In memory of the victims of the Beirut Port explosion

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BYBLOS BANK SAL

Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

COVID-19 accelerates e-commerce in emerging economies

A survey about the impact of the spread of COVID-19 on the online purchasing behavior of consumers in nine emerging and developed economies showed that 49% of respondents indicated that they "are shopping online more often than before". It noted that consumers' shift to online shopping was more pronounced in emerging markets than in developed economies, with 78% of respondents in China reporting that they are shopping online more frequently than in the pre-COVID-19 period, followed by participants in Turkey (65%), South Korea (58%), Brazil (55%), Italy (45%), South Africa (42%), Russia (41%), Germany (32%), and Switzerland (30%). In addition, 51% of surveyed females said that they are shopping online more frequently, compared to 46% of male respondents. Moreover, 57% of consumers in the 35 to 44-year old bracket reported an increase in their online shopping, followed by 56% of people who are between 25 and 34 years of age, and by 45% of respondents in the 45 to 54-year old segment. Further, the number of online shoppers for information and communications technology products and electronic goods increased by 10% since the outbreak of COVID-19; followed by a rise of 9% in the number of online purchasers of pharmaceutical and/or healthcare goods, and of tools, gardening & do-it-yourself products; then education & online courses (+8%); home furniture & household products (+7%); and cosmetics & personal care products (+6%).

Source: UNCTAD, Netcomm Suisse

More than 70% expect to continue to work remotely even after virus vaccine is found

A global survey conducted by Fitch Ratings in August 2020 showed that more than 70% of respondents expected employees who can work remotely to continue doing so two to three days per week, even after an effective medical treatment for the pandemic is found. In addition, it said that less than 20% of respondents indicated that employees would return to their workplace on a full time basis, while less than 10% noted that employees will continue to work remotely full time. Further, the survey showed that 75% of respondents think that employees who commute to the office will refrain from using mass transit systems until a vaccine for the virus is found. However, 71% of respondents think that a large majority of employees who commute to the office regularly will revert to using trains, buses and metros after the discovery of a vaccine. Further, more than 75% of respondents think that business travel will remain limited until a vaccine is available, while 15% of respondents expected business travel to return to pre-pandemic levels within 12 months. In parallel, the survey pointed out that 61% of respondents believe that there will be a sustained shift in living patterns away from cities, while 35% of respondents did not expect a sustained shift in living patterns from major cities. In parallel, 71% of respondents expected companies in developed markets to downsize or decentralize their operations. Also, 55% of respondents anticipated that the pandemic will accelerate the shift to online retail shopping, while 7% predicted a return to pre-coronavirus physical retail shopping within the next 12 months.

Source: Fitch Ratings

EMERGING MARKETS

Frontier market debt at 121% of GDP in June 2020

The Institute of International Finance indicated that the total debt of 29 frontier markets, which includes the debt of governments, corporates and households, reached $3.19 trillion at the end of June 2020, constituting a drop of $18bn from the end of 2019, mainly due to significant currency depreciation. It noted that the aggregate frontier market debt was equivalent to a record 121% of GDP at end-June 2020, up by six percentage points from the end of 2019, and compared to 114% of GDP a year earlier. It said that the government debt of frontier markets reached $1.43 trillion at the end-June 2020, or 45% of total debt, and was equivalent to 55.6% of GDP compared to 51% of GDP a year earlier. It added that the debt of the non-financial corporate sector was equivalent to 39.4% of GDP at end-June 2020 relative to 38.5% of GDP at end-June 2019, while the financial sector's debt stood at 7.7% of GDP at the end of June 2020 compared to 7.2% of GDP a year earlier. In addition, it said that household debt grew from the equivalent of 17.4% of GDP at end-June 2019 to 18.6% of GDP at end-June 2020. The IIF indicated that debt in the Middle East was equivalent to 172% of the region's GDP at end-June 2020, followed by debt in Asia (129% of GDP), Latin America (109% of GDP), Africa (108% of GDP), and Europe (104% of GDP). It noted that about $205bn in frontier market bonds and loans, of which 40% are in foreign currency, will mature by end-2021.

