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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Announced FDI down 40% to $487bn in 2020

Figures released by fDi Markets show that companies announced an estimated $486.9bn worth of foreign direct investment (FDI) projects worldwide in 2020, constituting a decline of $310.8bn, or 40%, from $797.7bn in 2019. The amount of announced FDI reached its lowest level since 2003 as a result of the outbreak of the coronavirus pandemic, compared to a previous low of $589.4bn in the aftermath of the 2008 global financial crisis. Companies announced $80.8bn in investments in the renewable energy sector in 2020, which accounted for 16.6% of global FDI projects. FDI in telecommunications infrastructure followed with $50.1bn (10.3% of the total), then in coal, oil & gas with $42.1bn (8.6%), real estate with $34.3bn (7%), and chemicals with $32.6bn (6.7%). In addition, FDI in automotive original equipment manufacturers (OEM) reached $16.4bn (3.4%), followed by investments in the semiconductors sector with $14.8bn (3%), the consumer products industry with $13bn (2.7%), hotels & tourism with $12.6bn (2.6%), and biotechnology with $6.6bn (1.4%). Further, announced FDI investments in the hotels & tourism sector dropped by 74.1% in 2020, followed by investments in coil, oil & gas (-62.5%), automotive OEM (-54.5%), real estate (-50.6%), renewable energy (-17%), and chemicals (-13.8%). In contrast, announced FDI in the semiconductors sector expanded by 66.7% in 2020, followed by biotechnology (+56%), telecommunications infrastructure (+29.7%), and consumer products (+9%).

Source: fDi Markets

EMERGING MARKETS

High number of 'negative' outlooks reflects economic uncertainties

S&P Global Ratings indicated that 11 out of the 53 emerging market (EM) sovereigns that it rates in Europe, the Middle East and Africa (EMEA) carry a 'negative' outlook on their ratings, while none of the sovereigns' ratings has a 'positive' outlook. It attributed the elevated number of 'negative' outlooks to the persistent uncertainties about the economic environment amid the ongoing spread of the coronavirus, as well as to fiscal pressures in Sub-Saharan Africa (SSA). In parallel, it noted that the credit metrics of EM sovereigns in the EMEA region deteriorated in 2020, which weighed on their ratings and led to negative rating actions. It pointed out that it carried out 16 downgrades on the ratings of 13 EM sovereigns in the EMEA region in 2020, as it downgraded twice the ratings of Oman, the Emirate of Sharjah and Zambia, which represents 48% of the agency's total rating downgrades in 2020 when excluding defaults. It said that nine downgrades were in SSA and the remaining seven were in the Middle East. It added that it did not upgrade any sovereign last year. Further, it indicated that seven EM sovereigns in the EMEA region are rated 'AA' or 'A', while 40 economies have a rating in the 'BBB' to 'B' range, and six countries are rated 'CCC' or lower. Moreover, it pointed out that the average sovereign rating of EM sovereigns in the EMEA region declined in 2020 and is trending closer to 'BB-'. It said that the average sovereign rating becomes closer to 'BB+' when the ratings are weighted by nominal GDP.

Source: S&P Global Ratings

MENA

Stock markets up 2.6% in January 2021

Arab stock markets expanded by 2.6% and Gulf Cooperation Council equity markets increased by 1.9% in January 2021, relative to declines of 0.5% and 1%, respectively, in January 2020. In comparison, global stock markets regressed by a marginal of 0.4%, while emerging markets equities grew by 3% in the covered month. Activity on the Abu Dhabi Securities Exchange surged by 11% in January 2021, the Dubai Financial Market and the Egyptian Exchange gained 6.5% each, the Damascus Securities Exchange increased by 4.6%, and the Palestine Exchange improved by 4.4%. In addition, the Amman Stock Exchange and the Boursa Kuwait expanded by 4.2% each, the Beirut Stock Exchange grew by 4%, the Casablanca Stock Exchange appreciated by 3%, and the Qatar Stock Exchange advanced by 0.4%. In contrast, activity on the Iraq Stock Exchange deteriorated by 4.7% in January 2021, the Tunis Bourse decreased by 3.3%, the Bahrain Bourse declined by 1.8%, and the Muscat Securities Market retreated by 0.2%. Further, the Saudi Stock Exchange and the Khartoum Stock Exchange were nearly unchanged in January 2021.

