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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Alternative assets under management to reach $17tn at end-2025

Preqin projected global alternative assets under management (AUM) at $10.7 trillion (tn) at the end of 2020, which would constitute a decrease of 0.7% from $10.8tn in 2019. It forecast private equity assets at $4.4tn, which would account for 41% of alternative assets at end-2020, followed by hedge funds with $3.6tn (33.5%), real estate with $1tn (9.7%), private debt with $848bn (8%), infrastructure with $639bn (6%), and natural resources with $211bn (2%). Further, it expected natural resources assets to drop by 7% in 2020 and for private equity to decrease by 1.4%, while it anticipated infrastructure assets to increase by 0.8%, real estate assets to expand by 0.5%, and for hedge funds and private debt assets to remain unchanged this year. In parallel, it projected global alternative AUM to increase from an expected $11.8tn at end-2021 to $17.2tn at the end of 2025, which would constitute a compound annual growth rate (CAGR) of 9.8% over the period. It forecast private equity at $9.1tn, which would account for 53.1% of total alternative AUM at the end of 2025, followed by hedge funds with $4.3tn (25%), private debt with $1.5tn (8.5%), real estate with $1.2tn (7.2%), infrastructure with $795bn (4.6%), and natural resources with $271bn (1.6%). It expected private equity assets to grow at a CAGR of 15.6% in the 2020-25 period, followed by private debt with a CAGR of 11.4%, natural resources (+5.1%), infrastructure (+4.5%), hedge funds (+3.6%), and real estate assets (+3.4%).

Source: Preqin

Global maritime trade to regress by 4% in 2020

The United Nations Conference on Trade & Development (UNCTAD) indicated that the volume of international maritime trade totaled 11.08 billion tons in 2019, constituting an increase of 0.5% from 11.02 billion tons in 2018, and compared to an average annual growth rate of 3.5% in the 2005-18 period. It attributed the slowdown in maritime trade in 2019 mainly to rising uncertainties about international trade policies. Also, it noted that "main bulks", which consist of iron ore, grain, coal, alumina and phosphate cargo, represented 29% of international maritime trade in 2019; while "tanker" trade, which covers crude oil, refined petroleum products, gas and chemicals, accounted for 28.6% of the total. It added that "other dry cargo", which includes containerized cargo and minor bulks, such as steel and forest products, represented the remaining 42.3% of total maritime trade last year. Further, it said that developing economies accounted for 58% of global maritime trade activity in 2019, followed by developed countries with 35.5% of the total, and transition economies with 6.5% of the total. In parallel, it projected the volume of international maritime trade to decline by 4.1% in 2020, mainly due to supply-chain disruptions, lower demand and the global economic slowdown. It pointed out that risks to maritime trade are tilted to the downside, and include heightened uncertainties about the evolution of the pandemic, the effectiveness of the efforts to control further outbreaks, continued shifts in consumer spending patterns, and volatility of global commodity prices. Still, it expected maritime trade to recover and to expand by 4.8% in 2021.

Source: UNCTAD

MENA

Stock markets down 5% in first 11 months of 2020

Arab stock markets declined by 5% and Gulf Cooperation Council equity markets decreased by 2% in the first 11 months of 2020, relative to expansions of 3.1% and 1.2%, respectively, in the same period of 2019. In comparison, global stocks expanded by 9% and emerging market equities increased by 6.5% in the covered period. The index of the Beirut Stock Exchange jumped by 155% in the first 11 months of 2020, the index of the Damascus Securities Exchange grew by 31.8%, activity on the Khartoum Stock Exchange expanded by 14.4%, and the Saudi Stock Exchange increased by 4.3%. In contrast, activity on the Egyptian Exchange dropped by 21.6% in the first 11 months of 2020, the Amman Stock Exchange decreased by 13.3%, the Dubai Financial Market contracted by 12.5%, the Palestine Exchange retreated by 12%, the Boursa Kuwait regressed by 11%, the Casablanca Stock Exchange declined by 9.7%, while the Muscat Securities Market lost 8.5%. Also, activity on the Bahrain Bourse deteriorated by 8.2%, the Tunis Bourse decreased by 4.2%, the Iraq Stock Exchange regressed by 2.6%, the Abu Dhabi Securities Exchange declined by 2.2%, and the Qatar Stock Exchange shrank by 1.6%.

