650 ISSUES+
Issue 674 | May 28, 2021
BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Greenfield FDI down 34% to $528bn in 2020

Figures released by fDi Markets show that greenfield foreign direct investment (FDI) amounted to $528.2bn in 2020, constituting a decline of 34% from $800bn 2019. There were 11,223 greenfield (FDI) projects in 2020 worldwide compared to 16,816 projects in 2019. Also, greenfield FDI led to the creation of 1.36 million jobs in 2020, representing drop of 40% from 2.3 million jobs created in 2019. Europe attracted $177.3bn in greenfield FDI, and accounted for 33.6% of the total in 2020, followed by Asia Pacific with $162.2bn (30.7%), then North America with $76.7bn (14.5%), the Middle East & Africa (ME&A) region with $56.6bn (10.7%), and Latin America & the Caribbean (LAC) with $55.4bn (10.5%). In parallel, Europe was the largest source of greenfield FDI with $238bn, or 45.1% of the total, followed by Asia Pacific with $147.7bn (28%), North America with $115.2bn (21.8%), ME&A with $18.8bn (3.6%), and LAC with $8.6bn (1.6%). In parallel, Europe was the recipient of 5,102 greenfield FDI projects in 2020 and accounted for 45.5% of the total, followed by Asia Pacific with 2,294 projects (20.4%), North America with 1,031 projects (16.2%), the ME&A region with 1,031 projects (9.2%), and LAC with 973 projects (8.7%). On a sectorial basis, the renewable energy sector attracted $87.2bn in greenfield FDI, or 16.5% of the total in 2020, followed by the communications sector with $56bn (10.6%), the coal, oil & gas industry with $45.2bn (8.6%), the real estate sector with $36.8bn (7%), and the chemicals industry with $34bn (6.4%).

Source: fDi Markets, Byblos Research

Nearly 50% of firms expect business operations to normalize by 2022

Fitch Solutions' eighth edition of the Global Pulse Survey showed that 49% of participating companies expect to fully resume their business operations in 2022 in the wake of the coronavirus pandemic, while 23% of respondents anticipate to "get back to business as usual" by the fourth quarter of 2021. Also, 14% of participants believe that their business operations will normalize in the second quarter of 2021, while another 13% expect to resume normal pre-pandemic activities in the third quarter of 2021. In addition, about 33% of respondents expressed concerns about the negative impact of the ongoing economic disruptions on the global banking sector in the next 18 months. The survey, which was conducted between March and April 2021, aims to understand the impact of the pandemic on economies, businesses and banking sectors in 77 markets across the world. Further, 31% cited the slow rollout of the coronavirus vaccine as their main economic concern in the next 18 months. In contrast, previous surveys showed that negative economic growth was the respondents' main concern. Also, 14% of respondents considered that fiscal and external account crises in emerging markets constitutes their main economic concern in the next 18 months. Moreover, 68% of surveyed participants said that they still expect downward revisions to their business projections in 2021, while 25% of respondents pointed out that they made significant downward revisions to their business forecasts for 2021.

Source: Fitch Solutions

Global trade up by 10% in first quarter of 2021

The United Nations Conference on Trade and Development (UNCTAD) indicated that global trade in goods and services increased by 10% in the first quarter of 2021 from the same quarter last year, and by 4% from the fourth quarter of 2020. It noted that global trade in the first quarter of 2021 was higher than pre-crisis levels, and expanded by 3% from the first quarter of 2019. It said that the volume of trade in goods was higher than pre-pandemic levels in the covered period, while the volume of trade in services remained below averages. It added that trade in coronavirus-related products remained robust. It stated that imports to developing countries grew by 18% and imports to developed economies increased by 12% in the first quarter of 2021 from the same period last year, while exports from developing economies expanded by 22% and those from developed countries grew by 7% in the covered period. Further, trade in minerals surged by 42% in the first quarter of 2021 from the same period last year, followed by trade in office equipment (+38%), communication equipment (+37%), other manufacturing products (+33%), metals (+29%), textiles (+28%), machinery (+23%), apparel (+20%), chemicals (+18%), agri-food products (+17%), precision instruments and road vehicles (+16% each), and pharmaceuticals (+13%). In contrast, trade in transport equipment regressed by 19% from the first quarter of 2020, while trade in energy products declined by 5% in the covered period.

