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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Nearly all surveyed chief risk officers consider credit risk as their top priority

In their 11th annual survey on the traditional and emerging risks facing banks, EY and the Institute of International Finance indicated that 98% of participating chief risk officers (CROs) view credit risks as the most important risk for banks in the next 12 months. It added that 80% of surveyed CROs view cybersecurity risk as an issue that will require attention in the next 12 months, followed by climate-change risk (49%), risks related to transitioning to a digital strategy and to operational resilience (33% each), the implementation of regulatory rules/supervisory expectations and operational risks (31% each), financial modeling risks (27%), employee-related risks (22%), investment risks (20%), stress testing (18%), liquidity and technology architecture risks (16% each), as well as geopolitical risks and the differences between the banks' culture, behaviors and values (14% each). In parallel, the survey pointed out that 73% of CROs believe that their respective board of directors see credit risk as a priority in the next 12 months. Also, 71% of surveyed CROs believe that their board of directors consider cybersecurity risks to be an issue in the next 12 months, followed by the risks related to transitioning to a digital strategy (47%), climate change risk and risks related to the shortcomings of the business framework (37% each), investment risks (35%), operational resilience risks (31%), reputational risk and the implementation of regulatory rules/supervisory expectations (24% each), geopolitical risks, capital allocation risks and the risks related to the differences between the banks' culture, behaviors & values (22% each), employee-related risk and conduct risk (20% each), and financial modeling risks (16%). The survey was conducted between November 2020 and January 2021 and covered 62 financial institutions from 33 countries.

Source: EY, Institute of International Finance

QATAR

Profits of listed firms up 31% to $3bn in first quarter of 2021

The net income of 48 companies listed on the Qatar Stock Exchange totaled QAR11bn, or $3bn, in the first quarter of 2021, constituting an increase of 30.5% from QAR8.4bn, or $2.3bn, in the same period of 2020. Banking & financial services providers generated net profits of $1.7bn in the first quarter of the year and accounted for 57.4% of the earnings of publicly-listed firms. Industrial companies followed with $701m, or 23.2% of the total, then transportation firms with $184m (6.1%), consumer goods & services providers with $125.9m (4.2%), real estate companies with $107.2m (3.6%), insurers with $94m (3.1%), and telecommunication companies with $71.2m (2.4%). Further, the net earnings of listed industrial companies grew by 223% in the first quarter of 2021, followed by providers of consumer goods & services (+28.4%), real estate firms (+11.1%), transportation companies (+9.6%), and banking & financial services providers (+5.6%). In contrast, the net income of listed telecommunication firms dropped by 40.4% from the first quarter of 2020. Also, earnings of insurers switched from aggregate losses of $102.8m in the first quarter of 2020 to profits of $342m in the same period of 2021.

Source: KAMCO

MENA

Stock markets up 18% in first half of 2021

Arab stock markets increased by 17.9% and Gulf Cooperation Council equity markets grew by 21.4% in the first half of 2021, relative to contractions of 16.7% and of 15.6%, respectively, in the same period of 2020. In comparison, global stocks improved by 11.4% and emerging market equities expanded by 7.5% in the covered period. Activity on the Beirut Stock Exchange surged by 73.1% in the first half of 2021, the Abu Dhabi Securities Exchange rallied by 35.5%, the Amman Stock Exchange grew by 26.6%, the Saudi Stock Exchange jumped by 26.4%, the Damascus Securities Exchange rose by 24.4%, the Boursa Kuwait gained 16.8%, and the Palestine Exchange appreciated by 14.6%. In addition, the Iraq Stock Exchange leaped by 13%, the Dubai Financial Market advanced by 12.8%, the Muscat Securities Market grew by 11%, the Casablanca Stock Exchange gained 10%, the Bahrain Bourse expanded by 6.6%, the Tunis Bourse increased by 5.2%, the Qatar Stock Exchange appreciated by 2.8%, and the Khartoum Stock Exchange improved by 1.8% in the covered period. In contrast, activity on the Egyptian Exchange deteriorated by 5.4% in the first half of 2021.

