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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade in commercial services contracts by 30% in second quarter of 2020

The World Trade Organization indicated that global trade in commercial services declined by 30% in the second quarter of 2020 from the same quarter of 2019, constituting the steepest contraction since the 17% decrease recorded in the second quarter of 2009 during the financial crisis. It pointed out that the exports of commercial services contracted by 29% year-on-year in the second quarter of 2020, after a decline of 7% in the first quarter of the year. In parallel, it said that the imports of such services regressed by 32% annually in the covered quarter, following a decrease of 4% in the preceding quarter. It estimated that exports of commercial services contracted by 32% in North America, followed by Asia (-29%), Europe (-26%) and other regions (-41%). Further, it indicated that the imports of commercial services dropped by 36% in North America, followed by Asia (-32%), Europe (-29%) and other regions (-42%). It noted that tourism was the most affected sector by the coronavirus pandemic in the second quarter of the year, as expenditures on travel services contracted by 81% and trade in transport services regressed by 31% annually. It said that these two sectors account for 43% of trade in services worldwide. It estimated that trade in construction services declined by 25% in the second quarter of 2020 from the same period last year, followed by manufacturing and repairs services (-22%), audio-visual, artistic and recreational services (-14%), and research and development services (-12%).

Source: World Trade Organization

IRAQ

Profits of listed firms up 71% to $235m in first half of 2020

The cumulative unaudited pre-tax profits of 88 out of 130 companies listed on the Iraq Stock Exchange totaled IQD290.4bn in the first half of 2020, constituting an increase of 75% from IQD165.7bn in the same period of 2019. In US dollar terms, the profits of listed companies reached $235.3m in the covered period and grew by 71.3% from $137.4m in the first half of 2019. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,206 per US dollar in the first half of 2019 to an average of IQD1,234 per dollar in the same period of 2020. Listed telecommunication firms generated $143.6m in profits in the first half of 2020, followed by banks ($65.4m), industrial companies ($23m), firms in the hotel & tourism sector ($2.8m), services providers ($0.5m), companies operating in the agricultural sector ($0.3m), and insurers ($0.1m). In parallel, investment firms posted losses of $0.13m in the covered period, while money transfer operators registered losses of $0.09m. Further, the profits of telecommunication companies grew by 24.7% in the half of 2020, while the earnings of industrial firms increased by 14.2%. In contrast, the profits of companies operating in the hotel & tourism sector decreased by 61.8% in the covered period, while the earnings of service providers regressed by 45.4%. The results of banks, insurers and firms operating in the agricultural sector shifted from aggregate losses of $5.7m in the first half of 2019 to profits of $65.7m in the first half of this year.

Source: Iraq Stock Exchange

EMERGING MARKETS

Remittance flows to developing economies to decline by 7.5% to $470bn in 2021

The World Bank projected remittance inflows to low- and middle-income countries (LMICs) at $470bn in 2021, which would constitute a decline of 7.5% from $508bn in 2020, following an estimated contraction of 7.2% in 2020. It attributed the decrease in remittance flows to LMICs mainly to job uncertainties and subdued economic prospects in several migrant-hosting countries, especially European countries and the United States. It also noted that low global oil prices are affecting remittance inflows from Gulf Cooperation Council countries and Russia, while weaker currencies against the US dollar in several migrant-hosting countries have reduced remittance flows from these states. It forecast remittance inflows to South Asia to fall by 11% in 2021, followed by inflows to Latin America & the Caribbean (-8.1%), the Middle East & North Africa (MENA) (-7.7%), Europe & Central Asia (-7.5%), Sub-Saharan Africa (SSA) (-5.8%), and East Asia & the Pacific (-4.2%). As such, it expected remittance flows to East Asia & the Pacific to reach $126bn and to account for 26.8% of total remittances to LMICs in 2021, followed by flows to South Asia with $120bn (25.5%), Latin America & the Caribbean with $88bn (18.7%), the MENA region $50bn (10.6%), Europe & Central Asia with $44bn (9.4%), and SSA with $41bn (8.7%). The World Bank indicated that the outlook for remittance flows is uncertain and will depend on the impact of the COVID-19 pandemic on global growth, which is contingent on the effectiveness of efforts to contain the spread of the virus.