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

GCC

Corporate earnings down 44% to $65bn in first nine months of 2020

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $65.3bn in the first nine months of 2020, constituting a decline of 44% from $116.8bn in the same period of 2019. The firms' net earnings totaled $25.1bn in the third quarter of 2020, down by 34.3% from $38.2bn in the same quarter of 2019, compared to $26bn in the first quarter and $13.8bn in the second quarter of the year. Listed companies in Saudi Arabia generated $17.4bn, or 69.3% of total corporate earnings in the third quarter of 2020, followed by listed firms in Abu Dhabi and Qatar with $2.4bn each (9.6% each), Dubai with $1.2bn (4.8%), Kuwait with $987m (4%), Oman with $401.2m (1.6%), and Bahrain $230.7m (0.9%). Further, the earnings of listed firms in Dubai decreased by 59.2% from the third quarter of 2019, followed by Bahrain (-51.1%), Saudi Arabia (-37%), Kuwait (-30.4%), Oman (-15.3%), Qatar (-12.4%), and Abu Dhabi (-2.9%). Further, the earnings of listed firms in the GCC energy sector reached $11.5bn and accounted for 46% of total corporate earnings in the third quarter of 2020, followed by listed banks with $7.4bn (29.6%), telecommunications firms with $2.2bn (8.8%), utilities with $0.99bn (4%), materials sector with $0.63bn (2.5%), and food, beverages & tobacco companies with $0.55bn (2.2%). The income of listed energy companies decreased by 46.6% year-on-year in the third quarter of 2020, while the earnings of listed banks contracted by 26.8% from the third quarter of 2019. In contrast, earnings of telecommunications firms increased by 12.2% in the third quarter of 2020.

Source: KAMCO

SAUDI ARABIA

Real GDP to grow by 3.4% in 2021, outlook contingent on reforms and containing the pandemic

Jadwa Investment projected Saudi Arabia's real GDP to contract by 3.6% in 2020 as it expected real hydrocarbon GDP to shrink by 4.8% and for activity in the non-oil sector to retreat by 2.7% this year. It attributed the relatively limited decline in activity mainly to the performance of the wholesale & retail trade, restaurants & hotels, construction, as well as the finance, insurance & business services sectors. It forecast real GDP growth at 3.4% in 2021, as it projected activity in the hydrocarbon sector to expand by 4.3% and for activity in the non-oil private sector and the non-oil public sector to grow by 3.2% and 1.5%, respectively, next year. It noted that the key risk to the outlook is a second wave of COVID-19 in the Kingdom before the rollout of a vaccine, or delays in the timeline for the distribution of a vaccine.

In parallel, it projected the fiscal deficit to widen from 4.3% of GDP in 2019 to 10.9% of GDP in 2020 compared to a previous forecast of 13.4% of GDP, mainly due to higher spending in the healthcare sector to mitigate the impact of the virus outbreak and despite an increase in oil and non-oil receipts. It forecast the deficit to narrow to 5.6% of GDP in 2021, in case of lower public spending, higher hydrocarbon receipts, and rising non-oil revenues as the economy recovers. It expected the public debt level to remain stable at about 31% of GDP in the 2020-21 period.

Further, Jadwa forecast the current account balance to shift from a surplus of 5.8% of GDP in 2019 to a deficit of 2.4% of GDP in 2020, mainly due to lower non-hydrocarbon exports and despite a recovery in oil exports and reduced imports. It projected the deficit to flip into a surplus of 2.3% of GDP in 2021, in case of an improvement in export receipts. It anticipated reserve assets at the Saudi Central Bank to decline from $500bn at the end of 2019 to $432bn at end-2020 and $428bn at end-2021.

