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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global private equity funds raise $989bn in 2020

Bain & Company indicated that private equity funds raised $989bn in capital in 2020, constituting a decline of 8.8% from a record high of $1.1 trillion (tn) in 2019. Still, it noted that the funds raised last year were to the third highest level on record. It said that buyout funds raised $300bn or around 30% of total capital raised, compared to a share of 39% in 2019. It added that special-purpose acquisition companies raised $83bn in 2020, a six fold increase from the preceding year. In parallel, global investments by private equity funds, or buyout deals, reached $592bn in 2020, constituting an increase of 8% from $550bn in 2019 and a rise of 7% from the annual average of $555bn during the 2015-2019 period. It noted that buyout deals amounted to $182bn in the first half of the year and to $410bn in the second half of 2020. Further, it said that the number of global buyout deals stood at 3,100 transactions, representing a drop of 24% from 4,100 transactions in 2019. It added that the number of deals decreased across all sectors compared to the five-year average trend for each industry, except for the technology and telecommunication sectors. In addition, it said that the average buyout deal stood at $776bn in 2020, constituting an increase of 23.6% from an average of $628m in 2019. Further, it indicated that dry powder held by private equity funds, or the committed but undeployed amount of capital available to invest in portfolio companies, reached a record high of $2.9 trillion (tn) in 2020 relative to $2.6tn in 2019.

Source: Bain & Company

Nearly 44% of rated entities negatively affected by COVID-19 and drop in oil prices

S&P Global Ratings indicated that the creditworthiness of 43.7% of the sovereigns and companies that it rates were affected by the COVID-19 pandemic and the drop in oil prices as of February 22, 2021. It downgraded by one notch the ratings of 15.4% of rated entities, and by multiple notches the ratings of 7.7% 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 14% in rating downgrades and 18.3% in outlook revisions. The agency noted that the dual shock adversely affected 85.3% 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, and 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 42.2% 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, 43.4% of entities in North America, and 39.3% of rated entities in each of Europe, the Middle East & Africa region, and Asia Pacific. The agency took about 80% of its rating actions between mid-March and mid-July 2020.

Source: S&P Global Ratings

MENA

Level of readiness for frontier technologies varies across region

The United Nations Conference on Trade and Development (UNCTAD) ranked the United Arab Emirates in 42nd place among 158 countries around the world and in first place among 18 Arab economies on its Readiness for Frontier Technologies Index for 2021. Saudi Arabia followed in 50th place, then Bahrain (56th), Kuwait (58th), and Tunisia (60th) as the Arab countries with the highest readiness for frontier technologies; while Iraq (126th), Djibouti (146th), Mauritania (147th), Sudan (155th), and Yemen (156th) were the lowest-ranked Arab economies. The index assesses the national technological capacities and the readiness of a country for the use, adoption and adaptation of frontier technologies, such as artificial intelligence, robotics and biotechnology. It is based on nine indicators that are grouped into five categories, which are Information & Communication Technology (ICT) deployment, Skills, Research & Development (R&D), Industry Activity, and Access to Finance. In parallel, the Arab region's average score stood at 0.36 points compared to the global average score of 0.44 points. It came higher than the average score of South Asia (0.3 points), but lower than the average scores of North America (0.95 points), Europe & Central Asia (0.66 points), East Asia & Pacific (0.55 points), and Latin America & the Caribbean (0.37 points). The UAE came in first place regionally on the ICT deployment and Industry Activity categories, while Saudi Arabia ranked first on the Skills and R&D indicators. Also, Lebanon came in first place among Arab countries on the Access to Finance category.

Source: UNCTAD, Byblos Research

IRAQ

Profits of listed firms up 67% to $420m in first nine months of 2020

The cumulative unaudited pre-tax profits of 86 out of 130 companies listed on the Iraq Stock Exchange totaled IQD518.7bn in the first nine months of 2020, constituting an increase of 70.7% from IQD303.8bn in the same period of 2019. In US dollar terms, the profits of the listed companies reached $419.5m in the covered period and grew by 67% from $251.3m in the first nine months of 2019. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,206 per US dollar in the first nine months of 2019 to an average of IQD1,236 per dollar in the same period of 2020. Listed telecommunication firms generated $257.7m in profits in the first nine months of 2020, followed by banks ($111.6m), industrial firms ($46.2m), companies operating in the agricultural sector ($1.7m), services providers ($1.3m), firms in the hotel & tourism sector ($0.8m), and insurers ($0.3m); while investment companies posted losses of $0.1m in the covered period. Also, the profits of banks surged by 7.9 times year-on-year in the first nine months of 2020, followed by the earnings of insurers (+6 times), firms operating in the agricultural sector (+3.7 times), telecom companies (+37.3%), and industrial firms (+23.5%). In contrast, the profits of companies operating in the hotel & tourism sector dropped by 91.5% in the covered period, while the earnings of service providers decreased by 34%.