Source: Institute of International Finance

MENA

Equity issuance down 7% to $2.6bn in first nine months of 2020

Equity Capital Markets (ECM) issuance in the Middle East & North Africa region, which includes equity and equity-related issuances, totaled $2.6bn in the first nine months of 2020, constituting a decrease of 7% from the same period of 2019 and representing the lowest amount for the first nine months of a year since 2017. ECM issuance in the UAE reached $1.3bn and accounted for 50% of the region's ECM issuance in the covered period, followed by Saudi Arabia with $1.2bn (46.2%), and Morocco with $0.1bn (3.8%). In parallel, debt issuance in the MENA region totaled $92.4bn in the first nine months of 2020, up by 8% from the same period of 2019 and representing its highest level for the first nine months of a year on record. Debt issuance in the UAE reached $34.7bn, or 37.6% of the total, followed by Saudi Arabia with $21.9bn (23.7%), Qatar with $19.4bn (21%), Bahrain with $6.1bn (6.6%), and Egypt with $5.8bn (6.3%). Further, the amount of announced mergers & acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, declined by 52% annually to $58bn in the first nine months of 2020, mainly due to high base effects from Saudi Aramco's acquisition of a 70% stake in SABIC in the first quarter of last year. In addition, investment banking fees in the region increased by 4% annually to $895.7m in the first nine months of 2020. Fees from M&A deals totaled $361.4m and accounted for 40.3% of the fees pool, followed by syndicated lending charges with $278m (31%), debt capital market underwriting costs with $211.7m (23.6%), and fees from equity capital markets transactions with $44.6m (5%).

Source: Refinitiv

OUTLOOK

EMERGING MARKETS

Economic activity to contract by 3.3% in 2020, prospects highly uncertain

The International Monetary Fund projected global real GDP to shrink by 4.4% in 2020, compared to its June forecast of a contraction of 5.2%. It attributed the less severe contraction to a better-than-anticipated economic performance in the second quarter of the year and to indicators of a stronger recovery in advanced economies in the third quarter, which are offset in part by worsening conditions in some emerging and developing economies. It noted that the challenging conditions in emerging and developing economies excluding China mainly reflect the continuing spread of the pandemic, the overwhelmed healthcare systems, the high dependence on external financing, as well as the economic importance of severely affected sectors such as tourism. It expected real GDP in advanced economies to shrink by 5.8% in 2020 relative to its June projection of an 8.1% retreat, while it anticipated economic activity in emerging markets and developing economies to contract by 3.3% this year compared to a previous forecast of a drop of 3.5%.

The IMF forecast economic activity in Latin America & the Caribbean to shrink by 8.1% this year, and projected real GDP in Emerging & Developing Europe to retreat by 4.6% in 2020. It forecast activity in the Middle East & Central Asia region to contract by 4.1%, while it expected Sub-Saharan Africa's real GDP to shrink by 3%. Further, it projected real GDP in Emerging & Developing Asia to retreat by 1.7% in 2020, mainly due to a contraction of 10.3% in economic activity in India.

The Fund projected global real GDP to expand by 5.2% in 2021, with a growth rate of 6% in emerging market and developing economies and of 3.9% in advanced economies. It did not expect growth in emerging market and developing economies in 2021 to be sufficient for these countries to recover to their 2019 level of economic activity by next year. It considered that downside risks to the global outlook include surging COVID-19 cases and worsening prospects of a vaccine, as well as growing restrictions on trade and investment, and rising geopolitical uncertainties.
Source: International Monetary Fund

MENA

Real GDP of oil importers to rebound to 3.2% in 2021, downside risks persist

The Institute of International Finance anticipated economic activity in the oil-importing countries of the Middle East & North Africa (MENA) region to contract by a weighted average of 1.8% in 2020 compared to a growth rate of 3% in 2019, due to the impact of the COVID-19 outbreak on the region's economies. It expected economic activity in 2020 to contract by 4.3% in Jordan, by 5.1% in each of Morocco and Sudan, by 7.2% in Tunisia and by 26.6% in Lebanon, while it noted that the Egyptian economy grew by 2.7% in the fiscal year that ended in June 2020. It anticipated real GDP in MENA oil-importing countries to grow by an average of 3.2% in 2021 in case investments and exports recover. It forecast the six covered countries to post positive growth rates next year, ranging from 2.8% in Jordan to 5.1% in Lebanon. It noted that growth in Lebanon is conditional on reaching an agreement with the International Monetary Fund over a reform program that would unlock external funding. It considered that the projected growth level of the six countries will be insufficient to significantly reduce the elevated unemployment rates in MENA oil importers. It said that internal tensions in oil importers are delaying a return to stability and to stronger growth; and cautioned that downside risks to the outlook include a slower implementation of reforms.