Source: Jadwa Investment

IRAN

Economic prospects contingent on revival of nuclear deal

The Institute of International Finance expected Iran's economic activity to contract by 6% in 2020, its third consecutive yearly contraction, due to the sharp decline in oil export volumes and its loss of access to the international financial system. It estimated real hydrocarbon GDP to decrease by 16% and non-hydrocarbon activity to shrink by 4.7% in 2020. It anticipated the fiscal deficit to widen from 4.6% of GDP in 2019 to 7.1% of GDP in 2020, and for the current account balance to shift from a surplus of 1.2% of GDP in 2019 to a deficit of 1.1% of GDP in 2020.

The IIF prepared two plausible scenarios for the Iranian economy, given the uncertain prospects for the revival of the 2015 Joint Comprehensive Plan of Action (JCPOA) under the new U.S. administration. It noted that its pessimistic scenario assumes that the U.S. will maintain most of the sanctions on Iran that the Trump administration imposed. In this case, it said that Iran's hardliners' strategy of "pivot to the East" may attract about $50bn in Chinese investments in the next three years. Still, it expected economic growth to remain subdued at 1.8% in 2021, 1.6% in 2022 and 1.3% in 2023. It projected the fiscal deficit to widen to 7.5% of GDP in 2021 before gradually narrowing to 4.9% of GDP in 2023, and expected the current account deficit to be around 1% of GDP in the next three years. It forecast official foreign currency reserves to decline from $80bn at end-2020 to $47bn by the end of 2023.

In parallel, the IIF indicated that the optimistic scenario assumes that the U.S. will lift most of its economic sanctions on Iran by the end of 2021. Under this scenario, it forecast the economy to expand by 4.4% in 2021, by 6.9% in 2022 and by 6% in 2023, driven by exports and investments. It pointed out that a pickup in foreign capital inflows, including foreign direct investment, would facilitate domestic investments in all sectors. It anticipated the fiscal deficit to narrow to 2% of GDP by 2023, supported by higher oil export receipts. It anticipated the current account balance to shift from a deficit of 1% of GDP in 2020 to a surplus of 3% of GDP by 2022, which, combined with improvement in capital flows, would lead to a significant increase in official reserves to $109.4bn by the end of 2023.

Source: Institute of International Finance

ANGOLA

Economic activity to rebound to 1.5% in 2021

Barclays Capital projected Angola's economic activity to shrink by 3.5% in 2020, relative to an earlier forecast of a contraction of 3%. It anticipated real GDP growth at 1.5% in 2021 compared to an earlier growth forecast of 0.5%, in case lockdown measures are fully eased and oil production stabilizes. It expected the authorities' efforts at diversifying the economy to start yielding marginal results in agriculture and basic manufacturing. However, it anticipated that exports and public revenues will remain heavily dependent on the hydrocarbon sector in the near term.

In parallel, it pointed out that the government swiftly responded to the sharp drop in global oil prices earlier this year by imposing a strict hiring freeze in the public sector and significantly scaling back non-essential outlays. It added that authorities reallocated much-needed resources to spending on healthcare and related infrastructure, as well as granted substantial tax relief to mitigate the impact of the pandemic on the income and cash flow of households and businesses. It forecast the fiscal surplus of 0.8% of GDP in 2019 to shift into balance in 2020, compared to the government's target deficit of 4% of GDP for the year, mainly due to higher-than-expected revenues as well as lower debt servicing costs and capital expenditures. It projected a fiscal deficit of 0.5% of GDP in 2021, in case of higher non-oil revenues and if economic activity rebounds. Also, it anticipated the public debt level to rise from 109% of GDP at the end of 2019 to 121% of GDP at the end of 2020, and to decline to 93.4% of GDP by end-2022 and 71% of GDP by end-2025.

