In memory of the victims of
the Beirut Port explosion

Issue 645 | October 1, 2020

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading up 8% to $1,311bn in second quarter of 2020

Trading in emerging markets debt instruments reached $1,311bn in the second quarter of 2020, constituting an increase of 8% from $1,211bn in the second quarter of 2019 and a decrease of 12% from $1,492bn in the first quarter of 2020. Turnover in local-currency instruments reached $769bn in the second quarter of 2020, up by 16% from $663bn in the second quarter of 2019 and down by 14% from $897bn in the first quarter of 2020. In parallel, trading in Eurobonds stood at $537bn in the second quarter of 2020, and decreased by 2% from $547bn in the same quarter of 2019 and by 9% from $592bn in the preceding quarter. The volume of traded sovereign Eurobonds reached $358bn and accounted for 64% of total Eurobonds traded in the covered quarter, while the volume of traded corporate Eurobonds amounted to $172bn or 35% of the total. In addition, turnover in warrants and options stood at $900m, while loan assignments reached $4.6bn in the second quarter of 2020. The most frequently-traded instruments in the covered quarter were Mexican fixed income assets with a turnover of $229bn, or 17% of the total, followed by securities from Brazil with $120bn (9%) and instruments from China with $93bn (7%). Other frequently-traded instruments consisted of fixed income securities from South Africa at $80bn (6.1%) and from India at $68bn (5.2%).

Source: EMTA

MENA

Public governance varies across countries in the region

The World Bank's World Governance Indicators for 2019 show that the average score of 20 Arab countries improved on the Political Stability, Government Effectiveness and Regulatory Quality indicators, while it regressed on the Voice & Accountability category and was unchanged on the Rule of Law and the Control of Corruption indicators year-on-year. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.49 points on the Government Effectiveness indicator, up from -0.51 points in 2018. This category evaluates the condition of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The region's government effectiveness was higher than the effectiveness of governments in Sub-Saharan Africa only. The UAE had the most effective government among Arab countries, followed by Qatar, Saudi Arabia, Bahrain and Oman; while Iraq, Sudan, Syria, Libya and Yemen have the least efficient governments in the region. In parallel, Arab countries received a score of -0.49 points on the Control of Corruption indicator, unchanged from 2018. The region's average score was better than only the score of Sub-Saharan Africa. Regionally, the control of corruption was highest in the UAE, Qatar, Oman, Saudi Arabia and Jordan, while it was the lowest in Iraq, Sudan, Libya, Yemen and Syria.

Source: World Bank, Byblos Research

Stock markets down 9.4% in first nine months of 2020

Arab stock markets declined by 9.4% and Gulf Cooperation Council equity markets decreased by 7% in the first nine months of 2020, relative to expansions of 4.1% and 3%, respectively, in the same period of 2019. In comparison, global stocks regressed by 0.7% and emerging market equities retreated by 5.2% in the covered period. The index of the Beirut Stock Exchange jumped by 138.4% in the first nine months of 2020, activity on the Damascus Securities Exchange expanded by 27.4%, and the Khartoum Stock Exchange grew by 7.7%. In contrast, activity on the Egyptian Exchange dropped by 21.3% in the first nine months of 2020, the Casablanca Stock Exchange fell by 18%, the Dubai Financial Market contracted by 17.8%, the Palestine Exchange retreated by 16.7%, the Amman Stock Exchange declined by 12.5%, the Boursa Kuwait regressed by 12.4%, while the Abu Dhabi Securities Exchange and the Bahrain Bourse lost 11% each. Also, activity on the Muscat Securities Market deteriorated by 9.2%, the Tunis Bourse declined by 5.2%, the Qatar Stock Exchange decreased by 4.2%, the Iraq Stock Exchange shrank by 2%, and the Saudi Stock Exchange regressed by 1.1%.

