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# COUNTRY RISK WEEKLY BULLETIN

# NEWS HEADLINES

## WORLD

### Insurers' losses up 41% to $89bn in 2020

Reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at $202bn in 2020, constituting an increase of 34.7% from $150bn in 2019, and compared to annual average losses of $222bn in the past 10 years. Economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached $190bn and represented 94% of overall losses in 2020, while those from man-made disasters reached $12bn and accounted for 6% of the total in 2020. Economic losses in North America amounted to $104.6bn and were equivalent to 0.46% of the region's GDP, followed by Asia with $70.5bn (0.22% of GDP), Europe with $17.9bn (0.08% of GDP), Oceania & Australia with $4.9bn (0.31% of GDP), Latin America & the Caribbean (LAC) with $2.2bn (0.05% of GDP), and Africa with $1.4bn (0.06% of GDP), while economic losses from seas and space catastrophes amounted to $400m in 2020. In parallel, the losses of insurers from natural catastrophes and man-made disasters reached $89bn in 2020, up by 41.3% from $63bn in 2019, and accounted for 44% of total economic losses last year. Losses of insurers from natural catastrophes stood at $81bn, or 91% of total insured losses in 2020, while those from man-made disasters reached $8bn (9%). The losses of insurers from natural catastrophes and man-made disasters in North America reached $69.8bn in 2020 and represented 79% of the total, followed by losses in Asia with $8.6bn (9.8%), Europe with $6bn (6.8%), Oceania & Australia with $3.6bn (4%), and LAC with $400m (0.5%).

*Source: Swiss Re*

## EMERGING MARKETS

### Fixed income trading down 5% to $5 trillion in 2020

Trading in emerging markets debt instruments reached $5,067bn in 2020, constituting a decline of 5% from $5,341bn in 2019. Debt trading volumes totaled $1,492bn in the first quarter, $1,311bn in the second quarter, $1,133bn in the third quarter of the year, and $1,132bn in the fourth quarter of 2020. Fixed income trading increased by 8% in the first and the second quarters of the year from the same quarters of 2019, and declined by 20% and 15% year-on-year in the third and fourth quarters of 2020, respectively. Turnover in local-currency instruments reached $3,015bn in 2020, down by 1% from $3,058bn in 2019, and accounted for 59% of the total debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $2,034bn in 2020, and decreased by 11% from $2,275bn in 2019. The volume of traded sovereign Eurobonds reached $1,277bn and accounted for 63% of total Eurobonds traded in 2020, relative to $1,289bn and a share of 57% of total Eurobonds traded in 2019. Also, the volume of traded corporate Eurobonds reached $726bn, or 36% of total traded Eurobonds. In addition, turnover in warrants and options amounted to $4bn, while loan assignments stood at $13bn in 2020. The most frequently-traded instruments in 2020 were Mexican fixed income assets with a turnover of $884bn, or 17% of the total, followed by securities from Brazil with $606bn (12%), and instruments from China with $406bn (8%). Other frequently-traded instruments consisted of fixed income securities from India at $299bn and South Africa at $298bn (6% each).

*Source: EMTA*

## MENA

### Stock markets up 10% in first quarter of 2021

Arab stock markets increased by 9.7% and Gulf Cooperation Council equity markets grew by 11.2% in the first quarter of 2021, relative to contractions of 24.8% and 24.5%, respectively, in the same period of 2020. In comparison, global stocks improved by 4.5% and emerging market equities expanded by 2.3% in the covered period. Activity on the Beirut Stock Exchange surged by 63.3% in the first three months of 2021, the Damascus Securities Exchange rose by 29%, the Abu Dhabi Securities Exchange improved by 17.2%, the Saudi Stock Exchange gained 14%, the Iraq Stock Exchange expanded by 11.4%, and the Amman Stock Exchange appreciated by 7%. In addition, the Boursa Kuwait and the Tunis Bourse grew by 3% each, the Dubai Financial Market increased by 2.3%, the Casablanca Stock Exchange gained 1.7%, the Muscat Securities Market advanced by 1.4%, and the Khartoum Stock Exchange expanded by 1.2% in the covered period. In contrast, activity on the Egyptian Exchange deteriorated by 2.6% in the first quarter of 2021, the Bahrain Bourse declined by 2.1%, the Palestine Exchange decreased by 1.1%, and the Qatar Stock Exchange regressed by 0.3%.

