650 ISSUES+
Issue 676 | June 11, 2021

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Travel & tourism contributes to 5% of GDP in 2020

The World Travel & Tourism Council estimated that the tourism sector in the Middle East contributed to 4.9% of the region's GDP in 2020 compared to 8.9% of GDP in 2019. It also estimated that the broad travel & tourism (T&T) sector generated $131.9bn in revenues in 2020, constituting a drop of 51% from $270bn in 2019 as a result of travel restrictions and lockdown measures in response to the COVID-19 pandemic. It noted that the T&T sector's contribution to GDP in the Middle East accounted for 2.8% of the contribution of the T&T industry to global GDP last year. It pointed out that the T&T industry lost 1.2 million jobs in 2020 as it employed 5.69 million persons last year, down by 17.4% from 6.88 million jobs in 2019. As such, the industry accounted for 7.7% of total employment in the Middle East in 2020 compared to a share of nearly 9% in 2019. In parallel, the WTTC estimated the aggregate spending by visitors in the Middle East at $39.5bn in 2020 relative to $133.2bn in 2019, and accounted for 4.3% of the region's exports of goods and services last year compared to 10% in 2019. Also, spending by local visitors on T&T reached $47.2bn in 2020, constituting a decrease of 42.8% from $82.4bn in domestic spending in 2019. Further, leisure spending by visitors in the Middle East totaled $73.4bn in 2020, compared to $177.3bn in 2019; while business spending reached $13.3bn relative to $38.3bn in 2019. In parallel, visitors from Saudi Arabia accounted for 14% of total inbound visitors to the Middle East in 2020, followed by visitors from India with 9%, Pakistan with 5%, Kuwait with 4%, and Egypt with 3%, while visitors from the rest of the world accounted for the remaining 65% in 2020. In parallel, visitors from Turkey accounted for 18% of total outbound visitors from the Middle East, followed by tourists from the UAE with 14%, Saudi Arabia with 13%, Kuwait with 8%, and Egypt with 7%, while travelers from other countries accounted for 40% of the total in 2020.

Source: World Travel & Tourism Council

IPOs down 64% to $294m in first quarter of 2021

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $295m in the first quarter of 2021, constituting a decline of 64% from $814m in the same period of 2020. There were three IPOs in the region in 2021 relative to four public listings in the first quarter of 2020. Capital raised through IPOs in the MENA region accounted for 0.3% of the total capital raised through IPOs worldwide in the covered period, while the number of IPO deals in the region represented 0.7% of the number of global listings in the first quarter of the year. Saudi Arabia's stock market, or Tadawul, accounted for two listings that raised $282m, or 96% of the capital raised through IPOs in the region in the first quarter of 2021. Alkhorayef Water & Power Technologies raised $144m in capital in the first quarter of 2021, constituting the largest listing in the MENA region in the covered period, followed by the floatation of Theeb Rent a Car's shares that raised $138m, and Oman's REIT fund that attracted $13.2m. The three listings were in the transport, power & utilities and real estate sectors.

Source: EY

GCC

Fixed income issuance down 20% to $57bn in first five months of 2021

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $57.2bn in the first five months of 2021, constituting a decrease of 20.4% from $71.9bn in the same period of 2020. Fixed income issuance in the covered period consisted of $26.8bn in corporate bonds, or 47% of the total, followed by $15.6bn in sovereign bonds (27.3%), $7.7bn in sovereign sukuk (13.5%), and $7.1bn in corporate sukuk (12.4%). Further, aggregate bonds and sukuk issued by corporates amounted to $33.9bn in the covered period, or 59.3% of total fixed income proceeds in the region; while aggregate issuance by sovereigns reached $23.3bn, or 40.7% of the total. GCC sovereigns issued $9.6bn in bonds and sukuk in January, $6bn in February, $6.4bn in March, $800m in April, and $500m in May 2021. In parallel, companies in the GCC issued $6.3bn in bonds and sukuk in January, $9.6bn in February, $5.5bn in March, $7.4bn in April, and $5.1bn in May of this year. Sovereign issuance in May consisted of $530.5m in bonds from Bahrain. In parallel, corporate issuance in the covered month included $3.1bn in bonds issued by UAE-based companies, $750m in bond from Oman-based firms, and $700m in bonds issued by Qatar-based companies.

