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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Nearly 40% of countries need more than three years to recover from pandemic

A survey conducted by opinion polling firm IPSOS for the World Economic Forum in 29 countries indicated that 39% of participants pointed out that their country needs more than three years to recover from the COVID-19 pandemic, 35% said that the economic recovery requires two to three years, 19% stated that the recovery would necessitate one year, and 7% considered that the economy in their country has already recovered. In addition, the survey revealed that 53% of participants expressed considered that the government to lead the economic recovery in their country, 52% trusted large or multinational companies, 40% pointed to personal initiatives , 37% identified small businesses, and 24% cited non-government organizations, while 25% of surveyed participants do not trust any of the mentioned entities to steer the economic rebound in their country. In parallel, 79% of participants considered that new job vacancies or the resumption of activity in certain jobs are indicators of a partial or full economic recovery. In addition, 78% consider that the opening of new businesses is a sign of economic recovery, 72% cited the resumption of tourism activities, 68% identified the development of new infrastructure projects, 65% mentioned planning a vacation, 64% named transforming business activities to environmental-friendly practices, and 61% cited more road traffic. IPSOS conducted the survey between June 25 and July 9, 2021, and covered 13 countries in Europe, six countries in Asia, six in Latin America, two counties in North America, and one country from Africa and one from Oceania. The survey had a sample size of between 500 and 1,000 individuals per country between 18 and 74 years old.

Source: World Economic Forum

Private equity deals to increase by 88% to $1.1 trillion in 2021

Figures released by Bain & Company indicate that global deals backed by private equity (PE) funds totaled $539bn in the first half of 2021, which is on par with the yearly average of $543bn in PE transactions since 2016. As such, it anticipated PE transactions to reach $1.1tn in 2021 and to increase by 88% from $573bn in 2020 and by 3.5 times from $306bn in 2011, as well as to exceed the previous high of $804bn registered in 2006. In parallel, it said that the number of PE deals increased by 16% in the first half of the year from the first six months of 2020, but was lower than the 4,000 deals that were concluded in 2020. However, it added the average deal size expand from $718m in 2020 to $1.1bn in 2021. In parallel, it indicated that global exits by private PE funds reached $488bn in the first half of 2021, constituting an increase of 10% from $444bn in exits during 2020. It anticipated global exits to reach $976bn 2021 and to increase by 120% from 2020 and by 3.5 times from $283bn in 2011. Further, it said that fundraising by PE funds totaled $631bn in the first half of 2021, and expected PE fundraising to reach $1.3tn in 2021 and to represent a rise of 22% from $1tn in 2020 and an expansion of 3.2 times from $393bn in 2011.

Source: Bain & Company

MENA

Venture capital funding up 82% to $1.2bn in first half of 2021

Figures released by investment data platform Magnitt shows that venture capital (VC) funds invested $1.2bn in startups in the Middle East & North Africa (MENA) region during the first half of 2021, constituting an increase of 82% from $659m in the same period of 2020. Also, the number of investments by VC funds totaled 254 in the first half 2021 compared to 251 deals in the same period of 2020. It noted that VC investments in UAE-based startups stood at $390m, or 62% of placements in the region's startups in the first half of 2021, followed by startups in Saudi Arabia with $168m (14%), Egypt with $156m (13%), Jordan with $48m (4%), Kuwait with $36m (3%), and Morocco and Bahrain with about $12m each (1% each). In parallel, investments by VC funds in Kuwait increased by 248% from the first half of 2020, followed by Jordan (+205%), the UAE (+72%), Morocco (+70%), Saudi Arabia (+65%), Bahrain (+45%) and Egypt (+28%). Further, the UAE attracted around 66 deals in the first half of 2021, or 26% of the total, followed by Egypt with 61 transactions (24%), Saudi Arabia with 53 deals (21%), Jordan with 28 transactions (11%), Tunisia and Qatar with 10 deals each (4% each) and Oman with five transactions (2%). Moreover, the number of venture capital deals that took place in Tunisia and Egypt expanded by 83% and 3%, respectively, in the covered period. In contrast, the number of venture capital transactions executed in Oman declined by 80% from the first half of 2020, followed by Qatar (-44%), the UAE (-17%), Jordan (-15%) and Saudi Arabia (-7%).

