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Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign downgrades at record high of 32 in 2020

Fitch Ratings indicated that it carried out 32 rating downgrades on sovereigns and upgraded the ratings of only two economies in 2020, constituting the highest number of sovereign downgrades in a year. It noted that it made 26 downgrades on emerging market (EMs) sovereigns and lowered the ratings of six sovereigns in developed economies. It pointed out that it took 11 multiple rating downgrades on EM sovereigns, including on Oman, Sri Lanka and South Africa, and did not upgrade sovereigns across EMs or developed economies more than one time. As a result, it noted that the average sovereign rating regressed from 'BBB' in 2019 to 'BBB-' in 2020. It said that the Middle East & Africa region recorded 12 downgrades or 37.5% of total downgrades, followed by Latin America with 10 downgrades (31.3%), Europe with five downgrades (15.6%), Asia Pacific with four downgrades (12.5%), and North America with one downgrade (3.1%). In parallel, Europe registered the only two upgrades on sovereigns in 2020. Further, the agency indicated that a total of five sovereigns defaulted in 2020, up from one default in 2019, constituting the highest number of defaults in a single year. It noted that the sovereign default rate reached 4.2% in 2020 compared to 0.9% in 2019 and to the previous high of 1.8% in each of 2016 and 2017. In addition, the agency pointed out that the absolute degree of rating changes across its rated sovereign portfolio was a negative 4.5% in 2020 relative to a negative of 0.4% recorded in 2019, while the stability rate of the ratings deteriorated from 79% in 2019 to 71% in 2020.

Source: Fitch Ratings

EMERGING MARKETS

Tradable debt up 17% to $34.1tn in 2020

Bank of America indicated that the outstanding tradable debt of emerging markets (EM) reached $34.1 trillion (tn) at the end of 2020, constituting an increase of $5tn, or of 17%, from $29.1tn at the end of 2019. It said that the tradable domestic debt of EMs totaled $29.4tn and the region's external debt amounted to $4.7tn at the end of 2020, with domestic debt growing by 18% and external debt increasing by 9% last year. The distribution of the domestic debt shows that the debt of governments amounted to $14.5tn and accounted for 49.3% of the total, followed by the tradable debt of financial institutions with $8.7tn (29.7%), and the outstanding debt of corporations with $6.2tn (21%). In parallel, the distribution of the external tradable debt of EMs shows that the debt of financial institutions reached $1.8tn in 2020 and represented 38% of the total, followed by government debt with $1.5tn (32.6%), and the debt of companies with $1.4tn (29.3%). Regionally, Asia's tradable debt amounted to $26.1tn in 2020 and represented 76% of the total, followed by the debt of Latin America with $4.2tn (13%), Africa & the Middle East with $1.9tn (6%), and Emerging Europe with $1.8tn (5%). Further, it pointed out that the outstanding debt of EMs accounted for 23% of the tradable debt globally in 2020 compared to 22.1% in 2019, with EM domestic debt representing 23% of the domestic debt worldwide and the external debt of EMs accounting for 21% of the global external debt.

Source: Bank of America

AFRICA

Travel & tourism contributes 4% of regional GDP in 2020

The World Travel & Tourism Council (WTTC) estimated that the broad travel and tourism industry in North Africa contributed 4.2% of the country's GDP in 2020, down from a contribution of 8.3% of GDP in 2019. It also estimated that the travel and tourism sector generated $29.6bn in output in 2020, constituting a drop of 53.7% from $63.9bn in 2019 due to the steep decline in tourism activity as a result of travel restrictions and lockdown measures in response to the COVID-19 pandemic. The estimates represent the direct, indirect and induced impacts of the industry on economic activity. It pointed out that the travel and tourism industry in North Africa lost 1.6 million jobs last year, as it employed 3.26 million persons in 2020, constituting a decline of 32.6% from 4.83 million jobs in 2019. As such, the industry accounted for 6.3% of total employment in the region in 2020 compared to a share of 9.1% in 2019. The WTTC estimated the aggregate spending by international visitors in North Africa at $9bn in 2020 relative to $28.9bn in 2019, and accounted for 7.1% of the region's exports of goods and services last year compared to 14.4% in 2019. Also, spending by local visitors on travel and tourism reached $15.4bn in 2020, constituting a decrease of 44% from $27.6bn in domestic spending in 2019. Further, spending on leisure in North Africa reached $20.4bn in 2020 compared to $47.6bn in 2019; while spending related to business activities declined from $8.8bn in 2019 to $4bn in 2020.