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

Country risk level unchanged in second quarter of 2020

The Euromoney Group's quarterly survey of global country risk shows that the risk level in the Arab world was nearly unchanged in the second quarter of 2020, as the average country risk score of 18 Arab economies was 41.45 points relative to 41.5 points in the first quarter of 2020, but it increased year-on-year from an average score of 41.37 points in the second quarter of 2019. A higher score represents a lower country risk level. The Arab region's risk level was higher than the global risk level of 47.96 points, as well as higher than the risk levels of North America (64.76 points), Europe & Central Asia (59.15 points), East Asia & Pacific (52.53 points), Latin America & the Caribbean (46.92 points), and South Asia (42.14 points); while it was lower than the risk level of Sub-Saharan Africa (35.36 points). Also, the average country risk score of Gulf Cooperation Council (GCC) states stood at 60.9 points, while the average score for non-GCC countries was 31.73 points. In parallel, the average score of GCC countries on the five categories of country risk was above the global average score, while the score of non-GCC economies was below the global average for the five indicators. Qatar had the lowest country risk level in the region and the 28th lowest globally, followed by Kuwait (35th), the UAE (38th), Saudi Arabia (43rd), and Oman (48th) as the five Arab countries with the lowest risk levels in the region. In contrast, Libya (159th), Lebanon (162nd), Yemen (163rd), Sudan (165th), and Syria (174th) posted the highest risk levels in the Arab world.

Source: Euromoney Group, Byblos Research

OUTLOOK

WORLD

Post-pandemic austerity measures to slow economic growth in 2022-30 period

The United Nations Conference on Trade & Development (UNCTAD) projected global real GDP to contract by 4.3% in 2020 and to grow by 4.1% in 2021, and did not expect economic activity to recover to its pre-COVID-19 level in 2021. It estimated that the massive income loss of firms and households from the pandemic will continue to have a negative impact on savings and incomes, which would raise the level of private debt and constrain private spending. It expected the recovery to slow down if governments reduce prematurely their spending by mid-2021, following the necessary increases in public expenditures earlier this year to cushion the crisis. It forecast economic activity in developed countries to contract by 5.8% in 2020 and to grow by 3.1% in 2021, while it expected real GDP in developing economies to contract by 2.1% in 2020 and to expand by 5.7% in 2021.

Further, under its 'lost decade' scenario that assumes some fiscal austerity in the 2021-23 period and lower government spending in the remainder of the decade, the UN agency projected global real GDP to grow by an average of 2% in the 2022-30 timeframe, compared to 3.1% in the 2010-2019 period. It assumed that fiscal austerity measures will limit the growth in global demand and slow economic activity in the current decade.

In parallel, the UNCTAD considered that the 'lost decade' scenario can still be reversed through increased government efforts, as the private sector is in a "wait-and-see" mode amid the current uncertainties related to the pandemic. It anticipated real GDP growth to average 3.8% in the 2022-30 period, under its 'growth revival' scenario that assumes an average growth rate of 3.1% in government spending in the covered period, relative to an average increase of 1.2% in annual public spending in the 'lost decade' scenario. It expected that, despite higher government spending, the global public debt level would decline from 89.6% of GDP at end-2021 to 76.3% of GDP at end-2030, compared to a debt level of 91.8% of GDP at end-2030 under the 'lost decade' scenario. It pointed out that the implementation of austerity measures in the current global conditions will not reduce debt ratios, as the implementation of fiscal austerity measures after the global financial crisis resulted in slowing growth and rising debt levels.

Source: UNCTAD

SAUDI ARABIA

Economy to shrink by 5.2% in 2020 due to drop in oil prices and coronavirus pandemic

The Institute of International Finance projected Saudi Arabia's real GDP to shrink by 5.2% in 2020 as a result of the decline in global oil prices and the coronavirus pandemic. It forecast non-hydrocarbon sector activity to contract by 4.5% in 2020 compared to a growth rate of 3.2% last year, due to the restrictive measures that the government implemented to contain the outbreak of the virus. It expected real hydrocarbon GDP to retreat by 6.4% this year following a contraction of 3.6% in 2019, due to oil production cuts under the OPEC+ agreement. It anticipated overall economic activity to grow by 2.3% in 2021, with non-oil real GDP expanding by 3.4% and hydrocarbon sector output increasing by 0.9%. But it noted that the depth of the economic contraction in 2020 and the speed of recovery in 2021 are subject to a high degree of uncertainties. In parallel, it anticipated the average inflation rate to reach 3.6% in 2020 and 3.9% in 2021, mainly due to the increase in the value-added tax rate and a modest rise in non-fuel commodity prices.

