600 ISSUES+
Issue 651 | November 19, 2020

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global FDI flows down 49% to $400bn in first half of 2020

The United Nations Conference on Trade & Development (UNCTAD) indicated that global foreign direct investments (FDI) totaled $399bn in the first half of 2020, constituting a drop of 48.6% from six-month moving averages in 2019. It attributed the decline in global FDI mainly to worldwide lockdowns in response to the COVID-19 outbreak that forced companies to delay existing investment projects and to postpone non-essential investments to preserve cash buffers. It noted that FDI in developing economies stood at $296bn, or 74.2% of global FDI flows, followed by inflows to developed countries with $98bn (24.6%), and to transition economies with $5bn (1.3%). In parallel, it said that FDI inflows to transition economies dropped by nearly 83%, mainly due to a steep decline of FDI to Russia, while FDI flows to developed countries fell by 75.3% in the first half of 2020, driven by a 56.4% drop in FDI to North America and negative inflows in European economies. Also, it noted that FDI flows to developing countries decreased by 16% in the covered period due to lower flows to Africa, Asia, and Latin America & the Caribbean. It added that the contraction in FDI in developing economies was less severe than in developed countries, as FDI in developing countries includes more greenfield investments and project finance, which tend to be more stable. Further, it anticipated the decline in global FDI to persist through the remainder of the year, as a second wave of the coronavirus in several developed economies is undermining the normalization of investment activity.
Source: UNCTAD

Aggregate global wealth at $392 trillion at end-June 2020

Global investment bank Credit Suisse estimated that aggregate global wealth reached $392 trillion (tn) at the end of June 2020, constituting a decline of $7.2tn from $399.2tn at the end of 2019 as a result of the COVID-19 outbreak. It defines a country's "net worth", or wealth, as the sum of its population's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It excludes a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. Also, it estimated the average wealth per adult at $76,984 at the end of June 2020, down from $77,309 at end-2019, and compared to its previous forecast of an average wealth per adult of $78,376 at end-June 2020 in case there was no pandemic. In comparison, it noted that aggregate global wealth rose by $36.3tn in 2019, which partially helped households absorb losses from the pandemic during the first six months of 2020. Further, Credit Suisse pointed out that global financial assets grew by $24tn or by 11.2%, in 2019, while non-financial assets rose by $15.3tn (+7.7%), and worldwide debt increased by $3tn (+6%) last year. In parallel, it indicated that wealth in North America reached $124tn, or 31% of aggregate global wealth at the end of 2019, followed by Europe at $94.3tn (23.6% of the total), China at $78tn (19.5%), Asia-Pacific at $70.4tn (17.6%), India at $15.3tn (3.8%), Latin America at $12.4tn (3.1%) and Africa at $4.8tn (1.2%).
Source: Credit Suisse

Nearly 40% of firms expect business operations to normalize by 2022

Fitch Solutions' seventh edition of the Global Pulse Survey showed that 39.3% of participating companies expect their business operations to resume fully post the coronavirus pandemic in 2022, while 27.8% of respondents anticipate to "get back to business as usual" by the second half of 2021. Also, 16% of participants believe that their business operations will normalize in the second quarter of 2021, while another 14% expect to resume normal pre-pandemic activities in the first quarter of 2021. The survey, which was conducted between October and November 2020, aims to understand the impact of the pandemic on economies, businesses and banking sectors in 77 markets across the world. Further, 48.3% of respondents indicated that "persisting negative economic growth" is their main economic concern in the next 18 months, constituting a decline from 55% of participants who shared similar concerns in the previous survey. Also, 19% of respondents cited insufficient economic policy response the pandemic as their main economic concern in the next 18 months. Moreover, 43.8% of surveyed participants said that they revised downward their short-term business projections, with expectations of a recovery to the "status quo" level by the end of 2021, while 33.4% of respondents pointed out that they made significant downward revisions to their business projections for 2021. Also, about 47% of respondents expressed concerns about the negative impact of the ongoing economic disruptions on the global banking sector in the next 18 months, followed by borrowers' refinancing risks (about 16%), and negative interest rates (around 12%).
Source: Fitch Solutions

