In memory of the victims of the Beirut Port explosion

Issue 648 | October 22, 2020

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# COUNTRY RISK WEEKLY BULLETIN

# NEWS HEADLINES

## WORLD

### More than 54% of rated sovereigns have investment-grade rating

S&P Global Ratings indicated that 54.1% of the sovereigns that it rates had an investment grade rating as of September 30, 2020, relative to a low of 51.5% in June 2017 and a high of 55.8% at the end of 2014. It said that sovereigns rated in the 'B' category or lower accounted for 33.3% of total rated sovereigns relative to 32.6% at the end of 2019 and compared to a record high of 34.1% in June 2019. It noted that the global average sovereign credit rating declined from about 'BBB' at the end of 2009 to 'BBB-' currently, while the average sovereign rating, weighted by GDP, declined from about 'AA-' to 'A+' over the same period. In parallel, S&P noted that the number of sovereigns carrying a 'positive' outlook on their ratings declined from 14 sovereigns at end-2019 to only two at the end of September 2020, while the number of sovereigns with a 'negative' outlook increased significantly from 13 to 31 sovereigns. It added that the number of sovereigns with a 'stable' outlook regressed from 106 at end-2019 to 101 at end-September 2020. It pointed out that two sovereigns in Asia Pacific carried a 'positive' outlook on their ratings. In parallel, it indicated that 17 sovereigns in Europe, the Middle East, and Africa region (EMEA), 10 countries in the Americas and four sovereigns in Asia Pacific had a 'negative' outlook. Further, it said that 66 sovereigns in EMEA, 20 countries in the Americas, and 15 sovereigns in Asia Pacific carried a 'stable' outlook.

*Source: S&P Global Ratings*

### M&A deals down 13% to $3.2 trillion in first nine months of 2020

Figures issued by Bureau Van Dijk and Zephyr show that there were 68,507 merger & acquisition (M&A) deals globally for a total of $3.2 trillion (tn) in the first nine months of 2020. In comparison, there were 80,948 M&A deals worldwide worth $3.6tn in the first nine months of 2019. The figures show a decline of 15.4% in the number of deals and a drop of 13% in their amount year-on-year. Further, there were 24,952 M&A deals globally worth $902.4bn in the first quarter of 2020, followed by 22,258 M&A transactions for a value of $914.5bn in the second quarter and then 21,297 M&A deals globally worth $1.3tn in the third quarter of the year. On a country level, the amount of M&A transactions in the United States reached $835bn and accounted for 26% of the aggregate deal value worldwide in the first nine months of 2020. China followed with M&A deals worth $585.5bn (18.2%), then the United Kingdom with $231.8bn (7.2%), India with $145.8bn (4.5%), Japan with $138bn (4.3%), France with $133bn (4.1%), and Germany with $119.5bn (3.7%). In parallel, there were 14,343 M&A deals in the U.S. during the covered period, followed by 11,901 transactions in China, 5,097 deals in the U.K., 3,522 transactions in Japan, 3,231 deals in Australia, 3,042 transactions in Canada, 2,755 deals in Germany, and 1,970 transactions in India.

*Source: Zephyr, Bureau Van Dijk, Byblos Research*

## EMERGING MARKETS

### External debt stock up 5.5% to $8.1 trillion at end-2019

The World Bank indicated that the external debt level of low- and middle-income countries, which includes long- and short-term external debt and the use of IMF credit lines, stood at $8.1 trillion (tn) at the end of 2019, or 26% of aggregate gross national income, constituting a rise of 5.4% from $7.7tn at the end of 2018. It noted that the long-term external debt of the covered economies, which consists of public and publicly-guaranteed debt and of private sector non-guaranteed debt, reached $5.8tn at end-2019 relative to $5.4tn at end-2018, and was equivalent to 71.3% of total external debt. It said that the short-term external debt of low- and middle-income countries increased by 1.5% to $2.2tn at end-2019, and was equivalent to 26.6% of the total; while the use of IMF credit lines in such economies grew by 13.3% to $170bn at end-2019 and represented 2.1% of the total external debt. Also, it indicated that the ratio of external debt-to-exports of low- and middle-income economies increased from 101% in 2018 to 107% in 2019, while the ratio of foreign currency reserves-to-external debt declined from 74% at end-2018 to 72% at end-2019. It pointed out that the external debt of East Asia & Pacific was $3tn at end-2019, or 36.8% of the total, followed by Latin America & the Caribbean with $1.9tn (23.7%), Europe & Central Asia with $1.5tn (18%), South Asia $789bn (9.7%), Sub-Saharan Africa with $625bn (7.7%), and the Middle East & North Africa $340bn (4.2%).