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

GCC

Fixed income issuance up 146% to $12.3bn in January 2021

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $12.3bn in January 2021, constituting an increase of 146% from $5bn in January 2020, and a rise of 11.2 times from $1.1bn in December 2020. Fixed income issuance in January 2021 consisted of $5.3bn in sovereign bonds, or 43.1% of the total, followed by $4.4bn in corporate bonds (35.8%), $1.8bn in corporate sukuk (14.6%), and $0.8bn in sovereign sukuk (6.5%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $6.2bn in January 2021, or 50.4% of fixed income issuance in the region; while aggregate issuance by GCC sovereigns reached $6.1bn, or 49.6% of the total. Corporate borrowing in January shows that UAE-based companies issued $2.8bn in bonds and $500m in sukuk, Saudi-based firms issued $1.3bn in sukuk, Qatar-based corporates issued $1.1bn in bonds, and Bahrain-based firms issued $252.3m in bonds. In parallel, sovereign borrowing in the covered month consisted of $3bn in bonds issued by Oman, $2.3bn in bonds issued by Bahrain, and $767.7m in sukuk issued by Saudi Arabia. Further, the UAE accounted for 27.5% of total fixed income issuance in the GCC in January 2021, followed by Oman (25.2%), Bahrain (21.1%), Saudi Arabia (17%), and Qatar (9.2%).

Source: KAMCO

POLITICAL RISK OVERVIEW - JANUARY 2021

ARMENIA

Russia, Armenia and Azerbaijan held trilateral talks that focused on the ninth point in the ceasefire agreement about the opening of all regional economic and transportation links between Azerbaijan and the Nakhichevan Autonomous Republic through Armenia. The parties concluded the talks by signing a joint statement on steps to develop economic ties and infrastructure projects. However, Azerbaijan filed a case against Armenia with the European Court of Human Rights for violations during the recent conflict and in the past 30 years. In parallel, France submitted plans to provide Armenia with humanitarian, and reiterated its commitment to finding a solution for Nagorno-Karabakh. Also, Turkey said that it may be open to normalize relations with Armenia. The ruling party "My Step" initiated internal consultations to plan early parliamentary elections in 2021.

ETHIOPIA

Fighting continued between federal government forces and Tigray troops in the northern Tigray State, and security forces killed or captured dozens of senior Tigrayan leaders. The High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell said that Eritrean forces are involved in military operations alongside Ethiopian federal troops in the Tigray region. Further, Tigray officials announced that 4.5 million individuals are in need of emergency food assistance, as humanitarian access to the Tigray State has been restricted. In parallel, Ethiopia, Egypt and Sudan failed to reach an agreement on the issue of the Grand Ethiopian Renaissance Dam.

IRAN

Iran announced that it is enriching uranium at a level of 20%, up from a current level of 4.5%. The U.S. considered the decision as "nuclear extortion", while the United Kingdom, France and Germany said that the higher enrichment level carries very significant proliferation-related risks. The International Atomic Energy Agency's underscored that the Joint Comprehensive Plan of Action needs to be salvaged in the coming weeks. The outgoing Trump administration imposed unilateral sanctions on Iranian entities. The Iranian Revolutionary Guard Corps detained a South Korean-flagged tanker along with its crew.

IRAQ

Thousands of protesters gathered in Baghdad to commemorate the assassination of Iran's Quds Force chief Qassem Soleimani and the Popular Mobilization Unit's (PMU) deputy chief Abu Mahdi al-Muhandis. The outgoing U.S. administration sanctioned the chair of the PMU Falih al-Fayadh over human rights violations and added the acting deputy chairman of the PMU Abu Fadak to the list of Specially Designated Global Terrorists. The Cabinet postponed the general elections, initially scheduled for June 6, until October 10 due to incomplete technical preparations. The deadlock in Parliament persisted over the 2021 budget, in part over the Kurdish region's budget and the government's proposal to increase taxes on salaries and pensions. The Islamic State group claimed responsibility for suicide bombings in Baghdad.

LIBYA

The UN-backed Libyan Political Dialogue Forum agreed on a mechanism to choose a transitional three-member Presidency Council and a Prime Minister to lead the country towards the general elections scheduled for December 2021. In parallel, the Tripoli-based Government of National Accord and the Arab-Libyan Armed Forces led by Field Marshal Khalifa Haftar continued to accuse each other of pursuing a military build-up in violation of the ceasefire signed in October, and missed the deadline for all foreign fighters in Libya to leave the country. The new U.S. administration called on all external parties, including Turkey and Russia, to immediately cease their military operations in Libya and withdraw their forces. The UAE indicated that it was ready to cooperate to find a solution to the conflict.

QATAR

Qatar, Bahrain, Egypt, Saudi Arabia and the UAE signed on January 5, 2021 the "al-Ula Declaration" during the 41st annual Gulf Cooperation Council (GCC) summit in Riyadh to end the three-and-a-half year blockade that the three GCC countries and Egypt imposed on Qatar. They agreed to resume full diplomatic relations and to reopen their land, air and sea borders, and pledged to restore their trade and economic ties.