Further, the IIF indicated that authorities have responded to the coronavirus pandemic and lower oil prices through major fiscal consolidation and monetary easing measures. Still, it forecast the fiscal deficit to widen from 4.5% of GDP in 2019 to 10.6% of GDP in 2020, in case oil prices average $42 per barrel (p/b), and to gradually narrow to 4.6% of GDP in 2021 and to reach a balanced budget by 2023. It anticipated the authorities to finance the deficit through the issuance of domestic and external debt, as well as by tapping foreign currency reserves at the Saudi Arabian Monetary Authority (SAMA). As such, it projected the public debt level to rise from 23% of GDP at end-2019 to 37% of GDP at end-2020 and to reach 42% of GDP by end-2023. In addition, it forecast the current account balance to shift from a surplus of 5.9% of GDP in 2019 to a deficit of 1.5% of GDP in 2020, due to lower oil export receipts and despite the projected decline in imports. It anticipated private non-resident capital inflows to the Kingdom to decrease from $71bn in 2019 to $62.6bn in 2020, and expected resident capital outflows to exceed non-resident capital inflows. It forecast foreign currency reserves at SAMA to decline from $499bn, or 28 months of imports, at end-2019 to $445.6bn, or 24.8 months of import coverage, at end-2020.

Source: Institute of International Finance

EGYPT

Pressure on external account and financing needs to remain elevated in medium term

Barclays Capital considered that Egypt's economy has been resilient despite the COVID-19-related lockdown measures and the ongoing global recession. However, it projected real GDP growth to decelerate from 3.5% in the fiscal year that ended in June 2020 to 2.8% in FY2020/21, due to subdued tourism and construction activity, but to recover in FY2021/22 in case economic activity normalizes. It expected that the early development of the vaccine and rapid mass distribution would reinforce confidence and accelerate the return of international tourism and, in turn, significantly support Egypt's growth outlook.

In parallel, it projected the fiscal deficit to widen from 7.8% of GDP in FY2019/20 to 8.9% of GDP in FY2020/21, despite the authorities' commitment to fiscal consolidation. It forecast the public debt level to increase from 85% of GDP at the end of June 2020 to 85.6% of GDP at end-June 2021. It said that Egypt raised $14.8bn in external debt and from the International Monetary Fund since April 2020 to cover most of the country's financing needs and to reduce immediate funding pressure. But it anticipated financing needs to remain elevated in the medium term.

Barclays said that the impact of the pandemic on the country's external account has been significant, despite a rebound in capital inflows. It pointed out that Egypt received at least $9.8bn in external funding between May and August 2020, but that reserves at the Central Bank of Egypt (CBE) rose by $1bn only in the same period, which suggests increased pressure on the country's external position. It projected the current account deficit to widen from 3.9% of GDP in FY2019/20 to 4.2% of GDP in FY2020/21, in case import activity normalizes and if the CBE keeps policy rates at their current levels to attract capital inflows.

Source: Barclays Capital

ECONOMY & TRADE

GCC

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-' Saudi Arabia's long-term sovereign credit ratings, with a 'stable' outlook. It indicated that the coronavirus pandemic and low global oil prices are weighing significantly on the Kingdom's economy and fiscal position. However, it noted that the government's large fiscal and external buffers mitigate these pressures. It projected the fiscal deficit at 11% of GDP and the current account deficit at 8.7% of GDP in 2020, amid a sharp decline in oil export receipts. It anticipated the fiscal deficit to narrow to 6.2% of GDP and the current account balance to shift back to a surplus of 0.5% of GDP in 2021, in case global economic conditions improve, and global oil prices and exports recover. In parallel, Moody's Investors Service affirmed Qatar's long-term issuer and foreign-currency senior unsecured debt ratings at 'Aa3', and maintained the 'stable' outlook on the ratings. It expected the drop in global energy prices to reduce the country's hydrocarbon revenues by more than 20% in 2020, and to result in a fiscal deficit of 2% of GDP this year. As such, it anticipated the public debt level to reach a peak of about 68% of GDP at the end of 2020. However, it considered that the country's very high GDP per capita, substantial hydrocarbon reserves with low extraction costs, strong net asset position and macroeconomic policy effectiveness, underpin its resilience to shocks. It added that the rating affirmation reflects its expectations that the government will reduce its debt burden to less than 50% of GDP by the end of 2023, through a combination of fiscal consolidation measures and a plan for debt repayment.