Source: UNCTAD

SAUDI ARABIA

Profits of listed firms up 47% to $29bn in first quarter of 2021

The cumulative net income of 156 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR109.5bn, or $29.2bn, in the first quarter of 2021, constituting an increase of 46.6% from SAR74.7bn, or $20bn, in the same period of 2020. Listed energy firms generated net profits of $21.2bn and accounted for 72.4% of total net earnings in the covered period. Listed banks followed with $3.2bn (11%); then basic materials firms with $3.1bn (10.6%), telecommunications companies with $871m (3%), utilities firms with $450.4m (1.5%), the food & beverages industry with $177m (0.6%), retailers with $102m and healthcare equipment & services providers with $89m (0.3% each), and capital goods firms with $55m (0.2%); while listed companies in other sectors registered net profits of $165m (0.6%). In parallel, listed commercial & professional services providers, as well as firms in consumer services and the real estate management & development sectors, posted aggregate net losses of $171.3m in the covered period. Further, the net earnings of transportation firms increased by 107% in the first quarter of the year, followed by the net income of diversified financials (+85.5%), healthcare equipment & services providers (+30.8%), energy companies (+27.6%), banks (+20%), software & services companies (+3.3%), telecommunications firms (+2.5%) and insurers (+0.4%). In contrast, the net profits of firms in food staples & retailing decreased by 47.5% in the covered period, followed by the net earnings of pharmaceuticals, biotech & life sciences companies (-42.8%), and food & beverages companies (-3%).

Source: KAMCO

OUTLOOK

WORLD

Global public debt to reach $95 trillion at end-2022

Fitch Ratings indicated that the size of the global public debt reached $78 trillion (tn) at the end of 2020, constituting an increase of $10tn from end-2019, and equivalent to 94% of global GDP. It forecast the public debt worldwide to increase by an additional $10tn in 2021 and by $7tn in 2022, and to reach $88tn by the end of 2021 and $95tn by the end of 2022. As such, it said that its projected increase of the global debt by $27tn in the 2020-22 period would be equal to 40% of the global public debt stock at end-2019. It noted that, in nominal terms, this three-year surge would be the highest on record, but that the increase in percentage points would be in line with the increases in the 2001-04 and 2007-10 periods. It pointed out that the COVID-19 outbreak has ended a multi-year trend whereby the public debt of emerging markets (EMs) has grown more rapidly than the public debt of developed markets (DMs), as the fiscal response of DMs was much larger than the fiscal stimulus injected in EMs. Still, it projected that the median public debt levels in each of EMs and DMs will be equivalent to about 61% of GDP each at the end of 2021, and forecast the debt levels of EMs and DMs at around 65% of GDP each by the end of 2022.

In parallel, the agency expected debt servicing costs to be considerably higher in EMs than in DMs, and projected them to be equivalent to 2.5% of GDP in EMs and at about 1.2% of GDP in DMs this year. It said that this gap has been growing in recent years and expected it to remain wide. It added that the decline in effective interest rates has allowed for lower debt servicing costs for DM sovereigns, despite the rising public debt stocks. However, it noted that the steadier effective interest rates in EMs have resulted in higher debt servicing costs for these economies, amid elevated public debt stocks. Finally, the agency considered that reducing the public debt level is not a current policy priority for authorities worldwide, as governments continue to focus on supporting the economic recovery and central banks aim to maintain their accommodative monetary policy stances. It added that interest rates that are lower than GDP growth rates could lead to lower public debt ratios over time.