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

Greenfield FDI inflows to Arab countries down 42% to $35bn in 2020

Figures compiled by fDi Markets and released by the United Nations Conference on Trade and Development (UNCTAD) show that the Arab region attracted $35.2bn in Greenfield foreign direct investments (FDI) in 2020, constituting a decline of 41.6% from $60.2bn in 2019. Greenfield FDI inflows to Arab countries accounted for 13.8% of such flows to developing economies and for 6.2% of global Greenfield FDI in 2020. Saudi Arabia attracted $10.7bn in Greenfield FDI in 2020, equivalent to 30.3% of such investments in the Arab world. The UAE followed with $9.5bn (27%), then Oman with $6.1bn (17.4%), Morocco with $2.4bn (7%), Egypt with $1.7bn (4.7%), Qatar with $1.11bn (3.2%), Iraq with $1.06bn (3%), Bahrain with $993.3m (2.8%) and Tunisia with $485.3m (1.4%). Also, the remaining Arab countries received $1.1bn in Greenfield FDI last year, or 3.2% of such inflows to the region. In parallel, Arab countries attracted 322 Greenfield FDI projects in 2020, down from 500 projects in 2019, and accounted for 15.2% of the aggregate number of Greenfield FDI projects in developing economies and for 2.5% of such projects worldwide. The UAE attracted 178 Greenfield FDI projects last year and accounted for 55.3% of the number of such projects in the Arab world. Saudi Arabia followed with 50 projects (15.5%), then Lebanon with 21 projects (6.5%), Egypt with 20 projects (6.2%) and Bahrain with 14 projects (4.3%), while the remaining Arab countries attracted 39 Greenfield FDI projects, or 12.1% of the total in 2020.

Source: UNCTAD, Byblos Research

EMERGING MARKETS

Region's financing conditions depend on pandemic uncertainties and monetary tightening

S&P Global Ratings indicated that the sustained economic recovery in developed economies, along with a rebound in economic activity in emerging markets (EMs), are supporting a slight improvement in credit conditions in EMs. However, it indicated that downside risks for EMs are significant and include uncertainties about the evolution of the COVID-19 pandemic and the rollout of vaccination programs across regions, which could undermine overall credit conditions. Also, it anticipated that a faster-than-expected monetary tightening in the U.S. could worsen financing conditions for EMs that significantly rely on foreign funding and that have wide external and/or fiscal imbalances. It added that the recent rapid increase in commodity prices is accelerating inflationary pressures, which could prompt some EM central banks to tighten monetary policy earlier than expected.

In parallel, the agency indicated that EMs with a faster-than-peers rebound in economic activity consist of economies that have benefited from higher global commodity prices, increasing exports, and stronger-than-expected domestic demand. As such, it projected real GDP in Emerging Asia to grow by 8% in 2021 and by 5.9% in 2022, for economic activity in Latin America to expand by 5.7% this year and by 2.5% in 2022, and for real GDP in Emerging Europe, the Middle East & Africa (EEMEA) to grow by 4.1% in 2021 and by 3.1% next year.

S&P expected overall financing conditions in EMs to stay supportive, but anticipated several economies to face tighter funding conditions due to elevated inflation rates, such as some economies in the EEMEA region and Brazil. It considered that the risk of tighter global financing conditions is significant for EMs, as it is contingent on inflationary expectations worldwide.

Source: S&P Global Ratings

SUDAN

Growth to reach 4.5% annually in medium term

The International Monetary Fund indicated that the Sudanese authorities have stepped up their efforts to implement structural reforms, but considered that the country's macroeconomic and political landscape is extremely challenging. It expected real GDP to grow by 0.4% in 2021, following a contraction of 3.6% in 2020, supported by the country's clearance of arrears to the World Bank and to the African Development Bank, which has unlocked grants and led to positive developments at the policy level. It forecast growth to pick up gradually to 4.5% annually in the medium term, in case of progress on structural reforms and improvements in the business climate. It indicated that the exchange rate has remained stable following the unification of the multiple exchange rates and the adoption of a managed float, but anticipated it to further depreciate. It projected the inflation rate to rise from an average of 163.3% in 2020 to an average of 199% in 2021, but to decline to 61.2% by 2022.

In parallel, the IMF stressed that international donor financing, strong domestic revenue mobilization and avoiding the restoration of fuel subsidies would be crucial to limit the monetization of the fiscal deficit and to support macroeconomic stability. The IMF considered that unlocking Sudan's private sector potential will require significant steps to improve governance, reduce the role of the state in the economy, and mobilize private investments. It called for the establishment of an independent anti-corruption commission to reduce graft, as well as for a strategy to improve the oversight and management of state-owned enterprises and to determine those that need to be privatized. Also, it encouraged authorities to reduce spending on regressive and distortionary energy subsidies, as well as to channel new resources towards social and infrastructure spending.