SUDAN

Inter-communal fighting reportedly displaced more than 100,000 individuals in the West and South Darfur states west of the country. Sudanese and Ethiopian military forces clashed in Al-Fashqa and Al-Qureisha border regions. Khartoum said that an Ethiopian military aircraft entered its airspace, called it "a dangerous escalation", and closed its airspace over Al-Qadarif state until April 2021. The chairman of the Sovereign Council Abdel Fattah al-Burhan announced that Sudan is not willing to go to war with Ethiopia, but warned that it "will not abandon an inch of its territory". Sudan and the United States signed a memorandum of understanding to provide Khartoum with a loan to clear its arrears to the World Bank, which would allow Sudan to access more than $1bn in annual funding. The Sudanese government signed a U.S.-brokered agreement to normalize relations with Israel.

SYRIA

Russia continued to launch airstrikes in the southern countryside of Idlib, as well as in the Hama and Latakia provinces. Turkey further strengthened its position in southern Idlib, while it evacuated its observation points that are encircled by regime and Russian forces in Northwest Syria. The jihadist group Ansar Abu Bakr al-Siddiq Brigade claimed an attack on Turkish troops in the Aleppo province. Islamic State (IS) militants continued their attacks in the center and in the east of Syria. In retaliation, Russia conducted 40 airstrikes on IS targets in the Aleppo, Hama and Raqqa provinces. The Kurdish-led Syrian Democratic Forces (SDF) and regime-affiliated troops clashed in the Qamishli city of the Hassakeh province in Syria. Unidentified militants attacked regime checkpoints in the Daraa province in the south. Suspected Israeli airstrikes struck Iranian targets south of Damascus and in the Deir Ez-Zor province.

TUNISIA

Nationwide riots and anti-government protests erupted, as the spread of the coronavirus exacerbated the deterioration in socioeconomic conditions in the country, and as the political deadlock continued to hinder reforms. Security forces clashed with rioters and fired tear gas and water cannons to disperse them, leaving one protestor dead. Riots receded as security forces arrested more than 1,000 persons, but peaceful protests against the government, the economic crisis and police abuse persisted. Tensions between President Kais Said and Prime Minister Hichem Mechichi increased after the latter dismissed the Minister of Interior, who is a close ally of the President, and reshuffled the Cabinet. In response, President Said rejected the changes and accused some of the new ministers of corruption or of having conflicts of interest. Still, Parliament approved the Cabinet's reshuffle.

TURKEY

Military operations targeted militants of the Kurdistan Workers' Party (PKK) in rural areas of southeast Turkey and in northern Iraq. Turkish Defense Minister Hulusi Akar visited Baghdad and Erbil to meet high-ranking Iraqi and Kurdistan Regional Government (KRG) officials. Turkish and KRG officials agreed to increase cooperation and to stand against the PKK. Government efforts to criminalize the pro-Kurdish opposition Peoples' Democratic Party (HDP) persisted and the police detained more than 80 HDP members or affiliates throughout the month. The Turkish government continued to target Islamic State-related individuals.

Source: International Crisis Group, Newswires

OUTLOOK

MENA

Real GDP to grow by 3.1% in 2021, outlook subject to significant downside risks

The International Monetary Fund projected real GDP growth in the Middle East & North Africa (MENA) region at 3.1% in 2021, with economic activity in MENA oil exporters expanding by 3.3% and real GDP in oil-importing economies growing by 2.6% this year. It expected that countries in the region with access to multiple COVID-19 vaccines and that can rapidly distribute the vaccines have a more favorable growth outlook, while it considered prospects to be weaker for countries that were hit harder by the second coronavirus wave and that have limited access to vaccines. It indicated that the growth outlook for the region is subject to significant downside risks that include renewed infections in the absence of vaccines and policy space, higher spending needs that could exacerbate debt sustainability in several countries, and potential social unrest from delays in or the mismanagement of vaccine distribution. Further, the Fund estimated that real GDP contracted by 3.8% in 2020 as economic activity in the region's oil exporters shrank by 5.1%, while real GDP in oil-importing economies retreated by 0.7% last year.