Source: Magnitt

FDI in Arab world up 2.5% to $40bn in 2020, equivalent to 1.7% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investments (FDI) in 18 Arab economies totaled $40bn in 2020, constituting an increase of 2.5% from $39bn in 2019. The UAE was the largest recipient of FDI in the region with $19.9bn, or 49.7% of total FDI in Arab countries last year, followed by Egypt with $5.85bn (14.6%), Saudi Arabia with $5.5bn (13.7%), Oman with $4.1bn (10.2%), and Lebanon with $3.1bn (7.7%) as the top five destinations for FDI inflows. Also, Iraq, Qatar and Kuwait posted negative flows of $2.9bn, $2.4bn and $319m, respectively, in 2020. In parallel, FDI in Lebanon rose by 49.3% last year, followed by flows to Saudi Arabia (+20.2%), Oman (+19.7%), the UAE (+11.2%), Mauritania (+10.2%), Djibouti (+8.1%), and Morocco (+2.5%). In contrast, inflows to Palestine fell by 60.6% in 2020, followed by inflows to Egypt (-35.1%), Bahrain (-33%), Tunisia (-22.8%), Algeria (-18.6%), Qatar (-13.5%), Sudan (-13%), and Iraq (-6%). Further, FDI inflows to the 18 Arab countries were equivalent to 1.7% of their aggregate GDP in 2020 relative to 1.3% in 2019. FDI inflows to Mauritania were equivalent to 12% of its GDP last year, followed by Lebanon (9.2% of GDP), Djibouti (7% of GDP), Oman (6.5% of GDP), and the UAE (5.6% of GDP).

Source: UNCTAD, World Bank, International Monetary Fund, Byblos Research

POLITICAL RISK OVERVIEW - JULY 2021

ARMENIA

Armenia and Azerbaijan violated their ceasefire agreement multiple times in July, with fire exchanges taking place almost daily despite reaching a second agreement to exchange prisoners and mining maps on their international border. In addition, the Armenian Minister of Foreign Affairs accused Azerbaijani armed forces of infiltrating Armenian territory and attacking military positions. Further, the Ministry of Defense of Armenia confirmed that Russian peacekeepers brokered a ceasefire between Armenia and Azerbaijan, but warned that fighting could resume in August. In parallel, PM Pashinyan met with Russian President Vladimir Putin to discuss security concerns along the border with Azerbaijan. Further, the President of the European Council pointed out that the European Union was ready to support border demarcation efforts between Armenia and Azerbaijan.

EGYPT

The Court of Cassation upheld life sentences for top officials from the Muslim Brotherhood organization who are accused of killing police officers and organizing mass jailbreaks. The Islamic State militant group continued its attacks in the Sinai province. In parallel, tensions between Egypt and Ethiopia increased, as Ethiopia completed the second filling of the Grand Ethiopian Renaissance Dam on the Blue Nile River. The UN called on Egypt, Ethiopia and Sudan to recommit to talks on the project's operation and urged them to avoid any independent action.

ETHIOPIA

Tigrayan forces set conditions for ceasefire negotiations with the federal government, following their capture of Mekelle, the capital city of the Tigray state. The terms included the withdrawal of Eritrean troops and Amhara regional forces from Tigray, a UN-led independent investigation into alleged war crimes, as well as "procedures" to hold Prime Minister Abiy Ahmed and the President of Eritrea accountable for their actions in the Tigray state. Also, Tigrayan forces launched offensives towards the south and the west of Tigray, and PM Abiy responded by breaching the unilateral ceasefire that the federal government declared in June 2021. In parallel, the Electoral Commission announced that the ruling Prosperity Party won 410 of the 436 seats in the federal Parliament in the elections that took place on June 21, 2021. Further, tensions increased between Ethiopia, Egypt and Sudan, as Addis Ababa completed the second filling of the Grand Ethiopian Renaissance Dam on the Blue Nile River.