Further, the IIF forecast the aggregate fiscal deficit of oil importers at 7.7% of GDP in 2020 and 6.9% of GDP in 2021. It also noted that the public debt levels in oil-importing MENA countries remain elevated, while debt servicing costs have significantly increased. As such, it considered that some oil importers should maintain a prudent fiscal policy to limit the rise in their public debt levels, which is expected to reach 99% of GDP at end-2020. It added that monetary policy should focus on reducing inflationary pressures, especially in Sudan and Lebanon where the inflation rates will average more than 85% in 2020. In addition, it projected the aggregate current account deficit of oil-importing economies to narrow from 6.3% of GDP in 2019 to 4.2% of GDP in 2020 and 4.1% of GDP in 2021, supported by lower oil prices.
Source: Institute of International Finance

AFRICA

Economic activity to shrink by 3.3% in 2020 on decline in investments and consumption

The World Bank projected real GDP in Sub-Saharan Africa (SSA) to shrink by 3.3% in 2020, the region's first recession in 25 years. It expected growth to slow down in all SSA economies due to the domestic lockdowns to contain the COVID-19 pandemic and to spillovers from the global recession, which have reduced domestic consumption and investments, and are weighing significantly on the industrial and services sectors. It anticipated the real GDP of SSA metal exporters to contract by 6% in 2020, partly reflecting the substantial drop by 7.2% of output in South Africa. It forecast economic activity in oil exporting countries to retreat by more than 4% in 2020, driven by a contraction of 4% in each of Angola and Nigeria. It noted that disruptions in the tourism industry and lockdown measures will cause substantial economic slowdowns in Ethiopia Kenya, and African island nations. However, it projected economic activity among non-resource-intensive countries, including Côte d'Ivoire, Ethiopia and Kenya, to decelerate but to remain positive, supported by their more diversified economies and relatively robust growth in the agriculture sector. It estimated that output losses in SSA will reach at least $115bn this year, amid the steep contraction in activity.

The Bank projected real GDP in the SSA region to grow by 2.1% in 2021, in case a COVID-19 vaccine is approved early in 2021, which would support consumption, tourism activity, investments, and gradually improve commodity prices. However, it anticipated real GDP to grow by a modest 0.3% in Nigeria, amid weak investments and elevated uncertainties, while it expected Angola's economy to grow by 3.2% in 2021 if hydrocarbon output recovers. In contrast, it forecast the SSA's region growth at 1.2% in 2021 in case a vaccine is approved towards the end of 2021. It also projected the region's real GDP per capita in 2021 to regress to its 2007 level. It said that risks to the region's growth outlook are tilted to the downside, and include uncertainties about the evolution of the pandemic and the speed of the global recovery, as well as security and environmental challenges, social and political tensions, and food insecurity.
Source: World Bank

ECONOMY & TRADE

MENA

Funding pressure persists despite improved market access

Fitch Ratings indicated that financing risks are still elevated for sovereigns in the Middle East & North Africa (MENA) region, despite improved international liquidity and access to debt markets by emerging economies, as well as stronger support from official creditors. It noted that the MENA region's lower-rated sovereigns will face significant challenges in financing their wide fiscal and external deficits in a volatile financial environment. In addition, it anticipated that the continued wide fiscal deficits in many oil-exporting countries in the region would lead to the deterioration in their sovereign balance sheet and to a decline in their foreign assets. Further, it pointed out that the ratings of Gulf Cooperation Council (GCC) sovereigns are in the 'B+' to 'AA' range, while the ratings of MENA oil importers mostly fall in the 'B' to 'BBB-' range. It forecast most GCC sovereigns to post fiscal deficits of between 12% of GDP and 19% of GDP in 2020, in case oil prices average $41 p/b this year. It said that the adverse impact of the pandemic on tourism activity and remittance inflows to MENA oil importers has offset the direct benefits of lower oil prices on these economies. Fitch indicated that it has a 'stable' outlook on nine out of the 14 sovereigns that it rates in the MENA region. It said that it has a 'negative' outlook on Iraq, Jordan, Morocco and Oman, which reflects the adverse impact of the coronavirus and the collapse in oil prices on their economic activity, as well as on their public and external finances.