In parallel, the IMF expected MENA countries to face challenges in balancing their economic recovery measures with preserving debt sustainability, given the limited fiscal space of governments in the region and the resumption of fiscal consolidation in 2021. It estimated that fiscal balances worsened by more than 5 percentage points of GDP in 2020 for one-third of MENA countries. It considered that countries with some fiscal space could reinforce temporary support to vulnerable households and to affected firms, in case higher COVID-19 infections rates put at risk the economic recovery. It encouraged countries with narrow or no fiscal space to maintain or reallocate expenditures towards priority healthcare spending. It called on authorities across the region to maintain an accommodative monetary policy to support domestic demand, and considered that flexible exchange rates in some countries can act as a buffer to mitigate any pressure on the external positions.
Source: International Monetary Fund

IRAQ

Higher oil prices unlikely to restore public finances and external sector sustainability

Citi Research considered that the better outlook for global oil prices would provide Iraqi authorities with time to implement their reforms plan, but it did not expect higher oil prices to put Iraq's fiscal and external finances on a sustainable path. It forecast oil prices to rise from an average of $41.7 per barrel (p/b) in 2020 to $59 p/b in 2021 and $58 p/b in 2022, before gradually declining to $51 p/b by 2025.

It projected Iraq's fiscal deficit to narrow from 16.4% of GDP in 2020 to 6.2% of GDP in 2021, and to remain at 5% of GDP to 6% of GDP between 2022 and 2025, supported by higher oil prices, a gradual increase in oil production, and the devaluation of the Iraqi dinar. It also expected the government's debt level to drop from 91.3% of GDP at the end of 2020 to 62.6% of GDP at end-2021. But it noted that the anticipated decline in the debt level is mostly due to the normalization of hydrocarbon revenues and nominal GDP, following their substantial drop in 2020 that led the debt level to nearly double last year. It pointed out that the currency devaluation will have a limited impact on the debt trajectory, and projected the government's debt level to rise to 65% of GDP by the end of 2022 and to reach 76.7% of GDP by end-2025. It cautioned that the fiscal deficit would remain around 8% of GDP during the 2021-25 period in case oil prices average about $40 p/b, while the debt level would reach 100% of GDP by the end of 2025.

Further, it forecast the current account deficit to narrow from 13% of GDP in 2020 to 1.5% of GDP in 2021, but it expected the deficit to gradually widen afterwards to 4.4% of GDP by 2025. It noted that the Central Bank of Iraq's (CBI) foreign currency reserves will comfortably finance the current account deficit and external debt servicing of $500m in 2021. It added that disbursements from the International Monetary Fund, estimated at $6bn this year, would support the CBI's reserves. As such, it projected the latter to reach $55bn at the end of 2021 but to gradually decline to $31bn by end-2025 as the current account deficit widens. It cautioned that the CBI's reserves could drop to below $20bn by 2023 in case oil prices average $40 p/b. Under these conditions, it said that support to the non-oil economy is key to achieving sustainable fiscal and external balances.
Source: Citi Research

UAE

Non-oil sector to grow by 3% in 2021, outlook subject to downside risks

The Institute of International Finance indicated that the COVID-19 outbreak has had a limited impact on the United Arab Emirates due to the country's relatively young population and the authorities' containment measures. It projected real GDP to grow by 2.3% in 2021 following a 5.7% contraction in 2020, supported by the partial recovery in domestic demand and an increase in net exports, and in case the effects of the pandemic are contained and global oil prices average $52 per barrel this year. It expected real hydrocarbon sector growth at 0.3% in 2021 following a contraction of 7.4% last year, and for activity in the non-oil sector to expand by 3.1% this year after a retreat of 5% in 2020 if domestic and tourism activity normalizes. It considered that downside risks to the outlook include uncertainties about the recovery in global economic activity, the success and speed of the rollout of the COVID-19 vaccine, and the volatility of oil prices.

In parallel, the IIF projected the fiscal deficit, including investment income from the country's sovereign wealth fund, to narrow from 7.3% of GDP in 2020 to 4.8% of GDP in 2021, in case of higher oil prices, and despite an increase in public spending. It anticipated authorities to finance the deficit from non-bank and external sources, which would help UAE banks to increase lending to the private sector and reduce their purchases of government bonds. It forecast the public debt level to grow from 37% of GDP at the end of 2020 to 37.4% of GDP at end-2021. Further, it expected the current account surplus to increase from 4% of GDP in 2020 to 5% of GDP in 2021, on the back of stronger external demand and higher oil prices. It projected the UAE's gross public foreign assets to remain elevated at the equivalent of about 217% of GDP at the end of 2021.
Source: Institute of International Finance