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

### Level of economic freedom slightly improves in Arab countries in 2021

The Heritage Foundation's Index of Economic Freedom for 2021, a broad indicator of economic freedoms in 178 countries, indicated that the United Arab Emirates is the 14th freest economy in the world and is the only Arab country to rank among the top 20 worldwide. Qatar follows in 31st place, then Bahrain (40th), Saudi Arabia (63rd), and Jordan (69th) as the five highest ranked Arab economies. In contrast, Mauritania (128th), Egypt (130th), Lebanon (154th), Algeria (162nd), and Sudan (175th) are the Arab countries with the lowest level of economic freedom. The index evaluates individual economies based on 12 equally-weighted broad factors of economic freedom. The level of economic freedom in 15 Arab countries slightly improved this year from the 2020 survey, as the region's level of economic freedom stands at 60.4% in 2021, up from 59.7% in 2020, compared to the global average of 61.6% this year. The GCC countries have an average score of 68.9% in 2021 relative to 67.3% in the 2020 index, while non-GCC Arab countries have an average of 54.7% this year compared to 54.5% last year. The rankings of 11 Arab countries improved, those of 3 economies deteriorated and the ranking of one Arab state was unchanged year-on-year. Also, the scores of four Arab countries improved, those of 10 economies regressed and the score of one country was unchanged from the 2020 survey. The survey classified two Arab economies as "mostly free", six countries as "moderately free" category, five economies as "mostly unfree", and two sovereigns as "repressed" economies. In parallel, the level of economic freedom in Arab countries is higher than it is in the Asia & Pacific region (60.2%), the Americas (59.5%), and Sub-Saharan Africa (55.7%); while it is lower than the level of economic freedom in Europe (70.1%).

*Source: Heritage Foundation, Byblos Research*

## EMERGING MARKETS

### Public finance imbalances to constitute key challenge in coming years

Global investment bank Goldman Sachs expected the deterioration in fiscal balances and the public debt build-up across emerging markets (EMs) to remain a challenge for investors and policymakers for the coming years. It considered that the likelihood of a full-scale EM debt crisis in the short term is low due to abundant global liquidity, low interest rates and the strong external balances of EM countries. It noted that most of the increase in the public debt level of EM economies was in local currency, which reduces the risk of a sudden stop in external funding, and added that the near-term probability of EM sovereign distress or default is low. Still, it pointed out that higher debt stocks in EMs tend to reduce the space for pursuing counter-cyclical fiscal policies, as well as restrict the independence of monetary policy. It added that elevated debt levels tend to lead to lower fiscal multipliers, macroeconomic volatility, slower real growth in per capita GDP, and higher inflation rates.

It did not expect significant fiscal consolidation and debt reduction in coming years, based on the fiscal patterns in EMs in the past three decades, despite the International Monetary Fund's projection that the aggregate primary fiscal balance of EMs will improve by five percentage points of GDP in the coming five years. In parallel, Goldman Sachs considered that a number of governments may face significant political challenges and social pressure in case fiscal policy tightens. It added that even if the fiscal balances of EM economies improve as fast as the IMF anticipates, the EMs' public debt level will continue to increase to an average of 71% of GDP in 2025, which is higher than the 60% of GDP to 70% of GDP debt range that points to high distress risk for EMs. It added that only seven out of 42 EM economies will have lower debt ratios in 2025 than they did in 2019, according to the optimistic forecast of the IMF.

