In memory of the victims of the Beirut Port explosion

BYBLOS BANK SAL

Economic Research & Analysis Department

Issue 644 | September 24, 2020

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global infrastructure funds raise $12bn in capital in second quarter of 2020

Research provider Preqin indicated that 15 unlisted infrastructure funds raised $12bn in capital commitments in the second quarter of 2020. In comparison, 27 unlisted infrastructure funds secured $28bn in capital in the second quarter of 2019, and 26 funds raised $40bn in the first quarter of 2020. It noted that the raised capital in the second quarter constituted a drop of 70% from the funds raised in the preceding quarter and a fall of 57% from the second quarter of 2019. It attributed the sharp declines to the impact of the coronavirus on business operations worldwide. In addition, six infrastructure funds with a primary focus on North America raised $7.5bn in the second quarter of 2020, equivalent to 62.5% of total capital commitments, while seven European-focused funds secured $3.4bn (28.3%). In parallel, it indicated that there were 313 infrastructure deals that were completed globally in the second quarter of 2020 for a total of $47bn. In comparison, there were 644 infrastructure transactions worth $179bn in the second quarter of 2019 and 644 infrastructure deals for $81bn in the first quarter of 2020. The deals cover the investments in infrastructure assets by global investors. On a regional level, there were 177 infrastructure transactions in Europe in the second quarter of 2020, or 56.5% of total deals, followed by North America with 95 infrastructure transactions (30.4%), and Asia with 42 deals (13.4%). In addition, the renewable energy sector represented 75.1% of the total number of deals completed in the second quarter of 2020, followed by the telecommunications sector (13.4%), the conventional energy industry (11.8%), the transportation and utilities sectors (9.3% each), and social infrastructure (2.2%).

Source: Preqin

QATAR

Profits of listed firms down 20% to $4bn in first half of 2020

The net income of 47 companies listed on the Qatar Stock Exchange totaled QAR15.8bn, or $4.3bn, in the first half of 2020, constituting a decrease of 19.7% from QAR19.7bn, or $5.4bn, in the same period of 2019. Banking & financial services providers generated net profits of $3.1bn in the first half of 2020 and accounted for 71.4% of the earnings of publicly-listed firms. Industrial companies followed with $421.7m, or 9.7% of the total, then transportation firms with $263.3m (6.1%), telecommunication companies with $247.1m (5.7%), real estate firms with $234.1m (5.4%), and consumer goods & services providers with $99.1m (2.3%). In parallel, insurers posted net losses of $23.5m in the first half of 2020, compared to net profits of $147.1m in the same period of 2019. Further, the net earnings of listed transportation companies grew by 5% year-on-year in the first half of 2020. In contrast, the net income of listed consumer goods & services firms regressed by 63.4% in the covered period from the first six months of 2019, followed by industrial companies (-46.8%), real estate firms (-27.1%), banking & financial services providers (-8%), and telecommunication companies (-2.1%).

Source: KAMCO

MENA

Arab economies trail global trends in innovation

The 2020 Global Innovation Index ranked the UAE as the most innovative Arab country and the 34th most innovative economy globally. Tunisia followed in 65th place, then Saudi Arabia (66th), Qatar (70th), Morocco (75th), Kuwait (78th), Bahrain (79th), Jordan (81st), Oman (84th), Lebanon (87th), Egypt (96th), Algeria (121st) and Yemen (131st). The index, which is co-published by the INSEAD Business School, Cornell University and the World Intellectual Property Organization, is a tool that stakeholders can use in tailoring policies to promote long-term economic growth, improve innovation and support job creation. It is a composite of 80 variables that are grouped in two sub-indices, the Innovation Input Sub-Index and the Innovation Output Sub-Index. The index rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The average score of the 13 Arab countries included in the survey reached 27.5 points and came below the global average of 33.9 points. The average score of Gulf Cooperation Council (GCC) countries was 31.1 points, while the average of non-GCC Arab countries stood at 24.5 points. Also, the Arab region's average score was higher than the average scores of Central & South Asia (25.7 points), and Sub-Saharan Africa (22 points), but was lower than the scores of North America (56.4 points), Europe (44.6 points), South East Asia, East Asia & Oceania (39.4 points), North Africa & West Asia (30.7 points), and Latin America & the Caribbean (27.8 points). The UAE ranked first regionally on the Innovation Input Sub-Index and the Innovation Output Sub-Index.