Source: Fitch Ratings

GCC

Aggregate fiscal deficit projected at $355bn in 2021-24 period

S&P Global Ratings projected the aggregate fiscal deficit of the six Gulf Cooperation Council (GCC) countries to narrow from $143bn in 2020 to $80bn in 2021, or from 10% of GDP last year to 5% of GDP this year. It attributed the narrowing of the deficit to higher global oil prices and export receipts, fiscal consolidation measures, and stronger economic activity with the easing of lockdown measures related to the COVID-19 outbreak. It expected Kuwait to register a fiscal deficit of 20% of GDP in 2021, followed by Bahrain and the UAE with a deficit of 6% of GDP each, Saudi Arabia with 5% of GDP, Oman with 4% of GDP, and Qatar at with a deficit of 1% of GDP this year. Also, it forecast the fiscal deficits of GCC economies to narrow in the 2021-22 period, as oil production cuts are eased under the OPEC+ agreement and in case oil prices average $60 per barrel (p/b) in each of 2021 and 2022. However, it anticipated fiscal deficits in the region to widen again in the 2023-24 period, in case oil prices average $55 p/b in 2023 and beyond. Further, it projected the cumulative fiscal deficits to reach $355bn in GCC countries between 2021 and 2024, with Saudi Arabia accounting for 60% of the total, followed by Kuwait with 25%, the UAE with 7%, and Oman with 4%.

In parallel, S&P anticipated GCC countries to finance their fiscal deficits in the 2021-24 period equally through debt issuance and drawdowns of their official assets. It forecast total debt issuance in the region to average about $50bn annually in the 2021-24 period, with a spike in borrowing in 2023 and 2024 in case of lower oil prices. It expected Bahrain, Oman and Saudi Arabia to finance most of their fiscal deficits through debt issuance; while it anticipated the Emirate of Abu Dhabi, Kuwait, and Qatar to rely on the drawdown of their assets. Further, it anticipated that the balance sheets of several GCC governments will continue to deteriorate until 2024, since the fiscal deficits of these countries are still significantly wide. Still, it indicated that GCC sovereigns are willing to tap international capital markets in order to issue debt, and many have substantial external liquid assets to fund their fiscal deficits and mitigate any external shocks.

Source: S&P Global Ratings

SAUDI ARABIA

Non-hydrocarbon sector activity to expand by 3% in 2022-23 period

The National Bank of Kuwait considered that the swift response and strong reform momentum of authorities in Saudi Arabia mitigated the fallout from the COVID-19 outbreak on the economy. It expected economic activity to recover gradually and to expand by 1.1% in 2021, given the ongoing uncertainties about the pandemic and about the full normalization of business activity. It anticipated that lower coronavirus-related spending this year will weigh on non-hydrocarbon growth, which it forecast at 2.2% in 2021. It expected key reforms and planned investments related to the Public Investment Fund to drive growth in the coming two years and projected economic activity in the non-oil sector to grow by 2.9% annually in the 2022-23 period. Also, it anticipated activity in the hydrocarbon sector to contract by 0.7% this year, given the Kingdom's additional voluntary production cut of one million barrels per day, and to rebound by 4% in the 2022-23 period, in case annual oil production starts to increase in 2022. It forecast real GDP to expand by an annual average of 3.4% in the 2022-23 period.

In parallel, it projected the Kingdom's fiscal deficit to narrow to 4% of GDP in 2021 and to 2.5% by 2023, supported by higher oil prices and the authorities' commitment to expand non-oil receipts and to rationalize spending in line with Vision 2030. As such, it forecast the public debt level to rise from 22.8% of GDP at the end of 2019 to 31.4% of GDP at end-2021 and to reach 34% of GDP by end-2023, but to remain below the self-imposed cap of 50% of GDP. Further, it projected the current account balance to shift from a deficit of 1.6% of GDP in 2020 to a surplus of 1.6% of GDP in 2021, in case of higher oil export receipts. Further, it noted that a key challenge to the growth outlook is safeguarding the economy's dependence on the hydrocarbon sector until the non-oil sector contributes significantly to economic activity.