Source: World Travel & Tourism Council

GCC

Corporate earnings at $40bn in first quarter of 2021

The net income of listed companies in the Gulf Cooperation Council (GCC) countries reached $40bn in the first quarter of 2021, constituting a rise of $13.2bn, or of 49.2%, from $26.8bn in the same period of 2020. Listed companies in Saudi Arabia generated $29.3bn, or 73.3% of total corporate earnings in the GCC in the first quarter of 2021, followed by listed firms in Abu Dhabi with $3.4bn (8.5%), in Qatar with $3bn (7.5%), in Dubai with $2bn (5%), in Kuwait with $1.3bn (3.4%), in Bahrain with $618.5m (1.5%), and in Oman with $465.6m (1.2%). Further, the earnings of listed firms in Kuwait jumped by three times, or by 198%, from the first quarter of 2020, followed by listed companies in Bahrain (+102.5%), in Abu Dhabi (+82.2%), in Saudi Arabia (+47%), in Qatar (+30%), in Dubai (+23.1%), and in Oman (+21%). In parallel, the earnings of listed firms in the GCC energy sector reached $21.4bn and accounted for 53.4% of total corporate earnings in the first quarter of 2021, followed by the profits of listed banks with $8.5bn (21%), companies in the materials sector with $3.5bn (8.6%), telecommunications firms with $2.2bn (5.4%), utilities firms with $940m (2.4%), the real estate sector with $900m (2.3%) food, beverages & tobacco companies with $670m (1.7%), and capital goods firms with $650m (1.6%). The income of the energy sector expanded by $4.6bn in the first quarter of 2021, followed by the profits of banks (+$1.2bn), the earnings of food, beverages & tobacco companies (+$400m), and the income of the real estate sector (+$310m).

Source: KAMCO

OUTLOOK

AFRICA

Pace of economic recovery to vary across region

S&P Global Ratings anticipated that the economy of Sub-Saharan Africa (SSA) will be among the world's slowest growing regions in 2021. It projected the five key SSA economies, which are Ethiopia, Ghana, Kenya, Nigeria and South Africa, to grow by an average of 2.7% in 2021 and by 3.1% in 2022. It considered that downside risks to the growth outlook mainly include a subdued global economic recovery, adverse agricultural conditions, and low vaccination rates against the coronavirus. It projected the aggregate nominal GDP of the five economies to be 6.6% smaller by 2024 than the pre-pandemic long-run forecast.

On a country basis, it anticipated Ethiopia's real GDP to expand by 0.7% in the fiscal year that ends in June 2021 and by 5.1% in FY2021/22, while it expected economic activity in Ghana to grow by 4.5% this year and by 5.1% in 2022. In addition, it forecast real GDP growth in Kenya at 4.4% in 2021 and 5.4% next year. Further, it projected economic activity in Nigeria to expand by 1.9% this year and by 2.2% in 2022, while it anticipated real GDP in South Africa to grow by 3.6% in 2021 and by 2.5% next year, following a contraction of 7% in 2020.

In parallel, the agency considered that the economic recovery across the SSA region will vary significantly among countries. It anticipated that tourism-reliant countries will struggle to restore visitor numbers to 2019 levels at least until the pandemic fades, which would weigh on their economic activity in 2021. Also, it expected SSA countries that rely on the exports of oil and metals to benefit from higher global commodity prices. Further, it expected countries that had the strongest pre-pandemic growth rates to continue to outperform their regional peers by returning to growth rates of more than 5% by 2022 or 2023.