Source: INSEAD, Cornell University, WIPO, Byblos Research

Level of economic freedom varies in Arab world

The Fraser Institute's 2020 Index of Economic Freedom indicated that Jordan has the highest level of economic freedom among 18 Arab countries and ranked in 39th place among 162 countries included in the survey. Bahrain followed in 70th place, then the UAE (74th), Lebanon and Qatar (83rd each) as the five countries with the highest level of economic freedom in the Arab world, while Syria (151st), Egypt (152nd), Algeria (157th), Libya (160th) and Sudan (161st) had the lowest level of economic freedom in the region. The index evaluates individual economies on the basis of 42 variables that are divided into five broad factors of economic freedom that measure the Size of Government, Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. The rankings of nine Arab countries improved, five regressed and four were unchanged from the 2019 survey, while the scores of nine Arab countries improved, eight declined and one was unchanged from the previous survey. Jordan ranked first on each of the Access to Sound Money and the Regulation of Credit, Labor & Business categories. Also, the UAE came in first place on the Freedom to Trade Internationally category. Further, Sudan ranked first on the Size of Government category, while Morocco came in first place on the Legal System & Property Rights category.

Source: Fraser Institute, Byblos Research

OUTLOOK

WORLD

Global reinsurance sector facing significant challenges

Moody's Investors Service anticipated that the operating environment of the global reinsurance sector will be challenging in the next 12 to 18 months, and that it will weigh on the profitability of reinsurers, despite higher prices of reinsurance policies and services. It said that losses from the coronavirus pandemic and other catastrophe events have already depleted the annual budgets of many reinsurance firms for catastrophe losses. It indicated that pandemic related-losses and the decrease in interest rates globally contributed further to the increase in reinsurance pricing, which started prior to the virus outbreak. But it considered that the current prices are insufficient to offset the higher volatility in the financial results of reinsurers, given that prices are rising from low levels. It projected the increase in reinsurance pricing to persist in 2021, as most of the buyers of reinsurance that the agency surveyed are expecting prices to increase by 5% or more next year.

In parallel, Moody's noted that it is difficult to estimate the full impact of the coronavirus outbreak on the reinsurance sector, as the pandemic is still ongoing. It added that legal disputes between insurers and policyholders about pandemic-related coverage remain unresolved. As such, it anticipated reinsurers to incur additional losses in the coming quarters, as the impact of the pandemic becomes clearer, and given that the global economic recovery is facing significant downside risks. In addition, it expected interest rates to remain low for some time, which would reduce the investment income of reinsurers, while the increase in the cost of "retrocessional reinsurance" and higher "loss cost" will have an adverse impact on their earnings. Further, it indicated that reinsurers are reducing their exposure to catastrophe events to limit their risks amid rising volatility in their financial results, and despite higher pricing. It considered climate change to be a long-term challenge for the reinsurance sector, as the frequency of weather-related catastrophe events increased significantly in the past decade, which expanded the amount of insured losses.

Source: Moody's Investors Service

SAUDI ARABIA

Low oil prices and production weigh on economic growth outlook

Barclays Capital expected Saudi Arabia's real GDP to contract by 7.4% in 2020 relative to an earlier forecast of a 6% contraction, as lower oil prices, sharp reductions in oil output and severe mobility restrictions are weighing on the Kingdom's economic activity. It forecast private sector demand to contract by 3.7% in 2020 and expected public sector demand to remain weak despite significant support measures. It pointed out that downside risks to the growth outlook persist, and anticipated a mild recovery in economic activity next year, with a real GDP growth rate of 1.8% in 2021. It anticipated a protracted recovery in private sector demand through 2021, and projected the inflation rate to reach 3.4% in 2020 and 0.4% in 2021. It expected the Kingdom to stay committed to the OPEC production cut agreement, as oil prices remain under pressure.

In parallel, it forecast the fiscal deficit to widen from 4.7% of GDP in 2019 to 12.4% of GDP in 2020, and the current account balance to shift from a surplus of 5.7% of GDP in 2019 to a deficit of 5.3% of GDP in 2020 and 2.1% of GDP in 2021 amid low oil export receipts. It indicated that any extension in tax holidays should delay the recovery in non-hydrocarbon revenues in 2021. It forecast the fiscal deficit to narrow to 3.8% of GDP in 2021, in case economic activity normalizes and the gradual easing of lockdown measures reduces pressure on the budget. It added that laying off expatriate workers will support the downward adjustment in the public sector wage bill, although most expatriates are employed by the private sector.