Source: KAMCO

IRAQ

Profits of listed firms down 37% to $60m in first quarter of 2021

The cumulative unaudited pre-tax profits of 68 out of 130 companies listed on the Iraq Stock Exchange totaled IQD87.6bn in the first quarter of 2021, constituting a decrease of 24.6% from IQD116.2bn in the same period of 2020. In US dollar terms, the profits of the listed companies reached $59.8m in the covered period and regressed by 37.2% from $95.3m in the first quarter of 2020. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,219 per US dollar in the first quarter of 2020 to an average of IQD1,464 per dollar in the same period of 2021. Listed telecommunication companies generated $48.3m in profits in the first quarter of 2021, followed by industrial firms with $6.9m, banks with $3.7m, services providers with $0.6m, firms operating in the agricultural sector with $0.4m, and insurers with $0.02m; while firms in the hotel & tourism sector and investment companies posted losses of $0.2m in the covered period. Also, the profits of services providers surged by 82% year-on-year in the first quarter of 2021, followed by the earnings of insurers (+81%), and firms operating in the agricultural sector (+21.8%). In contrast, the profits of banks dropped by 81%, the earnings of firms in the industrial sector decreased by 23.5%, and the net income of listed telecommunication firms declined by 22.6% in the first quarter of 2021. Further, the losses of investment firms regressed by 16% from the first quarter of 2020.

Source: Iraq Stock Exchange

POLITICAL RISK OVERVIEW - MAY 2021

ARMENIA

Border tensions between Armenia and Azerbaijan rose throughout the month of May as Yerevan stated that Azerbaijani soldiers moved towards its southern border, while Baku indicated that its troops were inside Azerbaijan. Further, fighting erupted along the border between the two parties, constituting the most significant escalation of the crisis since the November 2020 ceasefire. In parallel, Prime Minister Nikol Pashinyan called on Azerbaijan to establish a neutral territory between the two countries that international observers or peacekeepers can monitor. Prior to the escalation of border tensions, Russia proposed the formation of a joint demarcation commission to look into the border issues between the two countries.

EGYPT

A Turkish delegation led by Deputy Foreign Minister Sedat Önal visited Cairo to discuss re-establishing diplomatic ties between the two countries. The discussions made progress, but the presence of members of the Islamist opposition group Muslim Brotherhood in Turkey and of Turkish troops in Libya remained obstacles for a full normalization of bilateral relations. The Egyptian Parliament will discuss a draft law that aims to dismiss civil servants suspected of supporting or sympathizing with the Muslim Brotherhood. Several non-governmental organizations considered the bill as "persecution" of the group's members.

ETHIOPIA

Fighting continued between federal government troops and armed forces in the northern Tigray state. The U.S. government announced that it will enforce wide-ranging restrictions on economic and security assistance to Ethiopia over the violence in Tigray, as well as impose visa-restrictions on current or former Ethiopian or Eritrean government officials it deems responsible for the crisis. The UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator warned of a "serious risk of famine" in the Tigray state, and pointed out that access to humanitarian aid has deteriorated since March, as aid operations are being "attacked, obstructed or delayed". The Electoral Commission postponed to June 21, 2021 the already-delayed parliamentary elections that were due on June 5 of this year, citing logistical issues.

IRAN

Iran and the U.S. continued negotiations in Vienna to revive the Joint Comprehensive Plan of Action, as differences between the two parties reportedly narrowed. Tehran continued to increase its nuclear capabilities, with the International Atomic Energy Agency informing its members that Iran's enrichment level has exceeded 63%. Further, maritime tensions between Iran and the U.S. persisted, as more than 12 Islamic Revolutionary Guard speedboats came near six U.S. navy vessels, which led U.S. vessels to fire warning shots. The Guardian Council disqualified many of the 590 candidates for the presidential elections that are scheduled for June 18. The Ministry of Foreign Affairs continued talks with Saudi Arabia, with the goal to resolve the issues that exist between the two countries and to reduce regional tensions.

IRAQ

Unidentified groups fired missiles at U.S.-led coalition troops stationed at the Baghdad Airport, as well as at the Balad and Ain al-Asad airbases. Also, Iran-linked armed groups declared the end of the unofficial truce with U.S. troops due to the "lack of seriousness" from the U.S. about withdrawing its troops from Iraq, and vowed to carry new attacks. In parallel, targeted killings increased, including the assassination of a prominent activist and of an elections candidate, which fueled a climate of fear ahead of the parliamentary elections. As a result, new parties affiliated to the October 2019 movement, which refers to mass protests against the national government, announced their withdrawal from the elections due to fears of persecution.

