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# COUNTRY RISK WEEKLY BULLETIN

# NEWS HEADLINES

## WORLD

### Global merchandise trade to contract by 6% in 2020

The United Nations Conference on Trade and Development (UNCTAD) projected the value of global merchandise trade to decrease by 5.6% in 2020, due to the ongoing impact of the coronavirus on trade activity, and to register the steepest decline since 2009 when trade activity dropped by 22%. It estimated the value of global trade merchandise to grow by 11.6% in the fourth quarter of 2020 from the preceding quarter, despite the continued spread of the virus and the re-imposition of lockdown measures in many countries around the world. It added that the value of global merchandise trade increased by 20% quarter-on-quarter in the third quarter of 2020, but it noted that the expansion in trade activity in the second half of the year will be insufficient to offset the steep contraction in the first six months of 2020. In parallel, it anticipated the services sector to be the hardest hit by the coronavirus this year, as it forecast trade in services to shrink by 15.4% in 2020, constituting the steepest contraction since 1990, and compared to a drop of 9.5% in 2009 following the global financial crisis. It attributed the steep drop in the global trade in services to substantial declines in travel, transport, and tourism activity.
*Source: UNCTAD*

### Global debt equivalent to 357% of GDP at end-September 2020

The Institute of International Finance indicated that global debt, which includes the debt of governments, companies and households, reached a record-high of $274.7 trillion (tn) at the end of September 2020, constituting an increase of 8.7% from $252.7tn at end-September 2019. It noted that the debt was equivalent to 356.7% of global GDP at end-September 2020 compared to 324.3% of GDP a year earlier. It attributed the increase in global debt to the large fiscal and monetary responses to the coronavirus pandemic that resulted in additional borrowing by governments. It pointed out that the debt of non-financial corporates reached $79.2tn, or 100.2% of GDP, at the end of September 2020, followed by government debt with $79.1tn (103.8% of GDP), financial sector indebtedness with $66.8tn (88.3% of GDP), and household debt with $49.6tn (64.3% of GDP). In parallel, the IIF said that emerging market (EM) debt grew from $70.9tn at end-September 2019 to $76.4tn, or 248.4% of GDP, at the end of September 2020. It indicated that EM non-financial corporate debt totaled $33tn or 104% of GDP, followed by EM government borrowing at $17.8tn (60.3% of GDP), EM household debt at $13.6tn (44% of GDP), and financial sector indebtedness at $12tn (40% of GDP). Further, it pointed out that the debt of developed markets increased from $181.8tn or 386% of GDP at end-September 2019, to $198.3tn or 421.5% of GDP at the end of September 2020. The IIF expected the global debt level to reach 365% of GDP by the end of 2020.
*Source: Institute of International Finance*

## UAE

### Earnings of Abu Dhabi firms down 22%, profits of Dubai firms down 49% in first nine of months 2020

The net income of 62 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED23.1bn, or $6.3bn, in the first nine months of 2020, constituting a decrease of 21.6% from AED29.5bn, or $8bn, in the same period of 2019. Listed banks generated net profits of $3.3bn and accounted for 52% of the total earnings of publicly-listed firms in the covered period. Telecommunications firms followed with $2.3bn (36.8%), then consumer goods companies with $474.6m (7.5%), real estate firms with $340.4m (5.4%), insurers with $182m (3%), services providers with $112m (1.8%), and investment & financial firms with $18.2m (0.3%). In contrast, industrial companies and energy firms posted aggregate net losses of $415.4m in the covered period. In parallel, the cumulative net income of 56 companies listed on the Dubai Financial Market that published their financials totaled AED16.8bn, or $4.6bn, in the first nine months of 2020, constituting a drop of 48.8% from AED32.7bn or $8.9bn in the same period of 2019. Listed banks generated net profits of $3.2bn, or 70% of net earnings in the covered period. Real estate & construction firms followed with $928m or 20.3% of the total, then telecommunications companies with $378.8m (8.3%), insurers with $232.7m (5%), investment & financial services firms with $117.7m (2.6%), services providers with $96m (2.1%), and transportation companies with $84.7m (1.9%). In contrast, consumer staples firms and industrial companies posted aggregate net losses of $459m in the first nine months of 2020.
*Source: KAMCO*