Further, it considered that the Kingdom has so far financed its fiscal needs through the issuance of $12bn in Eurobonds, $10.9bn in domestic debt and $15.3bn from the government's deposits at the Saudi Arabian Monetary Authority. It projected the government debt to increase from 34.2% of GDP in 2019 to 40.1% of GDP in 2020 and to 41.6% of GDP in 2021.

Source: Barclays Capital

ANGOLA

Real GDP to contract by 4% in 2020, outlook subject to downside risks

The International Monetary Fund indicated that Angola's economic outlook has significantly weakened due to the decline in global oil prices and the adverse impact of the COVID-19 outbreak. It said that the drop in oil output under the OPEC+ agreement and lower oil prices will weigh on Angola's economic activity, as well as on its public finances and external position this year. As such, it projected real GDP to contract by 4% in 2020 and to post its deepest yearly retreat in three decades. It expected economic activity to grow by 3.2% in 2021, but to remain subject to significant downside risks from a protracted COVID-19 pandemic, lower-than-anticipated oil prices, rising trade tensions, and geopolitical uncertainties. It projected the inflation rate to increase from 17.1% in 2019 to 21% in 2020, due to the depreciation of the Angolan kwanza and to a moderately accommodative monetary policy. In parallel, the IMF approved an immediate disbursement of $1bn to Angola under its Extended Fund Facility, as well as endorsed the authorities' request for an augmentation of access under the arrangement by about $765m in order to support the authorities' efforts to mitigate the impact of the pandemic on economic activity.

The Fund considered that the authorities have adopted timely fiscal and monetary measures to address the challenges rising from the dual shocks, and that they remain strongly committed to the economic plan under the IMF's program. For instance, it noted that the Banco Nacional de Angola introduced measures to ease liquidity and credit constraints to help the private sector cope with the crises. It projected the fiscal balance to shift from a surplus of 0.8% of GDP in 2019 to a deficit of 3.6% of GDP in 2020, while it forecast the public debt level to rise from 109.2% of GDP at end-2019 to 122.8% of GDP at end-2020, as a result of the exchange rate depreciation and output contraction. Still, it considered that sustained fiscal austerity measures, prudent debt management, and the reprofiling of the debt would improve Angola's debt dynamics beyond 2020. In parallel, it anticipated the current account balance to shift from a surplus of 5.7% of GDP last year to a deficit of 2% of GDP in 2020. It expected the country's external financing gap to be covered by the new IMF funding, debt reprofiling under the G20 Debt Service Suspension Initiative, and debt reprofiling by Angola's large creditors.

Source: International Monetary Fund

ECONOMY & TRADE

AFRICA

Continent can benefit from debt reprofiling deal with China

Citi Research considered that African governments that have issued Eurobonds are not willing to put pressure on private-sector holders of Eurobonds to negotiate a bilateral debt relief agreement, as it would negatively impact the governments' ability to access debt markets. It expected African countries to continue to benefit from the current Debt Service Suspension Initiative (DSSI) of the Paris Club and the Group of 20 countries. It added that 28 of states, including 20 African countries, have signed a memorandum of understanding with the Paris Club to implement the DSSI. It noted that the immediate financial implication for the 28 countries is the deferral of $1.8bn in debt servicing due this year. It considered that the inclusion of China in the DSSI provides limited benefits to African countries, as the latters have increasingly borrowed on commercial and semi-commercial terms. It pointed out that African governments would significantly benefit from a comprehensive bilateral debt deal with China that takes the form of a major debt re-profiling. For instance, it said that China's debt deal with Angola reduced the latter's debt service payments by $3.1bn. In parallel, Citi considered that, in case the projected economic recovery in Africa in 2021 does not materialize, governments might not be able to service their debt due to lower government revenues. In this case, it said that African countries could step up their requests to China for bilateral debt deals, which would extend loan maturities and reduce debt servicing costs.