*Source: World Bank*

## MENA

### Nearly half of young Arabs want to emigrate to another country

The ASDA'A BCW 2020 Arab Youth Survey showed that 42% of young Arab males and females indicated that they are "actively trying to emigrate" or "have considered emigrating" from their country. Also, 24% of surveyed young Arabs cited economic reasons as the main driver that is pushing them to emigrate, followed by corruption in their country (16%), and education opportunities (12%). In addition, 32% of Arab youth said that the impact of the coronavirus pandemic made them more likely to leave their country. In parallel, the survey found that 41% of young Arabs believe that there is "widespread" government corruption and 36% consider that there is "some" government corruption in their country. Further, 71% of Arab youth approve of the way their government is dealing with the coronavirus crisis, while 28% disapprove. The survey also showed that the number of young Arabs that are in personal debt increased, with 35% of surveyed youngsters indicating that they are in debt in 2020 compared to 21% in 2019. Moreover, the results found that 87% of young Arabs are concerned about unemployment, and 51% are not confident about their government's ability to deal with the issue. Further, 72% of surveyed Arab youth consider that it is more difficult for them to find a job currently compared to the pre-coronavirus period, while 20% indicated that they or someone in their family lost their jobs due to the pandemic. The survey was conducted on a sample of 4,000 respondents in the 18 to 24-year-old bracket in 17 Arab countries.

*Source: ASDA'A BCW*

# OUTLOOK

## EMERGING MARKETS

### Decline in public revenues to impact debt affordability

Moody's Investors Service expected government revenues in emerging markets (EMs) to decrease by 2.1 percentage points of GDP on average in 2020, and to exceed the average decline of government receipts in advanced economies by one percentage point of GDP. It pointed out that government revenues of EM oil-exporters will post the steepest declines among EMs this year.

Further, it noted that EMs have already narrow revenue bases, which means that any decrease in public revenues will have a large impact on their debt affordability. It anticipated almost all EMs to record fiscal deficits this year and to face difficulties in cutting spending due to the coronavirus pandemic, which reflects the importance of generating additional revenues. It projected the widest fiscal deficits among EMs this year to be in Kuwait at 37.7% of GDP and in Iraq at 21.6% of GDP.

In parallel, it expected EM governments to implement or resume tax-raising measures in order to widen their tax base. But it noted that sovereigns that were already struggling to raise taxes before the pandemic, such as Bangladesh, Ethiopia, Pakistan, Sri Lanka and Tanzania, will face additional challenges in improving tax collection. It considered that the most binding constraint for EM governments is their limited capacity to enforce tax compliance, which covers issues like the quality of tax administration, the size of informal economies, the number of tax exemptions and the complexity of tax policies. It added that limited political and social appetite for higher taxes will constrain the ability of EM governments to raise taxes. It anticipated that the coronavirus crisis will complicate reforms to broaden the tax base in countries that have been relatively successful in improving tax collection historically, but where their tax-to-GDP ratio remains very low and policy effectiveness is weak, such as in Bangladesh and Pakistan.
*Source: Moody's Investors Service*

## MENA

### Real GDP to contract by 5% in 2020, outlook subject to high uncertainties

The International Monetary Fund projected real GDP in the Middle East & North Africa region to shrink by 5% in 2020 compared to its April forecast of a contraction of 3.3%. It expected real GDP in MENA oil exporters to decline by 6.6% in 2020 due to the collapse of global oil prices, to production cuts under the OPEC+ agreements, as well as to the impact of the COVID-19 pandemic on their economies. Further, it considered that subdued trade and tourism activity, as well as lower remittance inflows are mainly offsetting the benefits from lower oil prices on the region's oil importers. As such, it expected real GDP in MENA oil importers to contract by 1.2% in 2020, and anticipated all oil importers to post a contraction in activity this year, except for Egypt.