MENA

IPOs at $116m in third quarter of 2020

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $116m in the third quarter of 2020, constituting a decrease of 39% from $190m in the same quarter of 2019. There was one IPO in the region in the third quarter of 2020 relative to two public listings in the same quarter of 2019. In comparison, there were four IPO deals that raised $814.2m in the first quarter of 2020, while there were no deals during the second quarter, mainly due to the coronavirus-related lockdown measures across the region. As such, there were five IPOs in the MENA region that raised $930m in the first nine months of 2020 relative to nine deals that brought in $3.1bn in the same period of 2019. Capital raised through IPOs in the MENA region accounted for 1% of total capital raised through IPOs worldwide in the third quarter of 2020, while the number of IPO deals in the region represented 1.1% of the number of global listings. The only IPO deal in the MENA region in the third quarter of 2020 was the public listing of Amlak International for Real Estate Finance on the Saudi Stock Exchange, Tadawul, which raised $116m in the covered quarter. EY anticipated IPO activity in the MENA region to recover in the fourth quarter of 2020, partly driven by the listing on Tadawul in October of BinDawood Holding, one of the largest grocery chains operators in Saudi Arabia.
Source: EY

EMERGING MARKETS

Pandemic to weigh on credit quality despite expected economic recovery in 2021

Moody's Investors Service expected economic activity in emerging markets (EMs) to rebound in 2021, but anticipated that many obstacles, such as high infection and fatality rates from the COVID-19 pandemic, or a second wave of the virus, will pose a threat to the recovery. It expected such risks to remain elevated until an effective vaccine or treatment is widely available across EMs, a scenario that it considered to be unlikely before mid-2021. It projected real GDP in the Group of 20 EMs to contract by 1.6% in 2020, and to grow by 6.1% in 2021 and by 4.7% in 2022. However, it forecast the growth outlook to vary significantly across economies and to depend on the length and severity of lockdowns, differing economic structures, the quality of governance, and each government's capacity to compensate households and businesses for lost incomes. It also did not expect economic activity to return to pre-pandemic levels across most major EM economies in 2021.

In parallel, the agency anticipated that financial conditions will remain broadly supportive for most major EMs due to a significant loosening of monetary policy across the world. However, it did not expect credit fundamentals to fully stabilize in 2021 across most sectors and asset classes in EMs. It forecast that the general government debt level of 20 of the largest EMs will increase by 12 percentage points on average annually to 57% of GDP by the end of 2021. It also anticipated many EM governments to shift focus in 2021 from managing the pandemic to stabilizing budget deficits, debt burdens and, in some cases, debt servicing costs. It did not expect primary fiscal deficits across major EMs to return to pre-COVID levels until 2022 at the earliest. It projected external financing risks to constitute the major challenge for many liquidity-strained sovereigns, and anticipated that smaller emerging and frontier markets will need additional financial support and relief from official creditors to cover significant near-term financing needs.

Source: Moody's Investors Service

MENA

Oil exporters to face challenging outlook

The International Monetary Fund indicated that the coronavirus outbreak and the sharp drop in global oil prices have significantly weakened the outlook of oil-exporting economies in the Middle East & North Africa (MENA) region. It projected economic activity to contract by 6% in Gulf Cooperation Council (GCC) countries in 2020 relative to a growth rate of 0.7% last year, with hydrocarbon output shrinking by 5.7% and non-hydrocarbon GDP contracting by 6.2% in 2020. It also forecast real GDP to shrink by 7.5% in non-GCC oil exporters this year following a contraction of 1.6% in 2019, with hydrocarbon output retreating by 6% and non-hydrocarbon GDP contracting by 10%.

Further, the Fund expected GCC countries to post a fiscal deficit of 9.2% of GDP in 2020, while it anticipated the deficit of non-GCC oil exporters at 14.1% of GDP this year, due to lower hydrocarbon export receipts and to crisis-related spending. It noted that Algeria, Bahrain, Iran, Iraq and Oman have limited fiscal space, which means that they have to reallocate non-priority spending to the healthcare and other social sectors, and to provide critical liquidity support measures. In addition, it forecast the current account deficit of GCC economies at 1.8% of GDP in 2020, while it projected the deficit of the region's non-GCC oil exporters at 5.7% of GDP this year.