EGYPT

Outlook subject to COVID-19-related uncertainties

The Institute of International Finance indicated that the Egyptian economy has weathered well the COVID-19 pandemic, as adequate financing from the International Monetary Fund allowed authorities to increase social and healthcare spending, and facilitated the deployment of a comprehensive set of fiscal and monetary measures to support the private sector. It projected the economy to continue to grow at a moderate pace of 2.3% in the fiscal year that ends in June 2021, following a growth rate of 3.6% in FY2019/2020, supported by expansionary fiscal and monetary policies, as well as by the implementation of reforms prior to the virus outbreak. It pointed out that the outlook is subject to substantial uncertainties about the evolution of the virus, as well as the rollout and effectiveness of the vaccine in the country and across the world. In parallel, it indicated that Egypt's wide fiscal deficits and elevated public debt levels continue to pose challenges. It forecast the fiscal deficit to widen from 8% of GDP in FY2019/20 to 8.5% of GDP in FY2020/21 due to higher public spending and lower increase in tax revenues. Consequently, it expected the public debt level to expand from 90% of GDP at the end of June 2020 to 92% of GDP at end-June 2021. It considered that authorities will have to implement strong fiscal consolidation once the COVID-19 shock recedes to put the debt ratio on a sustainable path. Further, the IIF projected the current account deficit to widen from 11% of GDP in FY2019/20 to 15.6% of GDP in FY2020/21, largely due to the collapse in tourism receipts. But it said that the rollover of short-term debt and financing from the IMF has eased Egypt's external financing needs and is supporting its official reserves. It forecast foreign currency reserves to rise from $32.4bn at end-June 2020 to $36.7bn at end-June 2021.

Source: Institute of International Finance

MOROCCO

Outlook on ratings revised to 'negative'

Moody's Investors Service affirmed Morocco's long-term issuer rating at 'Ba1', and revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to its expectation of an additional erosion of the government's fiscal strength from the coronavirus pandemic, combined with prospects of a subpar economic recovery. It anticipated the central government's debt to stabilize at less than 80% of GDP in the next three years after it increased to about 76% of GDP in 2020. It pointed out that the projected impact of the pandemic on Morocco's public debt is in line with its emerging market peers. However, it noted that the government's debt burden is approaching levels that could erode the sovereign's fiscal strength in the medium term, as well as weigh on Morocco's 'Ba1' rating. It cautioned that the government is exposed to increasing contingent liabilities from the debt of state-owned enterprises (SOEs) and the rise in credit guarantees due to the authorities' response to the pandemic. As such, it anticipated that the materialization of these contingent liability risks, or the government's larger-than-expected transfers to SOEs, will hinder the authorities' fiscal consolidation and debt stabilization efforts. Further, Moody's expected Morocco's economic recovery to be limited by the government's reduced shock absorption capacity and the economy's concentrated exposure to sectors and trading partners that have been significantly affected by the coronavirus.

Source: Moody's Investors Service

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'CCC+/C' Angola's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It indicated that lower global oil prices, the decline in oil production, the sharp depreciation of the exchange rate, and the COVID-19 outbreak are weighing on Angola's external buffers and debt-servicing capacity. However, it expected that the restructuring of bilateral debt with Chinese lenders and members of the Group of 20, as part of the Debt Service Suspension Initiative, will allow the servicing of commercial debt in the 2020-22 period. It noted that the renegotiated arrangements include deferral of interest and principal payments, and that the debt restructuring reduces Angola's overall debt servicing needs by about $4.1bn in the 2021-22 period, according to the government's estimates. Still, the agency anticipated that lower hydrocarbon output and subdued non-oil sector growth will weigh on the country's fiscal and external positions, despite an expected 15% increase in global oil prices this year. It projected the public debt level to gradually decrease from 2020, but for the interest-to-revenue ratio to remain elevated and to peak at 38.6% in 2023. It also forecast foreign currency reserves at $14.9bn at the end of 2021, and to remain constrained by weak foreign direct investment inflows. In this context, it anticipated gross external financing needs to remain elevated at about 102.4% of current account receipts plus usable reserves annually in the 2021-22 period.

Source: S&P Global Ratings

ETHIOPIA

Sovereign ratings downgraded

Fitch Ratings downgraded Ethiopia's long-term foreign currency issuer default rating from 'B' to ' CCC'. It attributed the downgrade to the government's announcement that it is planning to use the Group of 20 "Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative" (G20 CF), which raises the risk of a sovereign default. It expected Ethiopia's engagement with the G20 CF to cover official bilateral debt, and that the reprofiling of the latter will have a detrimental impact on overall debt sustainability. However, it pointed out that the terms of the G20 CF framework raise the risk that private sector creditors will also be negatively affected. It added that the debt's re-profiling will not involve debt write-offs or cancellation, and that it will include a combination of lowering coupon rates and extending grace periods and maturities. It considered that any change of terms for private-sector creditors, including the lowering of coupon rates or the extension of maturities, will consist of a sovereign default. Further, the agency indicated that Ethiopia's external finances are the main factor behind the authorities' decision to use the G20 CF. It said that persistent current account deficits, low foreign currency reserves and rising external debt repayments constitute risks to the sustainability of the external debt. It forecast Ethiopia's external financing requirements to average more than $5bn annually in the next two years, while it projected foreign currency reserves at about $3bn, or two months of current external payments in the covered period. It expected the current account deficit at about 4% of GDP in the fiscal year that ends in June 2021, and noted that narrower deficits have not eased the pressure on foreign currency reserves.