The IMF projected the fiscal deficit to narrow from 6% of GDP in 2020 to 2.9% of GDP in 2021. Further, it considered that Sudan's external position is weak despite the market-determined exchange rate that has attracted significant remittance inflows. It projected the current account deficit to narrow from 13.2% of GDP in 2020 to 7.4% of GDP in 2021, and it forecast foreign currency reserves at the Central Bank of Sudan to increase from $223m at end-2020 to $379m at end-2021.

Source: International Monetary Fund

IRAN

Economic activity to expand by 6% in FY2022/23

The Institute of International Finance considered that the Iranian economy is highly fragile due to elevated inflation rates, double-digit unemployment rates and a dysfunctional financial system, despite a slight rebound in economic activity in the fiscal year that ended in March 2021. It projected real GDP to grow by 4.3% in FY2020/21 and to reach 5.8% by FY2022/23, in case the U.S. and Iran reach an agreement about reviving the 2015 Joint Comprehensive Plan of Action (JCPOA). Also, it anticipated that the lifting of U.S. sanctions, combined with the return of foreign expertise to the energy sector, would allow for a rebound in the exports of Iranian crude oil and condensates to their pre-sanction levels within 12 months, and for renewed access to the global financial system that would facilitate investments in the oil sector. As such, it projected real hydrocarbon GDP growth to accelerate from 7.2% in FY2020/21 to 10% by FY2022/23, while it forecast activity in the non-hydrocarbon sector to expand by 4.8% in FY2021/22 and by 5% in FY2022/23. Still, it considered that authorities need to implement deep structural reforms, as the prevailing business environment could weigh on the prospects of a strong recovery in investments.

In parallel, the IIF expected the exchange rate of the Iranian riyal against the US dollar on the parallel market to appreciate and for the spread between the parallel and official exchange rates to narrow significantly, in case of a U.S.-Iranian agreement on the JCPOA, and anticipated the unification of the two rates by 2023. It considered that a significant appreciation of the parallel exchange rate would support a gradual decline in inflation and would drive domestic consumption. It forecast the inflation rate to decline from an average of 32.4% in FY2020/21 to 16.3% by FY2022/23. Also, it expected the increase in oil export receipts to more than offset the recovery in imports, and forecast the current account surplus to increase from 3.3% of GDP in FY2020/21 to 4.5% of GDP in FY2022/23. As such, it anticipated foreign currency reserves to rise from $86.6bn at end-March 2021 to $143bn at end-March 2023, supported by higher capital inflows.

Source: Institute of International Finance

MENA

Peace dividend in Libya to yield up to $162bn for neighboring countries in 2021-25 period

The United Nations Economic and Social Commission for Western Asia (ESCWA) indicated that the onset of peace in Libya will contribute to strengthening regional cooperation and will lead to significant gains in growth, employment, and investment in Libya and in its neighboring countries. It projected the total gains from the restoration of peace in Libya at up to $161.9bn in the 2021-25 period for its neighbors. It added that Libya's peace process could result in gains worth $99.7bn for Egypt, $29.8bn for Algeria, $22.7bn for Sudan, and $9.7bn for Tunisia. In parallel, it noted that the reconstruction of Libya would generate job opportunities that would benefit workers in neighboring countries. As such, it said that the unemployment rate in Sudan would drop by 13.9% in the 2021-25 period, followed by a decline of 8.8% in unemployment in Egypt, a retreat of 6.1% in the jobless rate in Tunisia, and a decrease of 2.2% in Algeria's unemployment rate. Further, the ESCWA expected investments to increase in Libya's neighboring countries once peace is established in Libya. It forecast investments in Sudan to increase by 9%, in followed by investments in Egypt (+6%), in Tunisia (+5.5%), and in Algeria (+2%) during the 2021-25 period. Moreover, it noted that the materialization of peace in Libya would promote greater trade cooperation among countries in the region. It estimated that Algerian exports to Libya would surge by 443.8% in the 2021-2025 period, followed by Egyptian exports (+413.4%), exports from Tunisia (+308.6%), and Sudanese exports (117.5%).