Source: Fitch Ratings

SAUDI ARABIA

ARAMCO dividends to offset higher spending

Moody's Investors Service indicated that Saudi Arabia's pre-budget statement for 2020 shows an increase in spending equivalent to 2% of GDP from the originally approved budget, which is significantly higher than the agency's expectation. It noted that the additional spending on healthcare and in support of the economy will offset the planned reductions in expenditures. It noted that the government forecast a fiscal deficit of 12% of GDP in 2020 despite the increase in expenditures, due mainly to higher government revenues. It expected that the additional revenues will be driven by oil-related receipts in the form of dividend payments from the oil conglomerate Saudi Aramco. It added that a significant part of those dividends will have to be funded from the company's cash buffers amid lower oil prices and reduced oil production. It pointed out that the firm intends to pay dividends of about $75bn in 2020, and that it has already paid $32.1bn of those dividends in the first half of 2020. However, it noted that this will erode the company's cash buffers. It considered that Saudi Aramco's dividend payments will allow the government to avoid large spending cuts, but it did not expect the government to follow the same approach beyond 2021, given the firm's own capital expenditure needs and its commitment to pay in installments its acquisition of a 70% stake in the Saudi Basic Industries Corporation. It noted that this underscores the importance of the government's plans to cut spending starting in 2021, which will be challenging given the weak economic environment and the government's commitments to support economic diversification by spending on infrastructure and megaprojects.

Source: Moody's Investors Service

ARMENIA

Economic recovery contingent on containing COVID-19 and tensions with Azerbaijan

The World Bank expected Armenia's real GDP to contract by 6.3% in 2020 and to recover to a growth rate of 4.6% in 2021. It forecast coronavirus cases in Armenia to remain largely stable, and did not forecast additional lockdown measures. It anticipated economic activity to return to pre-COVID-19 levels in 2022 and to grow by 6.6% in the same year. It also expected the inflation rate to remain muted and to converge gradually to the Central Bank of Armenia's target of 4% towards 2022. In parallel, it forecast the current account deficit to narrow from 7.2% of GDP in 2019 to 6.2% of GDP in 2020 due to the decline in imports, but it anticipated the deficit to widen marginally to 6.5% of GDP in 2021 and to 6.8% of GDP in 2022, in case the economy recovers and leads to a faster growth in imports. Further, it expected the fiscal deficit to widen from 0.8% of GDP in 2019 to 5.4% of GDP in 2020, which will raise the public debt level by 10 percentage points to 63% of GDP at the end of 2020. It pointed out that the government's 2021-2023 Medium-Term Expenditures Framework includes fiscal consolidation measures that aim to narrow the deficit to less than 2% of GDP by 2023. As such, it expected the public debt level to decline to 61.6% of GDP by the end of 2022. The World Bank indicated that risks to the outlook for the Armenian economy are on the downside, particularly from a pick-up in COVID-19 cases in the coming months and from heightened tensions with Azerbaijan.

Source: World Bank

CÔTE d'IVOIRE

Fiscal discipline is key to maintain economic stability and support recovery

The International Monetary Fund indicated that Côte d'Ivoire's performance under the country's Extended Credit Facility and the Extended Fund Facility with the IMF was satisfactory through the end of 2019. However, it pointed out that the authorities did not meet the targets for the fiscal and external debt balances for the end of June 2020, as they modified the execution of the budget to address the COVID-19 outbreak. Still, it noted that the authorities' comprehensive policy response and the subsequent lifting of confinement measures, as well as the country's relatively diversified economy and the support of the international community, have contained the economic impact of the virus. As such, it projected real GDP to grow by 1.8% in 2020 compared to a previous growth forecast of 2.7% for the year. In parallel, the Fund considered that the deterioration of the fiscal balance in 2020 was necessary, given the significant challenges from the coronavirus, and stressed that the authorities' rapid adoption of the revised 2020 budget law is key to implementing their policy response. It also called on authorities to continue to fund the country's economic development strategy in a sustainable way, while preserving debt sustainability. Further, the IMF reiterated the importance of carefully balancing the need to support the economic recovery in 2021 with the commitment to converge the fiscal deficit to the Western Africa Economic and Monetary Union's target deficit of 3% of GDP by 2023. It added that, going forward, fiscal consolidation will be crucial to preserve debt sustainability and macroeconomic stability.