IRAN

The Deputy Foreign Minister of Iran said that nuclear negotiations between Iran and the U.S. in Vienna must “await our new administration”. In parallel, Iran indicated that it intends to increase the production of uranium metal by 20%, which is banned by the Joint Comprehensive Plan of Action until 2031. The U.S. Department of Treasury delisted three individuals from its blacklist, while it blacklisted eight entities for facilitating the export of U.S. products to Iran. Also, Iran denied its involvement in attacks on U.S. targets in Iraq. Further, protests over water access erupted in the southwest of Iran, while the UN High Commissioner for Human Rights labelled the situation as ‘catastrophic’.

IRAQ

Missile attacks against U.S.-led coalition troops persisted in Ain al-Assad airbase in western Iraq, while unidentified assailants launched rockets at the U.S. embassy in Baghdad. In parallel, U.S. President Joe Biden stated that 2,500 U.S troops will end their combat mission in Iraq by the end of year, following talks with Prime Minister Mustafa Al-Kadhimi. He added that the troops will maintain their training and advisory roles. In addition, Islamic State (IS) militants continued their attacks across the country, as IS claimed responsibility for a number of attacks on electricity pylons.

LIBYA

The Libyan Political Dialogue Forum failed to set an agreement on the legal framework to hold presidential and parliamentary elections in December 2021. Also, renewed attempts by the House of Representatives to approve a state budget for 2021 failed, while the appointment of a new governor for the Central Bank of Libya (CBL) stalled. In parallel, the UN Special Envoy to Libya submitted his final international audit report of the CBL to the Presidency Council and to the heads of the CBL's branches. Further, the auditors recommended steps towards the reunification of the CBL. Authorities reopened the strategic Misrata-Sirte road, in line with the October 2020 ceasefire provisions.

SUDAN

Tribal violence in the Red Sea and South Kordofan states prompted the Security and Defense Council to intensify security operations in the two states. Authorities announced that the long-delayed Transitional Legislative Council would hold its first session in August. Also, the chairman of the Sovereign Council, Abdel Fattah al-Burhan, issued a decree to form committees to monitor the ceasefire in Darfur, as well as a body in charge of supervising the disarmament, demobilization and integration into the armed forces of rebel group that signed the October 2020 peace deal. In parallel, international creditors cancelled $14.1bn of Sudan's external debt and rescheduled another $9.4bn of the country's debt. Further, tensions persisted with Ethiopia over the disputed al-Fashaga border zone, as security forces reportedly prevented a cross-border attack by several Ethiopian militia.

SYRIA

The March 2020 ceasefire agreement between proxies of the Turkish military and Syrian forces, which was brokered by Russia and Turkey, persisted in Idlib despite reported clashes between Syrian armed forces and Russian airstrikes against the Islamist militant group Tahrir al-Sham. In addition, U.S. troops and allied Kurdish-led Democratic Forces blocked an unidentified drone attack on the alliance’s base in the Deir Ez-Zor province. Further, Russia continued its airstrikes against Islamic State targets in the central desert region, while Israel launched airstrikes on alleged Iran-linked targets in al-Safirah area. In parallel, the UN Security Council renewed until January 2022 its authorization for cross-border aid operations from Turkey through the Bab al-Hawa crossing point.

TUNISIA

President Kais Saïed used on July 25 Article 80 of country’s constitution to temporarily rule by decree, which grants the president superior powers in emergency situations, and enables the president to discharge the Prime Minister and temporarily dissolve Parliament. President Saïed added that he would assume executive authority and the powers of the public prosecutor, and that he would strip lawmakers of their immunity. In parallel, nationwide protests erupted following the president’s decisions. Also, the High Representative of the European Union for Foreign Affairs and Security Policy urged the reinstatement of Parliament, while the U.S. called on the president to lift the emergency measures that he took and to return to a “democratic path”.