## LIBYA

### Cost of Libyan conflict at $580bn in 2011-20 period

The United Nations Economic and Social Commission for Western Asia (ESCWA) estimated the cost of the Libyan conflict on the economy to have exceeded LYD783bn between 2011 and 2020, or the equivalent of $580bn when using the official exchange rate of the Libyan dinar. It noted that its estimate is based on the difference between the country's actual GDP and the projections of the International Monetary Fund in 2009 for the 2010-2020 period. Consequently, it pointed out that the cost of the conflict amounted to $216bn between 2011 and 2015 and $364bn between 2016 and 2020. It said that the destruction of capital, the loss of productivity, and the decline in oil prices have aggravated the economic losses in Libya. Further, it expected the cost of the conflict to rise sharply in case the protagonists do not conclude a peace agreement in the coming years, and to reach LYD628.2bn or the equivalent of $465bn in the 2021-25 period, which would result in a total cost of $1,046bn in the 2011-25 period. The ESCWA noted that Libya's high exposure to the volatility of the hydrocarbon sector, as well as the lack of economic diversification have weakened the economy. It said that hydrocarbon activity accounted for 68% of GDP in 2019 relative to 62.6% of GDP in 2011.
*Source: UN Economic and Social Commission for Western Asia*

# OUTLOOK

## IRAQ

### Macroeconomic stability contingent on reforms

The International Monetary Fund indicated that the outbreak of the COVID-19 pandemic and the steep decline in global oil prices have exacerbated Iraq's economic vulnerabilities. It projected real GDP to contract by 11% in 2020 due to the drop in hydrocarbon output and to disruptions to non-hydrocarbon sector activity. It also expected the fiscal deficit to widen to 20% of GDP and the current account deficit to reach 16% of GDP in 2020, reflecting the substantial decline in hydrocarbon export receipts.

The IMF pointed out that Iraqi authorities need to recalibrate their near-term policies to ensure macroeconomic stability and protect the vulnerable segments of the population. It anticipated that the next phase of the pandemic will require an increase in fiscal resources, in order to buy and distribute an effective vaccine. It considered that authorities have to develop and implement a comprehensive policy package that would reduce fiscal and external imbalances, ease financing constraints, ensure debt sustainability, and preserve the Central Bank of Iraq's foreign currency reserves. As such, it encouraged the government to implement wide ranging civil service reforms to improve the productivity of the public sector and reduce fiscal costs, as well as to reform the public-sector's pension system in order to guarantee its sustainability. It urged authorities to stop the electricity sector's large financial losses and to reform the sector to ensure its financial viability. It added that revamping the tax and customs policy and administration will help diversify public revenues. It considered that Iraq needs to improve its public financial management to minimize the fiscal risks from government guarantees and other contingent liabilities. It pointed out that the uncertain outlook for the global oil market and the rapid population growth raise the urgent need to move forward with the reform agenda.

Further, the IMF encouraged authorities to restructure the large state-owned banks and to allow fair competition among all banks in the country, which would help increase access to finance for the private sector and lead to financial stability.
*Source: International Monetary Fund*

## AFRICA

### Difficult operating environment to weigh on banks

Moody's Investors Service expected the prolonged adverse impact of the coronavirus on economic activity, on the sovereigns' fiscal strength, on consumer spending and on investors' confidence in Africa to weigh on the creditworthiness of banks in the region in 2021. It considered that the challenging operating environment will negatively affect African banks, given their large exposure to government securities, and the authorities' weaker capacity to support their domestic banks in case of need. The agency indicated that 63% of the banks that it rates in Africa carry a 'negative' outlook on their ratings, while the remaining 37% have a 'stable' outlook.

In addition, it forecast the amount of non-performing loans at African banks to double in 2021 from their 2019 level, due to the reduced ability of borrowers to repay their loans following the pandemic and to the rise in the governments' arrears. Further, it anticipated the profitability of banks to decline due to an increase in loan-loss provisions to about 2% of gross loans, to pressures on net interest margins amid interest rate cuts, as well as to subdued business generation. It also projected credit growth in the region to be modest at between 7% and 9% in 2021. As a result, it expected African banks to resort to cost cutting and digitalization in order to contain their operating costs and increase their revenues. It predicted that the banks' cost-cutting measures will lead to the consolidation of banking sectors that have a large number of small banks. Moreover, it anticipated the prevailing shortages in foreign currency to persist in 2021, particularly in partly-dollarized banking systems, due to reduced foreign-currency inflows. However, Moody's noted that the banks' stable funding, high liquidity in local currency and solid capital buffers will partly mitigate the downside risks to their credit profile. It expected the banks' capital ratios to be broadly stable in 2021, as lower dividend payments and subdued growth in risk-weighted assets will offset reduced capital generation. Still, it forecast that small banks and banks operating in partly-dollarized banking sectors will face higher pressures on their capital position next year.
*Source: Moody's Investors Service*