Source: International Monetary Fund

EMERGING MARKETS

New technologies accelerating financial inclusion

Moody's Investors Service considered that financial inclusion is gaining momentum in emerging markets (EMs) as new technologies come on stream and as the COVID-19 outbreak brings more people online. It noted that the degree of financial inclusion varies across EMs, as numerous countries remain severely under-banked despite significant progress in bank penetration in recent years. It attributed the low level of financial inclusion in EMs to the high cost of building and operating traditional bank branches in remote geographic areas, to the large size of the informal economy sector, to security concerns, as well as to a shortage of financial products tailored to the specific needs of certain segments of the population. It noted that high interest rates and credit-related costs have also historically been key obstacles to the expansion of credit to low-income groups. It said that access to credit remains minimal in EM markets, as lending to the private sector stood at 14% of GDP for low-income countries and 44% of GDP for lower middle-income economies, compared to a global average of 134% of GDP and an average of 149% of GDP for high-income countries. In parallel, the agency noted that technology is attracting new customers from low-income populations and from microbusinesses. It indicated that mobile money accounts, digital identification and electronic payment transfers via smartphone applications, have provided basic financial services to the unbanked EM population. It added that the use of biometrics, combined with a unique identification number, has allowed individuals without documentation to open bank accounts and provided them access to the formal financial sector.

Source: Moody's Investors Service

GCC

Banks to face challenges in next 18 months

S&P Global Ratings anticipated banks in the Gulf Cooperation Council (GCC) countries to face challenging operating conditions in the next 18 months due to the slow economic recovery and the expected gradual withdrawal of regulatory forbearance measures in GCC markets. It forecast lending growth to remain muted across the region, except for Saudi Arabia where mortgages have been expanding rapidly due to the government's initiative to increase home ownership. It anticipated the banks' cost of risk to continue to increase, as problem assets grow in the absence of additional support measures. Also, it expected the banks' interest income to remain below historical levels due to the U.S. Federal Reserve's policy of lower-for-longer interest rates. As such, it forecast the profitability of GCC banks to decline, with some banks registering losses due to their exposure to high-risk asset classes such as small- and medium-sized enterprises and credit cards, as well as to under-provisioning. Consequently, it said that banks will have to review more carefully their costs, try to leverage opportunities related to financial technology, and reduce the number of physical branches. It added that the funding profiles and capitalization of GCC banks provide some support to their creditworthiness, as funding is dominated by core and stable deposits, with a limited contribution from external sources. S&P noted that downside risks to the credit profiles of GCC banks include lower-than-expected oil prices, an escalation of geopolitical risks, and the inability to control the pandemic by mid-2021.

Source: S&P Global Ratings

SAUDI ARABIA

NPLs ratio to reach 3% in 2020-21 period

S&P Global Ratings maintained Saudi Arabia's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', and its economic and industry risk scores at '5' and '3', respectively. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 4' include Ireland, Kuwait, Malaysia, New Zealand, Poland, Slovenia, Spain, and Taiwan. The agency indicated that Saudi Arabia's economic risk score reflects its "high risk" in economic resilience, as well as "intermediate risks" in economic imbalances and credit risks in the economy. It anticipated asset quality at Saudi banks to deteriorate due to the decline in global oil prices, the slowing non-oil economy, as well as to the detrimental impact of the lockdown measures on the contracting, hospitality, and retail sectors. As such, it projected the sector's aggregate non-performing loans ratio to rise from 1.8% at end-2019 to about 3% in the 2020-21 period. It also expected the profitability of the banking sector to remain under pressure in the next two years. It said that the trend for economic risk is 'stable', as it expected the current pandemic-related pressures to have a limited impact on the banks' balance sheets. In parallel, S&P said that the industry score reflects the country's "intermediate risk" in its competitive dynamics, as well as "low risk" in its institutional framework and system-wide funding. It said that the 'stable' trend for the industry risk reflects the agency's expectations that banks will maintain high levels of core deposits and that their strong liquidity metrics will remain intact.