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

TURKEY

Widening current account deficit and capital outflows increase pressure on lira

The Institute of International Finance indicated that Turkey's near-term external financing challenges have intensified, amid a widening current account deficit and a significant decline in foreign currency reserves. It projected the current account balance to shift from a surplus of 1.1% of GDP in 2019 to a deficit of 3.8% of GDP in 2020, and to further widen in case of renewed coronavirus-related disruptions. It expected import growth to moderate in the rest of 2020, due to a weaker lira and slower lending growth, and considered that a further normalization of exports and tourism revenues would support the country's trade balance. In parallel, it noted that capital outflows led to a decline in nonresident holdings of lira-denominated assets, while strong demand for foreign currency by residents intensified the pressure on the lira. As such, it said that the widening current account deficit and currency depreciation prompted the Central Bank of the Republic of Turkey to tighten its monetary policy substantially since mid-July. It considered that additional monetary tightening would help improve market sentiment, which could trigger net inflows of non-resident portfolio capital and contain the purchase by residents of foreign currency. In parallel, it pointed out that further declines in foreign currency reserves would exacerbate Turkey's high external vulnerabilities. But it considered that an increase in external debt rollover ratios would allow Turkey to accumulate foreign currency reserves in 2021.

Source: Institute of International Finance

NIGERIA

Outlook on rating revised upwards to 'stable'

Fitch Ratings affirmed at 'B' Nigeria's long-term foreign-currency Issuer Default Rating and revised the outlook from 'negative' to 'stable'. It attributed the outlook's upward revision to a decrease in the level of uncertainties from the impact of the coronavirus pandemic on Nigeria's economy, as well as to the stabilization of global oil prices, easing global funding conditions and looser domestic lockdown measures. It noted that the country addressed the pressure on its external liquidity through a partial exchange rate adjustment, along with de facto measures on capital flows and restrictions on the movement of foreign currency. It added that the disbursement of external official loans, including from the International Monetary Fund, allowed Nigeria's foreign currency reserves to recover from a 30-month low of $33.4bn in April 2020 to $35.8bn in late September. Still, it expected foreign currency reserves to remain under pressure in 2020 and 2021 due to sustained current account deficits. In parallel, the agency noted that the rating reflects the country's weak fiscal revenues, low governance and development indicators, high reliance on the hydrocarbon sector, subdued growth and elevated inflation rate. But it said that the ratings are supported by the large size of the economy, a low general government debt level, a small share of foreign currency-denominated debt, and a comparatively developed financial sector. It forecast the general government's deficit to widen from 3.6% of GDP in 2019 to 5.4% of GDP in 2020, while it anticipated the general government's debt level to reach 31% of GDP by the end of 2022, compared to the expected median debt ratio of 69% of GDP for 'B'-rated sovereigns.

Source: Fitch Ratings

ETHIOPIA

Sovereign ratings affirmed, outlook 'negative'

S&P Global Ratings affirmed Ethiopia's 'B/B' long- and short-term foreign and local currency sovereign ratings, with a 'negative' outlook on the long-term ratings. It attributed the 'negative' outlook to its expectation that Ethiopia's structurally weak fiscal and external positions could further deteriorate due to the adverse impact of the COVID-19 pandemic. It anticipated that the spread of the coronavirus will weigh on sectors that generate foreign currency, such as agriculture, travel and tourism, while it forecast the country's external financing needs and public external debt servicing costs to remain elevated. It projected foreign currency reserves to decline from $3.1bn at the end of July 2020 to $2.8bn at end-July 2021, and to cover two months of current account payments. It also forecast the current account deficit to widen from 5.3% of GDP in the fiscal year that ended in July 2020 to 6.4% of GDP in FY2020/21 due to lower tourism receipts, remittance inflows and merchandise exports, and to narrow to 5.5% of GDP by FY2022/23. In addition, it projected gross external financing needs at about 162.6% of current account receipts and usable reserves between FY2020/21 and FY2022/23. In parallel, it forecast the fiscal deficit to widen from 2.6% of GDP in FY2019/20 to 3.4% of GDP in FY2020/21, and to narrow to 2% of GDP by FY2022/23. It projected the general government's debt level to rise to about 34% of GDP at end-July 2021 as a result of the persistent fiscal deficits and the continued depreciation of the Ethiopian birr.