Source: S&P Global Ratings

SAUDI ARABIA

Non-hydrocarbon activity to grow by 3.8% in 2021 and 2022

The Institute of International Finance projected real GDP growth in Saudi Arabia at 1.9% in 2021 following a contraction of 4.1% in 2020, as the response measures of Saudi authorities to the COVID-19 outbreak mitigated the impact of the pandemic on the economy. It expected real hydrocarbon GDP to retreat by 0.7% this year relative to a contraction of 6.7% in 2020, due to more limited oil production cuts under the OPEC+ agreement. Also, it anticipated non-oil real GDP to expand by 3.8% in 2021 following a contraction of 2.2% last year, mainly due to the recovery in domestic demand and the ongoing large projects that the Public Investment Fund is financing. It expected the rebound in economic activity to accelerate in the second half of this year, as COVID-19 vaccines become widely available in the country and the second wave of the pandemic recedes. It forecast economic activity to expand by 4.7% in 2022, as it expected real hydrocarbon GDP to grow by 6.2% and for activity in the non-oil sector to expand by 3.7% next year. Further, it anticipated the average inflation rate at 3.1% in 2021, mainly due to the increase in the value-added tax rate from 5% to 15% in 2020 and a substantial increase in global non-fuel commodity prices.

In parallel, the IIF indicated that the 2021 budget includes significant fiscal consolidation measures, as authorities are planning to reduce public expenditures by 6% this year. However, it anticipated spending cuts to be limited to 3% in 2021, as it expected oil prices to average $64 per barrel (p/b) this year. As such, it projected the fiscal deficit to narrow from 11.2% of GDP in 2020 to 2.3% of GDP in 2021, driven by a 9% increase in non-oil revenues and a 38% rise in oil receipts. It projected the public debt level to slightly decline from 32.5% of GDP at end-2020 to 32% of GDP at end-2021. Further, it forecast the current account balance to shift from a deficit of 2.8% of GDP in 2020 to a surplus of 3.2% of GDP in 2021, in case of higher oil export receipts. It expected a rise of $10 p/b in oil prices to increase Saudi oil exports by $32bn and improve the current account balance by 4.7% percentage points of GDP. It anticipated non-resident capital inflows to reach $50bn in 2021, driven by portfolio inflows and a modest improvement in foreign direct investments. It forecast foreign currency reserves at the Saudi Central Bank to slightly decline from $453bn at end-2020 to $451bn at the end of 2021.

Source: Institute of International Finance

TURKEY

Real GDP growth at 5.8% in 2021, outlook subject to significant uncertainties

The International Monetary Fund indicated that the COVID-19 outbreak has significantly weighed on the Turkish economy. However, it considered that the economic recovery has been "exceptional", supported mainly by significant interest rate cuts, administrative and regulatory credit incentives, higher lending by state-owned banks, and extensive liquidity support. It projected real GDP to expand by 5.8% in 2021, following a growth rate of 1.8% in 2020, mainly as a result of a pickup in economic activity in the second half of 2020. It forecast real GDP growth to stabilize at 3.3% in 2022 onwards. It considered that the growth outlook is subject to substantial uncertainties, and that domestic risks include the premature adjustment of monetary and credit policies. It added that external risks consist of interest rate increases in advanced economies, higher global risk aversion to emerging markets, and adverse geopolitical developments. Also, it projected the inflation rate to rise from an average of 12.3% in 2020 to 16.9% in 2021 due to exchange rate pass-through effects, higher commodity prices, and the latest hike in minimum wages.

In parallel, the IMF projected the fiscal deficit to widen to about 5% of GDP in 2021, as it anticipated authorities to have a looser fiscal stance given past slippages relative to initial fiscal targets. It called on authorities to provide the equivalent of 1% of GDP in additional targeted and temporary support in 2021 for pandemic-related needs. It forecast the public debt level to rise from 40.2% of GDP at end-2021 to 46.5% of GDP at end-2026, and urged authorities to commit to a credible fiscal consolidation plan in order to lower the public debt level. Further, it projected the current account deficit to narrow from 5.1% of GDP in 2020 to 2.7% of GDP in 2021, in case of higher export receipts and amid a weaker exchange rate and stronger growth in trading partners. It anticipated Turkey's gross external financing needs to average annually 24.2% of GDP in the 2021-26 period, which would expose the economy to liquidity risks, given the low level of international reserves. It forecast international reserves to decline from $93.3bn at end-2020 to $70.3bn by the end of 2026.