Source: World Bank

Sovereigns to issue $151bn in Eurobonds in 2021

Barclays Capital projected emerging market (EM) sovereigns to issue $151bn in foreign currency-denominated bonds in 2021, relative to an expected $183bn in 2020. It forecast issuance in 2021 to be broadly in line with the average gross EM sovereign foreign-currency bond supply of the past five years, after a record year in 2020. It anticipated bond issuance to increase in Sub-Saharan Africa, in some countries of Latin America, as well as in South Africa and Turkey. It forecast Eastern Europe, the Middle East & Africa (EEMEA) to issue $93bn worth of Eurobonds, equivalent to 61.6% of total EM foreign currency bond supply in 2021, and relative to $105bn in 2020. It anticipated Latin America to issue $34bn, or 22.5% of the total, compared to $50bn in 2020, while it projected Emerging Asia to issue $24bn (16%) relative to $28bn in 2020. On a country basis, it expected Indonesia and Saudi Arabia to issue $10bn in sovereign Eurobonds each, or 6.6% each of total EM supply in 2021, followed by Turkey with $9.5bn (6.3%); then Poland with $8bn (5.3%); Qatar and Mexico with $7bn each (4.6% each); China with $6bn (4%); Abu Dhabi and Kuwait with $5bn each (3.3% each); Egypt, Ghana, South Africa, Colombia and Peru with $4bn each (2.6% each); and Brazil, the Dominican Republic, Kenya, Nigeria, Panama, the Philippines, Russia, and Ukraine with $3bn each (2% each). In parallel, it projected interest payments and maturities to reach $100bn next year. As such, it forecast EM currency-denominated issuance, net of interest payments and maturities, at $51bn in 2021.

Source: Barclays Capital

OUTLOOK

WORLD

Insurance premiums to grow by 3.4% in 2021-22

Global reinsurer Swiss Re indicated that the adverse impact of the coronavirus pandemic on the global insurance sector was less severe than initially anticipated, and expected premium volumes to recover to pre-pandemic levels by the end of 2021. It forecast global premiums to contract by 1.4% in real terms in 2020, and to grow by 3.4% in 2021 and 3.3% in 2022. It anticipated the rebound in global premiums to be mainly driven by the increase in premiums in emerging markets of about 7% in real terms annually in the 2021-22 period. In parallel, it estimated insurance premiums in advanced markets to expand by around 2.4% in real terms per year in the 2021-22 period.

Further, it projected global non-life premiums to grow by 1.3% in real terms in 2020, mainly due to stronger-than-expected rate "hardening", or increase in rates, in the commercial insurance market. It forecast non-life premiums to expand by 3.6% in real terms annually in the 2021-22 period, supported by stronger economic growth, ongoing rate "hardening" in the commercial market, and a rebound in emerging markets. It expected non-life premiums in emerging markets to increase by 7.6% in real terms in the 2021-22 period, while it estimated such premiums to grow by about 3% in advanced economies in the covered period.

In parallel, it estimated global life premiums to shrink by 4.5% in real terms in 2020, due to weaker demand for life insurance amid rising unemployment rates, a decline in the purchasing power of consumers, and low interest rates. It anticipated global life premiums to grow by 3% in real terms annually in the 2021-22 period, with life premiums rising by 7% in emerging markets and by about 2% in advanced economies. It pointed out that the economic recovery and higher risk awareness following the pandemic will drive the recovery in life premiums.