*Source: Goldman Sachs*

## GCC

### Economy to expand by 2.5% in 2021 on higher real non-hydrocarbon GDP growth

The Institute of International Finance projected real GDP growth in Gulf Cooperation Council (GCC) economies at 2.5% in 2021 following a contraction of 4.9% in 2020, in case of higher global oil prices and a rebound in non-oil sector activity. It forecast the real GDP of the region's hydrocarbon sector to expand by 1.6% this year compared to a contraction of 5.7% last year, due to more limited oil production cuts under the OPEC agreement. Also, it expected activity in the non-hydrocarbon sector to grow by 3.8% in 2020 relative to a contraction of 4.2% in 2020, driven by a strong recovery in private sector activity. It anticipated real GDP growth at 3.4% in Bahrain, 3.3% in Qatar, 2.6% in the UAE, 2.4% in Saudi Arabia, 2.2% in Kuwait, and at 1.4% in Oman in 2021. It considered that risks to the outlook include uncertainties about the success and speed of the COVID-19 vaccination process, as well as about the volatility of oil prices.

Further, the IIF expected the monetary policy of GCC economies to remain accommodative, as central banks in the region follow the monetary policy of the United States, given the peg of currencies in GCC countries to the US dollar. Also, it pointed out that GCC authorities are planning significant fiscal consolidation in their 2021 budgets, such as tax reforms and the reprioritization of public spending. As such, it projected the region's aggregate fiscal deficit to narrow from 9.1% of GDP in 2020 to 1.2% of GDP in 2021, in case oil prices average $60 per barrel (p/b) this year. It also expected the fiscal break-even oil prices of countries in the region to decline, mainly in Oman and Saudi Arabia from $73 p/b and $76 p/b, respectively, in 2020, to $70 p/b and $66 p/b, respectively, in 2021, in case of higher non-oil receipts and declines in public spending. In parallel, it anticipated the GCC's aggregate current account balance to shift from a deficit of $23bn, or 1.7% of GDP in 2020, to a surplus of $64bn, or 4.1% of GDP in 2021, as the expected strong rebound in oil export receipts will more than offset the recovery in imports. It forecast the consolidated public foreign assets of GCC economies at about $3 trillion, equivalent to 182% of their aggregate GDP in 2021.

*Source: Institute of International Finance*

## SUDAN

### Positive outlook contingent on debt relief and reforms

The International Monetary Fund indicated that Sudan's macroeconomic outlook would turn positive in case it reaches an agreement on debt relief under the Enhanced Heavily Indebted Poor Countries (HPIC) Initiative. It noted that the successful implementation of policy measures under the unfunded Staff Monitored Program (SMP), including the adjustments to fuel prices and the unification of the multiple exchange rates, will help restore macroeconomic stability, encourage private sector investments and lay the foundation for sustainable growth. It projected real GDP to grow by 0.9% in 2021 following an annual average contraction of 2.8% between 2018 and 2020. It attributed the subdued growth forecast to the uncertain economic and political environment in the country and to the impact of the COVID-19 pandemic on the economy. However, it anticipated real GDP growth to accelerate to between 4% and 5% over the medium term in case the economy stabilizes, the business environment improves and foreign inflows increase.

In parallel, the IMF projected the fiscal deficit to narrow from 5.9% of GDP in 2020 to 2.7% of GDP in 2021 due to the substantial drop in spending on fuel subsidies and the increase in donor support. It expected the inflation rate to decline from more than 300% in early 2021 to 111% by the end of the year, and to fall to less than 30% in 2022 in case fiscal consolidation persists and if the government continues to reduce the monetization of the fiscal deficit. It pointed out that downside risks include failure to implement the planned policy measures, a return to old policies, as well as fragile political and security conditions.

In parallel, the Fund indicated that Sudan has qualified for assistance under the Enhanced HIPC Initiative to address its external public and publicly-guaranteed debt that it estimated at $49.8bn at end-2019. It said that authorities still need to prepare a poverty reduction strategy, show a strong performance under the SMP for at least six months, and clear the debt arrears. It added that the process could start by mid-June 2021 and could be completed by 2024, resulting in an external debt stock of $8.4bn by end-2024.