TURKEY

President Recep Tayyip Erdoğan visited the Kurdish province of Diyarbakır, made rhetorical overtures to Kurds, and announced the transformation of Diyarbakir prison into a cultural center, as the Turkish military continued operations against Kurdistan Workers’ Party military operations in northern Iraq, while clashes between Turkish forces and the People's Protection Units in Syria persisted. Further, the parliament restored the Member of Parliament status of a representative of the Peoples’ Democratic Party.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Delta variant to weigh on economic activity

S&P Global Ratings indicated that the rapid spread of the Delta variant of the coronavirus is triggering new travel restrictions globally, which would weigh on the rebound in tourism activity that is key for the economies of many emerging markets (EMs). It noted that tourism flows so far this year are even weaker than in 2020 in many EMs. Also, it said that failure to curb the pandemic's global spread is likely to further disrupt tourism in EM economies, as the source countries of tourists could impose additional travel restrictions, which would constitute a potential setback to the anticipated economic recovery in EMs this year. Also, it considered that new lockdown measures to contain the virus in several EMs threaten to derail the rebound in economic activity, even if the impact of mobility restrictions on real GDP growth is less severe during recent COVID-19 waves than in earlier ones.

In parallel, S&P anticipated that concerns about a potential setback in growth prospects in EM economies, as well as subsiding inflationary pressures in several countries in the region will reduce pressure on several EM central banks. It said that four out of 16 major EMs increased interest rates in July, while it expected the normalization of monetary policy in Latin America to continue in the coming months, and for economies that have not started to increase interest rates, such as Colombia, to start raising them very soon. However, it noted that inflationary pressures are easing in several EMs, such as Russia, which, combined with slower growth prospects, could mean that central banks are at the end of their monetary tightening cycle. It also anticipated that several Asian economies could start easing monetary policy, as the Delta variant takes a severe toll on their economic activity.

Further, the agency expected financing conditions for EM economies to remain supportive in the near term. However, it anticipated that an abrupt tightening of monetary policy in EMs and in the U.S. represents a key risk to financing conditions in EMs.
Source: S&P Global Ratings

GCC

Non-hydrocarbon activity to expand by 5% in 2022

The Institute of International Finance considered that the economic recovery in Gulf Cooperation Council (GCC) countries is facing uncertainties given that segments of the GCC population remain susceptible to the spread of the coronavirus and its mutations. It projected real GDP in GCC economies to grow by 1.7% in 2021 following a contraction of 5% in 2020, supported mainly by the rebound in private sector activity in Saudi Arabia and Qatar. It forecast real non-hydrocarbon GDP in the GCC economies to expand by 3% this year compared to a contraction of 4.8% in 2020, and anticipated activity in the hydrocarbon sector to stagnate in 2021 following a retreat of 5.4% last year, as oil production cuts ease under the OPEC+ agreement. It expected real GDP growth to accelerate to 4.2% in 2022 as the third wave of the pandemic recedes, and forecast real hydrocarbon GDP to grow by 5.1% next year, in case the OPEC+ production cuts end by mid-2022. It considered that upside risks to the outlook include a faster deployment of the COVID-19 vaccines and further progress on reforms that would boost real non-hydrocarbon growth in 2022, while it noted that downside risks include renewed coronavirus-related restriction measures in case of an increase in COVID-19 cases or if the vaccine's rollouts slow down.