In parallel, the IMF expected the fiscal deficit of MENA oil importers to widen by 1.3 percentage points of GDP in 2020 to 8.1% of GDP, while it anticipated the deficit of the region's oil exporters to deteriorate by 8.2 percentage points of GDP this year to 11.2% of GDP. It noted that risks to debt sustainability are high among oil importers as the latter's government debt level is projected at 95% of GDP at end-2020 compared to a debt level of 46% of GDP for oil exporters. Still, it said that some oil exporters, such as Algeria, Bahrain, Iraq, Oman, Qatar and Yemen, are facing much higher debt levels. Further, it projected the current account deficit of MENA oil importers at 5.7% of GDP in 2020 and at 3.4% of GDP for oil exporters. It anticipated foreign currency reserve coverage to remain generally adequate at more than four months of imports for most MENA countries, with the exception of Bahrain, Djibouti, Pakistan, Sudan and Tunisia.

The Fund projected real GDP in the MENA region to grow by 3.2% in 2021, with growth reaching 3.4% among oil exporters and 2.7% among oil importers. It noted that the outlook is subject to high uncertainties related to the resurgence of COVID-19 cases, which could lead to renewed lockdowns, slow the recovery in the global economy, as well as negatively impact oil prices, remittance flows, tourism activity, and financial conditions.
*Source: International Monetary Fund*

### Non-hydrocarbon sectors activity to contract by 6% to 7% in 2020, downside risks persist

The Institute of International Finance indicated that the drop in global oil prices and the coronavirus-related restrictions have resulted in deep economic recessions in the oil exporting countries of the Middle East & North Africa (MENA) region, as well as wide fiscal and external deficits, and higher risks to financial stability. It noted that the OPEC+ agreements have reduced hydrocarbon output, while measures that governments introduced to contain the spread of COVID-19, lower oil prices, and cuts in public spending, have weighed on the non-oil economy of oil exporters. As such, it forecast real GDP in Gulf Cooperation Council (GCC) countries to contract by 5.7% in 2020, their worst recession on record, while it expected their non-hydrocarbon sector activity to retreat by 5.2% this year. Further, it projected the real GDP of Algeria, Iraq and Iran to shrink by 6.7% and for their non-hydrocarbon GDP to contract by 6.2% this year.

In parallel, the IIF expected the fiscal balance of all of the region's oil-exporting economies to deteriorate in 2020, as the drop in hydrocarbon revenues will more than offset any cuts in public spending. It forecast the GCC's aggregate fiscal deficit to widen from 2.5% of GDP in 2019 to 9.1% of GDP in 2020, while it expected the deficit of non-GCC oil exporters to double to 7.9% of GDP this year. Further, it projected the aggregate current account balance of GCC economies to shift from a surplus of 5.9% of GDP in 2019 to a deficit of 2.1% of GDP in 2020. It also forecast the aggregate current account deficit of non-GCC oil exporters to widen from 0.8% of GDP in 2019 to 4.6% of GDP in 2020. It noted that Saudi Arabia, the UAE, Kuwait and Qatar entered the challenging economic environment from a strong position, with large financial buffers and relatively low debt levels. However, it anticipated external pressures to persist in Algeria, Bahrain and Oman, given their wide fiscal and current account deficits and declining foreign currency reserves.

It forecast real GDP growth at 2.6% in GCC countries and at 2.9% in non-GCC oil-exporters in 2021, in case of a partial easing in oil production cuts and a gradual pick-up in non-oil private sector activity. However, it noted that the recovery is subject to a high degree of uncertainties and downside risks, including lower oil prices and the slower implementation of reforms.
*Source: Institute of International Finance*