In parallel, it anticipated oil-exporters in the region to continue to face a challenging outlook beyond 2020. It expected real GDP in 2021 to grow by 2.3% in GCC countries and by 4.9% in non-GCC oil exporters. It forecast the fiscal and external balances of oil exporters to improve slightly in case of higher oil prices and the unwinding of COVID-19-related measures. It projected GCC countries to post a fiscal deficit of 5.7% of GDP next year, while it anticipated the deficit of non-GCC oil exporters at 10.5% of GDP in 2021. It also expected the current account balance of GCC economies to post a surplus of 0.4% of GDP in 2021, while it anticipated non-GCC oil exporters to show a deficit of 5.3% of GDP. It noted that the outlook is subject to high uncertainties related to the resurgence of COVID-19 cases, which could lead to renewed lockdowns, a slow recovery of the global economy, and lower global oil prices.

Source: International Monetary Fund

AFRICA

SSA economies to face increased fiscal challenges

Goldman Sachs indicated that economies in Sub Saharan Africa (SSA) will have to confront fiscal issues related to the coronavirus pandemic sooner than in other regions, as they entered the crisis with eroded fiscal buffers and high debt servicing costs. It pointed out that most countries in the SSA region have had large and persistent fiscal deficits since 2012, as governments financed development projects but failed to widen their tax base. It added that higher public debt levels have caused debt servicing costs to rise in SSA economies.

It said that the pandemic affected fiscal balances in the SSA region through involuntary revenue losses due to weak or negative economic growth, discretionary revenue reductions due to tax breaks or deferments, and through additional spending on healthcare and on economic support. It indicated that the coronavirus crisis has sharply reversed emerging plans to stabilize debt levels across the continent, and expected the debt levels of several SSA countries to exceed 50% of GDP at the end of 2020.

In parallel, Goldman Sachs considered that Ghana should initiate a large and sustained change in fiscal policy to stabilize its public debt level. It noted that the country needs to consolidate its fiscal position at about two percentage points of GDP annually for the coming four years in order to reach a stable debt level by 2026. However, it said that current government plans fall short of the required measures and expressed concerns about Ghana's medium-term outlook. Further, it indicated that Kenya's medium-term fiscal plan shows slightly steeper consolidation efforts than required, and considered the plan to be both economically credible and politically feasible. In parallel, it noted that, in order to stabilize debt levels in Nigeria by 2026, the country needs to realize a balanced primary budget position by 2022. But it expected public spending in Nigeria to remain elevated to support economic activity. It also anticipated the Central Bank of Nigeria to be forced to devaluate the naira in the coming years.

Source: Goldman Sachs

AFRICA

'Negative' outlooks could lead to additional sovereign downgrades

Fitch Ratings indicated that it has downgraded the ratings of seven of the 19 sovereigns it rates in Sub-Saharan Africa (SSA) so far in 2020. It said that Cameroon, Ethiopia, Kenya, Lesotho, Namibia, South Africa and Uganda have a 'negative' outlook on their ratings, while only Côte d'Ivoire carries a 'positive' outlook. It added that Angola, the Republic of Congo, Gabon, Mozambique and Zambia are rated 'CCC' or below. It attributed the downgrades to the significant negative impact of the virus on their fiscal balances and external liquidity. It pointed out that SSA economies had already weak external buffers and elevated debt levels, as their median public debt level stood at 56.5% of GDP at the end of 2019, and expected the public debt to increase to 72.8% of GDP by the end of 2022. It noted that some of the seven 'negative' outlooks could lead to rating downgrades. It projected the region's median real GDP to contract by 2.4% in 2020, then to grow by 4% in 2021 and by 5% in 2022. It indicated that the indirect impact of the pandemic, through lower commodity prices, slower tourism activity, and tight financing conditions, among others, weighed significantly on the growth and on the ratings of SSA countries. However, it said that international financial conditions have eased amid substantial monetary and fiscal stimulus in developed economies and considered that the swift intervention of international financial institutions, such as the International Monetary Fund, helped restore confidence and supported liquidity in international markets.