Source: Fitch Ratings

BANKING

GCC

Banks' asset quality to deteriorate in 2021-22 period

Fitch Ratings considered that the deterioration in asset quality constitutes the main risk for banks operating in Gulf Cooperation Council (GCC) economies. It anticipated that the banks' asset quality metrics will weaken significantly in the 2021-22 period, once the coronavirus-related support measures expire. It said that the extension of loan deferral schemes and other support measures for borrowers in most GCC countries will delay but not prevent the recognition of problem loans in the second half of 2021. It noted that pressures on borrowers in the GCC could persist, despite the expected recovery in economic activity in 2021. It pointed out that banks in Kuwait and Saudi Arabia are the least vulnerable to rising asset quality risks, as they benefit from strong pre-pandemic credit fundamentals and from low levels of impaired loans. It added that the GCC banks' "front-loaded" provisions will limit additional impairment charges on banks. In parallel, the agency anticipated that the liquidity of GCC banks will be adequate in the 2021-22 period, supported by proceeds from sovereign debt issuances and by rising household savings. It noted that the pandemic did not trigger deposit withdrawals by governments or government-related entities, as authorities relied more on debt issuance than on asset drawdowns to fund their fiscal deficits. Moreover, it considered that the banks' capital buffers are sufficient to absorb the anticipated deterioration in asset quality. It expected the average Common Equity Tier One ratio of GCC banks to decrease from 15.2% at the end of 2019 to 14.5% by end-2021, mainly due to weaker profitability metrics. It projected the gradual growth in lending and lower dividend payout ratios to ease the pressure on the banks' core capital ratios.

Source: Fitch Ratings

SAUDI ARABIA

Banks' profitability declines amid higher provisioning

Figures released by the Saudi Central Bank showed that loans extended by Saudi banks reached SAR1,782.6bn at the end of 2020, constituting an increase of 15% from SAR1,547bn at end-2019. Long-term loans, which have maturities of more than three years, accounted for 46% of loans at end-2020, followed by short-term loans with 39% and medium-term loans (15%). The commerce sector represented 16.8% of total loans at end-2020, followed by the manufacturing sector (8.8%), services (5.3%), the construction sector (5.2%), and public sector loans (4.4%), among others. In parallel, deposits reached SAR1,943bn at end-2020 and increased by 8% from a year earlier. Demand deposits totaled SAR1,283bn at end-2020 and accounted for 66% of total deposits, while time and saving deposits represented 24.4% of the total. The loans-to-deposits ratio reached 92% at end-2020, compared to 86% at end-2019. Further, the profits of Saudi banks before "zakat" and tax totaled SAR38.7bn in 2020, constituting a drop of 23% from SAR50.3bn in 2019. In parallel, foreign assets covered 12.86% of total deposits at the end of 2020 relative to 13.57% at end-2019. Also, the sovereign's reserve assets reached $454bn at end-2020, and decreased by nearly $46bn from $499.4bn at end-2019.

Source: Saudi Central Bank

JORDAN

Private sector lending up 6% in 2020

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD57bn, or $80.5bn at the end of 2020, constituting an increase of 6.4% from the end of 2019 and compared to a growth of 5.4% in 2019. Claims on the resident private sector grew by 6% to JD26.2bn and credit to the non-resident private sector declined by 9.1% to JD612.9m in 2020, leading to an expansion of 5.6% in overall private sector credit facilities last year. Lending to the resident private sector accounted for 46% of total assets at the end of 2020, nearly unchanged from a year earlier. In parallel, resident private sector deposits reached JD28.85bn at the end of 2020 and expanded by 2% from JD28.3bn at end-2019, while non-resident private sector deposits surged by 17.8% from end-2019 to JD4.78bn. The dollarization rate of private sector deposits was 24.8% at end-2020, nearly unchanged from a year earlier. The government's deposits stood at JD944.9m and those of public non-financial institutions reached JD263.4m at the end of 2020. Claims on the public sector accounted for 22.6% of total assets at end-2020 compared to 22.8% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD6.12bn, or $8.64bn at the end of 2020, up by 8.5% from end-2019; while capital accounts and allowances increased by 7.6% to JD8.77bn, or $12.4bn. Also, deposits at foreign banks reached JD4.5bn, or $6.34bn at end-2020, up by 17.7% from end-2019; while the sector's foreign liabilities stood at JD9.54bn, or $13.5bn, up by 18.5% from the end of 2019.

