

## COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

## WORLD

**Four out of 10 of rated entities negatively affected by COVID-19 and drop in oil prices**

S&P Global Ratings indicated that the creditworthiness of 43.4% of the sovereigns and companies that it rates were affected by the COVID-19 pandemic and the drop in oil prices as of January 11, 2021. It downgraded by one notch the ratings of 15% of rated entities, and by multiple notches the ratings of 7.6% of rated entities worldwide. Further, it revised downward the outlook on 18% of the ratings and changed the CreditWatch placements of 2.8% of the ratings. It added that the pandemic and the drop in oil prices had a negative impact on the ratings of 32.3% of sovereigns, which consisted of 13% in rating downgrades and 19.4% in outlook revisions. The agency noted that the dual shock adversely affected 85.8% of the ratings of capital goods companies, 80% of rated firms in the transportation sector, 77% of the ratings of companies in the automotive sector, as well as 49.7% of rated banks, among other sectors. S&P indicated that its negative rating actions were concentrated in the 'B' rating category and represented 42.5% of total adverse rating actions, followed by the 'BB' segment with 21% of the total, and the 'BBB' bracket (20.5%). Further, it noted that the dual shock negatively affected 62.5% of rated entities in Latin America, 43% of entities in North America, 39% of entities in Europe, the Middle East & Africa region, and 38.8% of rated entities in Asia Pacific. The agency took about 66% of its rating actions between mid-March and mid-May 2020.

Source: S&P Global Ratings

## GCC

**IPOs down 94% to \$1.9bn in 2020**

Figures released by KAMCO indicate that capital raised through initial public offerings (IPOs) in the economies of the Gulf Cooperation Council (GCC), which include corporate IPOs and Real Estate Investment Trusts (REIT) IPOs, totaled \$1.87bn in 2020, constituting a decrease of about 93.6% from \$29bn in 2019. The significant decrease is mainly due to high base effects from Saudi Aramco's IPO in the fourth quarter of 2019. There were seven IPOs in the GCC countries in 2020, relative to 12 transactions in 2019, 17 deals in 2018 and 28 IPOs in 2017. Further, capital raised through IPOs in the GCC region accounted for 0.7% of total capital raised through IPOs worldwide, while the number of IPO deals in the region represented 0.5% of the number of global IPOs in 2020. There were four IPO deals in Saudi Arabia that raised \$1.45bn in 2020, followed by two IPOs in the UAE (\$240m), and one IPO deal in Qatar (\$178m). The healthcare sector raised about \$698.6m in capital in 2020, followed by the retail industry (\$585m), the insurance sector (\$178m), the technology industry (\$144.8m), the financial sector (\$116m), and the real estate sector (\$48m). In addition, one REIT IPO raised \$95.3m last year. In parallel, the aggregate number of IPOs in GCC countries totaled 99 listings during the 2013-2020 period, while the aggregate amount of capital raised through IPOs in the region reached \$43.6bn in the covered period.

Source: KAMCO

## MENA

**Venture capital funding up 13% to \$1bn in 2020**

Figures released by online platform Magnitt showed that venture capital funding reached a record high of \$1bn in the Middle East & North Africa (MENA) region in 2020, constituting an increase of 13% from \$914m in 2019. The number of deals totaled 496 in 2020, and declined by 13.4% from 573 deals in 2019. Investments in MENA-based startups totaled \$338m in the first quarter, \$387m in the second quarter, \$119m in the third quarter and \$187m in the fourth quarter of 2020. The funding level in the second quarter of 2020 was driven in part by a \$150m investment in the Dubai-based Emerging Markets Property Group (EMPG). The distribution of investments shows that startups in the UAE attracted 56% of funding, followed by startups in Egypt (17%), Saudi Arabia (15%), Kuwait (3%), and Lebanon (2%), among others. In parallel, the UAE attracted 26% of the number of deals in 2020, followed by Egypt with 24% of the total, Saudi Arabia (18%), Jordan (9%), Oman (6%), and Bahrain and Tunisia (4% each). In parallel, the e-commerce sector received 16% of total funding in the MENA region, followed by real estate with 15%, fintech (14%), food & beverage (12%), healthcare (7%), transport (6%), and delivery & logistics (4%). Also, the number of venture capital investments in the e-commerce and the fintech sectors accounted for 12% each of the aggregate number of deals; while healthcare, delivery & logistics, food & beverage, education and IT solutions constituted 5% each of the total. Magnitt expected Saudi Arabia to surpass Egypt in the number of deals and capital deployed in 2021. Also, it did not anticipate a mega deal of \$100m or more across the region in 2021.