Source: Fitch Ratings

GCC

Authorities rely on debt issuance to finance deficits

Capital Economics indicated that the coronavirus pandemic and the collapse in global oil prices created wide fiscal deficits in Gulf Cooperation Council (GCC) countries. In response, it said that GCC governments imposed tight fiscal austerity measures, such as a hike in the value-added tax rate, as well as cuts in public spending. It added that authorities drew down their savings at their respective central banks, commercial banks and their sovereign wealth funds. In addition, it pointed out that most governments in the GCC tapped international debt markets to finance a large portion of their deficits. It estimated that GCC governments issued $42.1bn in international debt so far in 2020, bringing the total domestic and foreign debt issued in the region to about $75bn. It anticipated GCC governments to continue to favor international markets in the next few years, in order to avoid tapping domestic banks, and to preserve their large savings. It added that the foreign currency income generated from international bond sales could help finance their fiscal and current account positions, and maintain their respective currency peg to the US dollar. However, it noted that the public debt-to-GDP ratios will increase and pose a major risk for Bahrain and Oman, where their public debt level stands at around 100% of GDP. It said that the two countries have low foreign currency savings, which increases investors' concerns about a devaluation of their currency. Still, it expected other GCC countries to provide financial support to Bahrain and Oman to avoid speculative attacks against their own pegs.

Source: Capital Economics

IRAQ

Reform plan to slow depletion of CBI reserves

Fitch Ratings indicated that the Iraqi government's proposal to reduce the public-sector wage bill and the cost of the public-sector pension system could slow the depletion of foreign-currency reserves. It noted that the government is relying heavily on the Central Bank of Iraq (CBI) to finance its expenditures, due to the weakness of Iraq's domestic financial system and the current lack of foreign borrowing. It cautioned that the sustained borrowing from the CBI would put pressure on the Iraqi dinar's peg to the US dollar. It said that Iraq's large fiscal deficits are reflected in its current account deficits, given the country's high import dependence and fixed-exchange rate. It noted that foreign currency reserves declined from $62bn at the end of 2019 to $51bn at end-September, and expected them to further drop to $42bn at end-2020 and to $30bn at end-2021. Fitch considered that the government's reform proposal could secure parliamentary approval for increased domestic borrowing in the short term, and could be a step for negotiations with the International Monetary Fund to access financing. It said that the government's plan aims to reduce spending on the public sector's payroll and pensions from 25% of GDP this year to 12.5% of GDP within three years. However, it did not expect the sharp adjustments, under the government's plan, to easily secure parliamentary support amid upcoming elections in 2021, as a large part of the population benefits directly or indirectly from public-sector wages. It added that other proposed measures include reducing transfers to state owned enterprises and raising non-oil tax revenues.

Source: Fitch Ratings

ARMENIA

Pandemic and military conflict weigh on economy

The International Monetary Fund indicated that the COVID-19 pandemic and the military confrontation with Azerbaijan had a negative impact on Armenia's economic activity, and forecast real GDP to contract by more than 7% in 2020. It pointed out that these shocks generated domestic demand and supply disruptions, which were exacerbated by a sharp decline in export and tourism revenues, remittance inflows, and capital flows. It expected economic growth to remain modest in 2021. It projected the fiscal deficit at 7% of GDP in 2020 and 5.5% of GDP in 2021, due to lower revenues and higher spending on healthcare, socioeconomic support, and on security. It added that authorities intend to finance the budget deficit by mobilizing resources from domestic and external sources, including from development partners. It anticipated the public debt level to exceed 60% of GDP at the end of 2020 and to reach about 69% of GDP by end-2021. Still, it welcomed the authorities' strong commitment to fiscal sustainability, and noted that they continued to make progress on the economic reform agenda. The Fund indicated that near-term downside risks consist of an uncertain economic and political environment, elevated regional tensions, external developments, as well as the intensity and duration of the pandemic. It added that these risks are mitigated by a potential faster recovery from the pandemic and a rapid implementation of reforms. In addition, the IMF stated that it will disburse $36.7m to support the authorities' efforts in meeting the country's urgent medical and socioeconomic needs, as part of the agreement with the authorities for the completion of the third review under the program supported by a three-year IMF Stand-By Arrangement.