Further, Barclays projected the current account balance to shift from a surplus of 5.8% of GDP in 2019 to a deficit of 3.7% of GDP in 2020, and expected the deficit to narrow to 0.9% of GDP in 2021 in case the country's terms of trade improve. It forecast the gross external debt level to rise from 73.8% of GDP at the end of 2019 to a peak of 125.3% of GDP at end-2020, and to start declining thereafter. It anticipated gross international reserves to decrease from $11.7bn at end-2019 to $9bn at the end of 2020 and to reach $9.5bn in 2021.

Source: Barclays Capital

EMERGING MARKETS

Sovereigns fear losing market access by applying to DSSI

S&P Global Ratings indicated that about 40% of sovereign borrowers did not participate in the Group of 20 countries' Debt Service Suspension Initiative (DSSI) for low-income countries, despite meeting the initiative's eligibility criteria. It considered that sovereigns with access to commercial debt fear losing market access if they apply to the DSSI to delay debt payments, as some lenders may consider these sovereigns to be in default if the debt suspension is extended to commercial lenders. It noted that the DSSI is temporary, was set up to help low-income economies cope with the economic impact of the COVID-19 pandemic, and does not alleviate the structurally high debt burdens that many of these sovereigns are facing. Further, it pointed out that 73 sovereigns that qualify for the DSSI mostly show weak credit metrics, with many experiencing fiscal pressures. The agency said that it rates 25 out of the 73 countries, of which 21 sovereigns have a rating in the 'B' category or lower, while the four other countries have a 'BB-' rating. It estimated that 11 of the rated sovereigns that qualify for the DSSI, which are Angola, Fiji, Ghana, Kenya, Mongolia, Mozambique, Pakistan, Rwanda, Senegal, the Republic of Congo, and Zambia, currently have debt levels that equal or exceed 60% of GDP. It added that Angola, Mozambique, the Republic of the Congo and Zambia have a public debt level that is higher than 100% of GDP. It pointed out that the debt servicing of most of the 11 rated sovereigns absorbs at least 10% of their government revenues, despite receiving significant low-cost concessional lending from bilateral or multilateral sources.

Source: S&P Global Ratings

AFRICA

Illicit capital flight at $88.6bn annually, equivalent to 3.7% of GDP

The United Nations Conference on Trade and Development (UNCTAD) estimated illicit capital flight from Africa at $88.6bn annually, equivalent to 3.7% of Africa's GDP in the 2013-15 period. It noted that these outflows are almost equivalent to the combined annual inflows of official development assistance and foreign direct investments of $48bn and $54bn, respectively, in the covered period. It said that high levels of illicit financial flows in Africa limit the export receipts of the continent's governments. It estimated that illicit financial flows linked to the exports of extractive commodities in Africa reached $40bn in 2015. It pointed out that the under-invoicing of such exports is equivalent to an average of 16% of the aggregate exports of extractive commodities. It said that 77% of the under-invoicing is related to the exports of gold, followed by diamonds (12%), and platinum (6%). In addition, it noted that revenue losses from tax avoidance was at around 2.7% of GDP in each of Middle Africa, Northern Africa and Eastern Africa, compared to nearly 2.3% of GDP in Western Africa and 2% of GDP in Southern Africa. It added that illicit financial flows are correlated to poor financial sector regulation, which, if improved, could also reduce capital outflows. It pointed out that tackling capital flight and illicit financial flows represents a large potential source of capital to finance much-needed investments in Africa.