Source: National Bank of Kuwait

EGYPT

Growth projected at 5% in FY2021/22, outlook dependent on deeper structural reforms

The International Monetary Fund considered that authorities in Egypt have effectively responded to the fallout of the COVID-19 outbreak with a balanced policy response, which included requests for the IMF's Rapid Financing Facility and Stand-by Arrangement (SBA) package. It said that the authorities' strong performance and commitment helped achieve macroeconomic stability during the pandemic, protect necessary social and healthcare spending, as well as implement key structural reforms. As such, it projected real GDP to grow by 2.8% in the fiscal year that ends in June 2021 and by 5.2% in FY2021/22. However, it anticipated the growth outlook to be subject to downside risks from the uncertainties about the pandemic. The Fund welcomed the readiness of the Central Bank of Egypt to support the economic recovery and to maintain macroeconomic stability, and expected the sustained flexibility of the exchange rate to help mitigate external shocks. It noted that authorities stepped up efforts to improve fiscal transparency and governance, social protection, and the business environment, as well as to reduce debt vulnerabilities and create more fiscal space for priority spending. Still, it urged authorities to implement deeper and broader structural reforms to address post-coronavirus challenges, to strengthen fiscal and external buffers, and to ensure higher and more inclusive growth in the medium term. In parallel, the IMF pointed out that fiscal policy in FY2021/22 should target a gradual consolidation that balances the needed support for the economic recovery with safeguarding fiscal sustainability, and welcomed the authorities' planned shift towards higher investments in infrastructure, healthcare, and education. It also stressed the need for the fiscal primary balance to post a surplus of 2% of GDP starting in FY2022/23 in order to reduce the public debt level and support debt sustainability.

Source: International Monetary Fund

ARMENIA

Sovereign ratings reflect robust growth prospects

In its periodic review of Armenia's sovereign ratings, Moody's Investors Service indicated that the country's 'Ba3' issuer rating reflects its economic strength score of 'ba2', which balances Armenia's robust growth prospects and increasingly diverse drivers of growth against the economy's small size and low GDP per capita. Also, it said that the rating takes into account the country's governance strength level of 'baa3', which points to the improved credibility and effectiveness of macroeconomic policies and institutions, as well as the authorities' structural reforms that aim to strengthen the control of corruption and the rule of law. It added that the country's rating reflects the 'b1' fiscal strength of Armenia's government due to its moderately elevated public debt level and the high share of foreign currency in the debt stock. Further, the agency indicated that Armenia's sovereign rating takes into account the country's susceptibility to event risks score of 'ba', which is driven by geopolitical risks and which reflects the low probability of a "high impact scenario" with Azerbaijan over the disputed territory of Nagorno-Karabakh province that would escalate to full scale hostilities.

Source: Moody's Investors Service

KUWAIT

Insurance sector to grow by 5% in 2021-22 period

S&P Global Ratings indicated that the Insurance Industry and Country Risk Assessment (IICRA) for the Kuwaiti property, casualty and health insurance sector is ‘intermediate’. It pointed out that the industry risk assessment in Kuwait is at the same level as in the UAE, Saudi Arabia, and Qatar. It said that the country risk assessment is constrained by elevated economic and geopolitical risks, widening fiscal deficits, and weak institutional settings. It noted that the Kuwaiti economy is still heavily dependent on oil, with the sector representing 50% of the country’s GDP and 90% of exports and government revenues. In parallel, it said that the insurance industry in Kuwait has adequate profitability levels due to a relatively low product risk, as most domestic insurers mainly hold short-tail motor and medical policies, which has predictable claim settlements, in addition to Kuwait’s very limited exposure to natural catastrophes. It added that the industry risk is supported by low barriers to entry, as well as by relatively robust projections for medium-term market growth. It noted that Kuwait’s insurance market is one of the fastest growing in the region and that the declining number of expatriates will not have a major impact on the sector’s outlook. Further, it anticipated the insurance market to expand by 5% in the 2021-22 period despite the impact of the COVID-19 pandemic on premiums and on the profitability of insurers in 2021.