Source: International Monetary Fund

WORLD

Emerging global trends to affect banks' ratings in medium term

Fitch Ratings indicated that new global developments and trends, such as the lasting economic impact of the coronavirus pandemic, the lower-for-longer interest rate policy and the digital transformation process, will affect the ratings of banks in the medium and long terms. It anticipated the more challenging global operating environment to constrain borrowing and capital markets activities, which will negatively affect the earnings of banks. It pointed out that banks operating in sovereigns that are vulnerable to rating downgrades will be more exposed to challenging operating conditions. It considered that the role of development and policy banks will increase, potentially leading to a loss of market share for commercial banks. In parallel, Fitch noted that the lower-for-longer interest rate trends and the search for yield could result in asset valuation bubbles, which could increase systemic financial risks. It added that narrower net interest margins will negatively affect the ratings of banks worldwide in the medium term. In parallel, the agency indicated that the coronavirus pandemic has accelerated remote working, digitization, and automation processes. It considered that commercial banks are best placed to successfully digitize and optimize their internal operations to improve efficiency and enhance the customer user experience. However, it noted that the ratings of small banks are more vulnerable to the digitization trend, particularly in North America and Western Europe and, to a lesser extent, in Asia Pacific, as they lack the scale to make costly investments and will face challenges to keep up with technology innovation. Still, it considered that investments in digital channels will help banks of all sizes reach new customers in Africa, Latin America, and to a lesser extent in Emerging Europe and the Middle East.

Source: Fitch Ratings

PAKISTAN

Banks' ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed the long- and short-term foreign currency ratings (FCRs) of Habib Bank, National Bank of Pakistan (NBP), United Bank, and Askari Bank at 'B-' and 'B', respectively. In addition, the agency affirmed the four banks' Bank Standalone Rating (BSR) at 'b-'. It also maintained the 'stable' outlook on the banks' long-term FCRs and BSRs. It indicated that the banks' ratings are mainly supported by their good liquidity position and stable funding, driven by a high level of liquid assets and large domestic customer deposit base. It added that most banks benefit from an improving but moderate profitability, a solid capital position and from good asset quality. However, it said that the banks' ratings are constrained by high credit risks due to their significant exposure to the sovereign, as well as by the challenging operating environment in Pakistan. Further, CI expected the banks' asset quality to deteriorate in 2020 and in 2021, due to the adverse impact of the coronavirus pandemic on the economy and on borrowers, which will lead to an increase in the level of non-performing loans (NPLs) at the banks once payment deferment measures expire. But it noted that the four banks have adequate loan-loss provisioning coverage. It anticipated the asset quality of Habib Bank and Askari Bank to remain relatively good, despite higher NPLs.

Source: Capital Intelligence Ratings

MENA

COVID-19 shock increases risks for banks

The International Monetary Fund indicated that the banking systems in the Middle East & North Africa (MENA) region started 2020 in a broadly strong position. However, it said that the outbreak of the coronavirus has weakened corporate balance sheets, which has increased credit risks for banks. It also noted that lower global oil prices have affected liquidity levels in banking systems. In addition, it pointed out that the banks' operational risks have increased, including cyber and technology-related risks. It considered that the risk of bankruptcies and debt overhangs could have important implications for financial stability and the recovery if authorities do not address them correctly. The Fund indicated that it conducted stress tests on banking sectors in the region to assess the separate impact of asset impairment and currency depreciation on each sector's balance sheet and capital adequacy. It said that the stress tests show that the potential costs from asset impairment in banking systems in the Middle East & Central Asia could about $190bn, or the equivalent of 5% of GDP. It noted that banking sectors of oil exporters in the MENA region face the largest losses from these shocks, while capital levels in several MENA oil importers fall below the minimum regulatory requirements. It pointed out that supportive financial sector policies have so far helped prevent the materialization of some short-term financial risks, and eased the level of provisioning. It considered that, going forward, authorities should carefully balance the sustained provision of credit and the preservation of financial stability, while they should also focus on removing the regulatory measures they introduced to ease the pressure on banks.