Source: Iraq Stock Exchange

POLITICAL RISK OVERVIEW - FEBRUARY 2021

ARMENIA

The ruling My Step party asserted its commitment to continue implementing the comprehensive political, social and economic roadmap that Prime Minister Nikol Pashinyan announced after the Nagorno-Karabakh war in 2020. It noted that it will not pursue early parliamentary elections, as it claimed that the general public has not called for early elections, and as the parliamentary opposition did not support PM Pashinyan's proposal to hold early elections. Protestors demanded PM Pashinyan's resignation over the handling of the Nagorno-Karabakh conflict. PM Pashinyan dismissed the Chief of the General Staff of the Armenian Armed Forces, accusing him of attempting a coup as the latter called for the resignation of the prime minister. The government and Azerbaijan swapped prisoners of war and post-ceasefire detainees with the mediation of Russian peacekeepers.

ETHIOPIA

Ethiopian forces and rebel groups clashed with the Sudanese army in the Al-Fashqa and Al-Qureisha border regions of the two countries. Fighting continued between federal government forces and Tigray troops in the northern Tigray state, while the European Union and the U.S. called for the withdrawal of Eritrean forces from the Tigray region. The United Nations stressed that humanitarian conditions in the Tigray state are "extremely alarming" and "continue to deteriorate rapidly". Negotiations led by the African Union between Egypt and Ethiopia over the filling and operation of the Grand Ethiopian Renaissance Dam on the Nile River stalled. Sudan proposed a quadripartite mediation by the AU, the EU, the U.S. and the UN. Egypt supported the initiative.

IRAN

Authorities continued to expand nuclear activity in violation of the Joint Comprehensive Plan of Action. The International Atomic Energy Association announced that Iran will limit the agency's inspection access to nuclear sites. The U.S. and Iran expressed support for reviving the 2015 nuclear deal. The U.S. asked Iran to comply first with the nuclear deal, while Iran said that the U.S. should lift sanctions first. The U.S. ambassador to the United Nations informed the Security Council that the U.S. is revoking the Trump administration's argument to snap back all UN sanctions on Iran. The U.S. also relaxed restrictions on Iranian diplomats in New York.

IRAQ

Rocket attacks struck the Kurdistan airport hosting the international coalition forces in Erbil. The newly established pro-Iran paramilitary group Saraya Awliya al-Dam claimed responsibility for the attack and vowed to launch further rockets on U.S. troops. At least four rockets hit a military base hosting U.S. contractors north of Baghdad. In parallel, Turkey launched a military operation against the Kurdistan Workers' Party (PKK) in the Gara Mountain region of Iraq. Turkey threatened to intervene in the Sinjar district in case of continued PKK activity, but groups affiliated with the Popular Mobilization Front warned against such operation. The Parliament's Finance Committee voted to reduce expenditures in the 2021 federal budget in order to narrow the fiscal deficit. The dispute persisted between Baghdad and the Kurdistan's Regional Government on the latter's share of allocations from the federal budget.

LIBYA

The UN-backed Libyan Political Dialogue Forum elected the members of a unified transitional government in order to pave the way for presidential and parliamentary elections in the country in December 2021. It also elected businessman with ties to former Qadhafi regime Mr. Abdelhamid Dabaiba as Prime Minister. The Tripoli-based Government of National Accord (GNA) welcomed the breakthrough and Field Marshal Khalifa Haftar, leader of the Arab-Libyan Armed Forces (ALAF), agreed to work with the new government.

NIGERIA

Armed groups abducted 42 persons from a boarding school in the Niger state and 279 school girls in the Zamfara state. Meanwhile, Auwalun Daudawa, a leader of a group of bandits who masterminded the abduction of 344 students in Katsina state in December 2020, surrendered to authorities alongside five of his lieutenants. In parallel, clashes between farmers and herders, as well as inter-communal violence, escalated in the southwest of the country and raised concerns about a civil war. Tensions intensified between the army and the outlawed secessionist group Indigenous People of Biafra in Imo state. Moreover, Boko Haram insurgents continued their attacks in Borno state, killing many soldiers and civilians, as well as displacing thousands of persons.