Source: Citi Research

SUDAN

IMF approves non-funded program to support reforms implementation

The International Monetary Fund approved Sudan’s request for a 12-month staff-monitored program to support the implementation of the government's reforms package. The Fund indicated that the Sudanese authorities requested the program in order to establish a track record on policy and reform implementation, which is a requirement for any debt relief. It indicated that the COVID-19 pandemic has exacerbated the challenges that the country is facing, and that include large fiscal and external imbalances, elevated inflation rates that reached 167% in August, weak economic competitiveness, and a dire humanitarian situation. It said that the reforms package aims to stabilize the economy, eliminate economic distortions, improve competitiveness and strengthen public governance. It pointed out that, under the program, the authorities intend to continue reducing fuel subsidies to allow for higher social spending, as well as to broaden the tax base, including through the reductions of tax exemptions. It considered that the resulting fiscal adjustment will be crucial to reducing the monetization of the fiscal deficit and the inflation rate. In addition, it said that authorities plan to take measures to float the currency. Further, it noted that Sudan cannot access financing from the IMF because of the country's accumulated arrears to the Fund. It added that Sudan will need a strong track record of implementing reforms and of macroeconomic performance, as well as a comprehensive strategy to clear its arrears and for debt relief in order to address its high external debt stock.

Source: International Monetary Fund

SYRIA

Economic losses at $442bn in 2011-18 period

The United Nations Economic and Social Commission for Western Asia (ESCWA) estimated Syria's cumulative economic losses, which include output losses and the cost of damages to physical infrastructure, at $442.2bn in the 2011-18 period. It indicated that output losses stood at $324.5bn in the covered period, or 73.4% of cumulative economic losses, and estimated real GDP to have contracted by more than 54% between 2011 and 2018. It also noted that aggregate losses from the destruction of physical infrastructure stood at $117.7bn in the covered period, or 26.6% of cumulative economic losses. It said that the housing sector accounted for 17.5% of physical infrastructure losses, followed by the mining industry (16%), the military (15.3%), transportation (12.6%), manufacturing (10%), electricity (6.2%), and healthcare services (4.5%). Further, ESCWA pointed out that Syria's fiscal deficit narrowed from $1.3bn in 2010 to $0.7bn in 2017, as the $10.6bn drop in government revenues was more than offset by an $11.3bn decline in public spending. But it noted that the deficit widened from 2.2% of GDP in 2010 to 4.7% of GDP in 2017, reflecting a sharp decline in Syria's nominal GDP. In addition, it indicated that Syrian exports decreased from $8.7bn in 2010 to $2.3bn in 2012 and to $0.7bn in 2018, mainly due to disruptions to production and trade chains as a result of the damage to infrastructure, as well as to the sanctions that the U.S. and the European Union imposed starting in 2011. It said that the sharp decline in exports led to a wider trade deficit and to the depreciation of the exchange rate from SYP46.6 against the US dollar at end-2010 to SYP460.2 per dollar at end-2018.

Source: ESCWA

KUWAIT

Sovereign ratings downgraded for first time

Moody's Investors Service downgraded Kuwait's long-term foreign and local currency issuer rating from 'Aa2' to 'A1', and changed the outlook from 'Under Review for Downgrade' to 'stable'. It attributed its first downgrade of the sovereign to the increase in the government's liquidity risks and to a reassessment of Kuwait's institutions and governance strengths. It noted that, in the absence of legal authorization to issue debt or draw on the Future Generations Fund's assets, the authorities' liquid resources are getting close to being depleted, leading to liquidity risks despite Kuwait's extraordinary fiscal strength. It added that the deadlock over the government's medium-term funding strategy and the absence of any meaningful fiscal consolidation reflect significant deficiencies in legislative and executive institutions and policy effectiveness. It added that the draft debt law contains a KD20bn debt ceiling, which would be used in less than two years. Moody's estimated that Kuwait needs to issue up to KD27.6bn, or $90bn, in sovereign debt in order to meet its funding requirements between the fiscal year that ends in March 2021 and FY2023/24. It said that Kuwait has one of the largest stocks of sovereign financial assets in the world, and that providing the government with access to these assets would eliminate the latter's liquidity risks. Further, it considered that the delays in finding a durable solution for Kuwait's medium-term funding is increasing risks to the sovereign's credit profile due to rising government expenditures and low oil prices.