Source UNCTAD

GCC

Financing needs to increase in the short term

S&P Global Ratings affirmed at 'B+/B' the long- and short-term foreign and local currency ratings of Bahrain, with a 'stable' outlook on the long-term ratings. It projected real GDP to contract by 5% in 2020, but expected a growth rate of 2.7% in 2021 as oil prices recover and economic activity picks up in the region. It forecast the fiscal deficit to widen from 4.7% of GDP in 2019 to 13% of GDP in 2020, mainly due to lower oil export receipts and pandemic-related spending. It projected the public debt level to rise from 112% of GDP at end-2020 to 119% of GDP by the end of 2023. Also, it forecast Bahrain's gross external financing needs at about 340% of current account receipts plus usable reserves in the 2020-23 period, one of the highest such ratios among rated sovereigns. In parallel, Fitch Ratings anticipated Oman's economy and public finances to significantly underperform relative to the fiscal consolidation targets in the government's new medium-term fiscal plan (MTFP). It projected the fiscal deficit to double to 18% of GDP in 2020 and to narrow to 7% of GDP by 2024, compared to a target deficit of 2% of GDP in 2024 under the MTFP. Fitch attributed the divergence in the forecasts to its more pessimistic economic outlook. It anticipated the wide fiscal deficits and steep upcoming debt repayment maturities to result in funding needs of about $14bn annually in the 2020-22 period. It forecast the public debt level to rise to about 80% of GDP and for sovereign net foreign assets to drop to -16% of GDP at the end of 2020. It expected the authorities' need for external financing support and their reliance on the drawdowns of foreign assets to be higher than anticipated under the MTFP.

Source: S&P Global Ratings, Fitch Ratings

JORDAN

Agencies affirm ratings, have mixed outlook

Moody's Investors Service affirmed Jordan's long-term issuer and senior unsecured ratings at 'B1', with a 'stable' outlook. It pointed out that the COVID-19 outbreak has worsened the country's prevailing credit challenges, such as the elevated public debt burden, the subdued economic activity, and the high unemployment rate. It anticipated the fiscal deficit, including central government's deficit, to widen from 6% of GDP in 2019 to around 8.6% of GDP in 2020, due to the projected contraction in economic activity of about 3% this year, and to higher healthcare spending, which would raise the public debt level to nearly 109% of GDP at end-2020. Still, it affirmed the ratings due in part to the government's commitment to economic reforms and medium-term fiscal consolidation under the program with the International Monetary Fund. It also noted that the ratings take into account the international commitment to support Jordan's economic, financial and social stability agenda through budgetary grants and concessional lending. In parallel, Fitch Ratings affirmed Jordan's long-term foreign currency Issuer Default Rating at 'BB-', with a 'negative' outlook. It said that the 'negative' outlook reflects the adverse impact of the pandemic, which it expected to widen the government's budget deficit to 5.7% of GDP in 2020, increase the debt level to 108% of GDP at the end of the year, and result in a contraction of 3% in real GDP. It anticipated the government's debt level to rise over the medium term due to the coronavirus shock, despite fiscal reforms.

Source: Moody's Investors Service, Fitch Ratings

EMERGING MARKETS

Banks face multiple risks in 2021

Moody's Investors Service indicated that the moderate and uneven economic recovery in emerging markets (EMs), as well as political- and trade-related uncertainties, pose risks to EM banks in 2021. It considered that the outlook for banks is negative, and pointed out that the uncertain trajectory of asset quality is among the biggest risks for banks, as operating conditions remain fragile amid ongoing coronavirus concerns. It noted that provisions surged at the start of the pandemic, and estimated that banks may have to take additional provisions in 2021. Further, the agency indicated that the banks' profits will increase modestly in 2021 amid low interest rates and subdued lending, but it noted that the slow lending activity will support the banks' capital position. Further, the agency considered that conditions will be challenging for banks in Emerging Europe, the Middle East & Africa region in 2021. It pointed out that asset quality, profitability and foreign currency liquidity will be the key pressure points for banks in Africa. In addition, it expected loan impairments to increase at banks in the Commonwealth of Independent States, given the double economic shock of the coronavirus outbreak and the drop in oil prices. In parallel, the agency expected the economic recovery in the Gulf Cooperation Council (GCC) countries to support the banks' standalone credit profiles, as business confidence picks up and projects like Expo 2020 Dubai and the FIFA World Cup advance. However, it considered that the asset quality of GCC banks will remain under pressure from the lag effect of the economic challenges of 2020, and added that their credit quality is vulnerable to fiscal pressure in their respective countries.