SUDAN

The Sudanese authorities integrated three representatives of the rebel coalition Sudanese Revolutionary Front (SRF) into the Sovereign Council as part of the October 2020 peace deal with the SRF. Prime Minister Abdallah Hamdok appointed seven SRF and 18 members of the Forces for Freedom and Change coalition to the new Cabinet that was sworn in on February 10, 2020. In parallel, demonstrators held nationwide protests over the deteriorating economic conditions, while seven states declared a state of emergency in response to the protests. Further, the Central Bank of Sudan devalued the Sudanese pound in a move to address the significant gap between the official and parallel market exchange rates, and to secure debt relief.

SYRIA

The Syrian regime and the Kurdish-led Syrian Democratic Forces (SDF) agreed on a Russian-mediated agreement, stipulating that the SDF lifts its siege on regime-controlled sections in the Qamishli and Hassakeh cities, while the regime reinstates supply lines to Kurdish-populated areas near Aleppo. Islamic State (IS) militants killed over 50 regime security personnel in the central desert of Syria. In response, Russia launched airstrikes that killed at least 30 IS fighters in the Aleppo, Hama and Raqqa provinces. Members of al-Qaeda affiliate Ansar al-Tawhid attacked Russian headquarters near Kafr Nabl city in the province of Idlib. In parallel, Israel reportedly launched airstrikes on regime troops and on Iran-linked targets in the Quneitra province, while the U.S. conducted airstrikes against facilities utilized by Iranian-backed paramilitary groups in the Deir Ez-Zor province.

TURKEY

Turkish military operations continued against the Kurdistan Workers' Party (PKK) in southeast Turkey and intensified in northern Iraq with the first ground offensive inside Iraq since September 2020. The police detained in February more than 900 members of the pro-Kurdish opposition Peoples' Democratic Party who are allegedly linked to the execution of 13 soldiers and police officers by the PKK in Iraq. Relations with the U.S. deteriorated as 54 U.S. senators signed a letter urging President Biden to impose severe sanctions on Turkey for its assertive foreign policy, for targeting the U.S.-backed Syrian Democratic Forces in Syria, for the acquisition of Russian S-400 missile defense system, and for its worsening human rights and democracy record.

YEMEN

U.S. President Joe Biden announced that the U.S. will stop its "offensive support" for the Saudi-led coalition's war effort in Yemen, as well as "step up" diplomatic support for a UN-led mediation. It also appointed a new U.S. special envoy to Yemen and revoked the Trump administration's designation of the Huthi movement and its three top leaders as "foreign terrorists". In parallel, the UN announced that Huthi rebels and the government failed to reach an agreement on a potential prisoner swap, and warned that Yemen is witnessing the "worst famine the world has seen in decades".

Source: International Crisis Group, Newswires

WORLD

Economic activity to grow by 5.6% in 2021, outlook subject to substantial uncertainties

The Organization for Economic Cooperation and Development (OECD) projected global GDP to grow by 5.6% in 2021 and by 4% in 2022 following a contraction of 3.4% in 2020, and compared to its December growth forecasts of 4.2% for 2021 and 3.7% for 2022. It noted that global economic prospects have significantly improved in recent months, supported by a faster-than-anticipated rebound in activity in the second half of 2020, by the gradual rollout of COVID-19 vaccines around the world, by the announcements of fiscal support in some key countries, and by signs that economies are coping better with measures to contain the virus. It expected the global output to reach pre-pandemic levels by mid-2021, but it anticipated the economic recovery and performance to vary between advanced and emerging market (EM) economies, as well as across wider regions and sectors. It projected strict containment measures to hold back growth and to affect service-related sectors in some countries in the near term, while other economies will benefit from effective public health policies, faster deployment of vaccines and strong policy support. It also pointed out that the risks of a lasting impact from the pandemic are elevated, as it estimated that output and incomes in many countries, mostly in EM economies, will remain at the end of 2022 below the level projected prior to the virus outbreak.

In parallel, the OECD considered that downside risks persist and include a slow progress in the rollout of vaccines and the emergence of new virus mutations that could be resistant to existing vaccines, which would weaken the economic recovery, increase job losses and lead to more business bankruptcies. It estimated that the materialization of these risks would slow down global growth to 4.5% in 2021 and to 2.8% in 2022, while global output would remain below the pre-crisis path for a protracted period. In contrast, it noted that a faster deployment of effective vaccines would accelerate the easing of measures in place to contain the virus and would provide a stronger support to consumer and business confidence. In this case, it projected global GDP to grow by 7% in 2021 and by 5% in 2022.