LIBYA

The United Nations Secretary General indicated that the number of foreign fighters in Libya did not decline since the October 2020 ceasefire agreement, and repeated calls for the withdrawal of all foreign militants from Libya and to stop the violations of the arms embargo. He added that the dissolved UN-backed Government of National Accord and the Arab Libyan Forces reportedly set up military positions on the ceasefire line. In addition, the UN Special Envoy for Libya noted that efforts to revive the strategic road between Misrata City and Sirte City, which is the gateway to the country's oil terminals, stalled. Further, France, Germany, Italy, the United Kingdom, and the U.S. called on local authorities to facilitate the general elections and to agree on a legal and constitutional framework for the elections by July 2021.

SUDAN

The International Monetary Fund announced that it approved a financing plan that would help mobilize resources needed for the Fund to cover its share of debt relief to Sudan; while Prime Minister Abdallah Hamdok said that Sudan has fulfilled all the necessary conditions for debt forgiveness, which would pave way for Khartoum to receive external financing. In parallel, the United Nations voiced "great concern" about the slow pace of unification of the armed forces. Also, the government and the rebel group Sudan People's Liberation Movement-North (SPLM-N), led by Abdel Aziz al-Hilu, resumed peace talks in South Sudan with the aim to integrate the SPLM-N into the transitional government. Further, Sudan held its third joint military exercise with Egypt since November 2020, in anticipation of a possible escalation with Ethiopia amid stalled negotiations on the Grand Ethiopian Renaissance Dam on the Blue Nile river.

SYRIA

The Speaker of Parliament declared on May 27 President Bashar Assad as the winner of the presidential elections with over 95% of the votes, which marks the president's fourth consecutive term. France, Germany, the United Kingdom, and the U.S. labeled the elections as fraudulent. Discontent ahead of the elections led to clashes in the southeastern province of Daraa between former opposition groups and regime forces. Russian airstrikes continued to target suspected Islamic State militants in the central desert of Syria. The intelligence chiefs of Syria and Saudi Arabia met in a possible bid to amend ties between the two countries

TURKEY

The Turkish army targeted militants from the Kurdistan Workers' Party in the southeast part of Turkey, while the army launched air raids and ground operations in the Duhok region of northern Iraq. Also, the Turkish government announced that it will establish a new military base in Iraq's Kani Masi sub-district in Duhok despite the objections of Iraqi authorities. Ties between Turkey and the U.S. remained strained, as senior Turkish officials condemned Israel's military attacks in Gaza; while the U.S. condemned President Erdoğan for "anti-Semitic comments regarding the Jewish people" and called them "reprehensible".

YEMEN

Fighting intensified in the north of the country amid stalled ceasefire talks between the government and Huthi rebels. Government-aligned forces and Saudi-led coalition airstrikes halted a Huthi offensive in the Marib governorate. In parallel, Huthis reportedly supported the nationwide ceasefire on condition that the Hodeida port and Sanaa airport reopen unilaterally. Further, ongoing tensions between the government and the UAE-backed Southern Transitional Council risked jeopardizing the November 2019 Riyadh agreement. In parallel, widespread electricity shortages persisted in the city of Aden, while the depreciation of the Yemeni riyal resulted in higher prices of goods.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Pace of economic recovery to vary across regions

Moody's Investors Service considered that economic activity in emerging markets (EM) is gradually rebounding following the COVID-19 outbreak, but it anticipated the recovery to be uneven across EMs and sectors in the short-term. It projected countries in Asia to have the highest growth rates, despite the recent spike in coronavirus cases in some countries. It expected Latin America and Emerging Europe to follow, while it anticipated economies in the Middle East and Africa to take more time to recover. Also, it considered that prospects of a strong economic recovery in China and the United States will fuel demand for commodities and support the recovery in some commodity producing EMs. However, it anticipated that EM economies that dependent on tourism, or where vaccination rates are still low, will have a protracted recovery compared to their EM counterparts. It also expected output in EM sovereigns to be at risk of financial volatility, with companies and countries that have low liquidity levels to be the most exposed to this risk.

In parallel, the agency indicated that the debt levels of all EM sovereigns have increased as a result of government spending and of lower public revenues as a result of the coronavirus pandemic. It considered that the sustainability of the public debt of EM countries depends on the growth prospects and on the degree of debt affordability of each country. Further, it indicated that the trajectory of worldwide inflation rates will impact the direction of global interest rates, which, in turn, will determine the cost of debt servicing for many EMs. It considered that improving public revenues will be critical for the reduction of the debt level of EM issuers. It noted that 4% of rated EMs have a 'positive' outlook on their ratings as of May 21, 2021, while 32% have a 'negative' outlook, which reflects sustained pressure on the creditworthiness of EM sovereigns. It noted that economies in Sub-Saharan Africa (SSA) have a higher risk of sovereign default than their EM counterparts in other regions, as the capacity of SSA governments to generate revenues is weaker than in other EMs. It expected that good governance practices and sound public policy to be key drivers of the economic recovery, as well as to constitute catalysts for capital flows and investments in EMs going forward.