Source: International Monetary Fund

JORDAN

Construction and public services & utilities account for 41% of lending at end-September 2020

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD29bn, or $41bn, at the end of September 2020, constituting an increase of 7.3% from JD27.1bn, or $38.2bn, at end-2019, and a rise of 7.5% from JD27bn, or $38.1bn, at end-September 2019. Loans in foreign currency represented 12.7% of the total at end-September relative to 11.7% a year earlier. The resident private sector accounted for 88.7% of total credit at end-September 2020 relative to 88.5% a year earlier, followed by the central government with 6.4% compared to 7.3% at end-September 2019, the non-resident private sector with 2.5%, public entities with 2%, and financial institutions with 0.4%. The distribution of credit by main sectors shows that construction represented JD7.2bn or 24.9% of the total at end-September 2020, down from 25.5% a year earlier, while public services & utilities accounted for JD4.6bn or 16% of the total. General trade followed with JD4.5bn or 15.6% of the total; then industry with JD3.56bn (12.2%); tourism, hotels & restaurants with JD712m (2.5%); financial services with JD683.4m (2.4%); agriculture with JD409.2m and transportation with JD407.6m (1.4% each); and mining with JD280.4m (1%). In parallel, loans & advances reached JD18.45bn at the end of September 2020, followed by receivables of Islamic banks with JD6.93bn, overdrafts with JD3.25bn, discounted bills with JD239m and credit cards with JD177.8m.

Source: Central Bank of Jordan

Brent oil prices to average $55 p/b in 2021

ICE Brent crude oil front-month prices reached $43.8 per barrel (p/b) on November 16, 2020, their highest level since early September. Oil prices were supported by prospects of a COVID-19 vaccine, as well as by a widespread support across OPEC members for extending the production cuts in the coming three months. OPEC is expected to reach its decision regarding the group's output level during its upcoming meeting at the end of the month. In contrast, an increase in U.S. oil inventories in the week ending November 13 exerted downward pressure on oil prices. In parallel, Jadwa Investment expected Brent oil prices to trade around their current levels during the remainder of 2020, with a minor upside potential, given that many countries are reinstating coronavirus-related measures amid a second wave of COVID-19 cases. Jadwa indicated that OPEC is forecasting a progressive pick-up in oil demand throughout 2021, which should help reduce record high oil inventories worldwide and provide support for oil prices. It pointed out that the main risk to the oil price outlook is a more prolonged and severe outbreak of the COVID-19 pandemic, as well as delays in producing an effective vaccine that can be quickly distributed. As such, it did not expect a rapid recovery in global oil demand in 2021, and projected Brent oil prices to average $55 p/b for the upcoming year, with risks skewed to the downside.
Source: Jadwa Investment, CNBC, Refinitiv, Byblos Research

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

Consumption of crude oil in the Middle East & Africa is expected to average 11.62 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 24.4% of demand in non-OECD countries and 13% of global consumption this year.
Source: OPEC

Consumer demand for gold in the Middle East down 28% in first nine months of 2020

Consumer demand for gold in the Middle East region, which includes demand for jewelry as well as bars and coins, totaled 125.5 tons in the first nine months of 2020, constituting a decline of 28.4% from 175.3 tons in the same period of 2019. It accounted for 8.2% of global consumer demand for the precious metal in the covered period. Consumer demand for gold in Iran reached 42.8 tons, and represented 34.1% of the region's total demand, followed by Saudi Arabia with 24.3 tons (19.4%) and the UAE with 18.6 tons (14.8%).
Source: World Gold Council, Byblos Research

Nigeria's oil receipts down 30% in first eight months of 2020

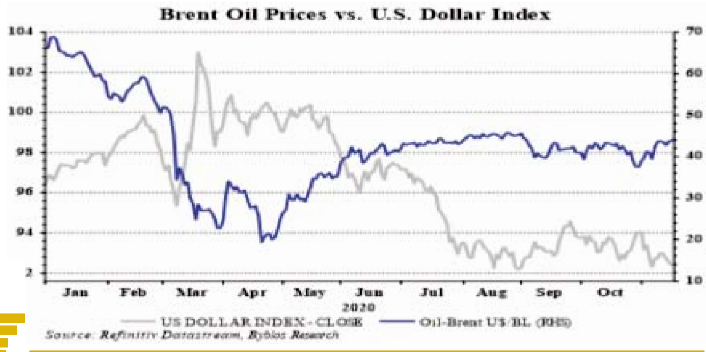
Nigeria's receipts from the export of crude oil and condensate totaled $2.2bn in the first eight months of 2020, down by 29.8% from $3.1bn in the same period of 2019. Export revenues consisted of $1.4bn from crude oil exports (63.7%), $446.7m from gas exports (20.3%) and $351.3m in other receipts (16%). The authorities transferred $965.5m in hydrocarbon revenues to the Federation Account in the covered period, and used $1.2bn to pay global oil companies to guarantee current and future oil production.
Source: Nigerian National Petroleum Corporation