Source: OECD

AFRICA

Western African economies to grow by an average of 6% in 2021-22 period

The International Monetary Fund projected the real GDP growth of the economies of the West African Economic & Monetary Union (WAEMU), which consist of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo, to recover quickly to pre-coronavirus crisis levels and to reach 5.4% in 2021 and 6.6% in 2022. It attributed the economic rebound mainly to a recovery in private consumption and private investment, as authorities ease lockdown measures and foreign direct investments improve. It indicated that the health and economic crisis, as well as unfavorable security conditions, created significant challenges for WAEMU economies and resulted in a deceleration in the union's growth from more than 6% annually in the 2012-19 period to less than 0.5% in 2020. The Fund noted that the union's outlook is subject to significant downside risks that include security and political shocks, as well as another wave of the coronavirus worldwide, which could derail the rebound in global growth and weigh on the union's trade, remittances and external financing channels.

The IMF forecast the aggregate fiscal deficit of the WAEMU countries to narrow from 6% of GDP in 2020 to the 3% of GDP regional ceiling by 2023, as it expected authorities to start a gradual fiscal consolidation this year and to withdraw the expenditure measures they introduced during the crisis. Further, it projected the aggregate current account deficit of WAEMU economies to narrow to about 4% of GDP by 2023 in case exports increase and the imports-to-GDP ratio stabilizes as a result of sustained fiscal consolidation, effective structural reforms, and higher hydrocarbon exports from Niger and Senegal starting in 2022. It anticipated the union's gross foreign currency reserves to rise from \$19.3bn in 2020 to \$21.1bn in 2023. The IMF considered that if the average real GDP growth of the WAEMU economies was 1.5% slower than expected in the 2021-23 period, the union's fiscal deficit would be wider by 1% of GDP in the covered period, while gross foreign currency reserves would cover three months of imports by 2025 instead of four months of imports.

Source: International Monetary Fund

SAUDI ARABIA

Non-hydrocarbon activity to grow by 3% in 2021 on recovery in domestic demand

The Institute of International Finance projected real GDP growth in Saudi Arabia at 2.4% in 2021 following a contraction of 4.1% in 2020, as the response measures of Saudi authorities to the COVID-19 outbreak mitigated the impact of the pandemic on the economy. It expected real hydrocarbon GDP to grow by 1.7% this year relative to a contraction of 5.7% in 2020, supported by more limited production cuts under the OPEC+ agreement. Also, it anticipated non-oil real GDP to expand by 3% in 2021, mainly due to the recovery in domestic demand and the ongoing large projects that the Public Investment Fund (PIF) is financing. It expected the rebound in economic activity to accelerate in the second half of this year in case the second wave of the pandemic recedes and COVID-19 vaccines become widely available in the country. It considered that downside risks to the outlook include uncertainties about the success and speed of vaccination and the volatility in global oil prices. Further, it anticipated the average inflation rate at about 3% in 2021, mainly due to the increase in the value-added tax rate and a rise in non-fuel commodity prices.

In parallel, the IIF indicated that the 2021 budget includes significant fiscal consolidation measures, as authorities are planning to reduce public expenditures by 7% this year. As such, it projected the fiscal deficit to narrow from 11.9% of GDP in 2020 to 4.3% of GDP in 2021, driven by a 10% rise in non-oil revenues and in case oil prices average \$52 per barrel, which would result in an 18% increase in oil receipts. It projected the public debt level to rise from 34% of GDP at end-2020 to 36.5% of GDP at end-2021. Further, it forecast the current account balance to shift from a deficit of 2.6% of GDP in 2020 to a surplus of 0.4% of GDP in 2021, in case of higher oil export receipts. It anticipated resident capital outflows from the Kingdom to increase from \$69.2bn in 2020 to \$84.2bn this year, due mainly to the PIF's foreign investments. It forecast foreign currency reserves at SAMA to decline from \$447bn at end-2020 to \$417bn at end-2021.

Source: Institute of International Finance

AFRICA

Risks of debt distress on the rise

BNP Paribas indicated that risks of debt distress significantly increased in Sub-Saharan Africa (SSA), as the outbreak of the coronavirus intensified fiscal and external pressures and exacerbated the vulnerabilities that have built up over the past decade. It noted that Angola, Cape Verde, Mozambique and Zambia are the most indebted African countries, while it estimated that Burundi, Mozambique and Togo posted the sharpest increase in their debt levels in 2020. It said that the Republic of Congo, Mozambique, Somalia, Sudan, Zimbabwe and Zambia are in debt distress; while Angola, Burundi, Cameroon, Cape Verde, Chad, Ethiopia, Gambia, Ghana, Kenya, Sierra Leone and South Sudan face high risks of debt distress. It indicated that liquidity support through the G-20 Debt Service Suspension Initiative and emergency funding lines have provided temporary support to many SSA countries. It said that the debt service suspension and the access to emergency funding could reduce distress risks in SSA economies that are facing liquidity pressures. But it considered that these facilities would be insufficient in SSA countries facing solvency risks, such as Cameroon, Ethiopia and Kenya, which increases the prospects of debt restructuring. In parallel, it pointed out that China's involvement in current debt talks is unprecedented and will be crucial for few SSA countries, such as Angola, to avoid debt default. It considered that the first debt restructuring requests from Chad and Ethiopia under the G-20 Common Framework for Debt Treatment will test China's cooperative stance.