Source: Moody's Investors Service

SAUDI ARABIA

Agency puts 11 banks on 'negative' outlook

Fitch Ratings affirmed at 'A-' the long-term Issuer Default Ratings (IDRs) of the National Commercial Bank (NCB), Al Rajhi Bank (ARB), and SAMBA Financial Group (SAMBA), while it removed the three banks' ratings from Rating Watch Negative and assigned to them a 'negative' outlook. It also kept at 'BBB+' the IDRs of Riyad Bank, Arab National Bank (ANB), Banque Saudi Fransi (BSF), Alinma Bank, Saudi Investment Bank (SAIB), Bank Aljazira (BAJ), Saudi British Bank (SABB), and Gulf International Bank - Saudi Arabia (GIB SA), while it revised the outlook on the eight banks' ratings from 'stable' to 'negative'. It said that the outlook revision follows its earlier action on the sovereign ratings. It also noted that the 'negative' outlook reflects the prevailing pressure on the banks' operating environment from low global oil prices and subdued non-hydrocarbon sector activity, which will further weigh on the banks' asset quality and profitability. In parallel, the agency affirmed the Viability Ratings (VRs) of ARB, NCB, and SAMBA at 'a-', while it assigned to them a 'negative outlook after removing the VRs from Rating Watch Negative (RWN). It also affirmed the VRs of ANB, BSF, Riyad Bank, and SABB at 'bbb+', as well as the rating of Alinma Bank at 'bbb', the VR of SAIB at 'bbb-', and the VR of BAJ at 'bb+'. Fitch kept the VRs of Alinma Bank, ANB, BAJ, BSF, and SAIB on RWN, and said that it will reassess the ratings after it reviews the banks' latest financial results.

Source: Fitch Ratings

TUNISIA

Agency affirms rating actions on five banks

Capital Intelligence Ratings (CI) affirmed at 'B+' the long-term foreign currency ratings (FCRs) of Banque Internationale Arabe de Tunisie (BIAT), Banque Nationale Agricole (BNA), Banque de Tunisie (BT), and Société Tunisienne de Banque (STB). Also, it affirmed the FCR of Amen Bank at 'B'. Further, it kept the Bank Standalone Ratings (BSRs) of BIAT and BT at 'b+', and the ratings of Amen Bank, BNA, and STB at 'b'. It maintained a 'stable' outlook on all the banks' ratings. It indicated that the ratings of Amen Bank, BIAT, BT and STB are supported by solid profitability, while BNA benefits from a satisfactory level of profits. It added that Amen Bank, BNA, and BT have adequate capital ratios, while BIAT and STB have modest capital levels. In addition, it said that liquidity at Amen Bank and BIAT reached satisfactory levels, while the liquidity of BNA, BT, STB remains modest. Further, it pointed out that BIAT and BT have non-performing loans (NPLs) ratios that are lower than the sector's average ratio and the NPLs level among peers, while Amen Bank, BNA and STB have a high level of NPLs. Moreover, it noted that the ratings take into account the challenging operating environment in Tunisia, due to the adverse impact of the coronavirus pandemic on the economy. CI anticipated the banks' asset quality to weaken in 2021, as it expected NPLs to increase following the expiry of the deferment relief measures that authorities introduced to mitigate the impact of the pandemic on borrowers.