Source: Magnitt

**Cost of living varies among Arab cities**

The 2021 Cost of Living survey, produced by crowd-sourced global database Numbeo, ranked Beirut as the most expensive city among 26 Arab cities and the 57<sup>th</sup> most expensive among 598 cities worldwide. Dubai followed in 262<sup>nd</sup> place, then Doha (288<sup>th</sup>), Abu Dhabi (312<sup>th</sup>) and Manama (318<sup>th</sup>) as the five Arab cities with the highest cost of living. The Arab cities that have the lowest cost of living are Baghdad (486<sup>th</sup>), Cairo (501<sup>st</sup>), Tunis (507<sup>th</sup>), Algiers (533<sup>rd</sup>), and Alexandria (551<sup>st</sup>). The Cost of Living Index is an indicator of the prices of consumer goods, such as groceries, meals and drinks at restaurants, transportation, and utilities. Numbeo benchmarks the index against New York City. It also issues a Rent Index, which is an estimation of apartment rents in a city compared to New York City rents. Numbeo relies on residents' inputs and uses data from official sources to compute the indices. Further, the Rent Index shows that Dubai has the highest residential rents regionally, while rents in Alexandria are the lowest. Also, the Groceries Index indicates that grocery prices in Beirut are the highest in the Arab world, while such prices are the lowest in Cairo. In addition, the Restaurant Index shows that Beirut has the highest prices of meals and drinks at restaurants and pubs, while Algiers has the lowest such prices regionally.

Source: Numbeo, Byblos Research

# OUTLOOK

## EMERGING MARKETS

### Recovery prospects vary across markets

S&P Global Ratings indicated that the recent rise in the number of COVID-19 cases and the resulting additional social-distancing measures pose a potential setback to the anticipated economic recovery in emerging markets (EMs) this year. It noted that the slowdown in activity that most EMs experienced in the fourth quarter of 2020 has extended into 2021. It considered that the vaccine's rollout will likely be slower in EMs than in developed markets (DMs), due to logistical limitations and weaker public health networks in EMs. However, it anticipated that the progress in vaccination in DMs and some EMs will boost confidence and global demand, and will support growth across EMs. It expected the adverse economic conditions in the first quarter to hurt EM governments with high public debt levels and those with limited space for additional policy response, as well as EM corporates with subdued revenues and little room to reduce expenditures.

The agency pointed out that the recovery prospects differ across EMs and that many EM economies still have a long path to return to pre-pandemic GDP growth levels. It said that China's state-led recovery is benefiting EM commodity exporters, such as Brazil, Chile, South Africa and Indonesia. But it noted that household spending across EMs has been sluggish, with notable exceptions in Brazil and Turkey. It expected the weighted-average GDP in key EMs, excluding China, to grow by 5.9% in 2021 following a contraction of 6.1% in 2020. It estimated that most EMs in Asia and Europe could return to their pre-pandemic GDP growth rates in 2022. It forecast most major Latin American economies to return to their pre-pandemic GDP level in the second half of 2022.

In parallel, it anticipated external conditions to remain favorable for EMs due to the low interest rate environment, as well as to the sustained demand for manufactured goods and commodities in DMs, which would offset in part the weak demand in EMs.

Source: S&P Global Ratings

## SAUDI ARABIA

### Large fiscal adjustment and public investments to improve fiscal position by 2023

Bank of America anticipated that the Saudi authorities' planned fiscal adjustment in the medium term, and the Public Investment Fund's (PIF) scheduled mega projects in the 2021-28 period, will support the Kingdom's medium-term economic growth and fiscal position. It noted that the fiscal adjustment will rely largely on the rationalization of spending and on revenues from the distribution of high dividends by Saudi Aramco to the government and to the PIF. It estimated that the "excess", or the higher than usual Aramco dividends, could help narrow the fiscal deficit by 2.1 percentage points of GDP in the 2020-23 period, and indirectly facilitate the shift of capital spending from the government's budget to the PIF. However, it said that reform slippages and the "over-extension" of the balance sheets of Aramco and the PIF constitute major risks to the fiscal plan. It expected the fiscal deficit to narrow to low single-digits and for the primary balance to post a small surplus, while it forecast the public debt level to stabilize at about 33% of GDP in 2023, in case of no fiscal slippages, higher transfers or investment income from government entities, and if oil prices average \$50 p/b to \$55 p/b in the medium term.

Further, it said that the 2021 budget incorporates expenditure cuts and the continuation of measures that authorities introduced in 2020 to boost non-oil revenues. As such, it projected Saudi Arabia's fiscal deficit to narrow from 12% of GDP in 2020 to 5.3% of GDP in 2021, assuming that oil prices average \$50 per barrel this year, oil output averages 9.2 million barrel per day, and overspending is limited. It expected the primary deficit to shrink from 10.1% of GDP in 2020 to 4% of GDP in 2021, as it forecast the non-oil primary deficit to narrow from 33.5% of non-oil GDP in 2020 to 27% of non-oil GDP in 2021 due to restrictions on public spending. In addition, it estimated that the "excess" dividends from Saudi Aramco will help narrow the fiscal deficit by 2.6% of GDP in 2021. As such, it anticipated the deficit at 7.9% of GDP in 2021 in the absence of "excess" dividends. In parallel, it expected the PIF's planned mega projects to boost non-oil real GDP growth by two percentage points in the medium term. But it noted that downside risks will materialize if the planned projects are not financially sustainable.