Source: Moody's Investors Service

QATAR

Economic recovery to be supported by solid fiscal and external balances

S&P Global Ratings indicated that the COVID-19 outbreak and the sharp drop in global oil prices have weighed on Qatar's economy in 2020. It expected economic activity to gradually recover, and projected real GDP to expand by 1.8% this year following a contraction of 3.7% in 2020, supported by higher public and private capital spending, as well as by a pick-up in economic activity in the non-hydrocarbon sector. It anticipated real GDP to grow by 2.2% in 2022, supported mainly by the FIFA World Cup, and forecast growth to decelerate to an average of 1.5% annually in the 2023-24 period, as public investments gradually decline with the near completion of major infrastructure projects. It considered that risks to the outlook include uncertainties about the evolution of the pandemic and the pace of the rollout of the COVID-19 vaccines.

In parallel, the agency projected the fiscal balance to post average surpluses of about 7.2% of GDP annually in the 2021-24 period, in case oil prices average $60 per barrel (p/b) in 2021 and 2022 and $55 p/b in 2023 and beyond. Also, it said that the projections factor in investment income from the assets of the Qatar Investment Authority and lower public capital spending. As such, it forecast the public debt level to decline from 60.3% of GDP at end-2021 to 51.4% of GDP at end-2024. Further, it expected the current account balance to shift from a deficit of 2.5% of GDP in 2020 to an annual surplus of 3% of GDP in the 2021-24 period, in case of higher hydrocarbon receipts and lower imports. It forecast gross external financing needs to rise from an estimated 223% of current account receipts and usable reserves in 2020 to about 260% of current account receipts and usable reserves by 2024, due in part to lower non-resident deposits in the banking sector. But it expected Qatar's overall external position to remain strong, as it forecast the country's external liquid assets at about 178.5% of current account payments in the 2021-24 period.

Source: S&P Global Ratings

PAKISTAN

Economy to rebound sharply from COVID-19 shock, challenges persist

Global investment bank JPMorgan Chase indicated that Pakistan has resumed in March 2021 its $6bn Extended Fund Facility with the International Monetary Fund, after its suspension for nearly a year due to the shock of the COVID-19 outbreak on the economy. It considered that the recalibrated IMF-supported program has boosted investor confidence, but noted that Pakistan continues to face challenges. It projected real GDP to grow by 4.7% in the fiscal year that ends in June 2021 following a contraction of 0.9% in FY2019/20, and for growth to reach 4% in FY2021/22. But it anticipated that new waves of the coronavirus, against a backdrop of low vaccination levels, will pose downside risks to the outlook and could weigh on the authorities' ability to achieve the recalibrated objectives under the IMF-supported program.

In parallel, it indicated that the budget for FY2021/22 targets additional fiscal consolidation, but noted that these measures are less severe than what the authorities initially agreed on with the IMF, as the government aims to stimulate growth. It projected the fiscal deficit to narrow from 7.1% of GDP in FY2020/21 to 5.9% of GDP in FY2021/22, supported by the expansion of nominal GDP and a reduction in capital spending. As such, it forecast the public debt level to decline from 83.9% of GDP at the end of June 2021 to 81.6% of GDP at end-June 2022, and expected external financing to remain a major funding source for the fiscal deficit.

Further, the investment bank anticipated the current account deficit to widen from 0.8% of GDP in FY2020/21 to 2.4% of GDP in FY2021/22, in case of higher imports and lower remittance inflows, and if global commodity prices rise. However, it expected higher foreign investment flows, as well as increased multilateral and bilateral funding to support the overall balance of payments going forward. It forecast foreign currency reserves at the State Bank of Pakistan to increase from $17.4bn at the end of June 2021 to $19.1bn at the end of June 2022, in case of a rise in financial inflows. Also, it anticipated the flexible exchange rate regime to allow the Pakistani rupee to absorb potential external shocks and to accumulate foreign currency reserves.