## NIGERIA

### Economic activity to contract by 3.3% in 2020, recovery to start in 2021

The International Monetary Fund indicated that low global oil prices and significant capital outflows substantially aggravated pressures on Nigeria's balance of payments, which, combined with coronavirus-related lockdown measures, led to the contraction of economic activity. It projected real GDP to shrink by 3.25% in 2020 and for growth to recover to 1.5% in 2021, with output reaching pre-pandemic levels in 2022. It considered that there are significant downside risks to the near-term outlook from the uncertain evolution of the pandemic.

In parallel, the IMF forecast the government's fiscal deficit to remain wide in the medium term due to a significant decline in public revenues. It pointed out that the government revised its budget for 2020 to prioritize spending, as well as to remove fuel subsidies and costly and untargeted subsidies in the power sector, in order to mitigate the impact of the pandemic on the economy. It encouraged authorities to increase public revenues, including through higher taxes and improved tax administration, to reduce fiscal risks and debt vulnerabilities. It commended the government's lower dependence on budgetary financing from the Central Bank of Nigeria (CBN), and recommended the suspension of the monetization of the fiscal deficit in the medium term by improving budget planning and public finance management. Further, the Fund expected that a transition to a unified, market-based and flexible exchange rate will reduce pressures on the balance of payments and restore investor confidence. It considered that the CBN's accommodative monetary stance is appropriate in the near term, given the limited fiscal space, elevated fiscal financing needs and restricted access to external funding.

In parallel, Moody's Investors Service expected the economic contraction this year to result in wide fiscal deficits of 4% of GDP to 5% of GDP in the next few years, and for the public debt level to rise at a faster pace. It anticipated that the country's weak institutions and poor governance, as well as political and security risks, will continue to limit Nigeria's growth and fiscal outlook.
*Source: IMF, Moody's Investors Service*

## GCC

### Real GDP growth at 2.5% in 2021-23 period

S&P Global Ratings expected economic activity in the Gulf Cooperation Council countries to post an annual average growth rate of 2.5% in the 2021-23 period, relative to a contraction of 6% in 2020. It noted that the economic tightening in 2020 is due to the OPEC oil production cuts, weaker regional demand from low oil prices, and limited economic activity as a result of the COVID-19 pandemic. It projected economic growth to average 4.5% in Kuwait, 2.6% in Oman, 2.5% in the UAE, 2.4% in each of Bahrain and Saudi Arabia, and 1.8% in Qatar in the 2021-23 period. It forecast a broad recovery in the hydrocarbon and non-hydrocarbon sectors by 2023, as it anticipated the OPEC output cut agreement to end in April 2022. It expected economic activity in Saudi Arabia to reach its pre-pandemic level by 2022. In comparison, it projected the UAE to return to its 2019 growth rate by 2023, as the slowdown in Abu Dhabi's hydrocarbon sector activity, and in Dubai's tourism sector, will limit economic growth. In parallel, S&P expected economic activity in Kuwait to surge in 2022 due to stronger net exports from rising oil production. It anticipated the country's growth to remain strong in 2023, as additional oil production capacity comes online, including from the restart of production in the Joint Neutral Zone with Saudi Arabia. S&P forecast Bahrain's non-hydrocarbon sector growth to recover modestly from 2021 onward, driven by the government's plans to promote infrastructure development. Further, it expected economic activity in Qatar to remain below its historical average due to a slowdown in the construction and associated sectors, and due to limited gas production in the 2021-23 period.

