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Economic Research & Analysis Department

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NEWS HEADLINES

WORLD

Global trade in services contracts by 24% in third quarter of 2020

Figures released by the World Trade Organization (WTO) indicate that global trade in services fell by 24% in the third quarter of 2020 from the same period in 2019, compared to a contraction of 30% in the second quarter of 2020. It added that the outbreak of COVID-19 continues to affect trade in services more than merchandise trade, which contracted by 5% in the third quarter of 2020. It indicated that travel was the most affected sector by the pandemic, as global trade in travel services decreased by 68% year-on-year in the third quarter of 2020. It added that international travelers' spending in Latin America & the Caribbean dropped by 88% in the third quarter, followed by Africa and Asia (-80% each), North America (-78%), and Europe (-55%). Further, it noted that transportation services declined by 24% year-on-year in the third quarter of 2020; while trade in other services, which include construction, recreational, legal and financial services, regressed by 2% in the covered quarter. In parallel, the WTO's preliminary estimates show that global trade in services decreased by 16% year-on-year in November 2020. It said that prospects of a recovery in trade in services are weak, as the second wave of the pandemic led to further lockdown measures and restrictions that have extended into the first quarter of 2021. It noted that the export of services dropped by 24% in November in the United States, followed by Japan (-23%), the United Kingdom (-15%), the European Union (-10%), South Korea (-9%), India (-5%), and China (-1%). It also noted that services imports dropped by 35% in the UK, followed by the U.S. (-24%), China and the EU (-20% each), South Korea (-19%), India (-12%), and Japan (-5%).

Source: World Trade Organization

MENA

Working hours to decline by 3% in 2021

The International Labor Organization (ILO) indicated that about 50% of the workforce in the Arab region is in countries with ongoing coronavirus-related workplace restrictions. It estimated that the number of working hours in the Arab world declined by the equivalent of 5 million full-time employees (FTE), or by 9%, in 2020 from the fourth quarter of 2019, which is the pre-COVID-19 baseline quarter. It said that the number of working hours decreased by 2 million FTE (-3.3%) in the first quarter, by 10 million FTE (-18.8%) in the second quarter, by 5 million FTE (-9.4%) in the third quarter, and by 2 million FTE (-4.7%) in the fourth quarter of the year relative to the fourth quarter of 2019. It attributed the decline in working hours in the region in 2020 to job losses and to a reduction in working hours for employed people. It noted that 1.1 million workers in Arab countries lost their jobs in 2020, with one million becoming unemployed and the remaining 0.1 million exiting the labor force. It estimated that the income of workers in Arab economies declined by 8.4% in 2020 when excluding income support measures. Under its baseline scenario, the ILO projected the number of working hours in the Arab region to decline by the equivalent of one million full-time employees, or by 2.9%, in 2021 relative to the fourth quarter of 2019.

Source: International Labor Organization

M&A deals decline by 51% to $59bn in 2020

Figures released by international law firm Baker Mckenzie show that there were 423 merger & acquisition (M&A) deals in the Middle East for a total of $58.7bn in 2020. The number of transactions decreased by 13% from 489 deals in 2019, while the amount of transactions dropped by 51% from $119.3bn in the preceding year. The distribution of deals indicates that there were 137 domestic M&A transactions in the Middle East worth $27bn, and 286 cross-border deals for a value of $31.7bn last year. In parallel, there were 264 cross-regional M&A deals worth $31.2bn in 2020, or inbound and outbound deals involving countries outside the Middle East region. The number of inbound cross-regional transactions reached 92 for a value of $20.8bn in 2020. The U.S. attracted 19 inbound deals that totaled $14.1bn in 2020, making it the largest country-source in terms of volume and value. The high technology sector was the recipient of 19 deals in 2020, the highest number of inbound cross-regional transactions, while the energy and power sector received $10.1bn in investments, the largest amount of inbound deals in the region. In addition, the number of outbound cross-regional M&A transactions from the Middle East reached 172 and were worth $10.3bn last year. The U.S. attracted 40 outbound deals worth $5.2bn in 2020, making it the largest destination of Middle Eastern M&A deals in terms of volume and value. The high technology sector attracted 34 transactions, the highest number of outbound cross-regional M&A deals, while the financial services sector received $2.6bn in outbound investments, the largest amount of investments from the region.