*Source: International Monetary Fund*

## SAUDI ARABIA

### Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'A-/A-2' Saudi Arabia's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It attributed its rating action mainly to its expectations that economic activity in the Kingdom will start to recover in 2021, the fiscal deficit will narrow and the current account balance will shift to a surplus this year, as result of the increase in vaccination rates worldwide, the improving global economic conditions and the rebound in oil prices. It added that the 'stable' outlook reflects its anticipation that the country's strong fiscal and external net asset stock positions are sufficient to support the sovereign ratings in the next two years. It projected Saudi Arabia's real GDP to grow by an average of 2.3% annually in the 2021-24 period, supported by the government's investment and economic diversification plans. It forecast the fiscal deficit to narrow from 11.2% of GDP in 2020 to 6.3% of GDP annually in the 2021-24 period, while it expected the current account balance to shift from a deficit of 2.3% of GDP in 2020 to a surplus of 4.8% of GDP in 2021 and of 2.4% of GDP in 2024. Moreover, it noted that it could downgrade the ratings in case of a deterioration in the Kingdom's fiscal position, a significant weakening of its net asset positions on either the fiscal or external balances, or a surge in domestic or geopolitical instability. In parallel, it pointed out that it would upgrade the ratings in case of a substantial improvement in Saudi Arabia's growth prospects, or if the downward trend in the government's net asset position reverses.

*Source: S&P Global Ratings*

## BAHRAIN

### Fiscal consolidation needed to address imbalances

The International Monetary Fund indicated that the coronavirus-related containment measures that Bahrain's authorities put in place continue to weigh on the economy. It estimated that the country's real GDP contracted by 5.4% in 2020, as activity in the non-hydrocarbon sector shrank by 7%. It added that the fiscal deficit widened to 18.3% of GDP last year and the public debt level reached 133% of GDP at end-2020, due to the economic contraction and to the decline in global oil prices. Also, it pointed out that the current account deficit widened to 9.6% of GDP in 2020, while official foreign currency reserves declined to $2.2bn at the end of last year. The Fund welcomed the authorities' instant and well-coordinated policy responses that helped contain the spread of the virus, provide fast and widespread access to vaccinations, as well as alleviated the health, social and economic impact of the pandemic on citizens. But it anticipated the fiscal and current account deficits to persist in the medium term, as it forecast the fiscal deficit at 9.3% of GDP and the current account deficit at 4.1% of GDP in the 2021-22 period, and projected the public debt level to rise to 155% of GDP by end-2026. It said that downside risks to the outlook are significant and include insufficient fiscal adjustment, tighter global financial conditions, and a decline in oil prices. The Fund welcomed the authorities' commitment to implement the reforms under the Fiscal Balance Program, but it urged them to carry out additional consolidation measures in order to narrow the twin deficits, reduce the public debt level, and restore economic sustainability, while maintaining essential social spending to support vulnerable citizens.

*Source: International Monetary Fund*

## IRAQ

### Ratings affirmed, outlook revised to 'stable'

Fitch Ratings affirmed Iraq's long-term foreign-currency Issuer Default Rating at 'B-', and revised the outlook on the rating from 'negative' to 'stable'. It attributed the outlook revision to a smaller-than-expected decline in foreign currency reserves and to higher-than-anticipated oil prices. It noted that policymaking continues to be constrained by political dynamics, although the devaluation of the Iraqi dinar and the government's white paper on fiscal and economic reforms show prospects to put public finances on a more sustainable path. It expected the fiscal deficit to narrow from 16.5% of GDP in 2020 to 5% of GDP in 2021, due to higher oil prices and to the currency devaluation. It forecast the deficit to remain unchanged in 2022, as higher oil-export volumes would offset a decline in oil prices. It pointed out that the government relied on the Central Bank of Iraq (CBI) to fund its fiscal deficit in 2020, and noted that additional CBI financing could be required if external financing remains subdued. It indicated that the public debt level increased from 48.5% of GDP in 2019 to 87% of GDP in 2020, driven by the fiscal deficit, a 25% decline in nominal GDP and the currency devaluation. It expected the public debt level to decline to 74% of GDP in 2021, before increasing to 80% of GDP in the medium term. In parallel, it noted that foreign currency reserves at the CBI remain substantial at $54bn, despite declining by $14bn in 2020, and forecast reserves to stabilize in 2021 as the current account deficit narrows from 12.5% of GDP in 2020 to 1.5% of GDP. Fitch considered that the inability of authorities to curb the government's spending would raise the risk of further currency devaluation or the erosion of foreign currency reserves over time.