Source: Bank of America

## ANGOLA

### Debt dynamics vulnerable to lower oil prices and currency depreciation

The International Monetary Fund anticipated economic activity in Angola to remain subdued despite the country's improving economic environment, due to the slow and uncertain recovery from the COVID-19 outbreak. As such, it projected real GDP growth at 0.4% in 2021, following an estimated contraction of 4% in 2020. It expected non-hydrocarbon GDP to expand by 2.5% this year relative to a contraction of 2.9% in 2020, in case the sectors that have been affected by lockdown measures continue to recover, and if the agriculture sector maintains its positive performance. Also, it anticipated real hydrocarbon GDP to retreat by 6.2% in 2021 compared to a contraction of 6.3% in 2020, due to lower oil production this year from the effects of the pandemic on oil exploration and operations. It considered that the outlook is subject to significant downside risks that include the volatility of oil prices and the fragile global economic environment.

In parallel, the IMF pointed out that authorities increased non-oil revenues and reduced non-essential expenditures in 2020, and added that the 2021 budget consolidates these gains. As such, it projected the fiscal balance to shift from a deficit of 1.7% of GDP in 2020 to a surplus of 0.3% of GDP in 2021. Also, it forecast the public debt level to decrease from a peak of 134.2% of GDP at the end of 2020 to 120% of GDP at end-2021 and to gradually decline thereafter, in case the economy recovers and fiscal policy remains tight. It anticipated debt dynamics to be highly vulnerable to lower oil prices and to an accelerated depreciation of the exchange rate. Also, it expected that fiscal consolidation, the refinancing of large domestic debt maturities in 2020, debt relief from large creditors, the extension of the G-20 Debt Service Suspension Initiative, and ongoing support from multilateral organizations to reduce gross financing needs from 17% of GDP in 2020 to about 9% of GDP in 2021. Further, it indicated that bilateral debt reprofiling and the debt relief initiative significantly mitigated the adverse impact of the pandemic on Angola's external position, and forecast gross international reserves to rise from \$14.1bn to \$15.2bn, and to provide comfortable import coverage.

Source: International Monetary Fund

# ECONOMY & TRADE

## GCC

### Agencies affirm sovereign ratings

Capital Intelligence Ratings affirmed at 'AA-' the long-term foreign and local currency ratings of the United Arab Emirates, with a 'stable' outlook. It indicated that the ratings mainly reflect the sustained strength of the country's external position. It estimated that the current account surplus decreased from 8.4% of GDP in 2019 to 3.6% of GDP in 2020, mainly due to lower tourism and oil export receipts, and expected the surplus to average 8% of GDP in the 2021-22 period. It estimated that the Abu Dhabi Investment Authority has about \$710bn in assets under management, which are equivalent to three times the size of the country's external debt stock and to about 200% of 2020 GDP. In parallel, S&P Global Ratings affirmed Kuwait's long- and short-term foreign and local currency sovereign credit ratings at 'AA-/A-1+', with a 'negative' outlook. It attributed the 'negative' outlook to the risks from fiscal pressure, as it projected the central government's deficit to widen from 9.6% of GDP in the fiscal year that ended in March 2020 to 28.5% of GDP in FY2020/21 due to lower oil receipts. It anticipated that the continued depletion of the General Reserve Fund will severely weigh on public finances, as the authorities have yet to adopt an alternative funding strategy. However, it noted that total assets at the Kuwait Investment Authority exceeded 500% of GDP as at the end of 2020. It added that the outlook on the ratings takes into account the risks from Kuwait's persistently slow progress on structural reforms progress, as it considered that the confrontational relationship between the government and Parliament will complicate reaching an agreement on reforms and fiscal adjustment.

Source: Capital Intelligence Ratings, S&P Global Ratings

## QATAR

### Easing of blockade to boost non-oil activity in 2021

Regional investment bank EFG Hermes projected Qatar's real GDP growth at 2.5% in 2021 following an estimated contraction of 2.6% in 2020, as it forecast activity in the non-oil economy to expand by 3.5% this year relative to a contraction of 4% last year. It also expected that the easing of the rift between Doha and its GCC peers will provide an additional boost to non-hydrocarbon sector activity, mainly in the hospitality and retail sectors. It anticipated that the positive impact on the non-oil economy from the planned expansion of gas production capacity will materialize in the medium term from the proceeds of the additional gas exports receipts. It expected the end of the blockade and the FIFA World Cup in 2022, rather than the government's maturing investment program, to shape growth dynamics in 2021 and 2022. In parallel, EFG Hermes indicated that the recently approved 2021 budget includes a 7.5% decrease in spending and a 24% drop in revenues, due to the authorities' conservative oil price estimate of \$40 per barrel (p/b). However, it projected the fiscal balance to shift from a deficit of 6.2% of GDP in 2020 to a surplus of 0.8% of GDP in 2021, as it expects oil prices to average \$50 p/b this year. It noted that the government is planning a 20% cut in capital spending, which would result in the latter dropping to their lowest level in at least four years, as the country's investment program reaches a mature stage. It added that the government plans to reduce current spending, including wages and salaries in the public sector, in order to mitigate for lower oil prices.