Source: Moody's Investors Service

BANKING

WORLD

Phasing out of IBORs could pose risks beyond 2021 in case of delays in implementation

Moody's Investors Service indicated that the phasing out of the Interbank Offered Rates (IBORs) system at the end of 2021 leaves global banks, insurers and asset managers with 15 months to fully transition their contracts and operations to transaction-based overnight Alternative Reference Rates (ARRs). IBOR rates represent the interest rates on unsecured interbank loans across various tenors, while ARRs are based on actual overnight transactions and are secured by collateral. The agency noted that many of these institutions still have high volumes of IBOR-linked contracts that could pose operational, technological, financial, legal and reputational risks beyond 2021. As such, it conducted a survey on 85 global banks and non-bank financial institutions (NBFIs) to gauge their preparedness for the IBOR phaseout. It noted that all surveyed financial institutions in 2020 have a transition plan in place, compared to about two thirds of banks and one third of NBFIs that had such plans in place in the 2019 survey. It added that 77% of surveyed institutions indicated that their transition plans are on track despite the outbreak of the coronavirus pandemic. Conversely, it noted that only 27% of banks and 18% of NBFIs admitted that their transition plans are lagging in some areas. It indicated that these institutions expressed concerns that the delays in the adoption of final fallback protocols, as well as insufficient liquidity and demand for new ARRs, will make it difficult to become fully operational in ARRs by the end of 2021. Further, it said that 65% of banks and 75% of NBFIs expect the transition costs to be split between lenders and borrowers, while about 25% of banks and 7% of NBFIs expect that they will absorb most of the transition costs.

Source: Moody's Investors Service

KUWAIT

Agency takes rating actions on nine banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of the National Bank of Kuwait (NBK) at 'AA-' and the IDR of Kuwait Finance House (KFH), Boubyan Bank, Gulf Bank, Ahli United Bank Kuwait (AUBK), Commercial Bank of Kuwait (CBK), Warba Bank, Kuwait International Bank (KIB) and the Industrial Bank of Kuwait (IBK) at 'A+'. It said that all the banks' long-term IDRs have a 'stable' outlook. It indicated that the banks' IDRs are driven by the extremely high probability of support from the Kuwaiti authorities to all domestic banks in case of need, irrespective of their size, franchise, funding structure and level of government ownership. In parallel, the agency affirmed the Viability Rating (VR) of NBK at 'a-', the VRs of Boubyan Bank and AUBK at 'bbb-', the ratings of KFH, Gulf Bank, and IBK at 'bb+', the VR of CBK at 'bb', and the rating of KIB at 'bb-'. It also placed on Rating Watch Negative the VR of Warba Bank, due to the deterioration in the bank's capitalization and leverage in 2019 and in the first half of 2020. The agency pointed out that the banks' VRs reflect increased pressures on the operating environment in Kuwait from the coronavirus pandemic and lower global oil prices, which it expected to result in the deterioration of the banks' asset quality and profitability. It noted that the adverse impact of lower oil prices on the government's public finances and debt dynamics will add to the pressure on the banks' profile.

Source: Fitch Ratings

UAE

Challenging operating environment to negatively affect banks' asset quality and profitability

Goldman Sachs expected the profitability of UAE banks to deteriorate in 2020, mainly due to narrower net interest margins as a result of lower policy rates, as well as to the banks' higher cost of risk. It anticipated banks to reduce their operating expenditures by around 12% this year, in order to partly offset the decline in their earnings. But it forecast profitability to recover in 2021, in case banks continue to reduce their operating expenditures and if their cost of risk declines. It projected the sector's aggregate return on assets to decline from 1.6% in 2019 to 0.8% in 2020, and to recover to 1% in 2021; while it expected the return on equity ratio to decrease from 13% in 2019 to 7.5% in 2020, and to increase to 8.6% in 2021. It considered that cost optimization will constitute a key focus of UAE banks in coming years, given the challenging operating environment. It said that the COVID-19 pandemic catalyzed digitalization, which allowed banks to continue to deliver services to their customers and to optimize their costs. In addition, Goldman Sachs anticipated the pressure on the asset quality of UAE banks to persist in the second half of 2020 and in 2021 amid the economic downturn. It considered First Abu Dhabi Bank and Emirates NBD to be the best-positioned banks to withstand the pressure on their asset quality, given their high non-performing loans coverage ratios, and expected them be the most efficient banks in the UAE in implementing cost optimization measures.