## GCC

### Agencies take rating actions on sovereigns

S&P Global Ratings downgraded from 'BB-' to 'B+' Oman's long-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It attributed the downgrade to its expectations that low global oil prices and the slow economic recovery as a result of the COVID-19 outbreak will significantly weigh on Oman's public finances in the next three years, despite the authorities' implementation of measures to narrow the fiscal deficit. It forecast the fiscal deficit at 18% of GDP in 2020, mainly due to lower public revenues. It anticipated the government's funding needs to average nearly 20% of GDP in the 2021-22 period. As such, it forecast the public debt level to rise from 60% of GDP at the end of 2019 to about 84.2% of GDP at end-2020, and for the debt of government-related enterprises to increase from 30% of GDP to 43% of GDP at end-2020. Further, it projected the current account deficit to widen from 5.4% of GDP in 2019 to 14.5% of GDP in 2020, mainly due to lower export receipts. It also forecast foreign currency reserves to decline from $6.5bn at end-2019 to $5.3bn at end-2020. In parallel, Capital Intelligence Ratings affirmed Bahrain's long-term foreign and local currency ratings at 'BB-', and maintained the outlook at 'negative'. It indicated that the ratings and outlook reflect the country's declining foreign exchange reserves, as well as the continued drawdown of the sovereign's stock of external assets to cover the government's financing needs. It said that the ratings also reflect the economic fallout from the pandemic and lower global oil prices, which have led to the weakening of Bahrain's fiscal and external balances and to elevated public debt levels.

*Source: S&P Global Ratings, Capital Intelligence Ratings*

## SUDAN

### Real GDP to shrink by 8.4% in 2020

The International Monetary Fund projected Sudan's real GDP to retreat by 8.4% in 2020 relative to a previous forecast of a contraction of 7.2% for the year, and following an estimated contraction of 2.5% in 2019. It attributed the steeper retrenchment in activity to subdued trade activity, lower remittance inflows, as well as to the authorities' lockdown measures in response to the COVID-19 outbreak. It forecast real GDP to grow by 0.8% in 2021, and noted that the growth outlook is subject to high uncertainties related to the path of the pandemic. Also, the Fund anticipated the average inflation rate at 142% in 2020, and did not expect the rise in prices to abate in the near term. In parallel, it projected Sudan's fiscal deficit at 6.9% of GDP in 2020, with public revenues, excluding grants, at 5.4% of GDP this year, and public spending at 12.3% of GDP in 2020. In addition, it expected the public debt level to rise from 202% of GDP at end-2019 to 259% of GDP at the end of 2020. In parallel, the IMF forecast Sudan's exports of goods & services at $6bn in 2020 relative to $5.3bn last year, and its imports at $9.6bn this year compared to $9.8bn in 2019, mainly due to trade restrictions. As such, it projected the current account deficit to narrow from 15% of GDP in 2019 to 12.7% of GDP in 2020. It anticipated the country's gross external debt to rise from 200% of GDP at the end of last year to 256% of GDP at end-2020. Also, it forecast Sudan's gross foreign currency reserves to remain low at $324.1m at the end of 2020.

*Source: International Monetary Fund*

## NIGERIA

### Economy is one of the most exposed to COVID-19 shock in SSA region

The International Finance Corporation indicated that the Nigerian economy faced the coronavirus pandemic, following a weak recovery from the 2014 oil price shock, with limited buffers and foreign currency reserves. It noted that the World Bank estimated that 6.5% of Nigeria's GDP is exposed to COVID-19 shocks, which represents one of the highest levels of exposure in Sub-Saharan Africa. It added that the World Bank and the International Monetary Fund expected Nigeria's economic activity to contract by between 3.2% and 5.4% in 2020, mainly due to lower oil prices. It forecast net foreign investments to shift from inflows of $2bn in 2019 to outflows of $7bn in 2020. It projected imports to fall by the equivalent of 12% of GDP amid disruptions to international trade and the rationing of foreign currency reserves, and for exports to decline by the equivalent of 9% of GDP mainly due to lower oil export receipts. The IFC considered that the depletion of foreign currency reserves is the biggest immediate threat to the country's economic stability. It noted that the COVID-19 pandemic created new challenges to businesses, as it affected smaller and less-efficient firms across all industries, and forced businesses to downsize operations and reduce the number of workers to avoid closure. It considered that manufacturing and trade are the most affected sectors, followed by aviation, hospitality, food services, arts and entertainment, real estate, and infrastructure. It called for an urgent liquidity injection into affected sectors to meet mounting working capital needs.