*Source: Fitch Ratings*

## PAKISTAN

### Sustainable public finances contingent on reforms

The International Monetary Fund indicated that Pakistan has made satisfactory progress under the IMF-supported program, despite the COVID-19 shock to the economy. It noted that the government recalibrated the program to support the economy, ensure debt sustainability and advance structural reforms, amid the prevailing challenges from the pandemic and the authorities' commitment to the program's medium-term objectives. It added that authorities continued to strengthen the State Bank of Pakistan's (SBP) autonomy, to reform the corporate tax system, to enhance the management of state-owned enterprises, and to improve the cost recovery and regulation in the power sector. It called on authorities to broaden the public revenue base, to manage spending and to secure the contribution of provinces to public receipts in order to put public finances on a sustainable path and reduce the public debt level. Also, it considered that the SBP's current monetary stance is appropriate and supports the economic recovery, and that the market-determined exchange rate is key to absorb external shocks and rebuild foreign currency reserves. It added that the government's recent measures have helped contain the accumulation of new arrears in the energy sector. It called on authorities to sustain their efforts to restore the financial viability of state-owned enterprises in the power sector by improving their management, reducing production costs, regularly adjusting the tariffs, and by enhancing the subsidy system.

*Source: International Monetary Fund*

## AFRICA

### Governments to increasingly rely on banks for deficit financing

The Institute of International Finance indicated that banks played an important role in financing the fiscal deficits in many countries in Sub Saharan Africa (SSA) in 2020. It considered that the region's governments could face difficulties in accessing international debt markets in 2021, which would make funding their fiscal deficits from SSA banks increasingly important this year. It said that the claims of the banking sector in Ghana on the government grew by the equivalent of 16% of GDP, while the exposure of banks in Zambia rose by the equivalent of 14% of GDP, and the exposure of Angolan banks on the government expanded by more than 12% of GDP in 2020, constituting the largest increases across SSA economies in terms of banking sector exposure to local governments. It added that the share of claims on the government reached 45% of total assets of the banking system in Angola, around 40% in Ghana, more than 30% in Zambia, slightly less than 30% in Kenya, and about 25% in Côte d'Ivoire. In contrast, it said that claims on the governments declined to around 18% of the assets of the banking system in Tanzania and to less than 10% in Nigeria. It noted that credit demand from the private sector was significantly weaker during the COVID-19 pandemic, which prompted SSA banks to purchase government securities, and considered that sovereign debt generally constitutes a low risk investment. But it said that slow deposit growth in the future would constrain the banks' ability to finance large fiscal deficits without crowding out credit to the private sector. It estimated that SSA banks should be able to expand lending to corporates and households, as it forecast deposit growth to gain momentum in line with the expected economic recovery in 2021.

*Source: Institute of International Finance*

## GCC

### Capacity of banks to absorb credit losses at between $31bn and $46bn in 2021

S&P Global Ratings considered that the COVID-19 outbreak will continue to weigh on the credit profiles and the asset quality of banks in the Gulf Cooperation Council (GCC) economies in 2021. It estimated the rated banks' capacity to absorb credit losses under three different scenarios. In the first scenario, it expected banks in the region to have a credit loss absorption capacity of $45.5bn in 2021 in case loan-loss provisions cover 70% of the existing stock of NPLs. It noted that rated banks in Saudi Arabia accounted for $18.2bn, or 40% of the total in 2021, followed by banks in Qatar with $11.3bn (24.8%), the UAE with $7.2bn (15.8%), Kuwait with $5.8bn (12.7%), Bahrain with $1.8bn (4%), and Oman with $1.1bn (2.4%). Under the second scenario, it estimated GCC banks to have a credit loss absorption capacity of $36.8bn this year, which assumes 100% that banks would take provisions equivalent to 100% of their existing NPL stock. It said that Saudi Arabian banks would absorb $16.2bn, or 44% of total losses, followed by banks in Qatar with $9.5bn (25.8%), Kuwait with $5.2bn (14.1%), the UAE with $3.6bn (10%), Bahrain with $1.4bn (3.8%), and Oman with $900m (2.4%). In its third scenario, S&P projected banks in the region to have a credit loss absorption capacity of $30.9bn in 2021, in case existing loan loss reserves cover 120% coverage of the existing NPL stock.