Source: Baker Mckenzie

Arab economies trail most EM regions on environmental, social and governance indicators

Global investment bank Goldman Sachs ranked the United Arab Emirates in 14th place among 72 emerging markets (EMs) and in first place among 12 Arab countries on its 2021 EM Sovereign ESG Index. Tunisia followed in 32nd place, then Morocco (38th), Qatar (41st) and Kuwait (47th) as the five Arab countries with the best performance on the index. The index consists of 29 variables that cover environmental, social and governance (ESG) indicators. It rates the ESG indicators of each country on a scale from zero to 10, with a score of 10 reflecting the best performance. The overall score of a country is an equally-weighted average of the three scores on each category. The Arab region's average score stood at 5.98 points and came below the EM average score of 6.45 points. The average score of Gulf Cooperation Council (GCC) countries was 6.23 points, while the average of non-GCC Arab countries stood at 5.73 points. Also, the Arab region's average score was higher than the average score of Africa (5.62 points); while it was lower than the average score of Latin America (6.84 points), Emerging Europe (6.79 points) and Emerging Asia (6.37 points). Rating agencies have been increasingly taking into account ESG factors when conducting rating reviews and when taking actions on sovereigns. As such, higher ESG scores tend to be favorable to sovereign ratings.

Source: Goldman Sachs, Byblos Bank

OUTLOOK

EMERGING MARKETS

Global economy to expand by 5.5% in 2021, growth to vary among regions

The International Monetary Fund projected the global economy to expand by 5.5% in 2021 compared to a previous forecast of 5.2% for this year, following an estimated contraction of 3.5% in 2020. It attributed the better-than-previously anticipated economic performance in 2021 to the rollout and distribution of the COVID-19 vaccine and to additional policy support that the United States and Japan announced at the end of 2020, which would outweigh the risks of stricter social distancing measures from rising infection rates. It expected the strength of the recovery to vary significantly across countries, depending on the severity of the health crisis, the extent of domestic disruptions to economic activity, the effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics at the start of the crisis. It projected real GDP in advanced economies to grow by 4.3% in 2021 relative to its projection last October of a 3.9% expansion, while it expected economic activity in emerging markets and developing economies to expand by 6.3% this year compared to a previous forecast of a growth rate of 6%.

The IMF projected real GDP in Emerging & Developing Asia to expand by 8.3% in 2021, mainly due to growth of 11.5% and of 8.1% in India and China, respectively. It expected economic activity in Latin America & the Caribbean to expand by 4.1% this year, and forecast real GDP in Emerging & Developing Europe to grow by 4% in 2021. Further, it projected Sub-Saharan Africa's real GDP to increase by 3.2% this year, while it anticipated real GDP growth in the Middle East & Central Asia region at 3%.

In parallel, the IMF expected that higher public revenues and lower expenditures will lead to narrower deficits for most countries in 2021, despite additional fiscal policy support. Also, it projected the inflation rate at less than 1.5% in advanced economies and to exceed 4% among emerging markets and developing economies. Further, it anticipated major central banks to maintain their current policy rates until the end of 2022, which would improve borrowing conditions for emerging markets.

Source: International Monetary Fund

IRAQ

Outlook dependent on fluctuations in oil prices

The Institute of International Finance estimated Iraq's real GDP to have contracted by 11.2% in 2020 due to the outbreak of the COVID-19 pandemic, unstable political conditions, and the drop in oil production and global oil prices. It welcomed the official devaluation of the Iraqi dinar and considered that the Central Bank of Iraq will be able to defend the new exchange rate level, given that foreign currency reserves reached $50bn at the end of 2020. The IIF provided two scenarios for the Iraqi economy in 2021, depending on the evolution of oil prices during the year.

In its first scenario, it projected real GDP to increase by 1.5% in 2021 in case oil prices average $47 per barrel during the year. It forecast real hydrocarbon GDP to expand by 1% in 2021 following a contraction of 12.4% in 2020, supported by higher oil exports; while it expected the non-hydrocarbon sector to grow by 2.3% this year after shrinking by 9.3% in 2020, in case of a rebound in public investments. Further, it anticipated the fiscal deficit to narrow from 16% of GDP in 2020 to 8% of GDP in 2021, due to the impact of the currency devaluation on public revenues and the modest increase in oil prices. It noted that the public debt level grew from 54% of GDP at end-2019 to 93% at the end of 2020 following the devaluation of the dinar, as 70% of the debt stock is denominated in foreign currency. It forecast the debt level at 91% of GDP at the end of 2021. In addition, it projected the current account deficit to narrow from 10.2% of GDP in 2020 to 6.5% of GDP in 2021, with foreign currency reserves reaching $46bn at the end of the year.