Source: S&P Global Ratings

TUNISIA

Outlook on banks revised to 'negative'

Moody's Investors Service affirmed the long-term foreign currency deposit ratings of Amen Bank, Arab Tunisian Bank (ATB), Banque de Tunisie (BdT), Banque Internationale Arabe de Tunisie (BIAT), and Société Tunisienne de Banque (STB) at 'B3'. It also affirmed the local-currency deposit ratings of Amen Bank, ATB, BdT and BIAT at 'B2', and the rating of STB at 'B3'. In addition, the agency revised the outlook on the banks' long-term deposit ratings from 'stable' to 'negative', mainly due to its similar action on the sovereign ratings, which reflects a possible decline in the authorities' high capacity to support banks in case of need in the next 12 to 18 months. It noted that the 'negative' outlook also captures the downside risks to the banks' already weak standalone credit profiles as a result of the adverse impact of the coronavirus pandemic on the economy. Still, the agency indicated that its affirmation of the five banks' ratings takes into consideration the unchanged current capacity of the government to support banks if needed, mainly due to the resilience of Tunisia's foreign currency reserves. It also attributed the affirmation of the ratings of Amen Bank, ATB, BIAT and BdT to its view that the four banks' Baseline Credit Assessments (BCAs) already capture their weak standalone credit profiles. It added that the banks' BCAs take into account an expected deterioration in their asset quality and profitability metrics in the next 12 to 18 months, as a result of the coronavirus and the challenging operating conditions. Further, it said that the affirmation of STB's ratings reflects the bank's resilience to the country's deteriorating operating environment.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to reach $42 p/b in fourth quarter of 2020

ICE Brent crude oil front-month prices traded at between $41 per barrel (p/b) and $43 p/b in the second week of October 2020 and continue to be affected by concerns about rising coronavirus cases worldwide. The low volatility of oil prices in the past week reflects the "wait-and-see" mode of traders ahead of the U.S. Presidential elections on November 3, 2020. Goldman Sachs considered that a victory of Democratic candidate Joe Biden would support oil prices, as U.S. climate-related policies would increase the cost of shale oil supply. In contrast, Morgan Stanley expected oil prices to find difficulties to rise above $50 p/b because of the technological shift in U.S. shale oil production that has unlocked additional output in recent years, and because of the growing importance of environmental considerations in investing, which would affect oil demand. In parallel, the U.S. Energy Information Administration estimated that global oil markets have shifted from inventory building at a pace of 7.3 million barrels per day (b/d) in the second quarter of 2020, to an inventory drawdown of 3.1 million b/d in the third quarter of the year. It expected global oil inventories to decline by 3 million b/d in the fourth quarter of 2020, before markets become more balanced with inventory draws of 0.3 million b/d on average in 2021. Still, it noted that the high inventory levels and the surplus in oil production capacity will limit the upward potential for oil prices. It forecast Brent oil prices to average $42 p/b in the fourth quarter of 2020 and to rise to an average of $47 p/b in 2021.

Source: U.S. EIA, Morgan Stanley, Goldman Sachs, Refinitiv

Global energy demand to decrease by 5% in 2020

The International Energy Agency projected global energy demand to decline by 5.3% in 2020, due to the coronavirus pandemic. It expected demand for oil to decrease by 8.5% this year, followed by demand for coal (-6.7%), nuclear energy (-4.5%), and natural gas (-3.3%). In contrast, it anticipated demand for renewable energy to rise by 1% in 2020. Further, it forecast energy-related CO_2 emissions to regress by 6.6% and anticipated investments in energy projects to drop by 18.7% this year.

Source: International Energy Agency, Byblos Research

OPEC's oil basket price down 8% in September 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $41.54 per barrel (p/b) in September 2020, constituting a decline of 8.1% from $45.19 p/b in August 2020. Kuwait Export posted a price of $42.12 p/b, followed by Saudi Arabia's Arab light and by Iraq's Basrah Light at $42.09 p/b each. In parallel, all prices in the OPEC basket posted monthly decreases of between $2.96 p/b and $6.99 p/b in September 2020.