*Source: S&P Global Ratings*

## TURKEY

### Interest rate rise to weigh on banks' returns

Fitch Ratings anticipated that the decision of the Central Bank of the Republic of Turkey on March 18, 2021 to increase its policy rate by 200 basis points to 19% will weigh on the banks' profitability and asset quality. It expected the rise in the policy rate to lead to tighter interest margins in the short term as banks reprice their liabilities faster than their assets, as well as to a weakening in the repayment capacity of borrowers that have loans denominated in the Turkish lira. It projected lending growth to slow down due to the higher interest rates and receding government stimulus, but expected the economic recovery to mitigate the pressure on the banks' profitability. In parallel, the agency indicated that state-owned banks accounted for the majority of the banking sector's rapid lending growth in 2020, as they extended most of the loans issued under the Credit Guarantee Fund (CGF) facility to support the economy during the COVID-19 pandemic. It added that the increase in mortgages boosted lending growth at state-owned banks. It noted that loans extended under he CGF and mortgages are denominated in local currency, with a certain share of lending at fixed rates. As such, it considered that the interest rate margins of state-owned banks have a greater sensitivity to higher interest rates due to their rapid loan growth at low interest rates, and to their higher share of lira-denominated deposits. It indicated that the rise in interest rates will erode spreads at banks, as the latter will not be able to reprice loans in a timely manner to offset the higher funding costs.

*Source: Fitch Ratings*

## DEM REP CONGO

### Cut in policy rate to support banks' profitability

Moody's Investors Service indicated that the Banque Centrale du Congo's (BCC) decision to decrease its benchmark interest rate from 18.5% to 15.5% on March 12, 2021 is credit positive for banks in the Democratic Republic of the Congo (DRC), as it will reduce the banks' cost of meeting regulatory reserve requirements in the Congolese franc and, in turn, will support their profitability in 2021. It noted that the banks, which are primarily funded by foreign currency deposits, need to buy local currency from the BCC or from the interbank market at a rate that depends on the benchmark interest rate in order to meet the regulatory requirements. It said that the cut in the benchmark interest rate follows a moderate stability of the Congolese franc against the US dollar and a stable inflation rate, following the increase in the policy rate by 1,100 basis points in August 2020. It added that the Congolese franc depreciated by around 0.7% so far in 2021, compared to a depreciation of 17.5% in 2020. Also, the agency pointed out that the decline in the benchmark interest rate will have a limited impact on the banks' deposit growth and lending activity in foreign currency, given the high dollarization rate in the banking sector, as the dollarization rates of loans and deposits reached 95% and 87%, respectively, as at June 2020. In parallel, Moody's anticipated the financial performance of banks to remain sound in the next 12 to 18 months. It expected the banks' adequate capitalization level and problem loan coverage to ease the deterioration of their asset quality from the slowdown in economic activity last year. Also, it projected the banks' profitability to recover in 2021.

*Source: Moody's Investors Service*

## Oil prices to average $64 p/b in 2021

ICE Brent crude oil front-month prices averaged $65.7 per barrel (p/b) in March 2021, constituting an increase of 5.5% from $62.3 p/b in February 2021 and a rise of 95% from $33.7 p/b in March 2020. The recovery in oil prices was mainly due to improving demand prospects amid the rollout of the COVID-19 vaccine worldwide, as well as to supply discipline from the recurrent OPEC and non-OPEC output cuts, and to lower oil production in the U.S. However, oil prices remained capped at about $64 p/b since March 18, due to new lockdown measures in several European countries and to a slowdown in vaccination programs amid distribution issues and concerns over potential side effects of the vaccine, which raised uncertainties about oil demand prospects. In parallel, the disruption of activity at the Suez Canal between March 23 and 29, one of the world's busiest shipping channels for oil and refined fuels, raised concerns about a tightening of oil supply, which supported oil prices. In parallel, Fitch Solutions forecast Brent oil prices at $64 p/b in 2021, reflecting the current recovery trend in the oil market. It considered that the decisions of the OPEC and non-OPEC alliance on output will significantly influence near-term prices, and considered that the outlook on oil demand for the second half of 2021 is positive, amid wider vaccine rollout globally and the enactment of a significant stimulus package in the U.S.