Source: EFG Hermes

## ETHIOPIA

### Current account deficit and low reserves raise solvency risks

BNP Paribas expected Ethiopia's economic activity to stagnate in 2021, relative to a growth rate of 1.9% in 2020 and compared to an annual average growth rate of 10% in the 2004-19 period. It noted that the agriculture sector, which accounts for about 40% of GDP, was hit last year by a massive locust invasion, military conflicts in the Tigray region, and declining demand. It considered that recent conflicts in Ethiopia, as well as the diplomatic rift with Egypt and Sudan about the Grand Ethiopian Renaissance Dam, are currently eroding optimism about progress towards the transition to a market-based economy. It pointed out that the current environment is likely to hamper key reforms and risks delaying certain investments and privatization projects. It noted that the postponement of foreign investments would be particularly harmful for the Ethiopian economy, given its structural shortage of foreign currency. It indicated that the country's weak and volatile export base is constrained by an overvalued exchange rate, while import demand continues to increase, which reduces foreign currency receipts and raises liquidity risks. It estimated external financing needs at \$6.2bn in 2020 when excluding the reduction from the G-20 Debt Service Suspension Initiative. It projected the current account deficit at around 5% of GDP in 2021. It added that persistent current account deficits, low foreign currency reserves and the increase in external debt repayments raise solvency risks. It said that the external debt accounted for more than 50% of the total public debt, and that debt servicing on the foreign currency-denominated debt accounted for 65% of foreign currency reserves in 2020.

Source: BNP Paribas

## NIGERIA

### Monetization of fiscal deficit reflects weak management of public finances

Fitch Ratings considered that the Nigerian government's sustained recourse to the monetization of its fiscal deficits by the Central Bank of Nigeria (CBN) reflects weaknesses in the management of public finances, and could limit the authorities' ability to preserve the credibility of policymaking, to stabilize the Nigerian naira, and to control the inflation rate. It said that the government borrowed the equivalent of 1.9% of GDP from the CBN to fund the fiscal deficit in 2020, and that the government's borrowing from the CBN stood at 6.7% of GDP at end-2019 relative to 4.2% of GDP at the end of 2018. It added that borrowed funds from the CBN accounted for 30% of Nigeria's public debt stock at end-2019. The agency pointed out that the CBN limits the government's borrowing to 5% of the previous year's fiscal revenues, but that authorities have repeatedly exceeded this limit in recent years, as borrowing from the CBN in 2020 reached about 80% of public receipts in 2019. Also, it said that the CBN requires the borrowed funds to be repaid during the year in which it disbursed them. But it noted that the Treasury repaid NGN912.6bn to the CBN in 2020, equivalent to 9% of the borrowed funds' outstanding balance at end-2019. It considered that authorities have resorted to this method of financing because the government requires Parliament's approval to borrow from domestic debt markets. It expected that the 2021 budget would allow the government to avoid significant borrowing from the CBN this year.

Source: Fitch Ratings

# BANKING

## AFRICA

### Fiscal consolidation and reforms are key to peg sustainability

Standard Chartered Bank indicated that the exchange rate of the CFA franc has reached multi-year highs against the US dollar due to its peg to the euro and to the latter's recent appreciation. It considered that this will trigger significant opposition to the currency peg in the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC), as a stronger currency complicates external and fiscal adjustments, reduces the local-currency value of export earnings, and makes imports more attractive. However, it estimated that a devaluation of the CFA franc is unlikely in the near term given that the sustainability of the peg in the WAEMU is not in question due to the region's relatively strong fundamentals, while plans to introduce a new currency, the eco, will likely be delayed for several years. The bank indicated that robust inflows from multilateral institutions have supported foreign currency reserves in the WAEMU and in the oil-dependent economies of the CEMAC. It noted that these inflows have offset the negative impact on the CFA franc of higher government borrowing and of expansionary monetary policies. It pointed out that foreign currency reserves reached €16.1bn at the Central Bank of West African States in October 2020, which is equivalent to six months of imports; and totaled €6.9bn at the Central Bank of Central African States, or four months of imports, which is sufficient to support the currency peg. In parallel, it expected WAEMU and CEMAC economies to prioritize fiscal consolidation and reforms over currency devaluation, given the latter's limited benefits.

Source: Standard Chartered Bank

## PAKISTAN

### Stable outlook on banking sector

Moody's Investors Service indicated that it has a 'stable' outlook on the Pakistani banking sector, supported by the banks' strong deposit-based funding and good liquidity buffers. It also pointed out that the sovereign's credit profile is stable as a result of the reforms that the government is implementing and due to improving policy effectiveness, which are beneficial to the banks, given their large holdings of government securities. However, it expected the banks' operating environment to remain difficult and to weigh on their asset quality and profitability. The agency anticipated a slow economic recovery in 2021, as the government and the State Bank of Pakistan's responses and reforms will only partially soften the overall impact of the COVID-19 pandemic, which would negatively affect asset quality. It said that the sector's non-performing loans (NPLs) ratio reached 10% at the end of September 2020. It expected the NPLs ratio to rise in coming months due to the banks' exposure to export-oriented companies, to firms that are reliant on government payments and subsidies, in addition to the banks' troubled foreign operations. However, it considered that government support and the implementation of loan repayment holidays will mitigate the risk of rising NPLs. In parallel, it expected the banks' profitability to come under pressure due to lower margins, high loan-loss provisions, and subdued business generation. It added that the government's strong willingness to support banks is constrained by its fiscal challenges.