Source: Swiss Re

MENA

Real GDP of oil-importing economies to shrink by 1% in 2020 and to grow by 2.7% in 2021

The International Monetary Fund projected real GDP in the oil-importing economies of the Middle East & North Africa region to contract by 1.2% in 2020 compared to a growth forecast of 4.4% in October 2019. It attributed the contraction to subdued trade and tourism activity, lower remittance inflows, as well as to the adverse economic impact of lockdown measures. It forecast real GDP in 2020 to shrink by 25% in Lebanon and by 8.5% in Sudan, due to country-specific crises and challenges. It also expected activity to contact by 7% in Morocco and Tunisia and by 5% in Jordan, due to the severe impact on tourism and manufacturing of weak activity in trading partners and sustained travel disruptions. It estimated Egypt's real GDP to have expanded by 3.5% in the fiscal year that ended in June 2020, constituting the only economy to grow among oil importers this year.

In parallel, the Fund forecast the aggregate fiscal deficit of MENA oil importers to widen from 7% of GDP in 2019 to 8% of GDP in 2020. It noted that risks to debt sustainability are high among oil importers, as the latter's government debt level is projected to rise from 91.5% of GDP at end-2019 to 95% of GDP at end-2020. Further, it expected the aggregate current account deficit of oil importers to narrow from $42.3bn or 6.8% of GDP last year, to $36.6bn or 5.7% of GDP in 2020, due to lower imports and despite weak remittance flows, tourism, and trade activity. It anticipated foreign currency reserve coverage to remain generally adequate at more than four months of imports for most oil importers, with the exception of Djibouti, Sudan and Tunisia.

The IMF projected real GDP among oil importers to grow by 2.7% in 2021, but it noted that the projections are subject to uncertainties about the pandemic path. It said that the COVID-19 shock exacerbated important vulnerabilities in the region, including excessive debt levels, elevated financing needs, and high unemployment rates. Consequently, it noted that renewed lockdown measures around the world would result in a weaker global recovery, as well as in a protracted recovery in remittances and tourism, which are key flows for the region. It added that tighter financial conditions could restart capital outflows from the region, which would increase financing risks and could push vulnerable countries into debt and balance-of-payments crises.

Source: International Monetary Fund

IRAQ

Economic activity to contract by 9.5% in 2020, risks on the downside

The World Bank indicated that Iraq's economic outlook is highly uncertain and is contingent on the trajectory of global oil prices, the evolution of the COVID-19 outbreak, the capacity of the Iraqi healthcare system to respond to the pandemic, as well as on the authorities' commitment to reforms and the degree of political stability. It projected real GDP to contract by 9.5% in 2020, the economy's worst performance since 2003, following a growth rate of 4.4% in 2019. It anticipated activity in the hydrocarbon sector to retreat by 12% this year due to oil production cuts under the OPEC+ agreement, and for non-oil real GDP to shrink by 5%, given the slowdown in the agriculture and services sectors. It expected economic activity to gradually recover, in case the pandemic starts to abate next year, and forecast real GDP to grow by 2% in 2021 and by 7.3% in 2022, with the non-oil economy growing by an average of 4.1% in the 2021-22 period.

In parallel, it projected the fiscal deficit to narrow from 16.8% of GDP in 2020 to an average of 12.2% in the 2021-22 period, in case authorities do not reform the public-sector wage bill and the pension system, and if oil prices recover modestly. Still, it projected the public debt level to rise from 65.7% of GDP at end-2020 to 78.8% of GDP by end-2022. It considered that authorities will struggle to secure budget financing under uncertain global market conditions, and anticipated that their reliance on domestic funding would increase Iraq's debt servicing and repayment risks. In addition, it forecast the current account deficit to narrow from 12.2% of GDP in 2020 to 4.5% of GDP in 2022, supported by a gradual increase in oil export receipts and lower imports. It anticipated foreign currency reserves at the Central Bank of Iraq to decline from $54.4bn at end-2020 to $47.4bn at end-2022.

Further, the World Bank stressed that authorities need to commit to significant reforms to rebuild fiscal space, and that a failure to narrow the fiscal and current account deficits and a rapid build-up of the public debt would further reduce foreign currency reserves and undermine the economy's capacity to absorb shocks.