Base Metals: Zinc prices to average $2,205 per ton in 2020

The LME cash prices of zinc averaged $2,621 per ton so far in November 2020, constituting an increase of 7.4% from an average of $2,441 a ton in October. Prices have been steadily increasing since the beginning of October, following a drop of 8.4% between September 18 and October 1. Zinc prices grew by 18.7% since the beginning of October and closed at $2,742 per ton on November 18, their highest level since May 2019. Strong manufacturing activity in China, the U.S., and Europe in October boosted investors' confidence about the prospects of global demand for metals and drove zinc prices upwards. In addition, news of a progress on an effective coronavirus vaccine, 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 contributed to the price increase. More recently, the shutdown of a major zinc mine in South Africa and signs of a tight short-term supply accelerated the rise in zinc prices. In parallel, the latest Reuters poll shows that analysts forecast the zinc market to post a supply surplus of 257,500 tons this year and projected prices to average $2,205 per ton in 2020.
Source: Refinitiv, Byblos Research

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

Gold prices reached $1,952 per troy ounce on November 6, 2020, increasing by 28.4% from $1,521 an ounce at the end of 2019 and constituting their highest level since $1,955 per ounce on October 18, 2020. The rise in the metal's price is mainly due to higher uncertainties about the evolution of the COVID-19 pandemic, lower gold supply as a result of lockdown measures imposed in gold-producing countries, and a weaker US dollar. Also, a surge of $57.1bn, or the equivalent of 1,022 tons, in global net inflows to gold exchange-traded funds (ETFs) supported the increase in the metal's price. In fact, record-high inflows resulted in an all-time level of $235bn in assets under management in gold ETF holdings at the end of October 2020, or the equivalent of 3,899 tons. However, gold prices regressed by 3.6% to $1,881 an ounce on November 18, 2020, driven by positive developments from U.S. pharmaceutical company Pfizer over a vaccine against COVID-19, which raised hopes of a more rapid recovery of the global economy and reduced the appeal of gold as a safe haven for investors. In parallel, Deutsche Bank forecast gold prices to average $1,900 per ounce in the fourth quarter and in the first quarter of 2021 and to reach an average of $1,950 an ounce in the second quarter of 2021. It anticipated prices to find support from an expected weakening of the US dollar, the likelihood of the vaccine's approval and ongoing accommodative U.S. monetary policy.
Source: Deutsche Bank, World Gold Council, Refinitiv



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-4.8	-	-	-	-	-	-21.4	-
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-4.0	127.1	7.7	91.1	45.4	122.9	-14.4	9.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.3	86.5	6.0	71.4	44.8	120.1	-4.6	1.8
Ethiopia	B	B2	B		B+								
	Negative	Negative	Negative	-	Negative	-3.2	31.3	2.3	64.8	4.5	175.3	-7.3	2.0
Ghana	B-	B3	B	-	BB-								
	Stable	Negative	Stable	-	Negative	-9.0	66.7	2.7	49.6	52.1	128.0	-4.3	3.8
Côte d'Ivoire	-	Ba3	B+	-	B+								
	-	Stable	Positive	-	Stable	--5.5	43.2	4.8	-	14.4	-	-4.0	0.2
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	Stable	-1.5	12.6	0.3	6.4	1.9	120.7	-5.3	2.5
Morocco	BBB-	Ba1	BBB-	-	BBB								
	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					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	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	18-Nov-20	No change	23-Dec-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	8.25	12-Nov-20	Cut 50bps	24-Dec-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	15.00	19-Nov-20	Raised 475bps	24-Dec-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	12-Nov-20	No change	17-Dec-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

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

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

CYPRUS

Limassol Branch
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

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

ADIR INSURANCE

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