*Source: International Finance Corporation*

## GHANA

### Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Ghana's long- and short-term local and foreign currency issuer default ratings at 'B', with a 'stable' outlook on the long-term ratings. It said that the ratings reflect the agency's expectations that the economy will gradually recover from the COVID-19 pandemic, that additional fiscal and external financing options will be available to the sovereign, and that the public debt level will stabilize. It anticipated low oil prices to restrict investments in Ghana's oil sector, which could weigh on medium-term growth prospects. In parallel, the agency projected the fiscal deficit to widen from less than 5% of GDP in the 2017-19 period to 13.6% of GDP in 2020, mainly due to higher public expenditures and lower tax receipts as a result of the pandemic. It forecast the deficit to narrow to 7.1% of GDP in 2021, but stressed that delays in fiscal consolidation after the December 2020 presidential elections constitute a key risk to the fiscal outlook. It anticipated the government's financing and debt amortization needs at approximately $10.9bn in 2020, which are equivalent to 16% of GDP. It projected the public debt level at 72.8% of GDP at end-2020, and stressed that the authorities' failure to implement reforms in the energy sector could lead to a sustained build-up of arrears and to a higher debt level. It forecast debt servicing to consume 49% of public revenues in 2020, compared to a median ratio of 12% for 'B'-rated sovereigns. Further, it forecast the current account deficit at 3.9% of GDP in 2020, and expected foreign currency reserves to remain stable at $6.6bn at end-2020, covering 2.8 months of current external payments.

*Source: Fitch Ratings*

# BANKING

## EMERGING MARKETS

### Banks' digitization could save up to $9bn in 2019-22 period

Goldman Sachs considered that the COVID-19 pandemic has accelerated the digitization process at banks across the Central & Eastern Europe, the Middle East and Africa (CEEMEA) region, as digital transactions increased by 50% and the number of digital customers grew by 21% in the first half of 2020 from the same period last year. It said that the number of digitally-active customers grew by 38% at banks in the Middle East & North Africa region in the first half of 2020, while the number of such customers increased by 19% at banks in Central & Eastern Europe. It noted that the digitization process of the banks' operations would reduce the marginal cost of transactions as well as the costs of the banks' physical footprint. It estimated that banks in the CEEMEA region could save about $9bn in costs in the 2019-22 period, which is equivalent to 10% of the banks' projected base costs in 2022, by leveraging lower marginal cost per transaction and reducing the number of branches by 10%. It anticipated costs to decline by $20bn in case banks reduce the number branches by 25%. Under a 10% reduction in the number of branches, Goldman Sachs expected banks under its coverage in the UAE to save $1.9bn through 2022, followed by banks in Saudi Arabia ($1.3bn), in Qatar ($577m), in Kuwait ($219m), and in Egypt ($23m). It projected the branch footprint across the MENA region to decline by 20% in the 2019-22 period due to the digitization process, with steeper declines in more mature markets such as the UAE, and smaller reductions in Egypt.

*Source: Goldman Sachs*

## SAUDI ARABIA

### Banks' net earnings to decline by 31% in 2020

Regional investment bank EFG Hermes projected the aggregate net profits of 10 Saudi banks to decline by 31.2% to SAR29.2bn or $7.8bn in 2020, and to rise by 37.5% to SAR40.2bn or $10.7bn in 2021. It attributed the contraction in the banks' earnings in 2020 mainly to a decrease in their net interest income amid lower global interest rates, as well as to a decline in fee income and to higher provisioning costs. It expected the banks' fee income to recover in 2021 with improving economic activity in Saudi Arabia, and as banks lift the waivers on a number of banking fees. Also, it expected banks with a more diversified revenue base to fare better than their counterparts amid low interest rates and narrow spreads. Further, it forecast the banks' aggregate lending to rise by 10% this year to SAR1,555bn or $414.7bn, and by 7.8% to SAR1,676bn or $447bn in 2021. It considered that the expansion in lending next year would be mainly driven by a recovery in economic activity, and by mortgage growth. It anticipated the pressure from provisioning costs to decline and for the cost of risk to ease in 2021; while it noted that the three-month extension of the forbearance program is likely to help mitigate the pressure on asset quality, as businesses with cashflow problems benefit from the relief. In addition, it projected aggregate deposits at the 10 banks to grow by 28.5% in 2020 and to reach to SAR1,807bn or $481.9bn at the end of the year, and by 8.3% to SAR1,958bn or $522.1bn at end-2021.