Source: Moody's Investors Service

## JORDAN

### Economic downturn to negatively affect banks' asset quality

The International Monetary Fund indicated that the banking sector in Jordan is still well-capitalized, liquid and profitable, despite the impact of the coronavirus outbreak on economic activity. It said that the sector's capital adequacy ratio regressed from 18.3% at the end of 2019 to 17.9% at the end of June 2020, but continued to exceed the regulatory minimum capital ratio of 12%. It added that the Central Bank of Jordan's (CBJ) decision to prohibit banks from distributing dividends in 2019 has supported the banks' capital position. It anticipated the economic downturn to negatively affect the banks' credit quality. It said that the banks' non-performing loans (NPLs) ratio increased from 5% at the end of 2019 to 5.4% at the end of June 2020, and expected the NPLs ratio to further rise as banks evaluate their loan portfolios amid the COVID-19 shock. It noted that the CBJ's stress tests show that the sector's capital adequacy ratio would remain above the 12% regulatory minimum under a severe downside scenario. However, the IMF called on authorities to closely monitor the financial sector in order to avoid capital shortfalls at some banks in the event of delays in the economic recovery that would lead to a sharp deterioration in the banks' credit quality. It considered that the CBJ should require weaker banks to prepare prudent but feasible recapitalization plans in case downside risks materialize. It also recommended that the CBJ discourages banks from taking excessive credit risks on their balance sheets. It supported the CBJ's decision to discontinue the financing measures it has extended to small and medium-sized enterprises, as it considered that the government, rather than the CBJ, should implement such plans.

Source: International Monetary Fund

## SAUDI ARABIA

### Banks' net earnings to increase by 6% in 2021

Regional investment bank EFG Hermes estimated that the aggregate profits of 10 Saudi banks decreased by 5% in 2020, relative to an increase of 18% in 2019. It indicated that the improved macroeconomic environment and the lifting of the waivers on a number of banking fees led to the recovery in the banks' fee income in the fourth quarter of 2020. It projected the earnings of Saudi banks to increase by a weighted average of 6% and a median of 7% in 2021, mainly due to the growth in loans by a weighted average of 9% and a median of 9.2%, as well as to the expansion in fee income by an average of 9% and a median of 10% this year. It anticipated that the deployment of the coronavirus vaccine and the limited number of virus infections in the country will accelerate economic activity in the Kingdom in 2021 and, in turn, drive the growth in lending and improve the banks' asset quality. In addition, it expected that the Public Investment Fund's plan to inject about \$40bn annually in the economy in 2021 and 2022 will stimulate demand for corporate loans. Further, it forecast the growth in mortgages to moderate from 60% in 2020 to 19% in 2021, but to be supported by the government's ongoing interest rate subsidies on mortgages, the rise in the number of households, as well as by the increase in homeownership in the Kingdom. Moreover, it indicated that the authorities' policies and the extension of the forbearance measures from the end of 2020 to the end of March 2021 will ease the pressure on asset quality.

Source: EFG Hermes

## ENERGY / COMMODITIES

### Oil prices to average \$55 p/b in 2021

ICE Brent crude oil front-month prices have been trading at between \$54 per barrel (p/b) and \$56 p/b in the past two weeks. Oil prices have been supported by expectations that U.S. President Joe Biden's administration will deliver a massive economic stimulus package that will increase oil demand and enact policies that will tighten oil supply. However, oil prices remained constrained by the jump in the number of COVID-19 infections worldwide, which is raising concerns about global oil demand in the short term. Still, Jadwa Investment expected global oil demand to increase in 2021, but to remain below the pre-pandemic level of 2019. In parallel, it anticipated oil production of the OPEC and non-OPEC alliance to decline marginally in the first quarter of 2021, while it projected the alliance's oil output to increase by 1.4 million b/d in the second quarter of the year. Further, it noted that the U.S. Energy Information Administration expected an additional 2% decrease in U.S. oil production by the end of 2021. However, it anticipated the new U.S. administration to promote climate change-related policies that would further reduce U.S. oil output in 2022, rather than during the current year. Overall, it did not project a smooth recovery in oil prices in 2021, and forecast oil prices to average \$55 p/b this year.

Source: Jadwa Investment, CNBC, Refinitiv, Byblos Research

### Algeria's hydrocarbon receipts down 40% in 2020

Algeria's oil and gas exports declined by 11% to 82.2 million tons of oil equivalent (toe) in 2020, while hydrocarbon exports receipts fell by 40% to \$20bn. Also, the country's overall energy output dropped by 10% to 142 million toe last year, due to lockdown measures related to the coronavirus pandemic. Further, the production of refined oil products shrank by 1.6% to 28 million tons in 2020, while the output of liquefied natural gas regressed by 11% to 24 million cubic meters due to maintenance work.