Source: JPMorgan Chase

ECONOMY & TRADE

WORLD

Trade credit insurance industry has 'intermediate' risk level

S&P Global Ratings considered that the global trade credit insurance sector has an 'intermediate' level of industry and country risk. It indicated that the fallout from the COVID-19 outbreak has significantly affected trade credit insurers, but that various governmental measures and fiscal stimulus extended to the trade credit insurance sector mitigated the pressure from the surge in claims in 2020. It expected the gradual lifting of such measures to have a limited impact on the sector's overall profitability, due to the insurers' proactive review of pricing rates and their underwriting discipline. It added that higher pricing has facilitated the ongoing growth in premiums, despite lower volumes of trade credit insurance from the global economic downturn. The agency indicated that the country risk level of the global trade credit insurance sector is 'low', as most exposures are in Western Europe and North America, which generally have a low or very low country risk level. It pointed out that trade credit insurers are significantly vulnerable to trends in international trade, and that the level of exports and domestic trade receivables drives their activity. Further, S&P considered the industry risk level of the global trade credit insurance sector to be 'intermediate'. It projected the sector's profits to return to their historical levels with the recovery in economic activity, and forecast the sector's combined ratio to decline from 90% in 2021 to 87% in 2022.

Source: S&P Global Ratings

ANGOLA

Economic recovery supported by reforms and fiscal consolidation

The International Monetary Fund indicated that Angola's economy is gradually recovering from multiple shocks, and that the authorities' strong commitment to sound policies under the IMF-supported program has helped the country mitigate the worst effects of the COVID-19 pandemic and to further stabilize the economy. It added that the authorities' ongoing fiscal adjustment is supporting public finances and debt dynamics, and is allowing for higher spending on healthcare and social programs. It noted that the authorities' policy stance is sound, and that they remain committed to the economic program supported by the IMF's Extended Fund Facility. Further, the IMF welcomed the country's decision to request an extension for debt relief under the Debt Service Suspension Initiative until the end of 2021, adding that the government is saving the majority of its oil revenues this year to support the planned rapid reduction in public debt vulnerabilities. In parallel, it noted that the National Bank of Angola (BNA) has shifted its policy stance toward monetary tightening given the prevailing inflationary pressures, and that the BNA should tighten further if inflation does not decelerate significantly. It added that the authorities have appropriately relied on exchange rate flexibility as a shock absorber. It considered that strong growth in the non-oil sector is key for the economic recovery, and called on authorities to maintain the structural reforms momentum. The IMF's Executive Board declared that it has completed the fifth review of the Extended Fund Facility arrangement for Angola and approved the disbursement of $772m, which would bring the total outlays under the arrangement to $3.9bn.

Source: International Monetary Fund

JORDAN

Sovereign ratings affirmed, outlook 'negative'

Fitch Ratings affirmed Jordan's long-term foreign currency issuer default rating at 'BB-', with a 'negative' outlook. It indicated that the rating is supported by a record of gradual fiscal and economic reforms, as well as by resilient domestic and external financing. However, it noted that the rating is constrained by the elevated public debt level, weak growth rates, significant external financing needs, as well as by domestic and regional political risks. It added that the 'negative' outlook reflects the risk that the public debt level may further increase amid an uncertain economic recovery and a difficult social context as a result of the COVID-19 outbreak. It estimated that the public debt level increased from 81% of GDP at the end of 2019 to 91% of GDP at the end of 2020, and expected it to peak by the end of 2021. Also, the agency indicated that it would downgrade the rating in case the authorities fail to stabilize and reduce the public debt level, or if the external debt level increases significantly. However, it pointed out that it could upgrade the rating in case of progress in fiscal consolidation, a return to stable growth, or if the current account deficit narrows. In parallel, in its review of Jordan's sovereign ratings, Moody's Investors Service indicated that the country's 'B1' issuer rating reflects its 'ba1' economic strength, which balances the economy's very weak growth rates in the past 10 years with the country's relatively strong growth potential supported by the authorities' ongoing implementation of structural reforms. Also, it said that the rating takes into account Jordan's institutions and governance strength level of 'baa1', which points to the country's relatively strong institutions and a track record of policy implementation. It added that the country's rating reflects Jordan's fiscal strength level of 'b2', which balances the government's elevated public debt burden against the authorities' commitment to medium-term fiscal consolidation. Further, the agency indicated that Jordan's rating takes into account the country's 'ba' level of susceptibility to event risks, which is driven by political, banking sector and external vulnerability risks.