Source: Central Bank of Jordan

NIGERIA

Banks vulnerable to foreign exchange and solvency risks

The International Monetary Fund considered that the Nigerian banking sector has been resilient to the dual shock from the COVID-19 outbreak and the drop in global oil prices, due to adequate per-crisis capital buffers and profitability. It noted that the sector's capital adequacy ratio (CAR) increased from 14.6% at end-2019 to 15.4% at the end of September 2020. It also said that the non-performing loans ratio has been stable at about 6% throughout the year, but varied across sectors. It added that 'Stage 2' loans account for 24% of total loans and that banks are building provisions in line with IFRS 9 standards. However, it pointed out that a few large banks have posted CARs close to the 10% minimum regulatory requirement and incurred pressures on their profits since the beginning of the pandemic. Further, it indicated that banks are vulnerable to foreign exchange and solvency risks. It considered that exchange rate flexibility may have short-term negative effects on the banking sector, given that about 33% of the sector's loans are denominated in foreign currency. It said that the Central Bank of Nigeria is actively monitoring the banks' risks through stress tests. It added that the stress tests showed that the sector's capital adequacy ratio would drop to less than 10% in case 25% of loans that are not restructured become non-performing. Consequently, the IMF called on authorities to closely monitor the banks' exposure to vulnerable clients, such as independent oil and gas producers, to limit foreign currency-denominated lending to clients that generate income in foreign currency, and to impose limits on the banks' foreign exchange open positions.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $54.5 p/b in 2021

ICE Brent crude oil front-month prices reached $61.5 per barrel (p/b) on February 10, 2021, their highest level since January 2020, as prices continued to recover from their low levels in early 2020. The rollout of the coronavirus vaccines supported oil prices, as it increased optimism about a global economic recovery and, in turn, a gradual increase in global oil demand. Further, Saudi Arabia, the world's biggest oil exporter, is unilaterally reducing supply in February and March, which also supported the dynamics in the oil market. In addition, a decline of 3.5 million barrels in U.S. oil inventories in the week ending February 5 added to the positive sentiment about the expected growth in oil demand. In parallel, Citi Research indicated that Iran has been increasing its oil output, and estimated that Iran is supplying about 0.8 million barrels per day (b/d) to one million b/d to the market. It considered that global oil inventories will continue to normalize, in case Iranian oil production do not rise at a faster-than-expected pace. It anticipated Iranian oil production to increase in the second half of 2021, which along with higher OPEC output by then, would put downward pressure on prices in 2022. In parallel, Reuters' oil price poll of 49 industry analysts projected Brent oil prices to average $52.5 p/b in the first quarter of 2021, $54.1 p/b in the second quarter, $55.8 p/b in the third quarter and $57.5 p/b in the fourth quarter of 2021. The survey expected prices to average $54.5 p/b in 2021.
Source: Citi Research, Refinitiv, Byblos Research

OPEC's oil basket price up 11% in January 2021

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $54.38 per barrel (p/b) in January 2021, up by 10.6% from $49.17 p/b in December 2020. Angola's Girassol price was at $55.84 p/b, followed by Algeria's Sahara Blend at $55.08 p/b, and Equatorial Guinea's Zafiro at $55.07 p/b. All prices in the OPEC basket posted monthly increases of $4.34 p/b to $5.54 p/b in January 2021.
Source: OPEC

OPEC oil output up 1% in January 2021

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 25.5 million barrels per day (b/d) in January 2021, and grew by 0.7% from 25.3 million b/d in December 2020. Saudi Arabia produced 9.1 million b/d, or 35.5% of OPEC's total output, followed by Iraq with 3.8 million b/d (15.1%), the UAE with 2.6 million b/d (10.2%), Kuwait with 2.3 million b/d (9.1%), and Iran with 2.1 million b/d (8.2%).
Source: OPEC

Middle East demand for gold bars and coins down 6% in 2020

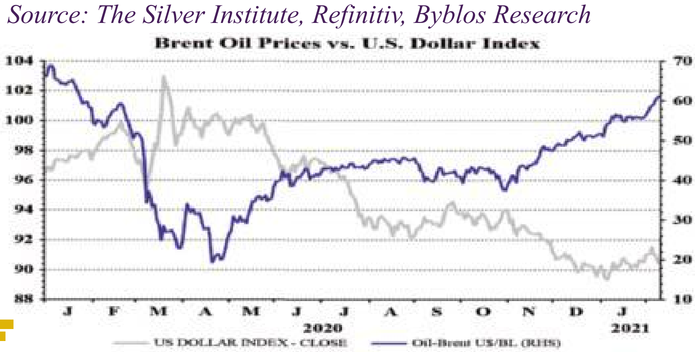
Net demand for gold bars and coins in the Middle East totaled 57.2 tons in 2020, constituting a decline of 6% from 60.8 tons in 2019. It accounted for 6.4% of global demand for bars and coins in 2020. Gold demand in Iran reached 36.3 tons, representing 63.4% of the region's total demand. Saudi Arabia followed with 8.4 tons (14.7%), then the UAE with 5.2 tons (9.1%), Kuwait with 2.7 tons (4.8%), and Egypt with 2.2 tons (3.8%).
Source: World Gold Council, Byblos Research