*Source: EFG Hermes*

## ALGERIA

### Pandemic to affect banks' capitalization

In its Financial System Stability Assessment for Algeria, the International Monetary Fund indicated that, credit growth in Algeria's banking system was rapid prior to the outbreak of the coronavirus pandemic. It also noted that the monetization of the government's deficit increased macroeconomic risks, and that Bank of Algeria's (BA) foreign currency reserves declined significantly. It added that BA adjusted the banks' reserve requirements in order to address the large shifts in liquidity in the local market that are resulting from the fluctuation in hydrocarbon prices. Further, it anticipated the coronavirus outbreak to leave some banks undercapitalized and cautioned that, if the pandemic persists, it could lead to a systemwide undercapitalization. In parallel, the Fund considered that financial supervisors in Algeria still lack the independence they need to do their work properly despite major improvements. In addition, it indicated that a large portion of legacy non-performing loans is potentially under-provisioned, while liquidity management in the sector is underdeveloped. It encouraged the Banking Commission to ensure that all banks abide by the prudential and anti-money laundering and combating the financing of terrorism regulations. It also called on authorities to strengthen the regulatory framework, particularly on bank governance, internal controls and on politically-exposed persons. It said that improved corporate governance and credit risk supervision, along with reforming the subsidy programs that are administered through the financial sector, would help contain linkages between the sovereign and the banks.

*Source: International Monetary Fund*

## TUNISIA

### Banks benefit from government support if needed

In its periodic review of the ratings of five Tunisian banks, Moody's Investors Service indicated that the banks benefit from a high or very high probability of government support in case of need. It said that the 'B2' long-term foreign currency deposit rating of Amen Bank, Arab Tunisian Bank (ATB), Banque de Tunisie (BdT), and Banque Internationale Arabe de Tunisie (BIAT) is constrained by Tunisia's foreign currency bank deposit ceiling, which captures the currency transfer and convertibility risks. It noted that the 'B2' long-term local deposit rating of BIAT balances the bank's solid profitability, good liquidity buffers and a stable funding base, against modest capital buffers compared to its elevated and concentrated credit risks. It indicated that the 'B2' rating of Amen Bank reflects its weak asset quality, moderate profitability and capital buffers, as well as tight liquidity and funding profiles. Also, it said that the 'B2' rating of ATB is constrained by its high credit concentrations, weak asset quality, low profitability, and modest capital buffers, but is supported by sound liquidity buffers and stable deposit funding base. It added that the 'B2' rating of BdT is supported by its sound capital buffers and profitability, and prudent risk management, but is constrained by the elevated pressures on the bank's asset quality, as well as its reliance on funding from the Central Bank of Tunisia (CBT). Further, it noted that the 'B3' deposit rating of Société Tunisienne de Banque mainly reflects a high level of non-performing loans, low profitability, weak loss-absorption capacity, a high reliance on CBT funding, and weak internal audit and reporting systems.

*Source: Moody's Investors Service*

# ENERGY / COMMODITIES

## Brent oil prices to fluctuate between $40p/b and $50p/b in 2021

ICE Brent crude oil front-month prices traded at about $43 per barrel (p/b) in the third week of October 2020. Oil prices continue to be affected by concerns about global oil demand, as the number of coronavirus cases surges worldwide and European countries begin to tighten existing travel restrictions. The low volatility of oil prices in the past week was due to the "wait-and-see" mode of traders ahead of the U.S. Presidential election on November 3, 2020. Further, the ramp-up in Libya’s oil production to a current level of around 500,000 barrels per day (b/d) added downward pressure on global oil prices. In addition, the OPEC and non-OPEC production cut agreement of June 2020 stipulated an increase in the group's production by two million b/d in January 2021, which would further strain prices. However, investment bank JPMorgan Chase anticipated that a weak outlook for global oil demand could prompt OPEC members to delay any increase in oil production. In parallel, the International Monetary Fund projected oil prices to trade at between $40 p/b and $45 p/b early next year, and at $40 p/b to $50 p/b in full year 2021, which is about 40% below the pre-pandemic levels. The surge in the number of coronavirus cases worldwide, as well as uncertainties about the fiscal stimulus in the United States are likely to exert downside pressure on prices in the near future.