Under its second scenario, the IIF projected real GDP to grow by 1.7% in 2021 in case oil prices average $57 per barrel during the year. It forecast real hydrocarbon GDP to increase by 1% and for the non-hydrocarbon sector to expand by 2.8% in 2021. Further, it anticipated the fiscal deficit to narrow to 1% of GDP in 2021, while it expected the public debt level to regress to 78% of GDP at end-2021. It also forecast the current account deficit to shift to a surplus of 2% of GDP in 2021, with foreign currency reserves rising to $58bn at end-2021. It projected the average inflation rate to rise from 1% in 2020 to 8.5% in 2021 under the two scenarios, due to the devaluation of the dinar and higher commodity prices.

Source: Institute of International Finance

ANGOLA

Higher oil prices favorable to fiscal and external positions

Standard Chartered Bank anticipated economic activity in Angola to remain subdued in 2021 and projected real GDP growth at 1.2% this year, mainly due to low global oil prices, higher risks from the rise in COVID-19 cases globally, and the slow progress in securing coronavirus vaccines. It expected that, in the absence of new investments in the hydrocarbon sector, the decline in oil production will weigh on the medium-term outlook. Further, it projected the fiscal deficit at 0.2% of GDP this year compared to a previous forecast of a deficit of 2.9% of GDP for 2021, as it revised upwards its forecast for oil prices to $51p/b from $44p/b previously. It expected the fiscal balance to shift to a surplus of 1.3% of GDP in 2022.

In parallel, it projected the current account deficit to shift to a surplus of 0.3% of GDP in 2021 compared to a previous forecast of a deficit of 4.2% of GDP for the year, mainly due to its expectation of a 4.5% increase in oil export receipts. It anticipated the current account balance to post a surplus of 0.1% of GDP next year compared to a previous forecast of a deficit of 0.8% of GDP in 2022. It noted that foreign currency reserves are low and have not benefited from higher oil prices so far, given the backlog of foreign currency demand and high external debt-servicing needs. It said that net foreign currency reserves have dropped from $8.55bn at the end of November 2020 to $8.38bn at mid-January 2021. It expected the depreciation of the Angolan kwanza to continue this year, which would weigh on foreign currency reserves. Still, it noted that higher oil export receipts, disbursements from the International Monetary Fund in 2021, as well as debt service relief under the Group of 20 Debt Service Suspension Initiative and from China, will allow Angola to continue servicing its external debt.

Source: Standard Chartered Bank

EGYPT

Dependence on foreign borrowing to rise in FY2021/22

Goldman Sachs revised downward its forecast for Egypt's fiscal deficit by 1.6 percentage points of GDP to 8.1% of GDP in the fiscal year that ends in June 2021, and by 0.6 percentage points to 7.5% of GDP in FY2021/22, based on the increase in government revenues by 18% and 14% year-on-year in the third and fourth quarters of 2020, respectively. It added that the rise in tax receipts more than offset higher public expenditures in the covered period. However, it noted that the improvement in government revenues mainly reflects one-off factors, and did not expect the growth in receipts to continue in coming quarters. In parallel, it estimated Eurobond issuances at less than $2.5bn in FY2020/21 relative to an annual average of $8bn in recent years, despite an anticipated increase in the government's borrowing requirements from $28.3bn in FY2019/20 to $32.9bn in FY2020/21. It attributed the lower level of expected Eurobond issuance to a surge in portfolio inflows into Egypt's domestic debt market, which reached nearly $20bn so far in FY2020/21, as well as to the support from international financial institutions in response to the COVID-19 pandemic. However, it forecast Egypt's dependence on external financing to rise materially in FY2021/22 in the absence of greater fiscal consolidation efforts, due to higher repayments to the International Monetary Fund and to an increase in Eurobond maturities. It considered that authorities will face challenges in narrowing the fiscal deficit due to difficulties in cutting subsidies and transfers, to a limited decline in debt servicing payments, and to the slow decrease in the public wage bill.