Base Metals: Copper prices to average $7,500 per ton in 2021

LME copper cash prices closed at $8,303 per ton on February 10, 2021, constituting an increase of 7% from $7,749 a ton at the end of 2020, and reached their highest level since October 2012. The surge in prices is due to concerns about supply tightness and to several factors that boosted investors' sentiment and demand for the metal. The LME-registered copper stocks are approaching their lowest level in 15 years, which raised concerns about the availability of the metal in the market and drove prices upwards. In addition, the imminent economic stimulus in the U.S. prompted expectations of better economic growth and of higher inflation in the country, which, in turn, increased demand prospects for copper, given that metals are used as a hedge against inflation. Further, the expected decrease in the number of coronavirus infections worldwide following the rollout of the vaccine, as well as a weaker US dollar, also contributed to the rise in copper prices. Citi Research anticipated copper prices to moderate in coming months, mainly due to lower Chinese imports, a buildup in inventories and to a higher scarp supply. It projected copper prices to decrease to an average of $7,500 per ton in 2021, as it expected the supply surplus in the market to narrow to 52,000 tons this year due to an increase of 4.1% in demand for copper relative to a growth of 3% in output.
Source: Citi Research, Refinitiv

Precious Metals: Sliver prices up 44% in January

Silver prices averaged $25.9 per troy ounce in January 2021, and increased by 44.2% from an average of $18 an ounce in the same month of 2020. The rise in prices is mainly due to a surge in inflation rates globally, which has reinforced the appeal of the metal as a hedge against inflation and as a cheaper alternative to gold. Also, silver prices reached a near eight-year peak of $28.7 per ounce on February 1, 2021, amid stronger demand from retail investors, record high inflows into silver-backed exchange-traded funds, and a rise in industrial demand. However, silver prices declined by 5.6% to $27 an ounce on February 10, due to concerns that the U.S. economic stimulus package could be delayed, as well as to uncertainties about the global economic recovery. In parallel, the Silver Institute expected global silver demand to reach an eight-year peak of 1.025 billion ounces in 2021, as a result of higher industrial demand and a rise in physical investments. Also, it projected silver mine production to recover to pre-pandemic levels this year, due to the resumption of mining activities in most mines that were impacted by COVID-19 restrictions, and the re-opening of key mines affected by strikes. It considered the outlook for silver prices in 2021 to be significantly robust, and projected average prices to rise by 46% to a seven-year high of $30 per ounce in 2021.
Source: The Silver Institute, Refinitiv, Byblos Research



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 (%)
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	CCC		B+								
	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	Negative	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	Negative	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 Stable	B+ Stable	- -	B- Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	A Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	BBB Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	BBB- Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B- Stable	B3 Stable	B- Stable	- -	CCC Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	BBB Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	BBB- Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB- Stable	Baa3 Stable	BBB Stable	- -	BBB- Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+ Stable	B2 Negative	BB- Negative	B+ Stable	B- Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B Stable	B3 Stable	B Stable	- -	B- 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	27-Jan-21	No change	17-Mar-21
Eurozone	Refi Rate	0.00	21-Jan-21	No change	11-Mar-21
UK	Bank Rate	0.10	04-Feb-21	No change	18-Mar-21
Japan	O/N Call Rate	-0.10	21-Jan-21	No change	19-Mar-21
Australia	Cash Rate	0.10	02-Feb-21	No change	02-Mar-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	03-Feb-21	No change	24-Mar-21
India	Reverse repo Rate	4.00	05-Feb-21	No change	N/A
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	04-Feb-21	No change	18-Mar-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	01-Feb-21	No change	22-Mar-21
Angola	Base Rate	15.50	29-Jan-21	No change	29-Mar-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	5.50	02-Feb-21	Raised 25bps	16-Mar-21
Romania	Policy Rate	1.25	15-Jan-21	Cut 25bps	N/A
Bulgaria	Base Interest	0.00	01-Feb-21	No change	01-Mar-21
Kazakhstan	Repo Rate	9.00	25-Jan-21	No change	09-Mar-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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