Source: World Bank

SAUDI ARABIA

Outlook on sovereign ratings revised to 'negative'

Fitch Ratings affirmed at 'A' Saudi Arabia's long-term foreign currency Issuer Default Rating and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the continued weakening of the Kingdom's fiscal and external balance sheets from the coronavirus pandemic and lower oil prices. It forecast the fiscal deficit at 12.8% of GDP in 2020 despite exceptional profits from government investments, as well as the significant fiscal measures to contain public spending and support non-oil revenues. It projected the deficit to gradually narrow to 8% of GDP in 2021 and 5% of GDP in 2022, with risks tilted to the downside. As such, it expected the government's debt level to rise from 23% of GDP at end-2019 to about 35% of GDP at end-2020, while it forecast the government's deposits at the Saudi Arabian Monetary Authority (SAMA) to decline to 16% of GDP by the end of 2020 and to 12% of GDP by end-2022. But it pointed out that the balance sheets of the Saudi government and of the broader public sector will remain stronger than those of most 'A'-rated sovereigns. Further, it projected the current account balance to shift from a surplus of 5% of GDP in 2019 to a deficit of 6% of GDP in 2020 and to reach a deficit of 3% of GDP by 2022. It also forecast SAMA's foreign currency reserves to fall from $515bn at end-2019 to $456bn at end-2020 and $438bn at end-2022, but to cover 20 months of external payments, the highest ratio among Fitch-rated sovereigns. It expected the Kingdom's sovereign net foreign assets to regress from about 72% of GDP in 2019-20 to 60% of GDP by the end of 2022.

Source: Fitch Ratings

UAE

Agency assigns 'AA-' rating to UAE sovereign

Fitch Ratings assigned to the United Arab Emirates a long-term foreign-currency Issuer Default Rating (IDR) of 'AA-', with a 'stable' outlook. It noted that the rating is supported by the country's moderate public debt level, strong net external asset position, and the likelihood of support from the Emirate of Abu Dhabi in case of need. However, it said that the rating is constrained by the country's high dependence on hydrocarbon revenues, the significant indebtedness of some of the emirates and their government-related entities (GREs), the absence of an explicit guarantee of timely support by Abu Dhabi, elevated geopolitical risks, as well as weak governance indicators. It forecast the fiscal balance to shift from a surplus of 3.8% of GDP in 2019 to a deficit of 3.8% of GDP in 2020, amid the COVID-19 pandemic and the oil price shock. It expected financing needs, excluding the Abu Dhabi Investment Authority's investment income, to reach 6.3% of GDP in 2020, before gradually narrowing to 2.2% of GDP by 2022. It forecast the UAE's consolidated public debt to rise from a projected 34% of GDP at end-2020 to about 45% of GDP by the end of 2022. It estimated the contingent liabilities of GREs at about 80% of GDP in 2020. Fitch considered that the federal government has limited fiscal flexibility given its small revenue base and limits on issuing debt. It noted that the ongoing rationalization of public spending, the consolidation of the financial sector, global travel restrictions and adverse real estate market dynamics will continue to weigh on economic growth, despite some potential uplift from the Dubai Expo in 2021.