Source: S&P Global Ratings

ETHIOPIA

Sovereign ratings downgraded to 'Caa1'

Moody's Investors Service downgraded from 'B2' to 'Caa1' Ethiopia's long-term issuer and senior unsecured ratings, and maintained the ratings on review for further downgrade. The new ratings are seven notches below investment grade. It attributed its rating action to the protracted deliberations about Ethiopia's request for debt relief under the Group of 20 Common Framework that have increased the risk that private sector creditors would incur losses. It added that the authorities reached a staff-level agreement with the International Monetary Fund on the first and second reviews of the Extended Credit Facility and Extended Fund Facility, which is critical for catalyzing bilateral and multilateral funding for the government's fiscal needs in the next two years. It anticipated that the increase in domestic political tensions could interfere with official support and undermine foreign investment that is critical for the government's financing in the short and medium terms. In parallel, the agency indicated that it is maintaining the ratings on review for further downgrade in order to evaluate the progress of the deliberations of the Common Framework's creditor committee about the extent of debt relief that Ethiopia requires, and how the latter will affect official and private creditors. Also, it noted that the review period will allow Moody's to assess Ethiopia's financing needs following the decision of the executive board of the IMF on the first and second reviews of the country's program with the Fund. It added that the review will provide a clearer indication of the government's ability to secure financing, given the persistent pressure on liquidity and the prevailing external vulnerabilities.

Source: Moody's Investors Service

WORLD

Central banks experimenting with digital currencies

Fitch Ratings indicated that a number of countries began to experiment with the utilization of a central bank digital currency (CBDC), while other countries are expected to test the currency in the next two years. It considered that the usage of CBDC could increase central bank-backed cashless payments. In addition, it noted that the main reason some emerging market (EM) central banks are considering CBDCs is to integrate underbanked segments of the population into the financial system, which can allow underserved individuals to develop credit profiles and access credit. It added that some EMs have moved beyond experimenting with digital currencies, as the Bahamas launched its Sand Dollar in October 2020 and China started its 'real-world' CBDC pilot project. Further, it pointed out that "CBDC wallets", a platform where individuals can store and use their digital currencies, could provide new policy tools for authorities, such as a form of stimulus or relief in times of crises. In contrast, it indicated that certain individuals could convert their assets, such as bank deposits, into digital currencies, which may reduce the size of the banks' balance sheets. It added that the shift from banks to digital currencies could lead to a contraction in lending, as well as to an increase in stress scenarios in case of potential bank runs. It stated that risks of the migration of deposits to "CBDC wallets" could increase if interest rates at banks drop to near zero percent. Also, it noted that the use of "CBDC wallets" can result in lower linkages between central banks and the economy, which may increase cybersecurity threats.

Source: Fitch Ratings

OMAN

Agency affirms ratings on four banks, outlook 'negative'

Capital Intelligence Ratings (CI Ratings) affirmed the long-term Foreign Currency Ratings (FCRs) of Bank Muscat, the National Bank of Oman (NBO), and Oman Arab Bank (OAB) at 'BB', and maintained the long-term National Scale Rating of Alizz Islamic Bank at 'omAA'. In addition, it affirmed at 'bb' the Bank Standalone Rating (BSR) of Bank Muscat, NBO, and OAB. It also kept the outlook on all the ratings at 'negative'. The agency indicated that ratings of BM, NBO and OAB are supported by strong capital positions and sound profitability levels. It added that the ratings of BM, OAB and Alizz Islamic Bank are underpinned by a deep base of customer deposits that supports their liquidity position. It stated that the ratings of OAB also reflect the support of its major shareholder the Arab Bank. It noted that the 'negative' outlook on the four banks is in line with the sovereign's outlook and reflects the potential impact of the elevated credit risk environment. It added that the 'negative' outlook shows that it may downgrade ratings by one notch in the next 12 months. The agency considered that the difficult operating environment due to Oman's weaker fiscal position, the anticipated modest economic growth, as well as sizeable Stage 2 loans and the extension of forbearance measures introduced by the Central Bank of Oman, will weigh on the performance of Omani banks.