Source: S&P Global Ratings

SAUDI ARABIA

Banking sector to face challenges from low oil prices and coronavirus pandemic

The U.S.-based management consulting firm Alvarez & Marsal indicated that the outbreak of the coronavirus has significantly affected the performance of the largest 10 Saudi banks during the second quarter of 2020. It said that lending increased by 1.9% in the second quarter of 2020, down from 5.1% in the first quarter of the year, and posted its slowest growth rate in the previous five quarters. It pointed out that deposits grew by 1.5% in the first quarter of 2020 and by 1.8% in the second quarter of the year. As such, it noted that the banks' loan-to-deposit ratio stood at 86.1% in the covered quarter and was nearly unchanged from the first quarter of the year. In parallel, it indicated that the banks' total operating income declined by 3.8% quarter-on-quarter in the second quarter of 2020, due to the lockdown measures and the low interest rate environment, and was driven by a 2.2% decline in the banks' non-interest income and a 9.2% drop in their net fee commission and other operating income. It added that the banks' net income declined by 17.7% on a quarterly basis in the second quarter of 2020, as the lockdown measures impacted most of the income streams of the banks. As such, it noted that the banks' return on assets regressed from 1.8% on an annualized basis in the first quarter of 2020 to 1.4% in the second quarter, while their return on equity declined from 12.5% on an annualized basis in the first quarter to 10.3% in the second quarter of the year. The firm expected Saudi banks to face significant challenges in coming months, as it considered that the low oil price environment and the COVID-19 pandemic will weigh on economic activity and, in turn, weaken credit demand and asset quality.

Source: Alvarez & Marsal

MOROCCO

Asset quality to deteriorate on impact of COVID-19 pandemic

Moody's Investors Service indicated that the aggregate net profits of Morocco's four rated banks, which are Attijariwafa Bank, Groupe Banque Centrale Populaire, BMCE Bank and Crédit du Maroc, reached $357m in the first half of 2020, constituting a decline of 53% from the same period last year. It noted that the decrease in the banks' profits is due to a 138% increase in provisioning amid expectations of higher credit losses, as well as to the banks' contribution to the country's special fund for the management of the COVID-19 pandemic. It noted that the banks' combined return on assets reached 0.2% in the first half of 2020 compared to 1% in 2019. The agency anticipated the banks' asset quality to deteriorate significantly as pandemic-related measures, lower tourism activity and reduced exports to Europe are weighing on economic growth and on the repayment capacity of borrowers. It expected borrowers in the tourism, trade and transportation sectors to be the most affected by the coronavirus pandemic. It said that the decline in exports to Europe may also adversely impact borrowers in the manufacturing sector. In addition, it noted that the banks' growing exposure to Sub-Saharan African countries will contribute to the deterioration in their asset quality. Moody's expected problem loans to increase in the second half of 2020, despite Bank Al Maghrib's measures to contain the pandemic's impact on banks.

Source: Moody's Investors Service

UAE

Agency takes rating actions on seven banks

Capital Intelligence Ratings affirmed the long-term foreign currency rating (FCR) of Abu Dhabi Commercial Bank (ADCB) at 'A+', the rating of Al Masraf at 'A', the FCRs of National Bank of Fujairah (NBF) and National Bank of Umm Al Qaiwain (NBQ) at 'A-', the rating of Commercial Bank International (CBI) at 'BBB+', and the FCR of Invest Bank at 'BBB-'. It also downgraded the FCR of Bank of Sharjah (BOS) from 'A-' to 'BBB+'. In addition, the agency affirmed the Bank Standalone Rating (BSR) of ADCB at 'bbb+', the ratings of Al Masraf, NBF and NBQ at 'bbb', the BSR of CBI at 'bbb-', and the rating of Invest Bank at 'bb-'. It also lowered the BSR of BOS from 'bbb-' to 'bb+'. It maintained the 'stable' outlook on all the ratings. It attributed the downgrades of the BOS ratings mainly to the deterioration in the bank's asset quality, profitability and capitalization due to the economic impact of the coronavirus pandemic and of low oil prices on the bank’s operating environment. It also anticipated that the bank will incur losses from its operations in Lebanon in the coming quarters, which will further weigh on its asset quality, earnings and capital. In parallel, the agency pointed out that the seven banks’ FCRs are mainly driven by the UAE government's strong ability and willingness to support them in case of need. It noted that the banks' financial fundamentals are facing increasing pressures from heightened credit risks in the economy amid low oil prices and pandemic-related economic disruptions.