Source: Ministry of Energy and Mining, Refinitiv

### OPEC oil output up 1% in December 2020

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 25.4 million barrels per day (b/d) in December 2020, and grew by 1.1% from 25.1 million b/d in November 2020. Saudi Arabia produced 9 million b/d, or 35.3% of OPEC's total output, followed by Iraq with 3.8 million b/d (15.2%), the UAE with 2.6 million b/d (10.2%), Kuwait with 2.3 million b/d (9%), and Iran with 2 million b/d (8%).

Source: OPEC

### ME&A's oil demand to increase by 5% in 2021

Consumption of crude oil in the Middle East & Africa is estimated to have averaged 11.63 million barrels per day (b/d) in 2020, which constitutes a decline of 8% from 12.65 million b/d in 2019. The region's demand for oil represented 24.3% of demand in non-OECD countries and 12.9% of global oil consumption last year. Demand for crude oil in the region is expected to average 12.17 million barrels per day (b/d) in 2021, which would constitute an increase of 4.6% from the previous year.

Source: OPEC

### Base Metals: Zinc prices average \$2,268 per ton in 2020

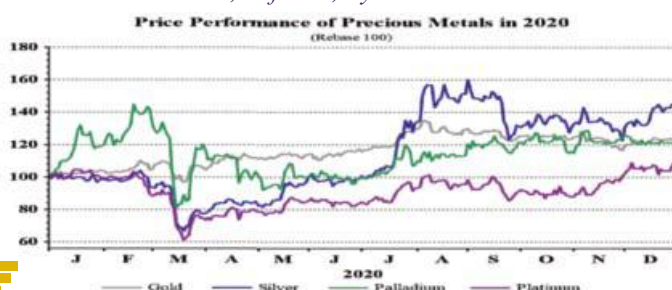
The LME cash prices of zinc averaged \$2,268 per ton in 2020, constituting a decrease of 11% from an average of \$2,549 a ton in 2019. Prices averaged \$2,126 per ton in the first quarter of 2020, then declined to \$1,968 a ton in the second quarter due to the spread of the coronavirus that weighed on economic activity and on demand for metals worldwide. Zinc prices recovered to an average of \$2,339 per ton in the third quarter and to an average of \$2,633 a ton in the fourth quarter of the year, as demand for metals rebounded, notably in China, and manufacturing activity accelerated globally. Prices dropped to a four-year low of \$1,803 per ton on March 24, 2020 and reached \$2,852 a ton on December 18, their highest level in about a year and a half. The start of the distribution of the coronavirus vaccine and increased optimism about an impending economic stimulus in the U.S. pushed zinc prices to \$2,864 per ton on January 7, 2021, their highest level since May 2019. However, prices moderated to \$2,663 a ton on January 19 as a result of the increase in the number of coronavirus infections worldwide, which raised concerns about global economic growth. Further, the International Lead and Zinc Study Group (ILZSG) projected the surplus in the zinc market to narrow from 620,000 tons in 2020 to 463,000 tons in 2021, as it forecast demand to increase by 4.2% and supply to rise by 2.9%.

Source: ILZSG, Refinitiv, Byblos Research

### Precious Metals: Gold prices to average \$1,951 per ounce in 2021

Gold prices reached \$1,946.7 per troy ounce on January 5, 2021, their highest level in two months, mainly driven by the weakening of the US dollar on the prospects of a new economic relief package in the United States, which reinforced the appeal of the metal as a hedge against potential inflationary pressure. Also, the increase in prices was supported by the surge in the number of coronavirus cases globally, which has prompted authorities to re-impose tighter lockdown measures in many countries. However, gold prices dropped by 4.2% on January 20 to \$1,865.6 an ounce, as higher U.S. bond yields weighed on the competitive advantage of owning the risk-free precious metal. Overall, gold prices averaged \$1,873.6 per ounce in the first three weeks of 2021, constituting an increase of 20.8% from an average of \$1,551.5 an ounce in the same period last year, mainly driven by higher uncertainties about the evolution of the COVID-19 pandemic, lower gold supply and a weaker US dollar. In parallel, ABN AMRO forecast gold prices to average \$1,918 per ounce in the first quarter of 2021, \$1,938 an ounce in the second quarter, \$1,963 per ounce in the third quarter, and \$1,988 an ounce in the fourth quarter of 2021. As such, it projected prices to average \$1,951 per ounce in 2021, supported by a weaker US dollar and higher investment demand.