Source: International Monetary Fund

UAE

Solid buffers mitigate global shocks

S&P Global Ratings indicated that the Emirate of Abu Dhabi's long- and short-term foreign and local currency sovereign credit ratings of 'AA/A-1+' reflect its government's exceptionally solid balance sheet, which constitutes a buffer against the volatility in global oil prices as well as against the impact of the COVID-19 outbreak on economic growth and on the country's fiscal and external positions. However, it said that the ratings are constrained by the centralization of Abu Dhabi's decision-making processes, limited monetary policy flexibility, as well as by the underdeveloped local currency bond market. It noted that the 'stable' outlook on the long-term ratings reflects the agency's expectations that Abu Dhabi's fiscal position will remain strong in the next two years despite the pressure from lower oil prices. Further, S&P indicated that it would upgrade the ratings if authorities step up efforts to implement institutional reforms, and improve data transparency and the effectiveness of monetary policy. It added that it could downgrade the ratings in case of a significant deterioration in Abu Dhabi's strong government balance sheet and net external asset position, and in case contingent liabilities materialize and result in the decline of the emirate's liquid assets to less than 100% of its GDP. In parallel, Fitch Ratings affirmed the long-term foreign currency issuer default rating of the Emirate of Ras Al Khaimah at 'A', with a 'stable' outlook. It indicated that the ratings are supported by the emirate's membership in the United Arab Emirates, a low public debt burden, a recent record of prudent fiscal management, and high GDP per capita. It noted that the small size of the economy and weaknesses in the policy framework constrain Ras Al Khaimah's ratings.

Source: S&P Global Ratings, Fitch Ratings

JORDAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Jordan's long-term foreign and local currency ratings at 'B+', with a 'stable' outlook. It said that the ratings are supported by an adequate level of foreign currency reserves and by a sound banking system, but are constrained by the elevated public debt level, regional instability risks, and significant socioeconomic challenges. It considered that the renewed commitment of external donors to extend financial assistance to Jordan supports the sovereign's credit profile. However, it expected economic activity to rebound gradually following the COVID-19 outbreak, and for fiscal and external pressures to remain elevated in the next 12 months. It projected the fiscal deficit to narrow from 8.9% of GDP in 2020 to 7.5% of GDP in 2021, in case of an increase in tax revenues and despite higher public spending. It forecast the public debt level to rise from 88% of GDP at the end of 2020 to about 92% of GDP in the next two years, and anticipated that a sharper-than-expected deterioration in the public debt's metrics will pose risks to the ratings. Further, it considered the chronic current account deficits as a key external liquidity risk, as the economy relies on large financial inflows. In parallel, the agency said that it could revise the outlook to 'positive' in case the government succeeds in placing the public debt level on a downward trajectory, while it could downgrade the ratings if regional or domestic instability increases substantially or if public finances deteriorate.