*Source: S&P Global Ratings*

## JORDAN

### IMF calls for gradual fiscal consolidation

The International Monetary Fund indicated that the COVID-19 outbreak has significantly weighed on the Jordanian economy, as the unemployment rate surged to a record high, while the country's fiscal and current account deficits widened. However, it pointed out that authorities responded effectively with measures to protect the livelihoods of the most vulnerable segments of the population, as well as by preserving the sustainability of the public debt. The Fund said that it adjusted the flexibility of Jordan's Extended Fund Facility to accommodate virus-related and social protection spending, and to support the country's near-term financing needs. It considered that financial support from the IMF will help Jordan overcome the challenges it is facing and catalyze support from other multilateral and official bilateral lenders. In parallel, the Fund noted that, despite the sizeable challenges, the Jordanian authorities are committed to rebuilding fiscal buffers and to limiting the rise of the public debt level. It encouraged authorities to step up efforts towards gradual fiscal consolidation by broadening the tax base through tax policy and tax administration reforms, eliminating contingent liabilities from public-sector utilities and public-private partnerships, and improving the administration, efficiency and transparency of public finances. Further, the IMF called on authorities to accelerate reforms in the electricity sector, as well as to fast-track labor market, business climate and governance reforms, in order to support macroeconomic stability and promote growth.

*Source: International Monetary Fund*

## ARMENIA

### Economic activity to contract by 7.3% in 2020

The International Monetary Fund indicated that the military conflict in Nagorno-Karabakh and the second wave of COVID-19 infections have severely affected the Armenian economy. It projected real GDP to contract by 7.3% in 2020, and for growth to rebound to 1% in 2021 and to 3.5% in 2022. In addition, it forecast the crisis to result in the widening of the fiscal deficit from 1% of GDP in 2019 to 7% of GDP in 2020, and considered that the full impact of the crisis is still unfolding. In parallel, the IMF indicated that, despite the significant challenges that the country faced this year, the economy's performance under the Stand-By Arrangement with the Fund has been satisfactory. It considered that the government's budget for 2021 is appropriate given the weak growth rates, and is in line with its medium-term fiscal strategy. It forecast the fiscal deficit to narrow to 5.6% of GDP in 2021. It added that the authorities are committed to maintaining debt sustainability, and expected the public debt level to rise from 63% of GDP at the end of 2019 to 69% of GDP at end-2020, and to stabilize at about 60% of GDP in the medium-term. It stressed that the Central Bank of Armenia should adjust its monetary policy stance to preserve macroeconomic stability, while maintaining exchange rate flexibility to absorb shocks within its inflation targeting framework. Further, it projected the current account deficit to widen from 6% of GDP this year to 6.5% of GDP in 2021, and forecast gross international reserves at about $2.45bn in the 2020-22 period. It expected the economic outlook to be positive and to depend on the implementation of reforms and on the anticipated global recovery.

*Source: International Monetary Fund*

## CÔTE D'IVOIRE

### Economic growth projected at 6.5% in 2021

The International Monetary Fund indicated that Côte d'Ivoire is one of the few economies in Sub-Saharan Africa to grow in 2020 and projected its real GDP to expand by 1.8% this year, supported by strong pre-coronavirus fundamentals, a relatively diversified economy, as well as the swift response to the COVID-19 shock. It forecast real GDP growth at 6.5% in 2021, in line with pre-crisis trends, in case global economic conditions normalize, but it noted that downside risks to the outlook are substantial. It said that authorities reacted swiftly to the unprecedented challenge of the pandemic, as they eased fiscal policy to accommodate the drop in public revenues, to implement the government's emergency spending plan, and to limit the slowdown in economic growth. It added that the authorities' plan to gradually consolidate the fiscal position over the next three years balances the measures for the economic recovery against reaching the Western Africa Economic and Monetary Union's target deficit of 3% of GDP by 2023. Further, it called on authorities to address the country's pressing development needs, build buffers, and limit debt vulnerabilities over the medium term. As such, it urged the government to shrink the size of the informal economy, to reduce the number of tax exemptions, and to strengthen the revenue administration. It also called on authorities to continue to monitor state-owned enterprises and banks, and to balance the government's sources of financing from the regional market and from external commercial sources.