*Source: Fitch Solutions, Refinitiv, Byblos Research*

## Global steel output up 7% in first two months of 2021

Global steel production reached 315 million tons in the first two months of 2021, and increased by 6.6% from about 295 million tons in the same period of 2020. Production in China totaled 175 million tons and accounted for 55.6% of global output in the covered period. India followed with 19.4 million tons (6.2%), then Japan with 15.4 million tons (4.9%), the U.S. with 13.3 million tons (4.2%), Russia with 12.1 million tons (3.8%), and South Korea with 11.5 million tons (3.7%).

*Source: World Steel Association, Byblos Research*

## Saudi Arabia's oil exports down 4% in January 2021

Total oil exports from Saudi Arabia, which include crude oil and other oil products, amounted to 7.8 million barrels per day (b/d) in January 2021, and increased by 0.6% from 7.7 million b/d in December and a decrease of 3.6% from 8 million b/d in January 2020. Further, Saudi Arabia's oil export receipts reached $14.1bn in January 2021, expanding by 14.3% from $12.4bn in December 2020 and declining by 20.5% from $17.8bn in January 2020.

*Source: JODI, General Authority for Statistics*

## Egypt's LNG exports at 1.6 billion cubic meters in fourth quarter of 2020

Egypt exported 17 shipments of liquefied natural gas (LNG) between October and December last year, up from six shipments in the first quarter of 2020. As such, the country's LNG exports reached 1.6 billion cubic meters of equivalent gas in the fourth quarter of 2020. Also, the exports of LNG reached eight to nine shipments per month so far in 2021. In parallel, the Cabinet expected the resumption of activity at the Damietta gas liquefaction plant to expand Egypt's export capacity to 12.5 million tons.

*Source: Refinitiv*

## Base Metals: Copper prices to average $7,200 per ton in 2021

LME copper cash prices averaged $8,490 per ton in the first quarter of 2021, and increased by 50.5% from an average of $5,640 a ton in the same quarter of 2020. They reached $9,456 per ton on February 25, 2021, their highest level since August 2011, driven mainly by concerns about supply tightness and by strong demand for the metal. Further, copper prices moderated to an average of $8,988 per ton in March 2021, largely due to a stronger US dollar and the resurgence in the number of coronavirus infections in Europe, which weighed on investors' sentiment. They closed at $8,788 a ton on March 31. However, ongoing supply concerns and prospects of higher demand for copper continue to support prices. In addition, Fitch Ratings revised upwards its projections for copper prices from an average of $6,000 per ton to an average of $7,200 a ton for 2021, in order to reflect China's strategic purchases of the metal and supply risks this year. In parallel, the latest available figures show that global demand for refined copper was 25 million tons in 2020, up by 2.2% from 2019, as the 13% growth in Chinese demand offset the 10% decrease in demand from the rest of the world. Also, global refined copper production grew by 1.5% to 24.4 million tons last year, as higher output from Chile, the Democratic Republic of the Congo, Japan and Zambia was partially offset by lower production in the U.S., and India.