Source: BNP Paribas

EGYPT

Agencies affirm sovereign ratings

Fitch Ratings affirmed Egypt's long-term foreign currency issuer default rating at 'B+' with a 'stable' outlook. It indicated that the rating is supported the country's recent track record of fiscal and economic reforms, as well as by the economy's stability and resilience through the COVID-19 pandemic. It noted that Egypt outperformed the vast majority of Fitch-rated sovereigns over the past year, mainly due to the authorities' effective public health response to the virus outbreak and to resilient domestic demand, despite lower tourism and export receipts. Still, it anticipated the rigidity of the exchange rate to pose risks to macroeconomic stability and to the external position in the medium term, but noted that this rigidity has supported non-resident inflows into the local bond market. It expected a potential shock to investor confidence to weigh on foreign currency liquidity, interest rates and the exchange rate. It considered that progress on fiscal consolidation and a further reduction in the public debt level could lead to a positive rating action; while persistent downward pressure on foreign currency reserves, higher financing needs, and a slowdown in reforms could lead to a negative rating action. In parallel, Capital Intelligence Ratings affirmed Egypt's long-term foreign and local currency ratings at 'B+', with a 'stable' outlook. It considered that risks to the outlook are significant and depend on the containment of the pandemic, the rate of vaccinations, and on favorable funding conditions. It anticipated that less accommodative external financing conditions or renewed risk aversion towards emerging market debt could lead to significantly higher financing costs and elevated refinancing risks.

Source: Fitch Ratings, Capital Intelligence Ratings

SUDAN

Sustained reform efforts to allow for debt relief

The International Monetary Fund indicated that the Sudanese authorities made substantial progress in the implementation of policies and reforms under their home-grown reforms plan that is supported by a Staff-Monitored Program (SMP). It noted that the progress took place despite difficult economic conditions that were exacerbated by the COVID-19 pandemic and a challenging humanitarian situation in the country. It pointed out that the authorities' decision to unify the multiple exchange rates except for the customs rate, to remove fuel subsidies, to introduce tax measures in the 2021 budget, and to increase electricity tariffs will reduce economic distortions and facilitate fiscal consolidation. It added that the new policies should reduce the monetization of the fiscal deficit and the inflation rate, allow for social spending, as well as increase the independence of the Central Bank of Sudan and encourage financial flows through the financial system. However, it indicated that the Sudanese economy remains extremely fragile as subdued growth rates, elevated inflation levels and a weak external position threaten macroeconomic stability. It urged authorities to continue to make progress under the SMP to establish a strong record of policy and reform implementation, which is a key requirement for debt relief through the Heavily Indebted Poor Countries process. As such, it called on authorities to swiftly reform the customs exchange rate, to improve the transparency and management of state-owned enterprises, to adopt the Central Bank Act, and to establish an independent anti-corruption commission. It said that Sudan needs substantial financial assistance to support its reform efforts.

Source: International Monetary Fund

MAURITANIA

Real GDP growth projected at 3% in 2021

The International Monetary Fund indicated that the COVID-19 pandemic has imposed severe economic and social challenges on Mauritania. It estimated that economic activity has contracted by 2.2% in 2020, but it forecast real GDP to grow by 3.1% in 2021, driven by a growth rate of 5% in extractive activity and 2.5% in non-extractive GDP. Still, it noted that the outlook is highly uncertain and depends on volatile commodity markets and potential new waves of the COVID-19 pandemic. It expected the fiscal balance to shift from a surplus of 2.1% of GDP in 2020 to a deficit of 2.5% of GDP in 2021, as the authorities put in place an expansionary budget for 2021 that aims to support the long-term economic recovery. However, it noted that the projected fiscal deficit is cushioned by savings on external financing in 2020, given that international partners provided sizable financing and debt service suspension to Mauritania last year. It added that the authorities remain committed to the objectives of the economic reform program supported by the 2017-21 Extended Credit Facility arrangement with the IMF. It anticipated the public debt level to decline from 59.5% of GDP at the end of 2020 to 56.3% of GDP at end-2021. It encouraged the authorities to seek further grants and concessional loans to finance their development plans, maintain buffers, and safeguard debt sustainability, given the high risk of debt distress. It forecast official reserves to increase from the equivalent of 5.9 months of non-extractive imports at end-2020 to 6.7 months of non-extractive imports at end-2021.