Source: ABN AMRO, Refinitiv, 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 |                               |                              |                                  |   |                              |   |                                   |                   |
| <b>Africa</b>      |                            |         |       |      |     |                               |                              |                                  |   |                              |   |                                   |                   |
| Algeria            | -                          | -       | -     | -    | B+  | -4.8                          | -                            | -                                | -   | -                            | -   | -21.4                             | -                 |
| Angola             | CCC+                       | Caa1    | CCC   | -    | CCC | -4.0                          | 127.1                        | 7.7                              | 91.1  | 45.4                         | 122.9   | -14.4                             | 9.5               |
| Egypt              | B                          | B2      | B+    | B+   | B+  | -8.3                          | 86.5                         | 6.0                              | 71.4  | 44.8                         | 120.1   | -4.6                              | 1.8               |
| Ethiopia           | B                          | B2      | B     | -    | B+  | -3.2                          | 31.3                         | 2.3                              | 64.8  | 4.5                          | 175.3   | -7.3                              | 2.0               |
| Ghana              | B-                         | B3      | B     | -    | BB- | -9.0                          | 66.7                         | 2.7                              | 49.6  | 52.1                         | 128.0   | -4.3                              | 3.8               |
| Côte d'Ivoire      | -                          | Ba3     | B+    | -    | B+  | -5.5                          | 43.2                         | 4.8                              | -   | 14.4                         | -   | -4.0                              | 0.2               |
| Libya              | -                          | -       | -     | -    | CCC | -                             | -                            | -                                | -   | -                            | -   | -                                 | -                 |
| Dem Rep Congo      | CCC+                       | Caa1    | -     | -    | CCC | -1.5                          | 12.6                         | 0.3                              | 6.4   | 1.9                          | 120.7   | -5.3                              | 2.5               |
| Morocco            | BBB-                       | Ba1     | BBB-  | -    | BBB | -7.4                          | 61.6                         | 6.0                              | 40.4  | 9.2                          | 101.3   | -8.9                              | 1.0s              |
| Nigeria            | B-                         | B2      | B     | -    | B-  | -5.0                          | 47.6                         | 4.5                              | 62.1  | 56.7                         | 130.1   | -6.6                              | 0.2               |
| Sudan              | -                          | -       | -     | -    | CC  | -                             | -                            | -                                | -   | -                            | -   | -                                 | -                 |
| Tunisia            | -                          | B2      | B     | -    | B+  | -4.7                          | 81.0                         | 4.2                              | -   | 11.9                         | -   | -8.3                              | 0.5               |
| Burkina Faso       | B                          | -       | -     | -    | B+  | -5.0                          | 46.7                         | 0.5                              | 28.51                                       | 5.18                         | 140.33  | -5.52                             | 0.5               |
| Rwanda             | B+                         | B2      | B+    | -    | B+  | -12.46                        | 67.5                         | 4.76                             | 30.01                                       | 7.51                         | 124.17  | -16.44                            | 1.0               |
| <b>Middle East</b> |                            |         |       |      |     |                               |                              |                                  |   |                              |   |                                   |                   |
| Bahrain            | B+                         | B2      | B+    | BB-  | BB- | -12.1                         | 114.4                        | -0.9                             | 207.3                                       | 33.9                         | 349.5   | -10.1                             | 2.2               |
| Iran               | -                          | -       | -     | B    | BB- | -9.3                          | -                            | -                                | -   | -                            | -   | -5.0                              | -                 |
| Iraq               | B-                         | Caa1    | B-    | -    | CC+ | -17.5                         | 84.4                         | -0.1                             | 6.9   | 8.3                          | 140.9   | -11.0                             | -1.0              |
| Jordan             | B+                         | B1      | BB-   | B+   | BB+ | -5.0                          | 85.6                         | 1.7                              | 82.9  | 11.6                         | 170.0   | -6.8                              | 1.5               |
| Kuwait             | AA-                        | A1      | AA    | AA-  | AA- | -9.7                          | 11.6                         | 2.1                              | 72.6  | 0.9                          | 160.6   | -13.6                             | 0                 |
| Lebanon            | SD                         | C       | C     | SD   | CCC | -12                           | 197.2                        | 7.5                              | 143.0                                       | 80.3                         | 149.7   | -5.1                              | 1.5               |
| Oman               | B+                         | Ba3     | BB-   | BBB- | BB- | -16.5                         | 83.8                         | 1.7                              | 43.5  | 11.4                         | 144.6   | -15.6                             | 3.8               |
| Qatar              | AA-                        | Aa3     | AA-   | AA-  | A+  | -0.6                          | 84.6                         | 3.1                              | 201.8                                       | 8.5                          | 242.2   | -4.9                              | -1.5              |
| Saudi Arabia       | A-                         | A1      | A     | A+   | A+  | -12.6                         | 35.6                         | 19.7                             | 21.9  | 3.3                          | 48.5  | -9.8                              | -1.1              |
| Syria              | -                          | -       | -     | -    | C   | -                             | -                            | -                                | -   | -                            | -   | -                                 | -                 |
| UAE                | -                          | Aa2     | AA-   | AA-  | AA- | -                             | -                            | -                                | -   | -                            | -   | -                                 | -                 |
| Yemen              | -                          | -       | -     | -    | CC  | -                             | -                            | -                                | -   | -                            | -   | -                                 | -                 |