Source: OPEC

Planned gas projects at $126bn in 2020-24

The Arab Petroleum Investment Corporation (APICORP) projected gas-related projects that are currently under execution in the Middle East and North Africa (MENA) region at $85bn in the 2020-24 period, compared to an earlier forecast of $87bn in the 2019-23 period. In parallel, it forecast planned gas projects in the MENA region at $126bn for the 2020-24 period, driven mainly by Qatar's $50bn North Field Expansion project, as well as by the strong ongoing regional drive for cleaner power generation.

Source: APICORP

Base Metals: Aluminum prices at highest level since April 2019

The LME cash price of aluminum averaged $1,782 per ton so far in October 2020, constituting an increase of 2.2% from an average of $1,744 a ton in September, and relative to an average of $1,735 per ton in August. Prices closed at $1,844 a ton on October 13, their highest level since April 2019, and increased by 6.6% from the end of September. Concerns about supply tightness, strong demand for base metals, notably from China, and an improving global growth outlook, drove the increase in aluminum prices. The decision of U.S. aluminum producer Alcoa to curtail operations in its smelter plant in Spain, and the decrease in the metal's LME-registered inventories to their lowest level in five months, triggered concerns about supply shortages this month. In parallel, alarming numbers of new coronavirus cases worldwide, news that clinical trials of a coronavirus vaccine were temporarily paused, as well as a strong US dollar and the end of talks about an economic stimulus package in the U.S., weighed on aluminum prices. In addition, the European Union announced that it will impose duties ranging from 30.4% to 48% on the imports of aluminum extrusions from China as of October 14, 2020. As such, prices moderated to $1,835 per ton on October 14.

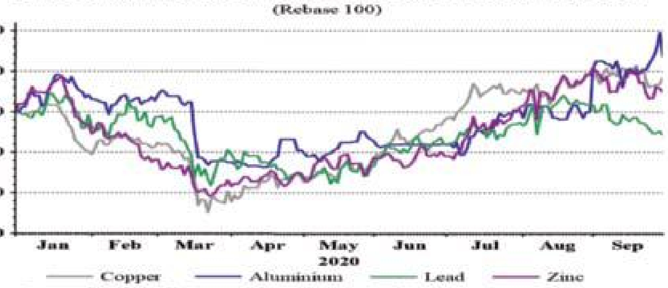
Source: Refinitiv, Byblos Research

Precious Metals: Gold ETF holdings at record high of $235bn at end-September 2020

Gold prices reached $1,891.6 per troy ounce on October 13, 2020, constituting an increase of 24.4% from $1,521 an ounce at the end of 2019. The rise in the metal's price is mainly attributed to the increased uncertainty about the COVID-19 pandemic, lower gold supply as a result of lockdown measures imposed in gold-producing countries, as well as a weaker US dollar and low U.S. interest rates. Also, the increase in gold prices so far in 2020 has been underpinned by a surge of 1,003 tons, or $55.7bn, in global net inflows to gold exchange-traded funds (ETFs) that have supported overall investor demand for gold. In fact, record-high inflows resulted in an all-time high level of gold ETF holdings of 3,880 tons, or $235bn in assets under management, at the end of September 2020. Further, the metal's price increased by an additional 1% to reach $1,910 per ounce on October 14, 2020, as a result of a volatile dollar. As such, gold prices rose by 25.6% in the year to October 14, 2020. Gold prices are expected to end the year at more than $2,000 per once, as inflationary pressures are projected to rise globally and as central banks worldwide are anticipated to maintain loose monetary policies in the near to medium terms. Still, the price outlook is contingent on the outcome of the U.S. elections and their impact on the US dollar, as well as on clarity about the coronavirus pandemic and the potential to find a vaccine.

Source: Refinitiv, Byblos Research

Price Performance of Base Metals in First Nine Months of 2020
(Rebase 100)



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch (LT Foreign currency rating)	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								
	Negative	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+								
	-	Negative	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					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								
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	Stable	-	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*

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	06-Oct-20	No change	03-Nov-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	14-Oct-20	No change	26-Nov-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	09-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

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