Source: International Monetary Fund

EMERGING MARKETS

COVID-19 to weigh on banks' profits

S&P Global Ratings expected the COVID-19 pandemic to continue to weigh on lending in emerging markets (EMs) in 2021. It expected that the global rollout of vaccines and the accommodative monetary policy of central banks in developed markets will support the recovery and financing conditions in EMs. Still, it forecast the asset quality of EM banks to deteriorate in 2021. It noted that total lending of the top 41 banks in EMs reached about $10.6 trillion at the end of 2020. It estimated that these banks can absorb a shock of between $491bn and $602bn from the coronavirus pandemic, with a limited impact on their capitalization. In parallel, S&P indicated that the profitability of EM banks still compares favorably with the profitability of their counterparts in developed markets, given their low cost of funding and to the absence of alternatives to the banking system for the financing of several EM economies. It pointed out that interest income represented 70% of the aggregate revenues of top 41 EM banks in 2020, and that the average interest margins of the banks reached 5% in 2020. It said that the contribution of investment banking activity to income accounted for 15% of total revenues in 2020. It estimated the cost-to-income ratio of the 41 EM banks at 45% on average in 2020, driven by the low cost of labor, high margins, the optimization of branch networks, and the increasing utilization of technology. It forecast the profitability of EM banks to deteriorate in 2021 due to the impact of the pandemic on EMs.

Source: S&P Global Ratings

TUNISIA

Agency downgrades rating of five banks with 'negative' outlook

Moody's Investors Service downgraded the long-term local and foreign currency deposit ratings of Banque Internationale Arabe de Tunisie (BIAT), Amen Bank, Arab Tunisian Bank (ATB), and Banque de Tunisie (BdT) from 'B2' to 'B3', as well as the long-term local and foreign currency deposit ratings of Société Tunisienne de Banque (STB) from 'B3' to 'Caa1'. It maintained the 'negative' outlook on the banks' long-term ratings. It attributed the rating action to the government's decreasing capacity to provide support to the banks in case of need, following the agency's recent decision to downgrade the government's long-term issuer rating from 'B2' to 'B3'. It noted that the 'negative' outlook reflects the downside risks to the banks' already weak standalone credit profiles from the adverse impact of the coronavirus pandemic on the economy. Further, it affirmed at 'b3' the Baseline Credit Assessments (BCAs) ratings of BIAT and BdT, at 'caa1' the ratings of Amen Bank and ATB, and at 'caa3' the BCA of STB. It said that the banks' BCAs take into account the anticipated deterioration in their asset quality and profitability metrics, as a result of the outbreak of the coronavirus and the challenging operating conditions. It noted that the banks' asset quality is weak, with the latest figures showing an average problem loans ratio in the sector of 14% at end-September 2019 and expected the banks' asset quality to further deteriorate in the next 12 to 18 months. It also anticipated the banks' profitability to decline due to slower lending growth and cuts in the policy rates in 2020. In parallel, it said that the low lending growth has reduced the banks' dependence on short-term funding from the Banque Centrale de Tunisie.

Source: Moody's Investors Service

GHANA

Banks resilient to higher asset quality risks

Fitch Ratings indicated that the introduction of new regulatory requirements in recent years strengthened the capitalization of the banking sector in Ghana and helped banks face the COVID-19 pandemic on a strong footing. It noted that the sector's regulatory capital adequacy ratio stood at 19.8% at the end of 2020, significantly higher than the minimum regulatory requirement of 11.5%. Also, it said that the economic slowdown reduced the loan repayment capacity of households and businesses, but that debt relief measures have limited the impact on the banks' asset quality. It noted that the banking sector's non-performing loans (NPLs) ratio increased from 14.3% at the end of 2019 to 14.8% at end-2020. It added that the NPLs ratio reaches 6.5% at end-2020 when excluding fully provisioned loans, and noted that write-offs could lead to a significant improvement in asset quality. Further, the agency said that that the banks' profitability has been resilient, due to debt relief measures that reduced loan impairment charges, as well as to wide net interest margins and strong pre-impairment operating profits. It anticipated the banks' profitability to remain elevated, supported by high interest rates and despite increased loan impairment charges. As such, it expected that robust capitalization and profitability, as well as the Bank of Ghana's current guidance against dividend payments, will allow banks to absorb any pressure on asset quality and to increase lending to support the economic recovery.