# 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      |                               |                              |                                  |   |                              |   |                                   |                   |
| <b>Asia</b>                         |                            |          |          |        |          |                               |                              |                                  |   |                              |   |                                   |                   |
| Armenia                             | -                          | Ba3      | B+       | -      | B-       | -5.0                          | 62.0                         | -                                | -   | 9.9                          | -   | -8.5                              | 0.9               |
|                                     | -                          | Stable   | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| China                               | A+                         | A1       | A+       | -      | A        | -11.1                         | 56.0                         | 14.4                             | 47.0  | 2.2                          | 66.7  | 1.2                               | 0.4               |
|                                     | Stable                     | Stable   | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| India                               | BBB-                       | Baa3     | BBB-     | -      | BBB      | -11.5                         | 84.6                         | 10.6                             | 56.8  | 32.1                         | 84.1  | -0.9                              | 1.1               |
|                                     | Stable                     | Negative | Negative | -      | Negative |                               |                              |                                  |   |                              |   |                                   |                   |
| Kazakhstan                          | BBB-                       | Baa3     | BBB      | -      | BBB-     | -5.1                          | 20.9                         | 5.4                              | 34.9  | 8.9                          | 100.0   | -5.9                              | 3.4               |
|                                     | Stable                     | Positive | Stable   | -      | Negative |                               |                              |                                  |   |                              |   |                                   |                   |
| Pakistan                            | B-                         | B3       | B-       | -      | CCC      | -9.5                          | 88.2                         | 0.5                              | 42.7  | 61.2                         | 145.8   | -1.5                              | 0.5               |
|                                     | Stable                     | Stable   | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| <b>Central &amp; Eastern Europe</b> |                            |          |          |        |          |                               |                              |                                  |   |                              |   |                                   |                   |
| Bulgaria                            | BBB                        | Baa2     | BBB      | -      | BBB      | -4.0                          | 25.6                         | 2.8                              | 32.0  | 1.6                          | 104.9   | 1.9                               | 0.5               |
|                                     | Stable                     | Positive | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| Romania                             | BBB-                       | Baa3     | BBB-     | -      | BBB-     | -8.0                          | 46.2                         | 4.0                              | 28.0  | 4.9                          | 101.5   | -4.8                              | 0.5               |
|                                     | Negative                   | Negative | Stable   | -      | Negative |                               |                              |                                  |   |                              |   |                                   |                   |
| Russia                              | BBB-                       | Baa3     | BBB      | -      | BBB-     | -6.8                          | 22.9                         | 13.0                             | 23.7  | 4.9                          | 58.3  | 0.8                               | 0                 |
|                                     | Stable                     | Stable   | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| Turkey                              | B+                         | B2       | BB-      | B+     | B-       | -5.0                          | 38.0                         | 1.8                              | 83.6  | 9.5                          | 161.9   | -1.0                              | 0.5               |
|                                     | Stable                     | Negative | Negative | Stable | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |
| Ukraine                             | B                          | B3       | B        | -      | B-       | -7.1                          | 65.1                         | 3.8                              | 55.0  | 7.3                          | 118.5   | -6.0                              | 0.5               |
|                                     | Stable                     | Stable   | Stable   | -      | Stable   |                               |                              |                                  |   |                              |   |                                   |                   |

\* 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        | 21-Jan-21    | No change     | 11-Mar-21    |
| UK                      | Bank Rate                | 0.10        | 17-Dec-20    | No change     | 04-Feb-21    |
| Japan                   | O/N Call Rate            | -0.10       | 21-Jan-21    | No change     | 19-Mar-21    |
| 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        | 20-Jan-21    | No change     | 10-Mar-21    |
| <b>Emerging Markets</b> |                          |             |              |               |              |
| China                   | One-year Loan Prime Rate | 3.85        | 20-Jan-21    | No change     | 22-Feb-21    |
| 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        | 15-Jan-21    | No change     | 25-Feb-21    |
| Malaysia                | O/N Policy Rate          | 1.75        | 20-Jan-21    | No change     | 04-Mar-21    |
| Thailand                | 1D Repo                  | 0.50        | 23-Dec-20    | No change     | N/A          |
| 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        | 24-Dec-20    | No change     | 04-Feb-21    |
| Jordan                  | CBJ Main Rate            | 2.50        | 16-Mar-20    | Cut 100bps    | N/A          |
| Turkey                  | Repo Rate                | 17.00       | 21-Jan-21    | Raised 200bps | 18-Feb-21    |
| South Africa            | Repo Rate                | 3.50        | 21-Jan-21    | No change     | 25-Mar-21    |
| Kenya                   | Central Bank Rate        | 7.00        | 26-Nov-20    | No change     | 27-Jan-21    |
| Nigeria                 | Monetary Policy Rate     | 11.50       | 24-Nov-20    | No change     | 26-Jan-21    |
| 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        | 17-Dec-20    | No change     | 11-Feb-21    |
| Brazil                  | Selic Rate               | 2.00        | 20-Jan-21    | No change     | N/A          |
| Armenia                 | Refi Rate                | 5.25        | 15-Dec-20    | Raised 100bps | 02-Feb-21    |
| Romania                 | Policy Rate              | 1.25        | 15-Jan-21    | Cut 25bps     | N/A          |
| Bulgaria                | Base Interest            | 0.00        | 04-Jan-21    | No change     | 01-Feb-21    |
| Kazakhstan              | Repo Rate                | 9.00        | 14-Dec-20    | No change     | 25-Jan-21    |
| Ukraine                 | Discount Rate            | 6.00        | 21-Jan-21    | No change     | 04-Mar-21    |
| Russia                  | Refi Rate                | 4.25        | 18-Dec-20    | No change     | 12-Feb-21    |





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