*Source: IMF, CNBC, JPMorgan Chase, Refinitiv*

## OPEC oil output unchanged in September 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 24.1 million barrels per day (b/d) in September 2020, nearly unchanged from 24.2 million b/d in August 2020. Saudi Arabia produced 9 million b/d in September 2020, or 37.2% of OPEC's total output, followed by Iraq with 3.7 million b/d (15.3%), the UAE with 2.5 million b/d (10.5%), Kuwait with 2.3 million b/d (9.5%), and Iran with 2 million b/d (8.1%).

*Source: OPEC*

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

Consumption of crude oil in the Middle East & Africa is expected to average 11.62 million barrels per day (b/d) in 2020, which would constitute a decline of 8.1% from 12.65 million b/d in 2019. The region's demand for oil would represent 24.5% of demand in non-OECD countries and 12.9% of global consumption this year.

*Source: OPEC*

## Steel demand to decrease by 2.4% in 2020

Global steel demand is projected to decline by 2.4% from 1.77 billion tons in 2019 to 1.73 billion tons in 2020, due to weaker economic activity from the coronavirus pandemic. It expected global demand for steel to recover by 4.1% to 1.8 billion tons in 2021. It forecast demand for steel to decrease by 19.5% in the Middle East in 2020, followed by Africa (-16%), North America (-15.3%), the European Union (-15.2%), Central & South America (-10%), and the Commonwealth of Independent States (-9%). In contrast, it anticipated steel demand to increase by 4% in other European countries this year and by 2.1% Asia & Oceania.

*Source: World Steel Association, Byblos Research*

## Base Metals: Copper prices up 51% since March

LME copper cash prices averaged $6,683 per ton so far in October 2020, constituting a marginal decrease of 0.3% from an average of $6,705 per ton in September 2020. Prices closed at $6,978 per ton on October 21, their highest level since June 15, 2018, and increased by 51% from a three-year low of $4,625 a ton in March 2020. A weaker US dollar and growing hopes for a pre-election stimulus package in the U.S. drove the growth in copper prices. In addition, the prospects of stronger demand from China, fuelled by expectations that the country's leaders will approve the stockpiling of commodities such as copper, pushed prices upwards. Further, supply disruptions in Chile resulting from strikes at large mines in the country also contributed to the price increase. In parallel, the International Copper Study Group expected global demand for copper to be nearly unchanged in 2020, as higher demand from China would offset the decrease in demand in the rest of the world. It forecast global copper demand to increase by 1.1% in 2021, mainly driven by a rise of 5% in demand across the world, excluding China. In parallel, it projected global refined supply to grow by 1.6% in 2020 and in 2021, as it anticipated a recovery in production in Chile, the Democratic Republic of the Congo, Japan, Zambia, and some countries in the European Union. As such, it forecast the supply deficit to narrow from 382,000 tons in 2019 to 52,000 tons in 2020, and to shift to a surplus of 69,000 tons in 2021.

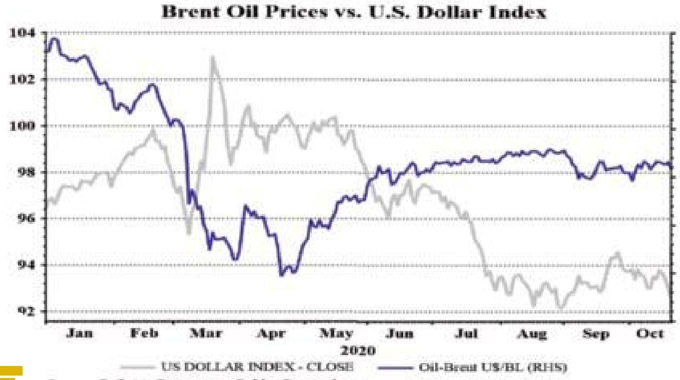
*Source: International Copper Study Group, Refinitiv*