Source: Fitch Ratings

QATAR

Increased revenues and improved efficiency support banks' profitability

Moody's Investors Service indicated that the net profits of the Qatari banks that it rates were adequate in 2020, as they declined by just 12% from 2019 despite rising provisions. It noted that the increase in revenues and the improvement in operating efficiency have partly offset the rise in provisioning costs. It said that the banks' aggregate revenues grew by 4% in 2020, driven by a rise of 9% in net interest income and a credit expansion of 7%, which offset the decrease of 11% in non-interest income that resulted from the contraction in economic activity and from charges and fees waivers in response to the coronavirus pandemic. Further, it pointed out that the cost control measures that the banks implemented led to a 6% decrease in their operating expenses, and to a decline of their cost-to-income ratio from 28% in 2019 to 25% in 2020. In parallel, the agency indicated that the banks' loan-loss provisioning charges increased in 2020 and consumed 32% of pre-provisioning income, as the coronavirus weighed on the economy and on borrowers. Still, it noted that the asset quality of Qatari banks was relatively stable in 2020, as the ratio of problem loans to gross loans increased marginally from 1.9% at the end of 2019 to 2% at end-2020. It anticipated the deterioration of the banks' asset quality to be limited in 2021, given that the highly-rated government and government-related entities account for a large share of loans, and due to the authorities' support measures. Moreover, it considered that the banks' solid capital buffers, cost controls, current oil prices, and the end of Qatar's dispute with its neighbors will support their financial performance in 2021, despite the expected slowdown in lending growth.

Source: Moody's Investors Service

Oil prices to average between $65-$75 p/b in 2021

ICE Brent crude oil front-month prices have been fluctuating so far in March 2020, trading at between a low of $62.7 per barrel (p/b) on March 2 and a high of $69.4 p/b on March 5. Supporting factors to oil prices included the decision of the OPEC and non-OPEC alliance to keep its current production level largely unchanged in April, while Saudi Arabia extended its voluntary production cut of one million barrel per day. In addition, the U.S. House of Representatives enacted the $1.9 trillion COVID-19 relief bill, which would help the economy recover and raise global demand for oil. Also, prices increased on the back of heightened geopolitical risks stemming from the Huthi attack on Saudi Arabia's oil facilities, which reflects risks to the security of global oil supplies. However, prices declined after the attack, as investors realized that the strike did not have an effective impact on oil supply. In parallel, the large increase in oil inventories in the U.S. in the past two weeks, as well as expectations of higher Iranian oil supplies, have put downward pressure on oil prices. In parallel, the National Bank of Kuwait indicated that the consensus oil price forecast among analysts ranges between $65 p/b and $75 p/b in 2021. However, it noted that the balance of risks to oil prices for 2021 are tilted to the upside given the current deficit in the global market. Still, it said that downside near-term risks to oil prices include delays in global vaccine rollout, while OPEC's spare capacity, higher Iranian production and a recovery in U.S. shale oil represent long-term risks to prices.
Source: National Bank of Kuwait, Refinitiv, Byblos Research

OPEC's oil basket price up 12% in February 2021

The price of the reference basket of the Organization of Petroleum Exporting Countries averaged $61.05 per barrel (p/b) in February 2021, up by 12.3% from $54.38 p/b in January 2021. Angola's Girassol price was at $62.99 p/b, followed by Equatorial Guinea's Zafiro at $62.46 p/b, and Algeria's Sahara Blend at $62.38 p/b. All prices in the OPEC basket posted monthly increases of between $5.47 p/b and $7.75 p/b in February 2021.
Source: OPEC

OPEC oil output down 2.5% in February 2021

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 24.8 million barrels per day (b/d) in February 2021, and declined by 2.5% from 25.5 million b/d in January 2021. Saudi Arabia produced 8.2 million b/d, or 32.8% of OPEC's total output, followed by Iraq with 4 million b/d (15.7%), the UAE with 2.6 million b/d (10.5%), Kuwait with 2.3 million b/d (9.4%), and Iran with 2.1 million b/d (8.5%).
Source: OPEC