Source: Capital Intelligence Ratings

JORDAN

Loans up 2% to $41bn in first quarter of 2021

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD29.3bn, or $41.4bn, at the end of March 2021, constituting an increase of 2.4% from JD28.6bn, or $40.4bn, at end-2020 and a rise of 6.1% from JD27.6bn, or $40bn, at end-March 2020. Loans in foreign currency represented 11.8% of the total at end March 2021 relative to 12.6% a year earlier. The resident private sector accounted for 89% of total credit at end-March 2021 relative to 88.8% a year earlier, followed by the central government with 6.3% compared to 6.5% at end-March 2020, the non-resident private sector with 2.2%, public entities with 2.1%, and financial institutions with 0.5%. The distribution of credit by main sectors shows that construction represented JD7.5bn or 25.7% of the total at end-March 2021, up from 25.5% a year earlier, while general trade and public services & utilities accounted for JD4.5bn each, or 15.5% each of the total. Industry followed with JD3.5bn or 12% of the total, then tourism, hotels & restaurants with JD740.3m (2.5%), financial services with JD679.4m (2.3%), agriculture with JD460.6m (1.6%), transportation with JD406m (1.4%), and mining with JD209m (0.7%). In parallel, loans & advances reached JD18.7bn at the end of March 2021, followed by receivables of Islamic banks with JD7.5bn, overdrafts with JD2.8bn, discounted bills with JD190.5m, and credit cards with JD189.7m.

Source: Central Bank of Jordan

TUNISIA

Banks facing substantial risks

Moody's Investors Service considered that the fallout from the COVID-19 outbreak and from the prevailing political inertia will weigh on the performance of banks in Tunisia. It indicated that problem loans accounted for about 13% of gross loans at the end of September 2020, as the ratio reached 17% at state-owned banks and 10% at private banks. It expected the ratio to remain elevated in 2021, as it projected the slow growth in credit and the write-offs of bad debt to be offset by the deterioration in loan performance. Also, it considered that the forbearance measures that authorities took during the pandemic mask the full extent of asset quality problems. It noted that problem loans were concentrated in the tourism, manufacturing, retail and real estate sectors. It anticipated that the regulatory loans-to-deposits ratio cap in local currency of 120% will continue to constrain lending. In addition, the agency said that the banks' Tier One and capital adequacy ratios stood at 10.8% and 13.2%, respectively, at the end of September 2020, compared to the 7% and 10% minimum regulatory requirements, respectively. But it expected the banks' capital metrics to remain constrained due to the large volume of problem loans. Also, it noted that the banks' profitability has been hit by the pandemic shock, with the ratio of net income to tangible assets dropping from 1.6% in 2019 to 0.5% in the first half of 2020. It anticipated the banks' profitability to remain under pressure, mainly due to narrower interest margins, strong competition for deposits amid tight liquidity conditions, and sustained provisioning needs. Further, it pointed out that funding shortages at banks could worsen in case of weaker deposit growth or lower interest rates amid a protracted pandemic.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $80 p/b in fourth quarter of 2021