Source: Goldman Sachs

SAUDI ARABIA

Consolidation to support insurance market, challenging conditions persist

Fitch Ratings expected new solvency regulations in Saudi Arabia to further strengthen the insurance sector and to drive consolidation among smaller insurers. It anticipated the motor segment to grow with the enforcement of mandatory coverage for motor vehicles. Still, it noted that gross written premiums from the motor category declined in the first half of 2020 due to competitive pricing. In parallel, it expected the profitability of medical lines to normalize, due to the likely increase in claims amid the postponement of non-essential treatments during lockdowns. Further, it anticipated that the growth of written premiums in the medical segment will be difficult to maintain, as more than 700,000 insured expatriates and their dependents left the Kingdom in 2020. In parallel, it said that the profits of providers of medical insurance are regressing amid the increase in the value-added tax rate, while the competitive market makes it difficult for insurers to pass on these costs to customers. The agency projected the insurance penetration rate, which was 1.3% of GDP in 2019, to improve due to the anticipated expansion of the motor insurance market and the introduction of insurance for pilgrims. Also, it considered that bancassurance operations will support premiums, given that the Saudi Central Bank issued regulations that aim to expand the scope of distribution and marketing of insurance products through banks. Still, it anticipated muted growth in the insurance market in 2021, as it did not expect economic conditions to improve before 2022.

Source: Fitch Ratings

TUNISIA

Public debt sustainability depends on reforms and foreign funding

The International Monetary Fund indicated that the Tunisian authorities responded effectively to the COVID-19 outbreak by providing immediate support to the healthcare sector, to the affected segments of the economy. It projected real GDP growth at 3.8% in 2021, following a record-high contraction of 8.2% in 2020, in case the effects of the pandemic start to fade this year. It said that the outlook is subject to downside risks from the uncertainties about the evolution of the pandemic and the timing of the distribution of the vaccine. In parallel, the Fund noted that the 2021 budget targets a fiscal deficit of 6.6% of GDP, but projected the deficit to narrow from 11.5% of GDP in 2020 to 9% of GDP this year in the absence of specific measures to contain public spending. It considered that the sustainability of the public debt depends on the authorities' adoption of a reform plan that would lead to foreign funding from international development partners, and that aims to address the civil service wage bill, implement subsidy and anti-corruption reforms, reduce the role of state-owned enterprises in the economy and the size of the informal sector, as well as improve the business environment. Further, the IMF estimated that the current account deficit has narrowed in 2020 due to the sharp drop in import demand and to resilient remittance inflows. It urged authorities to avoid any further monetization of the fiscal deficit, as the latter could increase inflationary pressures, weaken the exchange rate, weigh on foreign currency reserves, and undermine financial stability.

Source: International Monetary Fund

TURKEY

Economy to grow by 6% in 2021

The International Monetary Fund indicated that the initial policy response of Turkish authorities to contain the adverse impact of the COVID-19 outbreak on the economy, helped economic activity to recover to pre-pandemic levels in the third quarter of 2020. However, it noted that the policy response, which focused on rapid monetary and credit expansion, as well as on fiscal support that was equivalent to 2.5% of GDP, exacerbated the country's pre-existing vulnerabilities, as increased dollarization in the country, high imports, and financial outflows triggered large-scale drawdowns of foreign currency reserves in order to contain the depreciation of the lira. The IMF welcomed the authorities' recent tightening of monetary policy and the slowdown in lending growth, which eased the pressure on the lira, improved confidence and helped stabilize gross foreign currency reserves. Further, it projected real GDP to grow by about 6% in 2021, based on the rollout of the coronavirus vaccine and the economic recovery in trading partners. It anticipated growth to return to its historical trend of 3.5% from 2022 onwards. It expected the current account deficit to narrow to 3.5% of GDP in 2021, mainly due to lower gold imports and a limited recovery in tourism receipts. But it said that the low level of foreign currency reserves, along with high external financing needs and elevated domestic foreign currency deposits, increase the economy's vulnerability to domestic and external risks. In parallel, S&P Global Ratings affirmed at 'B+' and 'B' Turkey's long- and short-term foreign currency sovereign ratings, with a 'stable' outlook.