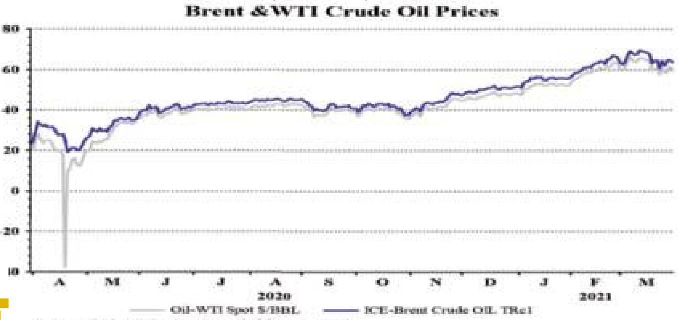
*Source: ICSG, Fitch Ratings, Refinitiv*

## Precious Metals: Palladium prices up 5.5% in first quarter of 2021

Palladium prices averaged $2404 per troy ounce in the first quarter of 2021, constituting an increase of 5.5% from an average of $2,279 an ounce in the same period of 2020, and reached an 11-month high of $2,678 per ounce on March 18 of this year. Robust demand for palladium from the automotive sector, which accounts for 80% of the metal's global demand, was the main driver of the rise in the metal's price. Also, strong demand prospects amid expectations of supply disruptions from Norilsk Nickel, the world's largest palladium producer, supported the metal's price. In parallel, Citi Research revised its forecast for palladium prices, as it anticipated a larger deficit in the palladium market. It projected total refined supply of palladium at 6.75 million ounces in 2021 relative to a previous forecast of 7.32 million ounces, as it expected output in Russia to decline. It projected demand for the metal in 2021 at 7.74 million ounces, unchanged from 2020, and for investment into palladium-backed exchange-traded funds to be equivalent to 28,000 ounces this year. As such, it anticipated the surplus in the palladium market at about one million ounces in 2021 compared to a previous forecast of 450,000 ounces. As a result, Citi revised upwards its forecast for palladium prices from $2,500 per ounce to $3,000 an ounce for the next three month.

*Source: Citi Research, Refinitiv, Byblos Research*

**Brent &WTI Crude Oil Prices**




*Source: Refinitiv Datastream, Byblos Research*

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

** Current account payments*
*** CreditWatch with negative implications*
****Review for Downgrade*
*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 | 17-Mar-21 | No change | 28-Apr-21 |
| Eurozone | Refi Rate | 0.00 | 11-Mar-21 | No change | 22-Apr-21 |
| UK | Bank Rate | 0.10 | 18-Mar-21 | No change | 06-May-21 |
| Japan | O/N Call Rate | -0.10 | 19-Mar-21 | No change | 27-Apr-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 | 25-Mar-21 | No change | 17-Jun-21 |
| Canada | Overnight rate | 0.25 | 10-Mar-21 | No change | 21-Apr-21 |
| **Emerging Markets** | | | | | |
| China | One-year Loan Prime Rate | 3.85 | 22-Mar-21 | No change | 20-Apr-21 |
| Hong Kong | Base Rate | 0.86 | 15-Mar-20 | Cut 64bps | N/A |
| Taiwan | Discount Rate | 1.125 | 18-Mar-21 | 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 | 24-Mar-21 | No change | 05-May-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 | 18-Mar-21 | No change | 29-Apr-21 |
| Jordan | CBJ Main Rate | 2.50 | 16-Mar-20 | Cut 100bps | N/A |
| Turkey | Repo Rate | 19.00 | 18-Mar-21 | Raised 200bps | 15-Apr-21 |
| South Africa | Repo Rate | 3.50 | 25-Mar-21 | No change | 20-May-21 |
| Kenya | Central Bank Rate | 7.00 | 29-Mar-21 | No change | N/A |
| Nigeria | Monetary Policy Rate | 11.50 | 23-Mar-21 | No change | 25-May-21 |
| Ghana | Prime Rate | 14.50 | 22-Mar-21 | No change | 24-May-21 |
| Angola | Base Rate | 15.50 | 29-Mar-21 | No change | 27-May-21 |
| Mexico | Target Rate | 4.00 | 25-Mar-21 | Cut 25bps | 13-May-21 |
| Brazil | Selic Rate | 2.75 | 17-Mar-21 | Raised 75bps | 05-May-21 |
| Armenia | Refi Rate | 5.50 | 16-Mar-21 | No change | 04-May-21 |
| Romania | Policy Rate | 1.25 | 15-Mar-21 | Cut 25bps | 12-May-21 |
| 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 | 19-Mar-21 | No change | 23-Apr-21 |

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