Source: Goldman Sachs

TURKEY

Asset quality subject to foreign currency and COVID-19-related risks

Barclays Capital indicated that Turkish banks have sufficient liquidity to cover their short-term liabilities in foreign currency, with the liquidity of some banks fully covering their foreign currency maturities. It also estimated that the banks' capital buffers are well above regulatory minimum requirements as at end-June 2020, despite the challenging economic conditions in the first half of 2020. But it expected COVID-19-related pressure on the banks' asset quality to persist, although it said that the forbearance measures that authorities have in place until the end of 2020 would delay the recognition of problem loans. It added that the banks' asset quality remains exposed to foreign currency risks, given that foreign currency loans accounted for over 20% of aggregate assets as at end-July 2020. In parallel, it noted that the banking sector's aggregate lending increased by 21% so far this year, supported by the authorities' increased stimulus measures and the introduction of the "asset ratio rule" in April 2020 that aims to stimulate private sector lending. According to the new rule, banks are required to maintain a consolidated and individual asset ratio of at least 100%. But Barclays expected lending growth to begin to slow down in the second half of 2020, mainly due to the Central Bank of the Republic of Turkey's tighter monetary policy, and the authorities' reduction of the asset ratio requirement from 100% to 95% in August. In addition, it indicated that the banks' short- and long-term external debt has declined from its peak in 2017, but is still sizeable at $145bn, or 20% of GDP, as at end-March 2020, with short-term debt representing 37% of the total.

Source: Barclays Capital

ENERGY / COMMODITIES

Oil prices to reach $49 p/b by end-2020

ICE Brent crude oil front-month prices traded at between $40 per barrel (p/b) and $43 p/b between September 15 and 23, slightly recovering from a three-month low of $39.6 p/b on September 14. Goldman Sachs indicated that the swift decline in oil prices earlier this month was due to a swing in sentiment in the global oil market, amid a slower-than-expected market rebalancing given the stalling recovery in oil demand, the continuing spread of the coronavirus, a sharp slowdown in Chinese imports, and higher OPEC and U.S. oil production. It pointed out that the catalyst for the sell-off in the oil market was the sudden reversal in the rally in technology stocks, which triggered a drop in the speculative positions in the oil market. Also, it considered that this sentiment reflects transitory dynamics in global oil inventories amid a slowdown in crude buying from China after its massive stockpiling of oil. Goldman Sachs expected global demand to increase by 2 million barrels per day (b/d) between September and December 2020, and anticipated a deficit of 3 million b/d in the fourth quarter of 2020. It forecast Brent oil prices to reach $49 p/b by end-2020. It projected oil prices to average $65 p/b in the third quarter of 2021 as the oil market tightens amid low U.S. oil production and renewed Chinese commodity stockpiling in 2021.
Source: Goldman Sachs, Refinitiv, Byblos Research

OPEC oil output up 3% in August 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 24 million barrels per day (b/d) in August 2020, up by 3.3% from 23.3 million b/d in July 2020. Saudi Arabia produced 8.9 million b/d in August 2020, or 37% of OPEC's total output, followed by Iraq with 3.7 million b/d (15.2%), the UAE with 2.7 million b/d (11.2%), Kuwait with 2.3 million b/d (9.5%), and Iran with 1.9 million b/d (8.1%).
Source: OPEC

Global gas demand to grow by a CAGR of 1% in 2018-50 period

BP projected the global consumption of gas to increase by a compound annual growth rate (CAGR) of 1% from 3,849 billion cubic meters (bcm) in 2018 to 5,305 bcm in 2050, under a "business-as-usual" scenario that assumes slow progress in reducing carbon emissions. In comparison, it expected global gas consumption to grow by a CAGR of 0.1% in the 2018-50 period to 3,950 bcm in 2050, under a "rapid" scenario, which assumes that the rapid implementation of policies would reduce carbon emissions by 70% by 2050. In contrast, it forecast global gas demand to decrease by a CAGR of 1.3% in the 2018-50 period to 2,527 bcm in 2050, under the "net zero" scenario that assumes a reduction of 95% in carbon emissions by 2050.
Source: BP, Byblos Research

Nigeria's oil receipts down 28% in first seven months of 2020

Nigeria's receipts from the export of crude oil and condensate totaled $2.1bn in the first seven months of 2020, down by 28% from $2.9bn in the same period of 2019. Export revenues consisted of $1.4bn from crude oil exports (65%), $397.7m from gas exports (19%) and $336.7m in other receipts (16%). The authorities transferred $924.3m in hydrocarbon revenues to the Federation Account in the covered period, and used $1.2bn to pay global oil companies to guarantee current and future oil production.
Source: Nigerian National Petroleum Corporation