*Source: International Monetary Fund*

## UAE

### Agency affirms ratings of seven banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of First Abu Dhabi Bank (FAB) at 'AA-', the ratings of Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB), and HSBC Bank Middle East (HBME) at 'A+', the IDRs of Dubai Islamic Bank (DIB) and Mashreqbank (Mashreq) at 'A', and the rating of Bank of Sharjah at 'BBB+'. It maintained the 'stable' outlook on the ratings of FAB, ENBD, ADCB, DIB, Mashreq, and Bank of Sharjah, and the 'negative' outlook on the IDR of HBME. It said that the IDRs of FAB, ENBD, ADCB, DIB, Mashreq, and Bank of Sharjah are driven by the government's strong capacity and willingness to support the banks in case of need. It also noted that HBME's rating and outlook reflect a very strong institutional support from its parent, HSBC Holdings, and are in line with the ratings assigned to it. In parallel, Fitch affirmed the Viability Rating (VR) of FAB at 'a-', the rating of HBME at 'bbb', the VR of Mashreq at 'bbb-', and the ratings ENBD, ADCB, DIB at 'bb+'. It also downgraded the VR of Bank of Sharjah from 'b+' to 'b-' and kept it on Rating Watch Negative (RWN). It attributed the downgrade of Bank of Sharjah's VR to the deterioration in the bank's asset quality and profitability metrics, which is weighing on its already weak capital position. It added that it maintained the RWN to reflect its expectations of an additional weakening of the bank's financial profile. Further, it said that the banks' VRs take into account the increased pressures on the banks' standalone credit profiles, notably on their asset quality and profitability, from the challenging environment.

*Source: Fitch Ratings*

## OMAN

### Elevated risks to banking sector persist

S&P Global Ratings maintained Oman's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '7' and the industry risk score at '6'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in 'Group 7' are Bahrain, Croatia, Guatemala and Morocco. The agency said that Oman's economic risk score reflects "very high risks" in its economic resilience, as well as "high risks" in its economic imbalances and in credit risk in the economy. It expected the banks' credit profile to deteriorate in the 2020-21 period due to the challenging economic environment. It added that credit risks are elevated due to the weakening financial profile of the government and its related entities, the banks' increasing exposure to the real estate market that reached 30% of the total loan portfolio, in addition to the high leverage of households. As such, it anticipated the banks' non-performing loans ratio to reach 4.2% at the end of 2020 and 5.5% at end-2021, with a rise in credit losses and a decline in profitability metrics. In parallel, S&P said that the industry risk score reflects the sector's "intermediate risks" in its institutional framework, as well as "high risks" in its competitive dynamics and system-wide funding. It added that the banks' heavy reliance on government deposits is a major risk, as the government can further withdraw its deposits to finance its widening fiscal and current account deficits. It noted that the trend is 'negative' for economic risks and 'stable' for industry risks.

*Source: S&P Global Ratings*

## KUWAIT

### Earnings of eight banks down 49% to $1.1bn in first nine months of 2020

Regional investment bank EFG Hermes indicated that the aggregate net income of the National Bank of Kuwait, Kuwait Finance House, Burgan Bank, Gulf Bank, Boubyan Bank, Kuwait International Bank, Warba Bank, and Commercial Bank of Kuwait, reached KD350.3m, or $1.1bn, in the first nine months of 2020, constituting a decrease of 49% from the same period of 2019. It attributed the drop in the banks' profits mainly to lower revenues and higher provisioning costs. It said that the banks' net interest margin declined by 22 basis points (bps) year-on-year in the covered period, while the cost of risk increased by 73 bps, as banks indicated that their provisioning costs in 2020 include precautionary provisions for an expected deterioration in credit quality next year. It added that the eight banks posted net earnings of KD144.2m, or $471m, in the third quarter of 2020, constituting an increase of 240% from the second quarter of the year, due to higher fee income, improved net interest margins, as well as lower provisioning costs compared to the preceding quarter. It noted that the banks' non-performing loans ratio stood at 2.4% at the end of September 2020. It pointed out that the banks' capital adequacy ratios are all above the minimum requirement that was in place prior to the pandemic. In parallel, it anticipated the banks' net profits to increase by 44% in 2021, as it forecast their revenues to grow by 3% and their provisioning costs to regress from 170 bps in 2020 to 125 bps in 2021.