Source: Fitch Ratings

EGYPT

Sovereign ratings affirmed with 'stable' outlook

S&P Global Ratings affirmed Egypt's long- and short-term foreign and local currency ratings at 'B', with a 'stable' outlook. It attributed its decision to the government's ability to cover its higher external and fiscal financing needs and upcoming maturities in the next 12 months, given Egypt's adequate external buffers. It anticipated the country's current account receipts to significantly decline throughout June 2021, but expected them to recover starting in the fiscal year that ends in June 2022. In addition, it expected monetary easing to reduce government financing costs and support private-sector credit growth, but it noted that this could reduce portfolio inflows in case real returns on Egyptian securities drop. In parallel, Fitch Ratings indicated that foreign currency reserves at the Central Bank of Egypt reached $39bn at the end of October 2020, lower than their pre-pandemic level, but twice the levels of the 2012-16 period, mainly due to narrower trade deficits, higher foreign borrowing and renewed foreign inflows to the local currency government bonds. It added that the country's external financing needs are manageable, as it forecast the current account deficit at 3.4% of GDP in the 2021-22 period. It also expected the public external debt level, which includes non-resident holdings of local-currency government debt, to stabilize at about 30% of GDP in the 2021-22 period. It said that the key risks to the stability of external finances are subdued current account receipts for a longer-than-anticipated period as a result of the pandemic, a resumption of portfolio outflows, and limited exchange-rate flexibility.

Source: S&P Global Ratings, Fitch Ratings

ETHIOPIA

Tigray conflict to increase economic pressure

S&P Global Ratings indicated that the conflict between Ethiopia's federal government and the local government of the northern region of Tigray could pose risks to political and economic stability in the country. It noted that the conflict follows an increase in tensions between the federal and local authorities since September, when the Tigray authorities held regional elections in defiance of the federal government and began implementing separatist plans. It considered that a protracted conflict and heightened social tensions could further constrain economic activity, which, along with a significant depreciation of the currency, could have a severe impact on the fiscal balance and increase public debt vulnerabilities. It indicated that the 'negative' outlook on Ethiopia's ratings reflects the risks that higher-than-expected fiscal and external imbalances could further weaken the country's fiscal and external position. The agency pointed out that the pandemic has increased economic, financial and operational challenges to the government's reform agenda that aims to strengthen public debt sustainability, reduce external vulnerabilities, and drive stronger growth and investment. It added that an escalation of the conflict would threaten the government's reform agenda. It noted that potential delays to the government's privatization plans could exacerbate downside risks to foreign direct investments, which are a major source of external funding for the country, and would add pressure on the country's low foreign currency reserves, given Ethiopia's high external financing requirements.

Source: S&P Global Ratings

JORDAN

Private sector lending up 7% in first nine months of 2020

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD56.4bn, or $79.5bn at the end of September 2020, constituting increases of 5.1% from the end of 2019 and of 6.7% from end-September 2019. Claims on the resident private sector grew by 7.1% from the end of 2019 to JD26.5bn and credit to the non-resident private sector rose by 8.7% to JD733m, leading to an expansion of 7.1% in overall private sector credit facilities in the first nine months of 2020. Lending to the resident private sector accounted for 47% of total assets at the end of September 2020 compared to 46.6% a year earlier. In parallel, resident private sector deposits reached JD29bn at the end of September 2020, and grew by 2.2% from JD28.3bn at end-2019, while non-resident private sector deposits grew by 5% from end-2019 and by 5.8% year-on-year to JD4.25bn. The dollarization rate of private sector deposits reached 24.7% at end-September 2020, unchanged from a year earlier. Also, the government's deposits totaled JD890.7m and those of public non-financial institutions reached JD220.5m at the end of September 2020. Claims on the public sector accounted for 22.4% of total assets at end-September 2020 compared to 23.4% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD5.9bn, or $8.3bn at end-September 2020, up by 4.4% from end-2019 and by 15% from a year earlier; while capital accounts and allowances increased by 8.5% to JD8.7bn, or $12.3bn. Also, deposits at foreign banks reached JD4bn, or $5.7bn, at end-September 2020 and rose by 5.7% from end-2019; while the sector's foreign liabilities stood at JD8.8bn, or $12.5bn, up by 9.8% from end-2019.