Source: ESCWA

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'negative'

Capital Intelligence Ratings (CI) affirmed Saudi Arabia's long-term foreign and local currency ratings at 'A+'. It also maintained the outlook on the long-term ratings at 'negative'. It indicated that the ratings are supported by large, yet declining, external and fiscal buffers, as well as by the increase in global oil prices, the recovery of non-oil economic activity, significant oil reserves, and a stable banking sector. However, it pointed out that the ratings are constrained by the elevated financing needs related to the investment commitments under Vision 2030, limited economic diversification, the insufficient transparency of budgetary operations, high geopolitical risks, and a moderate-to-high level of policy risk. Further, it noted that the 'negative' outlook reflects the agency's expectation that the Vision 2030-related investments will result in the increase of Saudi Arabia's external debt. It stated that gross external debt surged from 23.5% of GDP at end-2019 to 34.1% of GDP at the end of 2020, and it forecast it to reach 42.2% of GDP at the end of 2022. The agency added that Saudi Arabia's current external debt repayment capacity benefits from the Saudi Central Bank's large external assets and the low level of gross external debt. Also, it said that the outlook reflects the likelihood that the agency will downgrade Saudi Arabia's ratings by one notch in the next 12 to 24 months. It considered that it could revise the outlook to 'stable' if external debt metrics stabilize or if global oil prices further increase. In parallel, it noted that it could downgrade the ratings if geopolitical risks escalate or if public and external finances deteriorate.

Source: Capital Intelligence Ratings

SUDAN

Debt relief to reduce debt level from 163% of GDP to 14% of GDP

The Executive Boards of the World Bank's International Development Association and the International Monetary Fund (IMF) announced that Sudan has taken the necessary steps to begin receiving debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The IMF said that Sudan's external public debt will be irrevocably reduced by more than $50bn in net present value (NPV) terms, which represents more than 90% of Sudan's total external debt, in case the country reaches the HIPC Completion Point in about three years. It noted that, at the start of the HIPC process, Sudan's total public- and publicly-guaranteed external debt was $56.2bn in NPV terms. It added that the traditional debt relief mechanisms will reduce this debt to $30.9bn. In addition, it estimated further debt relief under the enhanced HIPC Initiative at $23.3bn in NPV terms. It said that official bilateral creditors will provide $17bn of this amount, followed by multilateral creditors with $4.6bn, and commercial lenders with $1.7bn. Moreover, it indicated that Paris Club creditors have provided financing assurances for interim debt relief to Sudan, while Sudan's current debt due to the IMF will be paid with the proceeds of voluntary financial contributions from over 100 IMF members. Also, it noted that debt relief by the IDA and the African Development Bank would cancel all remaining claims at the Completion Point. As such, it expected Sudan's external debt burden to fall from about $56bn in NPV terms at the end of 2020, which is equivalent to 163% of GDP, to $6bn or 14 % GDP, once the Completion Point is reached. In parallel, the IMF indicated that it has approved a 39-month arrangement under the Extended Credit Facility for Sudan for about $2.47bn.

Source: International Monetary Fund

GHANA

Sovereign ratings affirmed, outlook revised to 'negative'

Fitch Ratings affirmed Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B', and revised the outlook on the foreign currency rating from 'stable' to 'negative'. It attributed the outlook revision to the deterioration of public finances as a result of the COVID-19 pandemic and the postponements of the government's fiscal consolidation efforts, which reduces the country's capacity to withstand shocks for a prolonged period of time. It noted that the ratings reflect the high level of public debt and a low revenue base, as debt affordability will remain weaker than Ghana's rating peers. It said that an expected rise in the public debt, an increase in external imbalances from a deterioration in international reserves or from the depreciation of the cedi, and a significant macroeconomic shock in the near-term or a rise in macroeconomic instability could lead to a negative rating action. In parallel, it stated that higher confidence in the capacity of the government to lower the public debt level or a constant improvement in external liquidity could lead to a positive rating action. The agency pointed out that the fiscal deficit reached 14% of GDP in 2020 and anticipated the deficit to further widen to 8.3% of GDP by 2022. It added that post-pandemic recovery spending will maintain government expenditures above historical highs.