Angola's oil export receipts down 18% to $508m in February 2021

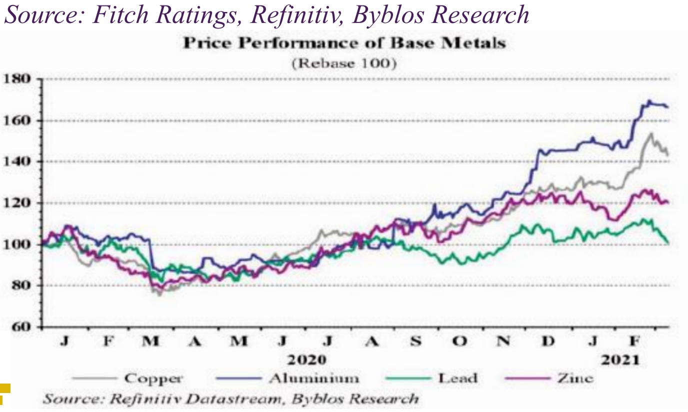
Oil exports from Angola reached 34.7 million barrels in February 2021, constituting a decrease of 2 million barrels (-5.6%) from January 2021, and a decline of 5.3 million barrels (-13.2%) from February 2020. The country's oil export receipts totaled KZ331.2bn or $508m in February 2021, and increased by 9.5% from KZ302.6bn ($461.6m) in January 2021. They regressed by 18.2% from KZ404.8bn ($824.5m) in February 2020.
Source: Angola's Ministry of Finance

Base Metals: Nickel prices to average $15,000 per ton in 2021

The LME cash prices of nickel averaged $18,183 per ton in the first two months of 2021, constituting an increase of 38.3% from an average of $13,149 a ton in the same period of 2020. Prices closed at $19,661 per ton on February 24, 2021, their highest level since September 2014. Prospects of higher demand for the metal, especially from the electric vehicles (EVs) sector for the production of EV batteries, as well as increased buying of metals as a hedge against the global rise in inflation and investors' optimism about the ratification of the economic stimulus package in the U.S., contributed to the increase in nickel prices. However, prices decreased to $16,000 per ton on March 10, after a supply deal by major Chinese nickel producer Tsingshan Holding Group eased concerns about shortages in the supply of nickel used in the production of EV batteries and triggered a sell-off of the metal in the market. Still, Citi Research maintained its price projection at $20,000 per ton in the near term, as it anticipated the increase in demand for the metal and large supply losses from Norilsk's mine disruptions to support prices. Also, Fitch Ratings revised upwards its forecasts for nickel prices from an average of $13,250 per ton to an average of $15,000 a ton for 2021, as it anticipated higher demand for nickel for the production of stainless steel.
Source: Citi Research, Fitch Ratings, Refinitiv

Precious Metals: Gold prices to average $1,600 per ounce in 2021

Gold prices averaged $1,818.7 per troy ounce in the year-to-March 10, 2021 period, constituting an increase of 14.6% from an average of $1,586.6 an ounce in the same period last year. The rise in the metal's price is mainly due to accelerating inflation rates and declining real interest rates globally, which has resulted in higher investment demand for gold and reinforced the appeal of the metal as a hedge against potential inflationary pressure. Also, the metal's price reached $1,681.8 per ounce on March 8, 2021, its lowest level since June 5, 2020, due to better-than-expected data on U.S. employment, which raised optimism about economic recovery and drove U.S. bond yields higher. However, prices recovered to $1,717.3 an ounce on March 10, due to a weaker US dollar and lower real interest rates. In parallel, Fitch Ratings revised upward its forecasts for gold prices for 2021 and 2022 due to its expectations of increased investor demand for the metal, as well as to a rise in gold purchases by central banks worldwide. As such, it projected gold prices to average $1,600 per ounce in 2021, up from a previous forecast of $1,400 an ounce, and anticipated the metal's price to stabilize at about $1,200 per ounce in the medium term.
Source: Fitch Ratings, 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	LT Foreign currency rating 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 (%)
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	27-Jan-21	No change	17-Mar-21
Eurozone	Refi Rate	0.00	11-Mar-21	No change	22-Apr-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-Mar-21	No change	06-Apr-21
New Zealand	Cash Rate	0.25	24-Feb-21	No change	14-Apr-21
Switzerland	SNB Policy Rate	-0.75	17-Dec-20	No change	25-Mar-21
Canada	Overnight rate	0.25	10-Mar-21	No change	21-Apr-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Feb-21	No change	22-Mar-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	25-Feb-21	No change	15-Apr-21
Malaysia	O/N Policy Rate	1.75	04-Mar-21	No change	06-May-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	18-Feb-21	No change	18-Mar-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	29-Mar-21
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	4.00	11-Feb-21	Cut 25bps	25-Mar-21
Brazil	Selic Rate	2.00	20-Jan-21	No change	17-Mar-21
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-Mar-21	No change	01-Apr-21
Kazakhstan	Repo Rate	9.00	09-Mar-21	No change	26-Apr-21
Ukraine	Discount Rate	6.50	04-Mar-21	Raised 50bps	15-Apr-21
Russia	Refi Rate	4.25	12-Feb-21	No change	19-Mar-21

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island – Sky Tower – Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293