Source: Capital Intelligence Ratings

BAHRAIN

External funding needs at $12bn to $14bn in 2023-24 period

Deutsche Bank expected Bahrain's real GDP to grow by 2% in 2021, following a contraction of 5.8% in 2020, supported by the positive impact of the government's stimulus package, the rapid rollout of the coronavirus vaccine, and in case of a surge in tourism spending and in investments. It considered that domestic political constraints and risks from social discontent could weigh on the governments' ability to implement fiscal reforms. It projected the fiscal deficit to narrow from 12.8% in 2020 to 6% of GDP in 2021, mainly supported by higher global oil prices and a recovery in non-oil receipts. It forecast the public debt level to exceed 100% of GDP until at least 2023, and anticipated debt servicing costs at 20% of total current expenditures by 2022. In parallel, it projected the current account deficit to narrow from 9.5% of GDP in 2020 to 4% of GDP in 2021, in case of higher oil and tourism receipts. It expected the Eurobonds that Bahrain issued earlier this year, along with additional support from Gulf Cooperation Council (GCC) peers in the second half of 2021, to support foreign currency reserves. But it anticipated foreign currency reserves to fall short of adequate levels starting in 2022, given rising external debt repayments and in case of lower support from the GCC. Further, it forecast the country's external financing needs to exceed $2.8bn in 2021, and at between $12bn and $14bn in the 2023-24 period. It expected the country's weak external position to significantly weigh on the peg of the Bahraini dinar to the US dollar.

Source: Deutsche Bank

CÔTE d'IVOIRE

Economic growth to reach 6% in 2021

The International Monetary Fund estimated Côte d'Ivoire's real GDP growth rate at 2% in 2020, supported by activity in the primary and the tertiary sectors. Also, it estimated the fiscal deficit at 5.6% of GDP in 2020, which is lower than it previously anticipated due to a higher-than-expected increase in revenues. It pointed out that Côte d'Ivoire has successfully faced the COVID-19 pandemic mainly as a result of the authorities' rapid policy response, and international support. It noted that that a comprehensive health, economic, social and humanitarian response package was put in place to contain the spread of the coronavirus, as well as to support firms and households, and to distribute the COVID-19 vaccine. In parallel, the IMF considered that the macroeconomic outlook is robust but that risks persist, and projected economic growth at 6% in 2021. But it added that the inflation rate is currently increasing due to supply disruptions and to electricity shortages. Further, the IMF encouraged the authorities to implement the National Development Plan 2021-25, which would enhance medium-term investment and growth prospects. It stated that it agreed with the Ivorian authorities on the importance of increasing domestic revenues through giving good reason for tax exemptions, broadening the tax base, and strengthening the tax administration. It added that such measures would support growth, preserve macroeconomic and debt stability, and improve the country's capacity to face potential shocks. Further, the IMF reiterated the need for Côte d'Ivoire to converge towards the Western Africa Economic and Monetary Union's fiscal deficit target of 3% of GDP by 2023.

Source: International Monetary Fund

BANKING

EMERGING MARKETS

Rise in interest rates to be credit positive for banks

Moody's Investor Service indicated that the COVID-19 outbreak has weighed on the net interest margins of banks around the world in 2020, due to the authorities' extraordinary fiscal and monetary measures to mitigate the fallout from the pandemic. It pointed out that the banks' net income regressed from 0.8% of their average assets in 2019 to 0.6% of their average assets in 2020 while the net interest margin of rated banks narrowed from an average of 1.85% in 2019 to 1.75% in 2020. In parallel, it noted that the economic recovery and the expectations of global inflationary pressures could lead to a gradual increase in interest rates globally. It considered that the impact of rising global interest rates would be credit positive for banks in emerging markets (EMs), as it would result in wider interest margins. But it pointed out that inflationary pressures and higher funding needs in EM economies would limit the ability of central banks in the region to maintain a loose monetary stance. It added that higher interest rates would weigh on the asset quality of banks in countries that rely significantly on capital flows, which may outweigh the benefits of wider margins from higher interest rates.