Source: Fitch Ratings

EMERGING MARKETS

Uneven economic recovery poses risks for banks' operating conditions

Moody's Investors Service considered that the uneven economic recovery across emerging markets (EMs) will pose risks to banks in these countries. It indicated that widespread forbearance and restructuring measures contained the formation of problem loans and stabilized asset quality at EM banks in 2020. It said that the non-performing loans (NPLs) ratio stood at about 6.3% in Emerging Europe, at around 4.1% in the Middle East & Africa, at about 2.2% in Latin America and at around 1.8% in Emerging Asia. It anticipated that the high unemployment rates and the expiration of coronavirus-related support for borrowers will weaken the asset quality of EM banks in the next 12 to 18 months. Still, it expected the banks' robust loan-loss reserves and tighter underwriting standards to help mitigate near-term risks to asset quality and to reduce loan-loss provisioning costs, which would support the banks' profitability. It noted that loan-loss reserves covered about 250% of NPLs in Latin America, followed by around 215% of NPLs in Emerging Asia, nearly 130% of NPLs in the Middle East & Africa, and close to 100% of NPLs in Emerging Europe. In parallel, Moody's expected that the internal capital generation at EM banks will move in line with the modest growth in lending, which would help the banks maintain stable capital metrics. Further, it projected ample liquidity at EM banks to support their funding base, and expected banks to continue to use deposits as their main source of funding, with limited reliance on confidence-sensitive market borrowings.

Source: Moody's Investors Service

OMAN

Banks to benefit from government support

In its periodic review of the ratings of seven Omani banks, Moody's Investors Service indicated that the ratings of the National Bank of Oman (NBO), Bank Dhofar, Oman Arab Bank (OAB), HSBC Bank Oman (HSBC Oman), Bank Muscat, Bank Nizwa and Sohar International Bank (Sohar) benefit from a very high probability of government support in case of need. But it noted but that five banks do not benefit from any uplift as a result of government support, given that the positioning of their Baseline Credit Assessment is in line with the government's rating. It added that Nizwa Bank benefits from a one notch uplift from potential government support due to the large government stake in the bank and to significant government deposits, while HSBC Oman benefits from a one notch uplift due to the support of its parent company HSBC holdings. The agency pointed out that the 'Ba3' long-term local currency deposit ratings of NBO, Bank Dhofar and OAB reflect the banks' weakening asset quality and modest liquidity. Further, it pointed out that the 'Ba2' rating of HSBC Oman and the 'Ba3' long-term local currency rating of Sohar are underpinned by the banks' elevated liquidity levels and weakening asset quality metrics. It added that the 'Ba3' long-term local currency rating of Bank Muscat is supported by its solid asset quality metrics and sound liquidity levels. In parallel, Moody's pointed out that the ratings of all Omani banks are supported by sound capitalization, except for OAB and Sohar; and that the ratings of all banks benefit from their sound profitability metrics, except for Sohar.

Source: Moody's Investors Service

TUNISIA

Banks' asset quality to further deteriorate

Fitch Ratings maintained its 'negative' outlook on the Tunisian banking sector and on the banks' asset quality metrics, which reflects expectations of a further deterioration in the sector's credit quality in 2021. It expected the challenging operating environment to persist due to the coronavirus. It added that the government's loan deferral program is scheduled to end in September 2021, while other bank forbearance measures are set to expire at end-2021, which will lead to the deterioration of the banks' asset quality. Also, it said that the move of banks to international accounting standard IFRS9 in 2021 is expected to weigh on their asset quality metrics and will require additional provisioning. But it pointed out that the Central Bank of Tunisia (CBT) may allow Tunisian banks to phase-in the capital impact of additional provisions over time. Further, it noted that the agency's outlook revision on Tunisia's sovereign ratings from 'stable' to 'negative' added pressure on the banks' asset quality due to their high exposure to government securities, as well as to their high level of lending to the government and to their elevated exposure to state-owned enterprises. It added that sovereign securities accounted for about 15% of total assets at end-November 2020. In parallel, it stated that the sector's interest rate margin narrowed from 3.9% in 2019 to 3.8% in 2020 after the CBT cut the policy rate by 100 basis points in March 2020 to 6.75%. It expected the banks' profitability to further deteriorate in 2021 due to the challenging operating environment, subdued business activity, a delayed recovery in the tourism sector, and high loan impairment charges.