*Source: EFG Hermes*

## TURKEY

### Operating environment to remain challenging for banks in 2021

Fitch Ratings indicated that the outlook on the ratings of almost all rated Turkish banks is 'negative', reflecting risks to the banks' standalone credit profiles from the coronavirus pandemic, as well as the risks of government intervention in the sector, given Turkey's weak external finances and the limited ability of the authorities to provide support in foreign currency. It expected the operating environment to remain challenging for Turkish banks in 2021, despite the better economic growth outlook and recent steps towards improving monetary policy credibility. It indicated that the expected rolling back of government stimulus and regulatory forbearance measures, uncertainties about the ultimate impact of the pandemic, and the high interest rate environment, will weigh moderately on the banks' asset quality, loan growth and margins. It pointed out that the depreciation of the Turkish lira increases risks to asset quality due to the sector's high level of foreign currency lending. Also, it considered that the volatility of the lira raises refinancing risks, given the banks' short-term foreign currency debt that constituted 10% of the sector's funding at the end of September 2020. It added that currency fluctuations could increase liquidity risks in case of deposit outflows, due to the elevated dollarization rate of deposits of 56% at end-October 2020. Further, it considered that the banks' exposure to small- and medium-sized enterprises and to unsecured retail segments raises credit risks. But it noted that Turkish banks have continued to take provisions against loans in 2020 regardless of the regulatory forbearance measures, which should limit the cost of risk in 2021.

*Source: Fitch Ratings*

# ENERGY / COMMODITIES

## Brent oil prices to average $47 p/b in first quarter of 2021

ICE Brent crude oil front-month prices reached $51.1 p/b on December 16, 2020, their highest level since March 2020 amid expectations that the rollout of coronavirus vaccines will improve the global economic outlook and lift oil demand, as well as due to rising geopolitical tensions in the Middle East after attacks on oil tankers in the Red Sea. Oil prices rallied for six consecutive weeks, constituting their longest period of weekly increases since June 2020. Still, supply factors are weighing on price gains, as Libya's oil production grew from 1.25 million barrels per day (b/d) in late November to 1.28 million b/d on December 14, and the number of oil and gas rigs in the U.S. registered their largest weekly increase since January. The International Energy Agency attributed the increase in oil prices in part to the positive sentiment about the start of vaccination programs, but it considered that the vaccine needs to reach a critical mass of people, which will take several months, in order to have an impact on global oil demand. It expressed concerns about risks to oil prices from a potential surge in COVID-19 infections and the possibility of more lockdown measures after the end-of-year holidays season. Further, the U.S. Energy Information Administration forecast Brent oil prices to average $47 p/b in the first quarter of 2021, up by $5 p/b from its November forecast. It noted that its upward revision reflects expectations of steeper drawdowns of global oil inventories in 2021.

*Source: International Energy Agency, U.S. Energy Information Administration, Refinitiv, CNBC*

## OPEC's oil basket price up 6.3% in November 2020

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $42.61 per barrel (p/b) in November 2020, constituting an increase of 6.3% from $40.08 p/b in October 2020. Angola's Girassol price was at $44.11 p/b, followed by Equatorial Guinea's Zafiro at $43.41 p/b, and Iraq's Basrah Light at $43.12 p/b. All prices in the OPEC basket posted monthly increases of between $0.84 p/b and $3.42 p/b in November 2020.

*Source: OPEC*

## OPEC oil output up 3% in November 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 25.1 million barrels per day (b/d) in November 2020, and grew by 2.9% from 24.4 million b/d in October 2020. Saudi Arabia produced 9 million b/d, or 35.7% of OPEC's total output, followed by Iraq with 3.8 million b/d (15%), the UAE with 2.5 million b/d (10%), Kuwait with 2.3 million b/d (9.1%), and Iran with 2 million b/d (7.9%).

*Source: OPEC*

## MENA's oil exports to decline by 13% in 2020

Crude oil exports from the Middle East & North Africa region are forecast to reach 16.13 million barrels per day (b/d) in 2020, down by 13% from 18.53 million b/d in 2019. The GCC countries' oil exports would account for 71.7% of the region's oil exports this year, while non-GCC exporters would represent the balance of 28.3%. Saudi Arabia's oil exports are projected at 6.8 million b/d this year, or 42.3% of the region's oil exports, followed by Iraq at 3.5 million b/d (21.4%), and the UAE at 2.1 million b/d (13.2%).