Source: Central Bank of Jordan

TUNISIA

Banks' financial metrics to deteriorate in challenging operating environment

Fitch Ratings indicated that Tunisian banks are facing a challenging operating environment, as their already weak credit profiles are subject to higher risks from the coronavirus crisis. It considered that risks to the banks' asset quality are temporarily contained, as the Central Bank of Tunisia allowed the banks to postpone the classification of loans and the associated impairment charges on the loans that are subject to repayment delays. It indicated that the average impaired loan ratio of major banks increased slightly from 10.3% at the end of 2019 to 10.7% at end-June 2020. It expected the growth in impaired loans to accelerate in the next 12 months, mainly as loan classifications normalize and the support measures end. It noted that the banks' average net interest margin regressed from 3.8% in 2019 to 3.5% in the first half of 2020, due to the cut in policy rates in March. It anticipated the 50 basis points cut in September to weigh further on the margins. Also, it said that the banks' annualized return on equity decreased from 16.8% in 2019 to 8.8% in the first half of 2020. It considered that the banks' capitalization is weak mainly due to elevated unreserved impaired loans and weak operating environment. It expected the banks' lower profitability to weigh on their limited capital buffers. It noted that it will downgrade the banks' ratings in case of a larger-than-expected deterioration in their financial metrics and if it downgrades the sovereign.

Source: Fitch Ratings

SUDAN

Central Bank issues compliance guidelines

The Central Bank of Sudan (CBoS) instructed banks operating in the country to terminate all operations with 18 Iranian banks in compliance with the sanctions that the United States imposed on these banks on November 1, 2018 and, more recently, on August 23, 2020. It said that the 18 banks are Amin Investment Bank, Bank Keshavarzi Iran, Bank Maskan, Bank Refah Kargaran, Bank-E Shahr, Eghtesad Novin Bank, Gharzolhasaneh Resalat Bank, Hekmat Iranian Bank, Iran Zamin Bank, Karafarin Bank, Khavarmianeh Bank, Mehr Iran Credit Union Bank, Pasargad Bank, Saman Bank, Sarmayeh Bank, Tosee Taavon Bank, Islamic Regional Cooperation Bank, and Tourism Bank. It also called on banks in Sudan to closely monitor the lists of sanctions that are issued by the U.S. Department of the Treasury and its Office of Foreign Assets Control, and to deal with the persons and entities on these lists according to the established guidelines and procedures. In parallel, the International Monetary Fund indicated in October that, despite the lifting of most U.S. sanctions on Sudan, the majority of correspondent banks have been reluctant to re-establish relationships with Sudanese banks due to compliance concerns. It said that addressing the deficiencies related to anti-money laundering and the combating of terrorism financing (AML/CFT) are a priority under the recent non-funded Staff-Monitored Program with the IMF. It noted that authorities aim to complete a national money laundering and terrorism financing risk assessment, increase the capacity of the Financial Intelligence Unit, fully implement risk-based AML/CFT supervision, and improve the process of freezing terrorist assets. In addition, it pointed out that the CBoS will conduct by the end of March 2021 thematic AML/CFT on-site inspections of banks that exhibit high compliance risks, and will provide aggregate the Fund with the related findings and sanctions.

Source: Central Bank of Sudan, International Monetary Fund

MOROCCO

Agency downgrades ratings of three banks, outlook revised to 'stable'

Fitch Ratings downgraded from 'BB+' to 'BB' the long-term foreign- and local-currency Issuer Default Ratings (IDRs) of Attijariwafa Bank (AWB), Bank of Africa (BOA) and Credit Immobilier et Hotelier (CIH), following its similar action on Morocco's sovereign ratings. It also revised the outlook on the banks' ratings from 'negative' to 'stable', in line with the outlook on the sovereign. Further, it downgraded the three banks' Support Rating Floors (SRFs) from 'BB+' to 'BB', while it affirmed their Support Ratings at '3'. The agency attributed the downgrades of the three banks' IDRs and SRFs to the weaker ability of the Moroccan sovereign to provide support to the banks in case of need, due to the government's widening fiscal deficits and rising public debt level. However, it considered that the authorities' willingness to support the banking sector remains high. It noted that the Moroccan banking sector is a key element of the country's economic recovery plan, as the government intends to inject the equivalent of 7.5% of GDP in guaranteed loans to boost economic activity. In parallel, Fitch maintained the Viability Rating (VR) of AWB at 'bb', and the VRs of BOA and of CIH at 'bb-.