Source: Moody's Investor Service

NIGERIA

Banks' operating environment to affect sector's prospects

S&P Global Ratings anticipated the growth prospects of Nigerian banks to be subdued in 2021 and expected weak economic fundamentals to constrain lending to the private sector, which it forecast to grow by 5% through 2022. It noted that the banking sector is exposed to short credit cycles and high credit risks because of Nigeria's reliance on oil, as well as to the country's sensitivity to the depreciation of the currency and to high inflation rates. It indicated that the Debt Service Reserve Account, which repays customer loans for three to six months when the debt servicing capacity of borrowers declines, has helped banks weather the impact of the COVID-19 outbreak on the sector. Still, it noted that restructured loans surged from 10% of total loans in 2019 to between 20% to 25% in 2020. It said that the NPLs ratio stood at 6.1% at the end of 2020 due to regulatory forbearance measures, and projected the ratio to rise to double digits in 2021 as authorities lift regulatory measures. Also, it forecast credit losses at between 2% and 2.5% in the 2021-22 period compared to 1.5% in 2020. In parallel, the agency considered that most Nigerian banks have gradually overcome their short-term foreign currency liquidity shortages following the introduction of the NAFEX window in April 2017. It also forecast the sector's external liabilities to remain manageable at approximately 13% of total loans in 2021. In addition, S&P anticipated that higher credit impairments and levies to mitigate the deterioration in asset quality will weigh on the banks' earnings in 2021. Further, it expected the banks' funding profile to continue to support their net interest margins, despite the cut in interest rates last year. It projected the sector's average return on equity to decline from nearly 19% in 2020 to about 16% in 2021, and for the return on average assets to drop to below 2% this year. It did not expect that the rated Nigerian banks will breach the minimum regulatory capital ratios following the recent devaluation of the Nigerian naira.

Source: S&P Global Ratings

GCC

Basel III rules to have limited impact on banks

Fitch Ratings indicated that the implementation of the Basel III rules on emerging market (EM) banks starting in 2023, which will exclude sovereign support to banks from their credit ratings under the revised standard approach, would make debt issued by banks in the Middle East and Asia less attractive than the debt of their counterparts in other EM regions. It noted that the sovereign support for banks has a tendency to be higher for EM banks than for their counterparts in developed economies, and that that the ratings of banks in the U.S. and in Europe are no longer driven by the level of sovereign support. In parallel, the agency did not expect that the implementation of the Basel III rules will have a negative impact on banks in the Gulf Cooperation Council (GCC) countries, given their low reliance on interbank borrowing. It said that deposits are the main source of funding for banks in the GCC. It added that 93% of the funding of Saudi banks originates from resident deposits, followed by Kuwaiti banks with 86%, UAE banks with 71% and Qatari banks with 54%. Also, it noted that banks in the GCC have minimal trading book activities and that their bilateral counterparty credit risk positions are not significant. It added that banks in the region tend to carry out their repurchasing agreements with their respective central banks. Further, it pointed out that the cost of funding from bond issuance by GCC banks could slightly rise due to the capital increases that the Basel III agreement requires. But it considered that the cost increase will not have an impact on the banks' earnings, as macroeconomic events in the region tend to have a more significant influence than the Basel III rules on the banks' plans to issue bonds.

Source: Fitch Ratings

EGYPT

Banks' interest margins to come under pressure in 2021-2022 period

Fitch Ratings expected the net interest margins (NIMs) of Egyptian banks to narrow in the 2021-2022 period, driven by cuts in policy rates, fluctuations in the yields of Egypt's sovereign debt, and changes in the structure of the banks' balance sheets. It indicated that the banking sector's NIM was wide in 2020 and reached 4.1% despite the Central Bank of Egypt's (CBE) reductions of policy rates by 400 basis points (bps) to 8.75% in 2020. It added that the banks' NIMs were supported by yields of 13% on 90-day Treasury bills in 2020, in order to attract foreign portfolio investors. It anticipated the sector's NIM to remain wide in a scenario whereby the CBE decides to cut its policy rate by an additional 50 to 150 bps and sovereign yields remain at the same level, since sovereign yields represent 65% of the sector's total interest income. In contrast, it projected NIMs to regress by 70 bps, in case policy rates and sovereign yields decrease by 50bps to 150 bps and if yields on Treasury bills decline by 150 bps. Further, the agency forecast the banks' NIMs to decline by up to 90 bps, in case the ratio of the holdings of sovereign securities held by banks relative to their total assets regresses by 5 percentage points (ppts) to 15 ppts, and policy rates and yields remain at the same level. Also, it indicated that a change in the structure of the banks' balance sheets, as well as a drop in yields and of policy rates, could lead to a contraction in the banks' NIMs by 170 bps.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $73 p/b and $69 p/b in third and fourth quarters of 2021