Source: Fitch Ratings

TURKEY

NPLs ratio at 4% at end-March 2021, capital adequacy ratio at 19% at end-2020

The International Monetary Fund indicated that the Turkish banking sector is adequately capitalized, with capital adequacy ratios (CARs) well above the internationally-recognized standards. It noted that the sector's CAR increased from 18% at the end of 2019 to 19% at end-2020, while the Tier One capital ratio stood at 16% at the end of March 2021, up from 15% at the end of 2019. Also, the Fund it pointed out that the banks' non-performing loans (NPLs) ratio declined from 4% at the end of 2020 to 3.8% at end-March 2021 as a result of a pick-up in lending and the forbearance measures that authorities took to mitigate the impact of the pandemic on the capacity of borrowers to repay their loans. It considered that the exposure of banks to sectors that are facing financial difficulties as a result of the pandemic could further undermine their asset quality. It added that state-owned banks could be the hardest hit banks, given their rapid lending growth in recent years. As such, it encouraged authorities to conduct a third-party asset quality review as the pandemic recedes, which would allow for new stress tests and for identifying measures to rebuild the banks' capital as needed. It added that the banks' liquid assets represented 25% of total assets at end-2020 compared to 23% at end-2019, while they were equivalent to 72% of total short-term liabilities at the end of 2020 relative to 71% at the end of 2019. Further, the IMF indicated that the banks' return on average assets reached 1% and their return on average equity stood at 11% in 2020, unchanged from 2019.

Source: International Monetary Fund

Oil prices to average $67.5 p/b in 2021

ICE Brent crude oil front-month prices averaged $73.4 per barrel (p/b) in June 2021, constituting an increase of 7.5% from $68.3 p/b in May 2021, and a rise of 80% from $40.8 p/b in June 2020. The recovery in oil prices came after the U.S. Secretary of State indicated in June that 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 in Europe has strongly increased demand for fuel, while a weaker US dollar boosted oil prices. In parallel, Goldman Sachs attributed the increase in prices in June to concerns about the tightening of the physical oil market. It added that that the tight spread between the WTI and Brent oil prices is consistent with its view that North America is increasing the current oil deficit in the oil market through a rise in local demand amid low oil production. Further, in its base case scenario, it considered that the market needs the OPEC+ coalition to raise its output in August 2021 and expected an increase of 0.5 million b/d starting in August 2021. It forecast the increase in the oil output to persist over several months. It anticipated oil demand to rise by 2.2 million barrels per day (b/d) by the end of the year, which would leave a supply deficit of 5 million b/d. It added that the projected deficit exceeds what Iranian oil and shale producers can potentially bring to the market. In parallel, Refinitiv's latest poll of 43 industry analysts forecast crude oil prices to average $71.11 p/b in the third quarter, $70.04 p/b in the fourth quarter of the year, and $67.48 p/b for full year 2021.

Source: Goldman Sachs, Refinitiv, Byblos Research

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

Natural gas production from the MENA 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. Production of natural gas from the GCC countries would account for 64.1% of the region's gas output this year. On a country basis, Qatar's natural gas production is projected at 4.59 million boe/d in 2021, equivalent to 29.5% of the region's gas output, followed by Iran at 3.99 million boe/d (25.6%)

Source: International Monetary Fund, Byblos Research

Iraq's oil exports receipts at $6.1bn in June 2021

Preliminary figures show that Iraq's crude oil exports totaled 86.8 million barrels in June 2021 and declined by 3.5% from 89.9 million barrels in May 2021. They averaged 2.9 million barrels per day (b/d) in June, nearly unchanged from the preceding month. Oil exports from the central and southern fields amounted to 83.7 million barrels in June, while shipments from the Kirkuk fields totaled 3.1 million barrels. Oil receipts stood at $6.1bn in June, up by 3.3% from $5.9bn in May 2021.

Source: Iraq Ministry of Oil, Byblos Research

Libya's oil & gas receipts at $7.4bn in first five months of 2021

Libya's oil and gas revenues totaled $7.4bn in the first five months of 2021, constituting an increase of 108.2% from $3.6bn in the same period of 2020. Oil and gas receipts reached $1.4bn in May, constituting an increase of 6.6% from of $1.3bn in the preceding month and a surge of 15.9 times from $87.7m in May 2020.