ICE Brent crude oil front-month prices reached $68.87 per barrel (p/b) on May 27, 2021 compared to a low for the month of $65.11 p/b recorded on May 20. The increase in prices from their monthly low has been driven by economic activity in the U.S. and Europe that are benefiting from a fast vaccine rollout, which supports oil prices. According to the U.S. Energy Information Administration (EIA), the loosening of restrictions on travel and the economic recovery have helped the increase in gasoline demand since the beginning of March and is persisting in April and May 2021. The EIA indicated that weekly demand for motor gasoline reached 9.5 million barrels per day (b/d) on May 21, constituting an increase of 2.5 million b/d relative to the four-week average from the same period in 2020. Moreover, the OPEC+ group will be discussing on June 1 the recent negotiations between Iran and global powers. In parallel, Goldman Sachs indicated that the oil prices were subject to heavy volatility since March of this year as a result of concerns about the pace of the vaccine's rollouts, coronavirus waves in emerging markets, and the return of Iranian oil to the market. It anticipated that the market is pricing the return of Iranian supply by the end of the summer, but considered that the market is underestimating the upcoming rebound in demand. It projected oil prices to average $75 p/b in the third quarter of 2021, $80 p/b in the fourth quarter of 2021, and $75 p/b in 2022.
Source: Goldman Sachs, EIA, Refinitiv, Byblos Research

Gold demand in Middle East down 25% in 2020

Consumer demand for gold in the Middle East region, which includes demand for jewelry as well as for bars and coins, totaled 53.1 tons in the first quarter of 2021, constituting a decline of 5.3% from 56 tons in the same period of 2020. Gold demand in the Middle East accounted for 6.5% of the global consumption of the precious metal in the covered period. Consumer demand for gold in Iran reached 12.1 tons and represented 22.8% of the region's aggregate demand, followed by Saudi Arabia with 11 tons (20.8%), the UAE with 10.7 tons (20.1%), Egypt with 7.9 tons (14.8%), and Kuwait with 4.5 tons (8.5%).
Source: World Gold Council, Byblos Research

ME&A's oil demand to expand by 4.4% in 2021

OPEC projected the consumption of crude oil in the Middle East & Africa to average 12.24 million barrels per day (b/d) in 2021, which would constitute a rise of 4.7% from 11.69 million b/d in 2020. The region's demand for oil would represent 23.7% of demand in non-OECD countries and 12.7% of global consumption this year.
Source: OPEC

Global steel output up 14% in first four months of 2021

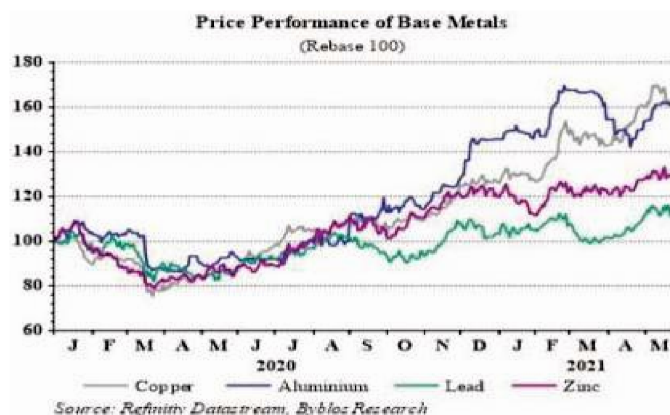
Global steel production reached 662.8 million tons in the first four months of 2021 and increased by 13.7% from about 583 million tons in the same period of 2020. Production in China totaled 374.6 million tons and accounted for 56.5% of global output in the covered period. India followed with 38.2 million tons (5.8%), then Japan with 31.5 million tons (4.8%), the U.S. with 27.3 million tons (4.1%), and Russia with 25.5 million tons (3.8%).
Source: World Steel Association, Byblos Research

Base Metals: Copper prices up 64% in year-to-May 26, 2021 period

LME copper cash prices averaged $8,941 per ton in the year-to-May 26, 2021 period, constituting a rise of 64% from an average of $5,447 a ton in the same period of 2020. Prices reached an all time high of $10,448.5 per ton on May 11 of this year, driven by robust Chinese demand following the Lunar New Year holiday, amid tight supply conditions and falling inventories. In parallel, the latest available figures show that global demand for refined copper was 3.85 million tons in the first two months of 2021, constituting an increase of 1.7% from the same period of 2020, as the 9% growth in Chinese demand more than offset the 6% decrease in demand from the rest of the world. In parallel, global refined copper production grew by 3% to 3.98 million tons in the first two months of the year, as higher output from China, the Democratic Republic of the Congo and Zambia was partially offset by lower production in Brazil, Chile, Japan, Mexico, Russia, Spain and Sweden.
Source: ICSG, Refinitiv, Byblos Research