ICE Brent crude oil front month prices reached $74.39 per barrel (p/b) on June 16, 2021, constituting their highest level since touching $74.57 p/b on April 24, 2019. The increase in prices came after the U.S. Energy Information Administration indicated that refining utilization increased to 92.6% in June, constituting its highest level since January 2020, and that oil exports continue to be robust due to improving demand worldwide. Further, Goldman Sachs pointed out that the rebound in oil demand and the slow progress in negotiations over Iran's Joint Comprehensive Plan of Action led oil prices to continue to increase as anticipated. It said that that the rising rates of COVID-19 vaccinations, in addition to the economic recovery in Europe and the United States, led global oil demand to reach an estimated 96.5 million barrels per day (b/d) in May 2021. It expected the recovery in oil demand to persist and to reach 99 million b/d in August 2021, as demand for jet fuel is projected to increase during the summer. On the supply side, Goldman Sachs did not expect the return of Iranian oil to the market to materialize before the coming fall, and noted that shale oil production is steadily increasing and that the OPEC+ coalition is being cautious in ramping up oil output. As such, it expected oil prices to reach $80 p/b this summer. In parallel, Citi Research projected oil prices to average $73 p/b in the third quarter of 2021, $69 p/b in the fourth quarter, and $68 p/b in 2021 in its base case scenario.

Source: EIA, Goldman Sachs, Citi Research, Refinitiv, Byblos Research

Angola's oil export receipts up 39% to $666m in May 2021

Oil exports from Angola reached 35.1 million barrels in May 2021, constituting a decrease of 1.3 million barrels (-3.7%) from April 2021 and a decline of 5.9 million barrels (-14.4%) from the same month in 2020. The country's oil export receipts totaled KZ434.7bn or $666m in May 2021, and increased by 38.8% from KZ313.2bn ($487.7m) in April 2021. They grew by 93% from KZ225.3bn ($398.8m) in May 2020.

Source: Angola's Ministry of Finance

ME&A's oil demand to expand by 5% in 2021

OPEC projected the consumption of crude oil in the Middle East & Africa to average 12.2 million barrels per day (b/d) in 2021, which would constitute a rise of 4.9% from 11.63 million b/d in 2020. The region's demand for oil would represent 23.5% of demand in non-OECD countries and 12.6% of global consumption this year.

Source: OPEC

MENA's natural gas output to grow by 4% in 2021

Natural gas production in the Middle East & North Africa region is forecast to average 15.6 million barrels of oil equivalent per day (boe/d) in 2021, which would constitute an increase of 3.8% from 15 million boe/d in 2020. The GCC countries' natural gas output would account for 64.1% of the region's gas production this year. Qatar's natural gas output is projected at 4.59 million boe/d in 2021, equivalent to 29.5% of the region's gas production, followed by Iran at 3.99 million boe/d (25.7%) and Saudi Arabia at 2.47 million boe/d (16%).

Source: International Monetary Fund, Byblos Research

Base Metals: Nickel prices up 40% in first five months of 2021

The LME cash prices of nickel averaged $17,339 per ton in the first five months of 2021, constituting a rise of 39.6% from an average of $12,418 a ton in the same period of 2020. Prices fell from a recent high of $19,661 per ton on February 24, 2021, to $18,078 per ton on May 31, 2021, as Chinese regulators threatened to take measures against speculators who are manipulating the market and against hoarders of the metal. In parallel, Citi Research projected demand for refined nickel to increase by 11.1% to 2.68 million tons in 2021, and for the supply of refined nickel to grow by 6.5% to 2.73 million tons this year. As a result, it forecast the surplus in the nickel market to decrease from 151,000 tons in 2020 to 49,000 tons in 2021. Further, Fitch Ratings revised upwards its forecast for nickel prices for the 2021-22 period to take into account the short-term robust demand from producers of stainless steel, which consumes a large amount of nickel, and which it expected to moderate in the medium term. It projected prices to average $16,500 per ton in 2021 relative to a previous forecast of $15,000 a ton, as well as $15,000 per ton in 2022 compared to an earlier forecast of $14,000 a ton. It also forecast prices to average $14,000 per ton in each of 2023 and 2024, and expected nickel prices to stabilize at $15,000 a ton in the long-term.