Source: Fitch Ratings

ENERGY / COMMODITIES

Brent oil prices to average $45 p/b in 2021

ICE Brent crude oil front-month prices have been trading at around $40 per barrel (p/b) since the beginning of November 2020. They grew by 7.5% day-to-day on November 9, and by 3% on November 10 to close at $43.6 p/b, as prospects of a COVID-19 vaccine outweighed the expected negative impact of new lockdown measures on oil demand. In fact, Fitch Ratings considered that renewed European lockdowns will delay the recovery in global oil demand, particularly if these measures extend into 2021 or further restrictions are imposed in the U.S. or other regions. Still, it expected global oil demand to be higher during the current lockdowns than in the April-May lockdown period. It pointed out that current measures are less strict, and that demand for vehicle fuel will be less affected. But it anticipated that a combination of the lockdowns and rising infection rates across the world would delay a full recovery of global oil demand beyond 2021. It expected OPEC and non-OPEC countries to postpone the planned two million barrels per day increase in oil production in January 2021, in order to avoid production surpluses and a sharp drop in prices. It pointed out that Saudi Arabia and Russia are already considering extending the existing production cuts by three months, or making even larger cuts. It added that growing oil production in Libya, which is exempt from the production cut agreement, will put additional pressure on OPEC members to extend the current reductions in oil output. It forecast Brent oil prices to average $45 p/b in 2021.
Source: Fitch Ratings, CNBC, Refinitiv, Byblos Research

OPEC's oil basket price down 3.5% in October 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $40.08 per barrel (p/b) in October 2020, constituting a decline of 3.5% from $41.54 p/b in September 2020. The UAE's Murban price was $41.06 p/b, followed by Angola's Girassol at $40.72 p/b, and Iraq's Basrah Light at $40.6 p/b. In parallel, all prices in the OPEC basket posted monthly decreases of between $0.37 p/b and $1.99 p/b in October 2020.
Source: OPEC

OPEC oil output up 1.3% in October 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 24.4 million barrels per day (b/d) in October 2020, up by 1.3% from 24.1 million b/d in September 2020. Saudi Arabia produced 9 million b/d, or 36.7% of OPEC's total output, followed by Iraq with 3.8 million b/d (15.7%), the UAE with 2.4 million b/d (10%), Kuwait with 2.3 million b/d (9.4%), and Iran with 2 million b/d (8%).
Source: OPEC

Middle East demand for gold bars and coins down 9% annually in first nine months of 2020

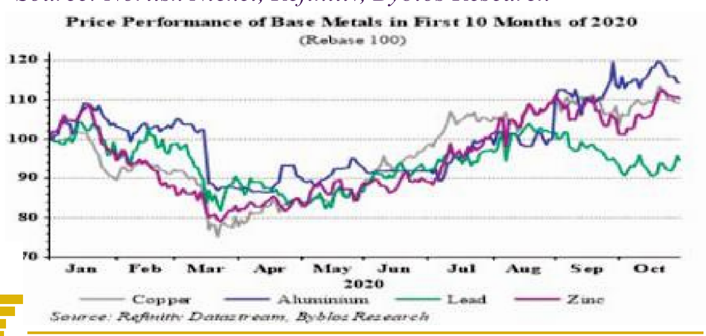
Net demand for gold bars and coins in the Middle East totaled 43.3 tons in the first nine months of 2020, constituting a decline of 8.7% from 47.4 tons in the same period of 2019. It accounted for 7% of global demand for bars and coins in the covered period. Gold demand in Iran reached 28.2 tons, representing 65% of the region's total demand. Saudi Arabia followed with 6 tons (13.8%), then the UAE with 4 tons (9.2%), Kuwait with 2 tons (4.7%), and Egypt with 1.4 tons (3.3%).
Source: World Gold Council, Byblos Research