Source: National Oil Corporation, Byblos Research

Base Metals: Copper prices up 65% in first half of 2021

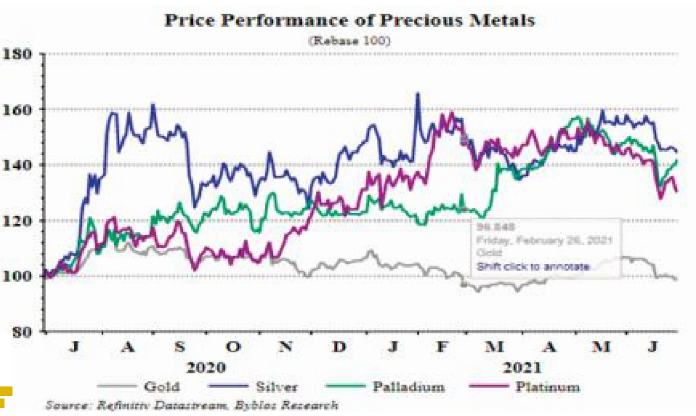
LME copper cash prices averaged $9,089 per ton in the first half of 2021, constituting a rise of 65.4% from an average of $5,495 a ton in the same period of 2020. The surge in prices was mainly driven by supply disruptions, a decrease in LME-registered inventories, a weaker US dollar, as well as expectations of robust demand amid the anticipated stronger global economic recovery. Prices dropped by 9.5% from an all-time high of $10,448.5 per ton on May 11 of this year to $9,351.5 a ton on June 30, due to a stronger dollar, and as Chinese regulators threatened to take measures against speculators who are manipulating the market and against hoarders of the metal. In parallel, Citi Research expected copper prices to increase in the near term due to a de-stocking of inventories, tight supply conditions in the copper market, as well as other supply constraints such as power shortages in some Chinese provinces. Also, it anticipated that strong demand for copper from China, the world's largest consumer of the metal, to support prices going forward. In this context, Goldman Sachs expected copper prices to increase in the next three years. It projected prices to surge by 57% from $6,178 per ton in 2020 to $9,675 a ton in 2021, and to reach $11,875 per ton in 2022 and $12,000 a ton in 2023.

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

Precious Metals: Silver prices projected at $27.3 per ounce in 2021

Silver prices averaged $26.48 per troy ounce in the first half of 2021, constituting an increase of 59.2% from an average of $16.63 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. Also, the metal's price dropped by 7.8% from a recent high of $28.18 an ounce on May 17, 2021 to $26 per ounce on June 30, due to higher U.S. Treasury yields. In parallel, the Silver Institute expected global supply of silver to increase this year, supported by higher mining output as well by the increase in the recycled production of silver. Also, it anticipated jewelry, industrial and photographic demand for silver, as well as from net physical investments, to be robust in 2021, but for consumption levels to fall short of pre-pandemic levels. As such, the Silver Institute projected silver prices to peak at $32 per ounce later this year, and forecast prices to rise by 32.8% from an average of $20.55 an ounce in 2020 to $27.3 per ounce in 2021.

Source: The Silver Institute, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	LT Foreign currency rating Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	B-	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	Negative	-	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			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	28-Jul-21
Eurozone	Refi Rate	0.00	10-Jun-21	No change	22-Jul-21
UK	Bank Rate	0.10	24-Jun-21	No change	05-Aug-21
Japan	O/N Call Rate	-0.10	18-Jun-21	No change	16-Jul-21
Australia	Cash Rate	0.10	01-Jun-21	No change	06-Jul-21
New Zealand	Cash Rate	0.25	26-May-21	No change	14-Jul-21
Switzerland	SNB Policy Rate	-0.75	17-Jun-21	No change	23-Sep-21
Canada	Overnight rate	0.25	09-Jun-21	No change	05-Jul-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	21-Jun-21	No change	20-Jul-21
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	17-Jun-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	23-Jun-21	No change	04-Aug-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	17-Jun-21	No change	05-Aug-21
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	19.00	17-Jun-21	No change	14-Jul-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	4.25	24-Jun-21	Raised 25 bps	12-Aug-21
Brazil	Selic Rate	4.25	16-Jun-21	Raised 75bps	05-Jul-21
Armenia	Refi Rate	6.50	15-Jun-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

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

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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