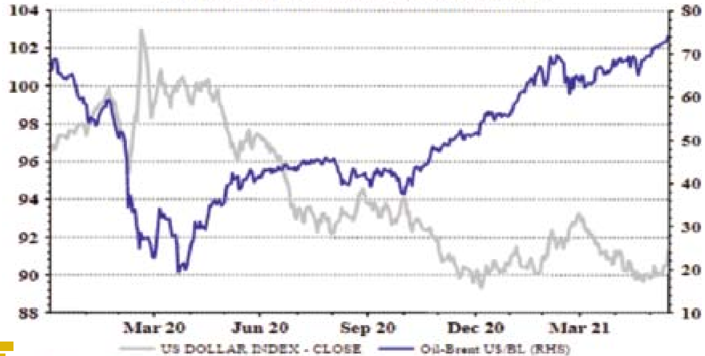
Source: Citi Research, Fitch Ratings, Refinitiv, Byblos Research

Precious Metals: Silver prices projected at $28.2 per ounce in 2021

Silver prices averaged $26.4 per troy ounce in the first five months of 2021, constituting an increase of 60.7% from an average of $16.4 an ounce in the same period last year. The rise in the metal's price is mainly due to a surge in inflation rates globally, which has reinforced the appeal of the metal as a hedge against inflation and as a cheaper alternative to gold. In parallel, the Silver Institute forecast the global supply of silver to increase by 8.2% from 976.2 million ounces last year to 1,056 million ounces in 2021, while it projected worldwide demand for the metal to rise by 15.3% from 896.1 million ounces in 2020 to 1,033 million ounces this year. It expected global jewelry demand, as well as industrial and investment demand for silver, to increase, which would offset the projected rise in mine production and the supply of silver scrap. It anticipated silver prices to benefit from its value as a precious metal as well as from its uses as an industrial material as the global economy start to recover from the COVID-19 outbreak this year. In parallel, Goldman Sachs projected prices to rise by 37% to $28.2 an ounce in 2021, and to reach $23.5 per ounce in 2022 and $22.2 an ounce in 2023.

Source: The Silver Institute, Goldman Sachs, Refinitiv, Byblos Research

Brent Oil Prices vs. U.S. Dollar Index



Source: Refinitiv Datastream, 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 (%)
	LT Foreign currency rating												
Africa													
Algeria	- -	- -	- -	- -	B+ Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+ Stable	Caa1 Stable	CCC -	- -	CCC Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	B- CWN**	Caa1 RfD***	CCC -	-	B+ Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B- Stable	B3 Negative	B Stable	- -	BB- Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Stable	B+ Positive	- -	B+ Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	CCC Negative	-	-	-	-	-	-	-	-
Dem Rep Congo	CCC+ Stable	Caa1 Stable	- -	- -	CCC Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Negative	BB+ Stable	- -	BBB Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B2 Negative	B Stable	- -	B- Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	CC Negative	-	-	-	-	-	-	-	-
Tunisia	- -	B3 Negative	B Negative	- -	B+ Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	B+ Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+ Negative	B2 Negative	B+ Stable	BB- Negative	B+ Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Negative	B- Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Negative	- -	CC+ Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	B+ Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	AA- Negative	A1 Stable	AA Negative	AA- Negative	AA- 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+ Stable	Ba3 Negative	BB- Negative	BB Negative	BB- Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Stable	A1 Negative	A Negative	A+ Stable	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	AA- 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	-	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	0.25	16-Jun-21	No change	7-Jul-21
Eurozone	Refi Rate	0.00	10-Jun-21	No change	23-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	6-Jul-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	5-Jul-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	17-Jun-21	No change	24-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	4.25	05-May-21	Raised 75bps	21-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	17-Jun-21	Raised 100bps	22-Jul-21
Russia	Refi Rate	5.50	11-Jun-21	Raised 50bps	23-Jul-21

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