Source: Fitch Ratings, Moody's Investors Service

IRAQ

Sovereign rating reflects elevated fiscal vulnerabilities and increasing public debt burden

In its periodic review of Iraq's sovereign ratings, Moody's Investors Service indicated that the country's 'Caa1' issuer rating reflects its economic strength score of 'ba2', which balances the economy's relatively large size and ample natural resources against volatility in growth rates, inadequate infrastructure, as well as the lack of economic diversification and competitiveness. Also, it said that the rating takes into account the institutions and governance strength level of 'caa3', which points to significant institutional challenges and very low policy effectiveness. It added that the country's rating reflects the Iraqi government's fiscal strength level of 'ba3' due to its elevated fiscal vulnerability to fluctuations in global oil prices and to the elevated public debt level. Further, the agency indicated that Iraq's rating takes into account the country's susceptibility to event risks, which is driven by Iraq's inherently very high level of political risks.

Source: Moody's Investors Service

WORLD

Basel reforms support banks in crisis

S&P Global Ratings indicated that the regulatory agenda of the Bank of International Settlements' Basel Committee on Bank Supervision over the past 10 years has led to the increase in the banks' capital and liquidity globally, which gave banks the necessary resilience to face the impact of the COVID-19 pandemic on the global economy. It estimated that the capital base of the largest banks around the world has doubled in the past 10 years. It added that the Bank of International Settlements pointed out that the largest 100 banks raised their Common Equity Tier One capital base by 99% to around €1.9 trillion between the end of June 2011 and the end of 2019. It added that direct and indirect systemic support also helped banks weather the shock of the pandemic. It noted that banks received direct support from authorities in the form of liquidity or credit guarantees, in addition to the easing of capital and liquidity requirements, in order to encourage them to keep on lending to their customers. It said that the indirect support was available through fiscal and other measures that the banks' individual and corporate clients received. Further, it considered that the direct and indirect support measures show that regulations are not a substitute for the occasional need for systemic or more-targeted financial aid. But it noted that the banks' operations benefited significantly from the temporary relaxation of a number of prudential rules, in order for them to focus on providing critical services to the real economy. It added that the short-term impact of the new regulations has been positive, as the authorities' actions helped banks navigate the worst part of the downturn, in line with the original intentions of the regulations.
Source: S&P Global Ratings

IMF allocation of SDRs to boost foreign reserves and narrow funding gaps

EFG Hermes indicated that the International Monetary Fund intends to allocate the equivalent of $650bn in direct Special Drawing Rights (SDRs) to its member countries, in order to support their foreign currency reserves and narrow their external funding gaps. SDRs are the IMF's unit of account that is pegged to a basket of currencies. It added that the countries' respective SDR allocations will be based on each member's quota at the IMF, and that member countries have the right to keep the SDRs or to convert them into the five leading global currencies, which are the US dollar, the euro, the Japanese yen, the Chinese yuan and the British pound. It noted that the SDR allocation will not increase the debt level of member countries of the IMF. Further, it pointed out that the IMF allocation will be the largest on record after it earmarked $250bn in SDRs in the wake of the global financial crisis in 2009. In parallel, it noted that Nigeria expects its foreign currency reserves to increase by 10% from a direct allocation of the equivalent of $3.3bn in SDRs, in addition to its planned $3bn Eurobond issuance, which could increase its reserves by 20% to around $40bn. It added that the SDR allocation should raise foreign reserves in Sri Lanka by 18%, and expand reserves in Egypt and Pakistan by 10% each. Further, it stated that a number of small African countries, such as the Democratic Republic of Congo and Zimbabwe, will be the largest beneficiaries of SDR allocations, and anticipated Zambia's foreign reserves to double despite the country's sovereign default.
Source: EFG Hermes

EMERGING MARKETS

Emerging markets ahead of advanced economies in adopting digital currencies

Bank of America indicated that emerging market (EM) economies are more rapidly adopting the use of digital and crypto currencies than developed markets, as countries with the highest adoption rates, trading volume of such currencies, and related mining activity are all EM economies, except for the United States. It added that EMs currently have the most advanced Central Bank Digital Currencies (CBDC) projects globally, including the central banks of China, South Korea, Singapore, South Africa, Thailand and the UAE. Further, it noted that the Bank of International Settlements (BIS) indicated that the Bahamas has the most developed CBDC project for retail uses, while Thailand has the most advanced CBDC project for wholesale usage. Bank of America stated that the BIS expects central banks that represent 20% of the world's population to adopt CBDCs in the next three years. It added that 86% of central banks around the world are exploring the benefits of CBDCs, 60% are conducting experiments, and 14% are moving forward to pilot arrangements. Further, it pointed out that the use of CBDCs in EMs could address the inefficiencies of payment systems, given that bank penetration in EMs is much lower than in developed markets, as well as boost financial inclusion, lower the cost of remittances transfers, raise the transparency of the informal economy, and facilitate cash transfers to the poor. But it said that easier access to digital currencies can shift liquidity away from commercial banks, which can raise the level of macroeconomic volatility in less stable countries. It noted that digital currencies can also increase the volatility of exchange rates in EMs.
Source: Bank of America