## Precious Metals: Gold prices projected at $2,100 per ounce in first quarter of 2021

Gold prices reached $1,923.3 per troy ounce on October 21, 2020, constituting an increase of 26.5% from $1,521 an ounce at the end of 2019. The rise in the metal's price is mainly due to rising uncertainties about the evolution of 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, gold prices grew by 2.1% from a recent low of $1,883.7 per ounce on October 7, 2020, driven by optimism that U.S. lawmakers could reach an agreement on a coronavirus relief package, which has weakened the dollar and made the metal more appealing to investors as a hedge against inflation. In parallel, Bank of America forecast gold prices to rise from an average of $1,950 per ounce in the fourth quarter of 2020 to $2,100 an ounce in the first quarter and to $2,250 per ounce in the second quarter of 2021. Also, gold prices are likely to find support from an accommodative fiscal policy and a low interest rates environment globally.

*Source: Bank of America, Refinitiv, Byblos Research*

**Brent Oil Prices vs. U.S. Dollar Index**




*Source: Refinitiv Datastream, Byblos Research*

# COUNTRY RISK METRICS

| Countries | S&P | Moody's | Fitch | CI | IHS | General gvt. balance/ GDP (%) | Gross Public debt (% of GDP) | Usable Reserves / CAPs* (months) | Short-Term External Debt by Rem. Mat./ CARs | Gvt. Interest Exp./ Rev. (%) | Gross Ext. Fin. needs / (CAR + Use. Res.) (%) | Current Account Balance / GDP (%) | Net FDI / GDP (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | LT Foreign currency rating | | | | | | | | | | | | |
| **Africa** | | | | | | | | | | | | | |
| Algeria | - | - | - | - | B+ | | | | | | | | |
| | - | - | - | - | Negative | -4.8 | - | - | - | - | - | -21.4 | - |
| Angola | CCC+ | Caa1 | CCC | - | CCC | | | | | | | | |
| | Stable | Stable | - | - | Negative | -4.0 | 127.1 | 7.7 | 91.1 | 45.4 | 122.9 | -14.4 | 9.5 |
| Egypt | B | B2 | B+ | B+ | B+ | | | | | | | | |
| | Stable | Stable | Stable | Stable | Stable | -8.3 | 86.5 | 6.0 | 71.4 | 44.8 | 120.1 | -4.6 | 1.8 |
| Ethiopia | B | B2 | B | | B+ | | | | | | | | |
| | Negative | Negative | Negative | - | Negative | -3.2 | 31.3 | 2.3 | 64.8 | 4.5 | 175.3 | -7.3 | 2.0 |
| Ghana | B- | B3 | B | - | BB- | | | | | | | | |
| | Stable | Negative | Stable | - | Negative | -9.0 | 66.7 | 2.7 | 49.6 | 52.1 | 128.0 | -4.3 | 3.8 |
| Côte d'Ivoire | - | Ba3 | B+ | - | B+ | | | | | | | | |
| | - | Stable | Positive | - | Stable | --5.5 | 43.2 | 4.8 | - | 14.4 | - | -4.0 | 0.2 |
| Libya | - | - | - | - | CCC | | | | | | | | |
| | - | - | - | - | Negative | - | - | - | - | - | - | - | - |
| Dem Rep Congo | CCC+ | Caa1 | - | - | CCC | | | | | | | | |
| | Stable | Stable | - | - | Stable | -1.5 | 12.6 | 0.3 | 6.4 | 1.9 | 120.7 | -5.3 | 2.5 |
| Morocco | BBB- | Ba1 | BBB- | - | BBB | | | | | | | | |
| | 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 | Negative | 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 | B+ | Ba3 | BB- | BBB- | BB- | | | | | | | | |
| | Stable | 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 | 20-Oct-20 | No change | 20-Nov-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 | 09-Oct-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 | 22-Oct-20 | No change | 19-Nov-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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