Source: International Monetary Fund, S&P Global Ratings

BANKING

WORLD

Negative outlooks to persist in 2021

Fitch Ratings indicated that it downgraded 29 banks globally in the second half of 2020, while nearly 60% of the banks' ratings were on 'negative' outlook at the end of 2020. Further, it said that the percentage of bank ratings that are on Rating Watch Negative (RWN) regressed from 10% at end-June 2020 to about 1% at end-2020 as near-term risks eased, while the outlook on most of the affected ratings shifted to 'negative'. The agency expected the share of 'negative' outlooks on rated banks to remain elevated, given the persistence of medium-term risks as a result of the gradual withdrawal of the governments' support for the economy and for borrowers. Further, it said that 87% of bank ratings in Latin America are on 'negative' outlook or on RWN, due to the difficult operating environment in the region and to pressures on sovereign ratings. It added that 78% of the ratings of banks in Western Europe are on 'negative' outlook or on RWN, followed by banks in North America (60%), in Asia Pacific (55%), in the Middle East & Africa (ME&A) region (52%), in Emerging Europe (40%), and in Emerging Asia Pacific (24%). It pointed out that the share of 'negative' outlook on the ratings of banks in the ME&A region is lower than the global share of 'negative' outlook on bank ratings. It said that the outlook remained 'stable' on the ratings of banks linked to the Gulf Cooperation Council sovereigns, and it shifted the outlook on the ratings of several African banks from 'negative' to 'stable' after their downgrade.

Source: Fitch Ratings

EMERGING MARKETS

Banks to face three major risks in 2021

S&P Global Ratings expected banking systems in emerging markets (EMs) to face three common risks in 2021, which are the deterioration in asset quality as regulatory forbearance measures expire, domestic policy uncertainties or a volatile geopolitical environment, and vulnerabilities to sudden capital ouflows. It anticipated non-performing loans to increase at EM banks and for the cost of risk to stabilize at elevated levels. It said that the banks' exposure to small- and medium-sized enterprises will drive the deterioration in their asset quality, particularly in China, India, Indonesia, South Africa, Thailand and Turkey. It added that the exposure to the real estate sector constitutes a source of risk for EM banks, and that the potential long-term impact of the pandemic might bring structural changes to the commercial real estate segment via shifts in consumer preferences. In parallel, S&P considered that heightened geopolitical tensions could raise funding costs in some EMs, reduce appetite for certain financial instruments in specific regions, or lead to major capital outflows. It pointed out that the COVID-19 pandemic and lower investor risk appetite either triggered outflows from many EMs or reduced the level of capital inflows in 2020. However, it said that financing conditions continued to improve in EMs in the past few months, which means that capital markets will remain accessible for EMs with good credit fundamentals. But it considered that easier access to capital markets will translate into greater vulnerability to abrupt changes in investor sentiment. It noted that this risk is particularly relevant for Turkish banks, which depend significantly on external funding.

Source: S&P Global Ratings

AFRICA

Foreign reserves resilient to COVID-19 shock

Fitch Ratings indicated that the foreign currency reserves of Sub-Saharan African (SSA) countries have been resilient to the coronavirus shock, as they deteriorated only slightly in some economies and even increased in some cases. It noted that Rwanda's foreign currency reserves grew by about 25% between February and December 2020, while it said that Angola's reserves declined by around 11% between February and November 2020. It attributed the resilience of foreign currency reserves of SSA economies mainly to the depreciation of their currencies, reduced imports, and financial support from official creditors. It pointed out that economies that have been severely affected by the virus outbreak, as well as sovereigns that were facing challenges before the pandemic, allowed their currency to depreciate substantially in order to absorb the coronavirus shock. It added that imports contracted more significantly than exports in the region, mainly due to lockdown measures, restricted access to foreign currency, and to low hydrocarbon prices in the case of oil-importing economies. It considered that the decrease in imports helped mitigate the impact of the decline in commodity prices and tourism receipts on the SSA region. In addition, it pointed out that significant funding from official creditors supported foreign currency inflows to SSA economies. Moreover, it noted that the appreciation of the euro against the US dollar increased the value of reserves held in euros, while the surge in gold prices also boosted the region's foreign currency reserves.