Base Metals: Nickel prices average $15,239 per ton in October 2020

The LME cash prices of nickel averaged $15,239 per ton in October 2020, constituting an increase of 2.6% from an average of $14,857 a ton in September. Prices closed at $15,976 per ton on October 20, their highest level since November 2019, mainly driven by a weaker US dollar, a solid economic recovery in China, expectations of strong demand for nickel for the production of stainless steel, and by delays to the planned expansion of production capacity in Indonesia. Further, concerns about supply disruptions after a major nickel ore producer in the Philippines suspended operations at its mine, and strong demand, kept prices around an average of $15,752 a ton between October 21 and October 28. However, prices moderated and closed at $15,123 per ton at the end of October, due to a stronger US dollar, uncertainties related to the U.S. elections, and renewed concerns about demand for metals amid resurgence of coronavirus infections and new lockdown measures. Nickel prices recovered to $15,930 per ton on November 11, supported by news of a progress on an effective coronavirus vaccine, as well as by a weaker US dollar and investors' optimism about global trade and additional stimulus in the U.S. after the victory of Democrat candidate Joe Biden.
Source: Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $2,188 per ounce in 2020

Palladium prices averaged $2,159 per troy ounce in the first 10 months of 2020, constituting an increase of 46% from $1,480 an ounce in the same period of 2019, and compared to an average of $1,538 an ounce in 2019, due to an undersupplied palladium market amid persistent production disruptions. The rise in prices was also supported by rebounding auto sales, which have boosted autocatalyst demand from the automotive industry following weak global automotive demand amid the COVID-19 pandemic. In fact, about 80% of demand for palladium originates from the automotive sector, where the metal is a key component of pollution-control devices in vehicles. In parallel, Norilsk Nickel, the world's largest palladium producer, expected the global supply of palladium to drop by 14% in 2020, due to a decline in mining supply following lockdown measures in palladium-producing countries, and to the slower-than-anticipated pickup in South African production. Palladium prices are forecast to average $2,188 an ounce this year and $2,317 per ounce in 2021, supported by expectations of sustained supply shortages and rising production of automobiles, as vehicle makers, mainly in China, recover from the coronavirus shock. Downside risks to the price outlook include higher supply from Australia and South Africa, subdued growth in the Eurozone, the rise of alternative catalytic agents, as well as the growing demand worldwide for electric and hybrid vehicles.
Source: Norilsk Nickel, Refinitiv, 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	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	Negative	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-	AA-								
	-	Stable	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	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	05-Nov-20	No change	16-Dec-20
Eurozone	Refi Rate	0.00	29-Oct-20	No change	10-Dec-20
UK	Bank Rate	0.10	05-Nov-20	No change	17-Dec-20
Japan	O/N Call Rate	-0.10	29-Oct-20	No change	18-Dec-20
Australia	Cash Rate	0.10	03-Nov-20	Cut 15bps	01-Dec-20
New Zealand	Cash Rate	0.25	11-Nov-20	No change	24-Feb-21
Switzerland	SNB Policy Rate	-0.75	24-Sep-20	No change	17-Dec-20
Canada	Overnight rate	0.25	28-Oct-20	No change	09-Dec-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	03-Nov-20	No change	N/A
Thailand	1D Repo	0.50	23-Sep-20	No change	18-Nov-20
India	Reverse repo Rate	4.00	09-Oct-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	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	26-Nov-20
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	28-Oct-20	No change	09-Dec-20
Armenia	Refi Rate	4.25	27-Oct-20	No change	15-Dec-20
Romania	Policy Rate	1.50	12-Nov-20	No change	N/A
Bulgaria	Base Interest	0.00	02-Nov-20	No change	01-Dec-20
Kazakhstan	Repo Rate	9.00	26-Oct-20	No change	14-Dec-20
Ukraine	Discount Rate	6.00	22-Oct-20	No change	10-Dec-20
Russia	Refi Rate	4.25	23-Oct-20	No change	18-Dec-20

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