Precious Metals: Gold prices up 10.5% year-to-date

Gold prices averaged $1,797 per troy ounce in the year-to-May 26, 2021 period, constituting an increase of 10.5% from an average of $1,626.8 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 led to higher investment demand for gold and reinforced the appeal of the metal as a hedge against potential inflationary pressure. Also, gold prices reached $1,904.1 per ounce on May 26, 2021, their highest level since January 7 of this year, supported by a weaker US dollar and a decline in U.S. Treasury yields that reinforced the appeal of the metal as a safe haven. In parallel, Deutsche Bank attributed the recent rise in the price of gold to high inflation rates globally, to weak unemployment data worldwide, as well as to lower real U.S. interest rates and higher investor demand for the metal. It anticipated that expectations of higher inflation rates and the U.S. Federal Reserve's "wait and see" approach to increase interest rates will support prices in the coming months. However, it anticipated that potentially tighter monetary stances globally could weigh on gold prices by the end of 2021. Also, it expected lower imports of gold from Asian countries, including from China and India, to weigh on gold prices in the short term.
Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
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-	Caa1	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 Congo	CCC+	Caa1	-	-	CCC								
	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	Negative	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 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 (%)
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	Stable	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*
*** 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	28-Apr-21	No change	16-Jun-21
Eurozone	Refi Rate	0.00	22-Apr-21	No change	10-Jun-21
UK	Bank Rate	0.10	06-May-21	No change	24-Jun-21
Japan	O/N Call Rate	-0.10	27-Apr-21	No change	18-Jun-21
Australia	Cash Rate	0.10	26-May-21	No change	01-Jun-21
New Zealand	Cash Rate	0.25	14-Apr-21	No change	14-Jul-21
Switzerland	SNB Policy Rate	-0.75	25-Mar-21	No change	17-Jun-21
Canada	Overnight rate	0.25	21-Apr-21	No change	09-Jun-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-May-21	No change	21-Jun-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	27-May-21	No change	15-Jul-21
Malaysia	O/N Policy Rate	1.75	06-May-21	No change	08-Jul-21
Thailand	1D Repo	0.50	05-May-21	No change	23-Jun-21
India	Reverse repo Rate	4.00	07-Apr-21	No change	04-Jun-21
UAE	Repo Rate	1.50	16-Mar-20	No change	N/A
Saudi Arabia	Repo Rate	1.00	16-Mar-20	Cut 75bps	N/A
Egypt	Overnight Deposit	8.25	28-Apr-21	No change	17-Jun-21
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	19.00	06-May-21	No change	17-Jun-21
South Africa	Repo Rate	3.50	20-May-21	No change	22-Jul-21
Kenya	Central Bank Rate	7.00	26-May-21	No change	N/A
Nigeria	Monetary Policy Rate	11.50	25-May-21	No change	27-Jul-21
Ghana	Prime Rate	14.50	22-Mar-21	No change	31-May-21
Angola	Base Rate	15.50	29-Mar-21	No change	28-May-21
Mexico	Target Rate	4.00	13-May-21	No change	24-Jun-21
Brazil	Selic Rate	3.50	05-May-21	Raised 75bps	16-Jun-21
Armenia	Refi Rate	6.00	04-May-21	Raised 50bps	N/A
Romania	Policy Rate	1.25	12-May-21	No change	07-Jul-21
Bulgaria	Base Interest	0.00	03-May-21	No change	01-Jun-21
Kazakhstan	Repo Rate	9.00	26-Apr-21	No change	07-Jun-21
Ukraine	Discount Rate	7.50	15-Apr-21	Raised 100bps	17-Jun-21
Russia	Refi Rate	5.00	23-Apr-21	Raised 50bps	11-Jun-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

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

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