Source: Capital Intelligence Ratings

ANGOLA

NPLs ratio at 22.3% at end-June 2020, capital adequacy ratio at 28.7%

The International Monetary Fund indicated that the asset quality reviews (AQRs) that the Banco Nacional de Angola completed in December 2019 revealed adequate capital and liquidity positions at most private banks operating in Angola, despite the significant depreciation of the exchange rate and the inadequate level of reserve requirements. It noted that the sector's risk-weighted capital adequacy ratio stood at 28.7% at the end of June 2020, up from 27.3% at end-June 2019. It added that the banks' aggregate liquid assets represented 26.4% of total assets at end-June 2020 relative to 24.4% a year earlier; while the banking sector's loans-to-deposits ratio regressed from 44.1% at the end of June 2019 to 34.8% at end-June 2020. The Fund pointed out that the AQRs identified modest capital shortfalls in five small banks, while two state-owned banks had a combined capital shortfall equivalent to 3.7% of the country's GDP in 2020. It indicated that four out of the seven weak banks complied with regulatory capital requirements by the end of June 2020 and that authorities are currently at an advanced stage in their recapitalization plans for the remaining three banks. It added that the problems at the two state-owned banks could weigh on the sector's financial stability through high non-performing loans (NPLs), weak liquidity positions, and possible exposure to further currency depreciation. It said that the banking sector's aggregate NPLs ratio stood at 22.3% at the end of June 2020 relative to 35.5% at end-June 2019. In addition, it noted that the AQRs identified systemic shortfalls in the banks' risk management, including large related-party exposures.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $43 p/b in 2020

ICE Brent crude oil front-month prices averaged $41.9 p/b in September 2020, constituting a decline of 7% from $45.1 p/b in August. Despite the month-on-month decline in September, oil prices averaged $43.4 p/b in the third quarter of 2020, and increased by 30% from $33.4 p/b in the second quarter of the year. In comparison, oil prices declined by 18.3% and 34.7% in the first and second quarters of 2020, respectively. The increase in oil prices in the third quarter of 2020 was due to OPEC's near-full compliance to the June production cut agreement, as well as to a decline in the exchange rate of the US dollar, the announcement of a stimulus package for European Union countries, improving manufacturing activity data from the U.S. and China, and larger-than-expected drawdowns of U.S. crude oil inventories. Also, temporary factors such as the decline in U.S. oil output due to hurricanes in the Gulf of Mexico supported prices. Still, a slower-than-expected market rebalancing in September from the stalling recovery in oil demand, the continuing spread of the coronavirus, a sharp slowdown in Chinese imports and higher OPEC oil production, limited the increase in oil prices. In parallel, Barclays Capital raised its forecast for Brent oil prices by $2 p/b to an average of $43 p/b in 2020, and projected prices to average $53 p/b in 2021.

Source: Barclays Capital, Refinitiv, Byblos Research

Global demand for renewables to grow by a CAGR of 6% in 2018-50 period

BP projected the global consumption of renewables to increase from 27 exajoules in 2018 to 161 exajoules in 2050, or by a compound annual growth rate (CAGR) of 5.7% during the covered period, under a "business-as-usual" scenario that assumes slow progress in reducing carbon emissions. In comparison, it expected the global consumption of renewables to grow by a CAGR of 7.5% in the 2018-50 period to 277 exajoules in 2050, under a "rapid" scenario that assumes that the rapid implementation of policies would reduce carbon emissions by 70% by 2050. In addition, it forecast global demand for renewables to expand by a CAGR of 8.5% in the 2018-50 period to 370 exajoules in 2050, under the "net zero" scenario that assumes a reduction of 95% in carbon emissions by 2050.

Source: BP, Byblos Research

Steel output down 4% in first eight months of 2020

Global steel production reached 1.2 billion tons in the first eight months of 2020, constituting a decrease of 4.2% from 1.24 billion tons in the same period of 2019. Production in China totaled 689 million tons and accounted for 58% of global output in the covered period. India followed with 61.1 million tons (5.1%), then Japan with 54.7 million tons (4.6%), the U.S. with 47.4 million tons (4%), Russia with 46.6 million tons (3.9%), and South Korea with 43.8 million tons (3.7%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to decline by 8% in 2020

Consumption of crude oil in the Middle East & Africa is expected to average 11.64 million barrels per day (b/d) in 2020, which would constitute a decline of 8% from 12.65 million b/d in 2019. The region's demand for oil would represent 39% of demand in developing countries and 13% of global consumption this year.