Source: Capital Intelligence Ratings

NIGERIA

Banks' asset quality and profitability to face pressures in 2021

Fitch Ratings indicated that the majority of banks in Nigeria have a 'stable' outlook on their ratings, but it noted that a large number of banks carry a 'negative' outlook, mainly due to their weak asset quality and capital position, as well as to their higher vulnerability to shocks than their peers. It said that the banking sector's prospects are improving and anticipated the banks' business volumes and earnings to recover in 2021 amid a rebound in lending and economic activity. It projected lending to grow by 10% in 2021, driven by pent-up demand, the devaluation of the naira, and by regulations requiring banks to extend loans to priority sectors. However, it considered that downside risks to the outlook persist, mainly due to continued shortages of foreign currency and high inflation rates. Further, it expected the banks' impaired loans ratio to grow from about 7% in 2020 to around 11% in 2021, along with the expiration of the debt relief measures that authorities took during the coronavirus. Moreover, it indicated that the increase in impairment charges will weigh on the banks' profitability, as it will partially offset the growth in their net interest and non-interest income. In addition, it anticipated the banks' capital position to face moderate pressures from lower retained earnings, the acceleration in lending activity and from high credit concentrations. It also expected the increase in deposits to outpace the recovery in lending, which will support the banks' liquidity in local currency. In parallel, it said that the banks will continue to rely on their own liquidity in foreign currency, amid reduced foreign currency inflows and shortages of US dollars in the market.

Source: Fitch Ratings

Brent oil prices could reach $65p/b in 2021

ICE Brent crude oil front-month prices averaged $42.6 per barrel (p/b) in the first 11 months of 2020 and dropped by 33.5% from $64.1 p/b in the same period last year. They averaged $44 p/b in November 2020, and increased by 5.9% from an average of $41.5 p/b in October. Also, they reached a nine-month high of $48.6 p/b on November 25, 2020 on positive news related to the coronavirus vaccines, rising geopolitical tensions in the Middle East, as well as on expectations that OPEC and non-OPEC members will extend the production cut agreement. However, disagreements between some OPEC members delayed the group's decision to extend the cuts, which put downward pressure on prices that declined to $47.4 p/b on December 1st. In parallel, Goldman Sachs expected lockdown measures in Europe during the winter season to weigh on global oil demand and to affect oil prices in the short term. It forecast coronavirus infections during winter to reduce global oil demand by three million barrels per day, which will be partially offset by higher oil consumption for heating. It anticipated oil prices to remain volatile in coming weeks. However, it forecast Brent oil prices to touch the $65 p/b level in 2021, in case the global oil market rebalances due to a large vaccine-led rebound in oil demand worldwide and a modest increase in non-OPEC oil supply.

Source: Goldman Sachs, Refinitiv, Byblos Research

MENA's natural gas output to grow by 5% in 2021

Natural gas production in the Middle East & North Africa region is forecast to average 15.7 million barrels of oil equivalent per day (boe/d) in 2020, which would constitute a decrease of 2% from 16.1 million boe/d in 2019. The GCC countries' natural gas output would account for 59% of the region's gas production this year. Iran's natural gas output is projected at 5.03 million boe/d in 2020, equivalent to 32% of the region's gas production, followed by Qatar at 4.38 million boe/d (27.8%) and Saudi Arabia at 2.33 million boe/d (14.8%). The region's gas output is expected to increase by 4.8% to 16.5 million boe/d in 2021.

Source: International Monetary Fund, Byblos Research

Iraq's oil exports receipts down 2% in November

Preliminary figures show that Iraq's crude oil exports totaled 81.3 million barrels in November 2020, constituting a decrease of 9% from 89.2 million barrels in October 2020. They averaged 2.7 million barrels per day (b/d) in November 2020 compared to 2.9 million b/d in the previous month. Oil exports from the central and southern fields reached 78.2 million barrels in November, while shipments from the Kirkuk fields totaled 2.8 million barrels. Oil receipts stood at $3.4bn in November, down by 1.8% from $3.5bn in October 2020.

Source: Iraq Ministry of Oil, Byblos Research

Angola's oil export receipts down 16% to $341m in September 2020

Oil exports from Angola reached 39.2 million barrels in September 2020, constituting an increase of 4.1 million barrels (+11.8%) from August 2020, and a decline of 4 million barrels (-9.3%) from September 2019. In parallel, oil export receipts totaled KZ211.6bn, or $341m, in September 2020, and decreased by 7% from KZ227.5bn or $387.6m, in August 2020. They also declined by 16% from KZ252bn, or $690.6m, in September 2019.