*Source: International Monetary Fund, Byblos Research*

## Base Metals: Nickel prices to average $16,250 per ton in first quarter of 2021

The LME cash prices of nickel averaged $13,508 per ton in the first 11 months of 2020, constituting a decrease of 3% from $13,921 per ton in the same period of 2019. Prices averaged $15,808 per ton in November 2020 and increased by 3.7% from an average of $15,239 a ton in October. They also averaged $16,730 per ton so far in December and closed at $17,540 a ton on December 14, their highest level since October 2019. Concerns about supply disruptions at a nickel mine in New Caledonia, the decrease in nickel output in the Philippines, along with growing demand for nickel for the production of stainless steel and the increase in the prices of stainless steel in China, drove the recent jump in the metal's price. In addition, the imminent deployment of the coronavirus vaccine boosted expectations of a recovery in global economic growth and demand for metals and, in turn, supported nickel prices. Further, optimism about an impending economic stimulus in the U.S., as well as the extension of the trade talks between the European Union and the United Kingdom also contributed to the rise in prices. However, prices moderated to $17,354 per ton on December 16, mainly due to rising concerns about the economic impact of newly imposed lockdown measures in some European countries, amid the resurgence in the number of coronavirus infections. In parallel, Citi Research projected nickel prices to average $15,900 per ton in the fourth quarter of 2020 and $16,250 a ton in the first quarter of 2021.

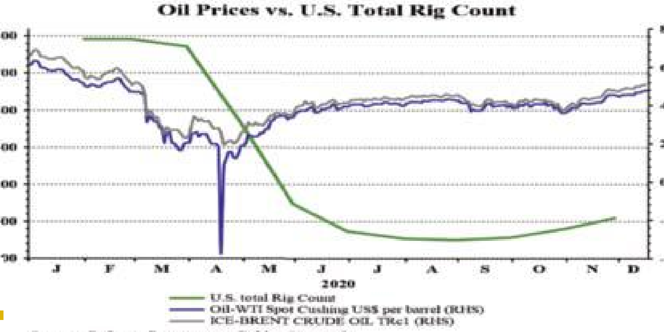
*Source: Citi Research, Refinitiv, Byblos Research*

## Precious Metals: Gold prices up 27% in year-to-December 16, 2020

Gold prices averaged $1,766.7 per troy ounce in the year-to-December 16, 2020 period, constituting an increase of 27.2% from an average of $1,388.8 an ounce in the same period last year. The rise in prices 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. Gold prices reached $1,862.5 per ounce on December 16 and rose by 5% from $1,774.4 an ounce at the end of November, as the dollar further weakened on progress about a new economic relief package in the United States. Also, the increase in prices was supported by the surge in coronavirus cases globally that have prompted authorities worldwide to re-impose tighter lockdown measures, which weighed on investor sentiment and reinforced the appeal of the metal as a hedge against potential inflationary pressure. In parallel, ABN AMRO forecast gold prices to average $1,925 per ounce in the first quarter of 2021, $1,950 an ounce in the second quarter, $1,975 per ounce in the third quarter and $2,000 an ounce in the fourth quarter of 2021.

*Source: ABN AMRO, Refinitiv, Byblos Research*

**Oil Prices vs. U.S. Total Rig Count**




*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 | |
| | | | | | |
| USA | Fed Funds Target Rate | 0.00-0.25 | 16-Dec-20 | No change | 27-Jan-21 |
| Eurozone | Refi Rate | 0.00 | 10-Dec-20 | No change | N/A |
| UK | Bank Rate | 0.10 | 17-Dec-20 | No change | N/A |
| 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 | 02-Feb-21 |
| New Zealand | Cash Rate | 0.25 | 11-Nov-20 | No change | 24-Feb-21 |
| Switzerland | SNB Policy Rate | -0.75 | 17-Dec-20 | No change | 25-Mar-21 |
| Canada | Overnight rate | 0.25 | 09-Dec-20 | No change | 20-Jan-21 |
| **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-Dec-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 | 04-Dec-20 | No change | 05-Feb-21 |
| 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 | 09-Dec-20 | No change | N/A |
| Armenia | Refi Rate | 5.25 | 15-Dec-20 | Raised 100bps | 02-Feb-21 |
| 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 | 14-Dec-20 | No change | 25-Jan-21 |
| Ukraine | Discount Rate | 6.00 | 10-Dec-20 | No change | 21-Jan-21 |
| Russia | Refi Rate | 4.25 | 23-Oct-20 | No change | 18-Dec-20 |

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