43.5	11.4	144.6	-15.6	3.8
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Negative	-0.6	84.6	3.1	201.8	8.5	242.2	-4.9	-1.5
Saudi Arabia	A-	A1	A	A+	A+								
	Stable	Negative	Stable	Stable	Stable	-12.6	35.6	19.7	21.9	3.3	48.5	-9.8	-1.1
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-								
	-	Stable	-	Stable	Stable	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Asia													
Armenia	-	Ba3	BB-	-	B-								
	-	Stable	Negative	-	Stable	-5.0	62.0	-	-	9.9	-	-8.5	0.9
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-11.1	56.0	14.4	47.0	2.2	66.7	1.2	0.4
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Negative	Negative	-	Negative	-11.5	84.6	10.6	56.8	32.1	84.1	-0.9	1.1
Kazakhstan	BBB-	Baa3	BBB	-	BBB-								
	Stable	Positive	Stable	-	Negative	-5.1	20.9	5.4	34.9	8.9	100.0	-5.9	3.4
Pakistan	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Stable	-9.5	88.2	0.5	42.7	61.2	145.8	-1.5	0.5
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB	-	BBB								
	Stable	Positive	Stable	-	Stable	-4.0	25.6	2.8	32.0	1.6	104.9	1.9	0.5
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Negative	Negative	Stable	-	Negative	-8.0	46.2	4.0	28.0	4.9	101.5	-4.8	0.5
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	Stable	-6.8	22.9	13.0	23.7	4.9	58.3	0.8	0
Turkey	B+	B2	BB-	B+	B-								
	Stable	Negative	Negative	Stable	Stable	-5.0	38.0	1.8	83.6	9.5	161.9	-1.0	0.5
Ukraine	B	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-7.1	65.1	3.8	55.0	7.3	118.5	-6.0	0.5

** Current account payments*

*** Under Review for Downgrade*

Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, IHS Markit, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.00-0.25	16-Sep-20	No change	05-Nov-20
Eurozone	Refi Rate	0.00	10-Sep-20	No change	29-Oct-20
UK	Bank Rate	0.10	06-Aug-20	No change	17-Sep-20
Japan	O/N Call Rate	-0.10	17-Sep-20	No change	29-Oct-20
Australia	Cash Rate	0.25	01-Sep-20	No change	06-Oct-20
New Zealand	Cash Rate	0.25	12-Aug-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	09-Sep-20	No change	28-Oct-20
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Aug-20	No change	21-Sep-20
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	17-Sep-20	No change	N/A
South Korea	Base Rate	0.50	27-Aug-20	No change	14-Oct-20
Malaysia	O/N Policy Rate	1.75	10-Sep-20	No change	03-Nov-20
Thailand	1D Repo	0.50	05-Aug-20	No change	23-Sep-20
India	Reverse repo Rate	4.00	06-Aug-20	No change	01-Oct-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	13-Aug-20	No change	24-Sep-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	8.25	20-Aug-20	No change	24-Sep-20
South Africa	Repo Rate	3.50	23-Jul-20	Cut 25bps	17-Sep-20
Kenya	Central Bank Rate	7.00	29-Jul-20	No change	29-Sep-20
Nigeria	Monetary Policy Rate	12.50	20-Jul-20	No change	21-Sep-20
Ghana	Prime Rate	14.50	27-Jul-20	No change	28-Sep-20
Angola	Base Rate	15.50	28-Jul-20	No change	28-Sep-20
Mexico	Target Rate	4.50	13-Aug-20	Cut 50bps	24-Sep-20
Brazil	Selic Rate	2.00	16-Sep-20	No change	28-Oct-20
Armenia	Refi Rate	4.25	15-Sep-20	Cut 25bps	27-Oct-20
Romania	Policy Rate	1.50	05-Aug-20	Cut 25bps	N/A
Bulgaria	Base Interest	0.00	01-Sep-20	No change	01-Oct-20
Kazakhstan	Repo Rate	9.00	07-Sep-20	No change	26-Oct-20
Ukraine	Discount Rate	6.00	03-Sep-20	No change	22-Oct-20
Russia	Refi Rate	4.25	24-Jul-20	Cut 25bps	18-Sep-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

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