Source: Angola Ministry of Finance, Refinitiv

Base Metals: Aluminum prices at highest level since October 2018

The LME cash price of aluminum averaged $1,935 per ton in November 2020, constituting an increase of 7.2% from an average of $1,806 a ton in October. Prices closed at $2,055 a ton on December 1st, their highest level since October 2018, and increased by 11.3% from the end of October 2020. Prospects of an efficient vaccine for the coronavirus, along with the acceleration in manufacturing activity in Europe, the U.S. and Asia in November, boosted investors' sentiment about the global economic recovery and drove the recent increase in aluminum prices. In addition, optimism about an economic stimulus in the U.S. and about an ease in U.S.-China trade tensions, following the outcome of the U.S. presidential elections, contributed to the price increase. Further, robust demand for aluminum, notably from China, a decline in LME-registered inventories of the metal in November, as well as a weaker US dollar also supported prices. In parallel, China's aluminum output grew by 9.7% year-on-year in October 2020 and reached a record high. However, ING Group indicated that the strong consumption of aluminum in China is outweighing the increase in supply. Bank of America noted that the excess aluminum is not being reported and traded in the physical market, which is helping to keep prices at high levels. It projected prices to average $1,950 per ton in the first two quarters of 2021.

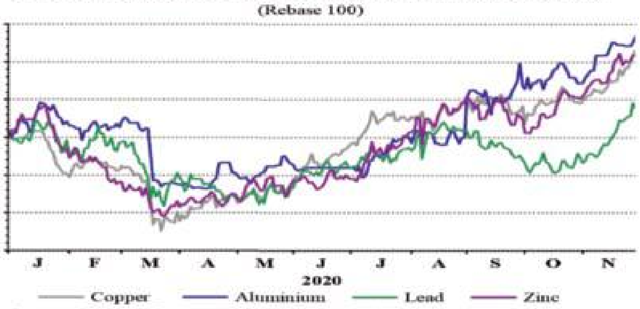
Source: Bank of America, Refinitiv

Precious Metals: Gold prices up 37% in first 11 months of 2020

Gold prices averaged $1,763 per troy ounce in the first 11 months of 2020, constituting an increase of 37.3% from an average of $1,385 an ounce in the same period last year. The rise in the metal's price is mainly due to higher uncertainties about the evolution of the COVID-19 pandemic, lower gold supply, and a weaker US dollar. Gold prices reached a five-month low of $1,774.4 per ounce on November 30, 2020, driven by positive developments from U.S. pharmaceutical company Pfizer about the production of 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. However, gold prices rose by 3% to $1,827.5 an ounce on December 2, as signs of progress in discussions about a new economic relief package in the U.S. reinforced the appeal of the metal as a hedge against potential inflationary pressure. In parallel, Bank of America forecast gold prices to average $1,950 per ounce in the first quarter of 2021, $2,100 an ounce in the second quarter, $2,200 per ounce in the third quarter and $2,000 an ounce in the fourth quarter of 2021. It considered that a sustained increase in real interest rates globally constitutes the main risk to the price outlook.

Source: Bank of America, Refinitiv, Byblos Research

Price Performance of Base Metals in First 11 Months of 2020
(Rebase 100)



Source: Refinitiv Datastream, Byblos Research

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	Negative	-	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	
Advanced Economies					
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	01-Dec-20	No change	N/A
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-Nov-20	No change	21-Dec-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	26-Nov-20	No change	15-Jan-21
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	19-Nov-20	No change	21-Jan-21
Kenya	Central Bank Rate	7.00	26-Nov-20	No change	N/A
Nigeria	Monetary Policy Rate	11.50	24-Nov-20	No change	N/A
Ghana	Prime Rate	14.50	23-Nov-20	No change	25-Jan-21
Angola	Base Rate	15.50	27-Nov-20	No change	28-Jan-21
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	01-Dec-20	No change	N/A
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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