Source: OPEC, Byblos Research

Base Metals: Zinc prices average $2,442 per ton in September 2020

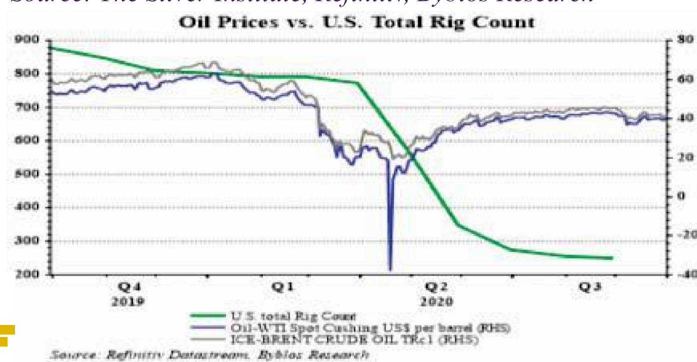
The LME cash prices of zinc averaged $2,442 per ton in September 2020, constituting an increase of 1.5% from an average of $2,406 a ton in August, and compared to an average of $2,177 per ton in July. Zinc prices fluctuated significantly in September, mainly in line with the movement of the exchange rate of the US dollar. They closed at $2,529 per ton on September 1, their highest level since November 2019, and reached $2,354 per ton on September 24, their lowest level since mid-August 2020. A strong recovery in China's economy and demand for metals, a weaker US dollar, the U.S. Federal Reserve's plans to promote higher inflation, and an improved economic outlook for major economies pushed zinc prices upwards. In parallel, a stronger US dollar, higher LME-registered zinc inventories, and simmering tensions between the U.S. and China weighed on zinc prices in the covered month. Further, renewed concerns about the economic recovery due to the rising number of coronavirus infections globally pushed prices downwards. More recently, zinc prices resumed their upward trend amid expectations of a coronavirus-related stimulus package in the U.S and averaged at $2,394 per ton between September 25 and September 30.

Source: Refinitiv, Byblos Research

Precious Metals: Silver prices up 21.4% in first nine months of 2020 on higher inflows to ETFs

Silver prices averaged $19.2 per troy ounce in the first nine months of 2020, constituting an increase of 21.4% from an average of $15.8 an ounce in the same period of 2019, mainly supported by record-high inflows to silver exchange-traded funds (ETFs). The rise in the metal's price was driven by investors that started to switch to silver as a cheaper alternative to gold, while continuing to diversify their portfolios amid low U.S. interest rates and a weakening US dollar. However, the silver prices averaged $25.8 per ounce in September 2020, down by 4.6% from an average of $27 an ounce in the previous month, mainly due to downward pressure from a firmer dollar and an uptick in U.S. real interest rates. In parallel, the Silver Institute forecast the world supply of silver to decline by 4% from 1,023 million ounces in 2019 to 978 million ounces in 2020, mainly due to COVID-19 related disruptions to mining activities. Also, it projected worldwide demand for the metal to regress by 3% from 991.8 million ounces in 2019 to 963.4 million ounces in 2020, as it anticipated lower demand for silver from the photography industry, as well as a contraction in the consumption of jewelry and silverware and in the metal's industrial usage, to offset the surge in investments in silver ETFs. Also, it forecast the metal's price to average $15.7 per ounce in 2020 relative to $16.21 an ounce in 2019.

Source: The Silver Institute, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	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 (%)
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	1.0s
Nigeria	B-	B2	B	-	B-								
	Stable	Negative	Stable	-	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	04-Dec-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	8.75	24-Sep-20	Cut 50bps	12-Nov-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-Sep-20	No change	N/A
Nigeria	Monetary Policy Rate	11.50	22-Sep-20	Cut 100bps	23-Nov-20
Ghana	Prime Rate	14.50	28-Sep-20	No change	23-Nov-20
Angola	Base Rate	15.50	28-Sep-20	No change	27-Nov-20
Mexico	Target Rate	4.25	24-Sep-20	Cut 25bps	12-Nov-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-Oct-20	No change	02-Nov-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

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

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

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

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

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

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

CYPRUS

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

NIGERIA

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

ADIR INSURANCE

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