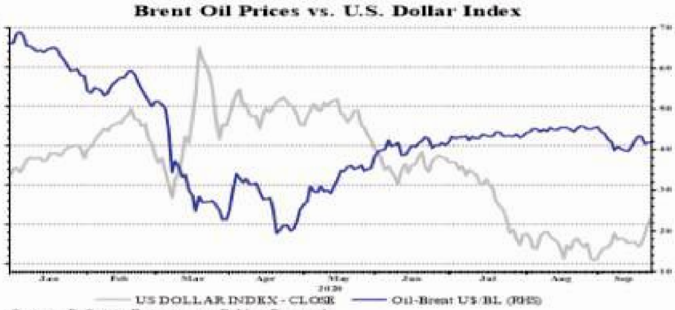
Base Metals: Copper prices recover by 48% since March 2020

LME copper cash prices averaged $6,521 per ton in August 2020, constituting an increase of 2.3% from an average of $6,372 a ton in July. Prices closed at $6,853 per ton on September 18, their highest level since June 18, 2018, and grew by 48.2% from a three-year low in March 2020. A strong recovery in Chinese demand for base metals, a weaker US dollar, and a positive global economic outlook, drove the rise in copper prices. The Organization for Economic Cooperation and Development indicated that the global economy is recovering from the coronavirus at a faster-than-expected pace, as the outlook for major economies is improving. Further, the U.S. Federal Reserve's plan to promote higher inflation, along with low copper inventories, also supported prices. Copper prices moderated to an average of $6,715 per ton between September 21 and September 23, amid a stronger US dollar and renewed concerns about the economic recovery due to the rising number of coronavirus infections globally. In parallel, the latest figures show that global demand for refined copper was 12.1 million tons in the first half of 2020, unchanged year-on-year, as higher demand in China offset the decrease in demand in the rest of the world. Also, global refined copper production reached 11.9 million tons in the covered period, and increased by 1% annually amid higher output from Chile, the Democratic Republic of the Congo and Japan. This was partially offset by lower production in China, India, the U.S. and Zambia.
Source: International Copper Study Group, Refinitiv

Precious Metals: Palladium prices to average $2,500 per ounce in first half of 2021

Palladium prices have been recovering in the second half of 2020 after they declined from $2,287 per troy ounce in the first quarter to $1,966 an ounce in the second quarter of 2020 due to weak global automotive demand amid the COVID-19 pandemic. Prices increased so far in the second half of the year from an average of $2,040 per ounce in July to $2,170 an ounce in August, and closed at $2,245 an ounce on September 23. The rise in prices was triggered by stronger demand for palladium from the automotive sector, which accounts for 80% of the metal's global demand. On the production side, persistent disruptions to South African mine output have also supported the metal's price. In fact, global palladium production is forecast to decrease by 11% to 6.44 million ounces this year. Further, palladium prices are projected to increase from an average of $2,300 per ounce in the fourth quarter of 2020 to $2,500 an ounce in the first half of 2021. But they are anticipated to decline thereafter to an average of $2,150 an ounce in the second half of next year, mainly due to expectations of palladium-to-platinum substitution in catalytic converters, given the relatively higher price of palladium.
Source: Citi, Refinitiv, Byblos Research

Brent Oil Prices vs. U.S. Dollar Index



Source: Refinitiv Datastream, 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	CCC+	Caa1	-	-	CCC								
Congo	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-	A1	AA	AA-	AA-								
	Negative	Stable	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-	BB-								
	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	LT Foreign currency rating: 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 (%)
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	17-Sep-20	No change	05-Nov-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	23-Sep-20	No change	11-Nov-20
Switzerland	SNB Policy Rate	-0.75	24-Sep-20	No change	17-Dec-20
Canada	Overnight rate	0.25	09-Sep-20	No change	28-Oct-20
Emerging Markets					
China	One-year Loan Prime Rate	3.85	21-Sep-20	No change	20-Oct-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	23-Sep-20	No change	18-Nov-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	10.25	24-Sep-20	Raise 200bps	22-Oct-20
South Africa	Repo Rate	3.50	17-Sep-20	No change	19-Nov-20
Kenya	Central Bank Rate	7.00	29-Jul-20	No change	29-Sep-20
Nigeria	Monetary Policy Rate	11.50	22-Sep-20	Cut 100bps	23-Nov-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	18-Sep-20	Cut 25bps	23-Oct-20

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