GCC

Banks' net profits at $8.4bn in first quarter of 2021

KAMCO indicated that listed banks in Gulf Cooperation Council (GCC) countries posted aggregate net profits of $8.4bn in the first quarter of 2021, constituting an increase of 14.2% from $7.3bn in the same period of 2020, and an expansion of 62% from $5.2bn in the fourth quarter of 2020. It attributed the increase in earnings mainly to the drop by $2.5bn, or by 41%, in loan-loss provisions from the fourth quarter of 2020 to $3.6bn in the first quarter of the year. It added that the rise in profits was partly offset by a decline in revenues, due to the prevailing low interest rate environment. In parallel, it noted that banks in the GCC distributed dividends totaling $8bn for 2020, constituting a decrease of 45.4% from $14.6bn in 2019. It added that 17 banks in the GCC region cancelled their dividend distribution for 2020, mostly due to the impact of the coronavirus on their operating environment. Further, it indicated that the aggregate assets of GCC banks stood at $2.51 trillion (tn) at end-March 2021, as they increased by 1.6% in the first quarter of the year and grew by 11.2% from end-March 2020. Further, it said that aggregate net loans amounted to $1.5tn at end-March 2021, up by 1.8% from end-2020, while customer deposits increased by 2.3% in the first quarter of the year to $1.9tn at the end of March 2021. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC banks regressed from 81.7% at the end of March 2020 and from 80.5% at the end of 2020 to 80.2% at end-March 2021, due to the faster growth of customer deposits than the increase in net loans in the first quarter of 2021.
Source: KAMCO

ENERGY / COMMODITIES

Oil prices to average $65 p/b in 2021

ICE Brent crude oil front month prices reached $72.22 per barrel (p/b) on June 9, 2021, constituting their highest level since touching $72.62 p/b on May 16, 2019. The increase in prices came after the U.S. Secretary of State indicated that, even if the United States and Iran reach an agreement on the Joint Comprehensive Plan of Action, the U.S. will maintain its sanctions on Iran, which could mean that Iranian oil supply may not come to market any time soon. Also, the lifting of coronavirus-related restrictions in the U.S. and Europe has strongly increased demand for fuel. In parallel, the National Bank of Kuwait pointed out that the recent levels of oil prices are underpinned by signs of accelerating growth in global demand compared to limited oil supply due to OPEC's policy of limiting oil output. Further, it noted that prospective investors anticipate oil demand to further increase in June, and considered that the OPEC+ group may then act in order to prevent the supply deficit from increasing and prices from surging. In parallel, the U.S. Energy Information Administration (EIA) forecast global oil production to increase in the coming months in order to match the rising levels of consumption globally. Further, it expected U.S. gasoline consumption to reach 9.1 million barrels per day (b/d) this summer, constituting an increase of 1.3 million b/d from the same period last year. Also. The EIA anticipated OPEC's crude oil production to amount to 26.9 million b/d in 2021 and 28.7 million b/d in 2022. Moreover, it expected oil prices to average $68 p/b in the third quarter of the year, $65 p/b in 2021 and $60 p/b in 2022.
Source: EIA, NBK, Refinitiv, Byblos Research

OPEC's oil basket price up 6% in May 2021

The price of the reference oil basket of the Organization of Petroleum Exporting Countries averaged $66.91 per barrel (p/b) in May 2021, constituting an increase of 5.8% from $63.24 p/b in April 2021. Equatorial Guinea's Zafiro price was at $68.49 p/b, followed by Angola's Girassol at $68.39 p/b, and Gabon's Rabi Light at $68.03 p/b. All prices in the OPEC basket posted monthly increases of between $2.97 p/b and $4.39 p/b in May 2021.
Source: OPEC

OPEC oil output up 1.6% in May 2021

Oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 25.5 million barrels per day (b/d) in May 2021, up by 1.6% from 25.1 million b/d in April 2021. Saudi Arabia produced 8.5 million b/d, or 33.2% of OPEC's total output, followed by Iraq with 4 million b/d (15.6%), the UAE with 2.6 million b/d (10.4%), Iran with 2.5 million b/d (9.6%), and Kuwait with 2.4 million b/d (9.3%).
Source: OPEC