Source: Fitch Ratings

EGYPT

Stable outlook on banking sector

Moody's Investor Service indicated that its 'stable' outlook on the Egyptian banking system balances the pressure on the banks' asset quality and profitability with their sound liquidity profile and the government's 'stable' credit profile. It anticipated the banks' loan quality to deteriorate, as it expected the economic slowdown in the country to negatively affect borrowers' capacity to repay their loans, especially small businesses and borrowers in the tourism and construction sectors. It considered that the Central Bank of Egypt's loan repayment holidays will support viable businesses and limit the increase in non-performing loans (NPLs). Still, it projected the sector's NPLs ratio to rise from 3.9% at the end of June 2020. It also noted that the banks' large holdings of government securities, which account for 39% of their assets, will continue to link their creditworthiness to that of the sovereign. Further, it anticipated the banks' profitability to decline in coming 12 to 18 months due to the four-percentage point cut in policy rates in 2020, rising provisioning requirements, and subdued business generation. The agency expected the banks' capital levels to be broadly stable, as it anticipated lower dividend payments to mitigate the decline in profitability and to help absorb the moderate increase in risk-weighted assets. However, it pointed out that the banks' capital ratios are low when adjusted to international standards, and that state-owned banks are the most vulnerable to a capital erosion in the sector. In parallel, it said that foreign currency shortages may rise due to volatile capital inflows, and that state-owned banks have a lower level of liquidity in foreign currency than private banks.

Source: Moody's Investor Service

Oil prices to average $53 p/b in 2021

ICE Brent crude oil front-month prices have been stable in the past two weeks, trading at between $55 per barrel (p/b) and $56 p/b. Oil prices have been supported by Saudi Arabia's oil production cut, a compliance level of 85% with the output reduction of the OPEC and non-OPEC alliance, and considerable demand for oil in Asia. In addition, a significant drawdown of 9.9 million barrels per day (b/d) in U.S. oil inventories in the week ending January 22 supported prices and offset persistent concerns about the impact of the coronavirus pandemic on global oil demand. In parallel, Fitch Ratings considered that oil prices have increased materially since October 2020 due to the OPEC alliance's production cuts, reduced oil inventories worldwide, and raised investor optimism amid the COVID-19 vaccine rollout in many countries. However, it pointed out that prices could still come under pressure, particularly in the first half of 2021. It added that global oil inventories remain elevated, and that there is a large unused oil production capacity in the market, mainly in Saudi Arabia and Iran. It indicated that if the U.S. policy towards Iran changes, about two million b/d of oil could reach the market, which would weigh on current supply and demand dynamics, and render co-operation among OPEC and non-OPEC members more difficult. In parallel, the U.S. Energy Information Administration (EIA) forecast Brent oil prices to average $53 p/b in 2021, as global oil inventories continue to decline.
Source: Fitch Ratings, U.S. EIA, Refinitiv, CNBC

Steel output down 1% in 2020

Global steel production reached 1.83 billion tons in 2020, constituting a decrease of 0.9% from 1.85 billion tons in 2019. Production in China totaled 1.1 billion tons and accounted for 57.6% of global output in 2020. India followed with 99.6 million tons (5.4%), then Japan with 83.2 million tons (4.5%), Russia with 73.4 million tons and the U.S. with 72.7 million tons (4% each), and South Korea with 67.1 million tons (3.7%).
Source: World Steel Association, Byblos Research

Nigeria's oil receipts down 35% in first nine months of 2020

Nigeria's receipts from the export of crude oil and condensate totaled $2.3bn in the first nine months of 2020, down by 35% from $3.6bn in the same period of 2019. Export revenues consisted of $1.5bn from crude oil exports (64%), $472m from gas exports (20.3%) and $361m in other receipts (15.6%). The authorities transferred $1bn in hydrocarbon revenues to the Federation Account in the covered period, and used $1.3bn to pay global oil companies to guarantee current and future oil production.
Source: Nigerian National Petroleum Corporation

Libya's oil and gas receipts down 74% to $6bn in 2020

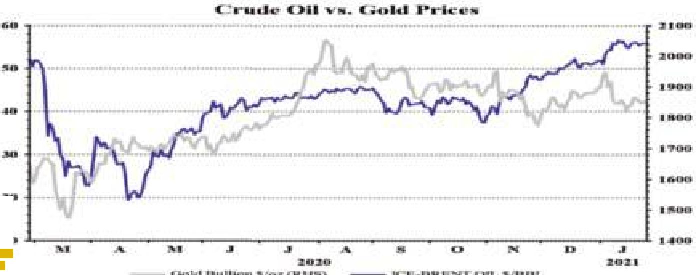
Libya's oil and gas revenues totaled $5.9bn in 2020, constituting a decrease of 73.8% from $22.5bn in 2019. The decline in hydrocarbon receipts was mainly due to supply disruptions amid blockades of several oil facilities. Oil and gas receipts amounted to $1.1bn in December 2020, constituting an increase of 59.2% from $700.4m in November, following a surge of 204.3% in oil and gas revenues in the preceding month after the lifting of the blockade at several ports and fields.
Source: National Oil Corporation, Byblos Research

Base Metals: Copper prices to average $7,648 per ton in 2021

LME copper cash prices averaged $7,971 per ton so far in January 2021, and increased by 2.6% from an average of $7,772 a ton in December 2020 and relative to an average of $6,036 per ton in January 2020. Prices closed at $8,167 a ton on January 7, 2021, their highest level in eight years, amid increased optimism about the endorsement of a new economic stimulus in the U.S. and worries about supply disruptions. Copper prices moderated to $7,821 per ton on January 27 due to renewed concerns about demand for metals from China following the recent rise in coronavirus infections in the country, as well as to the seasonal slowdown in Chinese demand for copper. Also, the slow progress in approving the economic stimulus in the U.S. and improved supply prospects contributed to the decline in prices. Further, a Reuters poll showed that analysts projected prices to average $7,648 per ton in 2021. In parallel, global demand for refined copper was 20.8 million tons in the first 10 months of 2020, up by 2% year-on-year, as the 14% growth in Chinese demand offset the 10% decrease in demand from the rest of the world. Also, global refined copper production grew by 1.5% annually to 20.3 million tons in the covered period, as higher output from Chile, the Democratic Republic of the Congo, Japan and Zambia was partially offset by lower production in the U.S., China, and India.
Source: International Copper Study Group, Refinitiv

Precious Metals: Silver prices up 27% to $20.5 per ounce in 2020, to average $27.2 an ounce in 2021

Silver prices averaged $20.5 per troy ounce in 2020, constituting an increase of 26.7% from an average of $16.2 an ounce in 2019. The metal's price averaged $16.9 per ounce in the first quarter of 2020, $16.4 an ounce in the second quarter, $24.3 per ounce in the third quarter and $24.5 an ounce in the fourth quarter of 2020. The decline in prices in the second quarter of 2020 was mainly due to the onset of the COVID-19 outbreak, which led to a sharp drop in demand for all metals worldwide. However, the surge in silver prices in the second half of 2020 was mainly driven by a weaker dollar and record-high global net inflows to silver exchange-traded funds. Also, the rise in the metal's price throughout the fourth quarter of the year was driven by positive developments from U.S. pharmaceutical company Pfizer about the production of a vaccine against COVID-19, which raised hopes of a more rapid recovery of the global economy and supported silver demand for industrial production. In parallel, ABN AMRO forecast silver prices to average $26.2 per ounce in the first quarter of 2021, $26.5 an ounce in the second quarter, $27.5 per ounce in the third quarter, and $28.5 an ounce in the fourth quarter of 2021. As such, it projected prices to average $27.2 per ounce in 2021. It considered that the price outlook is supported by a weaker dollar, as well as by higher jewelry and investment demand.
Source: ABN AMRO, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	B	B2	B		B+								
	Negative	Negative	Negative	-	Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	B3	B	-	BB-								
	Stable	Negative	Stable	-	Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	B+	-	B+								
	-	Stable	Positive	-	Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Stable	Stable	-	-	Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-	BBB								
	Negative	Stable	Stable	-	Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-	B-								
	Stable	Negative	Stable	-	Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	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	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-	B+								
	Negative	Negative	Stable	-	Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+	B2	B+	BB-	B+								
	Stable	Stable	Stable	Negative	Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B	B-								
	-	-	-	Negative	Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+	B+								
	Stable	Stable	Negative	Stable	Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	AA-	A1	AA	AA-	AA-								
	Negative	Stable	Stable	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	SD	CCC								
	-	-	-	-	Negative	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	B+	Ba3	BB-	BBB-	BB-								
	Stable	Negative	Negative	Negative	Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+	A+								
	Stable	Negative	Negative	Stable	Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-	AA-								
	-	Stable	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
			LT Foreign currency rating										
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	Stable	-	Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Negative	Negative	-	Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-	BBB-								
	Stable	Positive	Stable	-	Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB	Baa1	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Negative	Negative	Negative	-	Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+	B2	BB-	B+	B-								
	Stable	Negative	Negative	Stable	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** 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	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
Emerging Markets					
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	03-Feb-21
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	27-Jan-21	No change	N/A
Nigeria	Monetary Policy Rate	11.50	26-Jan-21	No change	23-Mar-21
Ghana	Prime Rate	14.50	25-Jan-21	No change	01-Feb-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	25-Jan-21	No change	01-Feb-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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