Libya's oil & gas receipts at $6bn in first four months of 2021

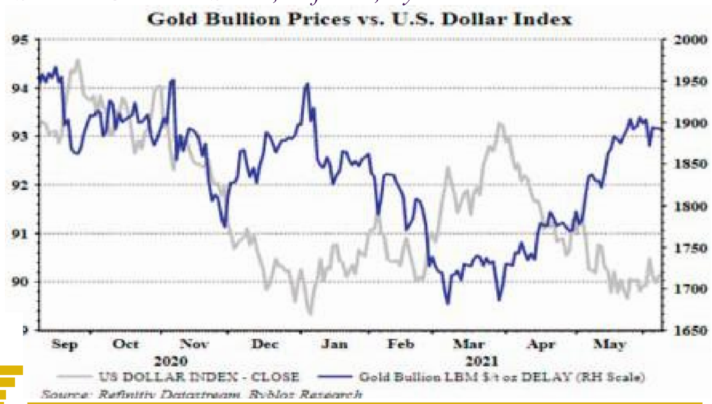
Libya's oil and gas revenues totaled $6bn in the first four months of 2021, constituting an increase of 73.2% from $3.5bn in the same period of 2020. Oil and gas receipts reached $1.3bn in April, constituting a drop of 36% from a record high of $2.1bn in the preceding month and a surge of 25.9 times from $50m in March 2020. The year-on-year increase in Libya's hydrocarbon receipts was mainly due to the lifting of the blockades of several ports and fields in September 2020 and to the recovery of oil prices.
Source: National Oil Corporation, Byblos Research

Base Metals: Zinc prices to average $2,800 per ton in 2021

The LME cash prices of zinc averaged $2,807 per ton in the first five months of 2021, constituting an increase of 36.8% from an average of $2,052 a ton in the same period of 2020. They reached $3,044 per ton on May 27, 2021, their highest level since June 2018, driven mainly by speculations that major smelters in China are reducing output due to a power shortage. Also, increased buying of the metal, improved demand prospects, the rollout of the coronavirus vaccine, and lower inventories supported the rise in zinc prices. In parallel, Citi Research projected demand for refined zinc to increase by 5.5% from 13.3 million tons in 2020 to 14.02 million tons this year, and for the supply of refined zinc to grow by 1.1% from 13.9 million tons last year to 14.05 million tons in 2021. As a result, it forecast the surplus in the zinc market to decrease from 612,000 tons in 2020 to 29,000 tons in 2021. In parallel, Fitch Ratings revised upwards its forecast for zinc prices for the 2021-22 period to take into account lower zinc inventories in the short-term. However, it expected mine production of zinc to increase in the long-term and to catch up with the rising demand for the metal. As such, it projected prices to average $2,800 per ton in 2021 relative to a previous forecast of $2,500 a ton, as well as $2,400 per ton in 2022 compared to an earlier forecast of $2,200 a ton. It also forecast prices to average $2,100 per ton in each of 2023 and 2024, and expected zinc prices to stabilize at this level in the long-term.
Source: Citi Research, Fitch Ratings, Refinitiv, Byblos Research

Precious Metals: Palladium prices at $2,525 an ounce in 2021

Palladium prices averaged $2,571.4 per troy ounce in the first five months of 2021, constituting an increase of nearly 19% from an average of $2,164.5 an ounce in the same period last year. Prices surged to an all-time high of $3,000 per ounce on May 4, 2021 supported by expectations of a rebound in auto sales, as the latter have boosted autocatalyst demand from the automotive industry following weak global automotive demand amid the COVID-19 pandemic. In fact, about 80% of demand for palladium originates from the automotive sector, where the metal is replacing platinum as a key component of pollution-control devices in vehicles. Also, strong demand prospects amid expectations of supply disruptions from Norilsk Nickel, the world's largest palladium producer, as well as tighter pollution controls globally, supported the metal's price. In parallel, Goldman Sachs expected palladium prices to increase in the next three years. It projected prices to rise by 15% from $2,192 per ounce in 2020 to $2,525 an ounce in 2021, and to reach $2,518 per ounce in 2022 and $2,643 an ounce in 2023.
Source: Goldman Sachs, 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-	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	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+								
	Negative	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	01-Jun-21	No change	15-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	09-Jun-21	No change	10-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	04-Jun-21	No change	06-Aug-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	13.50	31-May-21	Cut 100 bps	26-Jul-21
Angola	Base Rate	15.50	29-May-21	No change	29-Jul-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	01-Jun-21	No change	01-Jul-21
Kazakhstan	Repo Rate	9.00	7-Jun-21	No change	26-Jul-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

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