In parallel, the IIF indicated that the 2021 budgets of GCC economies target significant fiscal consolidation, including a substantial improvement in non-hydrocarbon receipts through tax reforms in Oman and in Saudi Arabia, as well as the reprioritization of spending, including cuts in non-essential investment projects in Oman, Qatar and Saudi Arabia. It projected the region's fiscal deficit to narrow from 9.3% of GDP in 2020 to 1.5% of GDP in 2021, in case global oil prices average $67 per barrel this year, which would result in an increase in hydrocarbon receipts from $221bn in 2020 to $326bn in 2021. It expected that the announced plans for fiscal adjustment in the coming years in Oman, Qatar, Saudi Arabia and the UAE to would put these countries' fiscal positions on a sound footing over the medium term, even if oil prices resume their decline beyond 2021. It considered that Bahraini authorities need to implement a stronger fiscal adjustment to achieve fiscal sustainability. Also, it expected the fiscal breakeven oil prices to decline in GCC countries, in case of a significant improvement in non-hydrocarbon receipts and restrained public spending, mainly in Oman and Saudi Arabia. It added that Qatar, Saudi Arabia and the UAE are better positioned than Bahrain and Oman to accommodate additional social spending, given their substantial public foreign assets. Further, it expected non-resident capital inflows to the GCC to increase this year, despite the region's lower financing needs.
Source: Institute of International Finance

NIGERIA

Petroleum bill to have positive impact on public finances

Fitch Ratings expected that the passage of Nigeria's proposed Petroleum Industry Bill (PIB) could have positive long-term effects on the country's public finances, as well as on its oil and gas production. However, it considered that the impact of the legislation will depend on the implementation of the law, and that the bill is unlikely to have a significant near- to medium-term impact on Nigeria's creditworthiness. It anticipated that the PIB could boost investments in the oil sector and potentially reverse the downward trend in oil production. It also expected the PIB to support public revenues, as tax receipts on fossil fuel accounted for 41% of public revenues in 2019.

The agency noted that the PIB stipulates that authorities should spend 30% of the Nigerian National Petroleum Corporation's (NNPC) profits from petroleum sharing contracts on frontier oil exploration. However, it considered that the short-term effect of this investment on the share of profits that the NNPC remits to the federal government is uncertain. It added that the full impact of these expenditures will also depend on the details and implementation of the agreements with oil companies, as joint ventures between the NNPC and international oil companies account for the majority of new exploration and production activity.

Further, the agency expected that that the full implementation of provisions under the PIB could improve transparency in the petroleum sector, and potentially reduce revenue losses from inefficiencies and corruption in the industry.
Source: Fitch Ratings

ECONOMY & TRADE

GCC

Transition to more diversified economies underway

J.P. Morgan Securities indicated that the development of small and medium-sized enterprises (SMEs) in Gulf Cooperation Council (GCC) countries could help the latters' efforts to transition into more diversified and competitive economies. It noted that authorities took measures to support these firms, such as providing credit guarantees, which constitute an important tool for businesses that are facing uncertain times due to the COVID-19 pandemic. In parallel, it pointed out that GCC countries have realized the need to encourage entrepreneurship and innovation through the development of multiple innovation hubs such as the Bahrain International Investment Park, the Qatar Science and Technology Park, and the Saudi Prince Abdullah Science Park. Further, it anticipated the transport and logistics sectors to support the transition of GCC economies due to the latters' strategic geographic location. It added that that the tourism industry offers significant potential for GCC countries, as the presence of air carriers and airports, as well as major trade and logistics hubs, support the development of the sector. Also, it said that the tourism industry was a major contributor to economic activity in Bahrain, Oman and the UAE before the pandemic. Moreover, it noted that regulatory reforms in the financial sector, as well as robust investments in financial technologies, are supporting the growth of financial services and digital financial inclusion in the GCC region. It added that such measures could be broadened to include other high technology industries.

Source: J.P Morgan Securities

SAUDI ARABIA

Non-oil revenues up 203% in second quarter of 2021

Jadwa Investment indicated that public revenues in Saudi Arabia reached SAR248.1bn, or $66.1bn in the second quarter of 2021, constituting an increase of 85% from SAR133.9bn, or $35.7bn, in the same period of 2020. It pointed out that oil receipts surged by 38% in the covered period as global oil prices expanded by 150%, while non-oil revenues jumped by 203% in the second quarter of the year. It attributed the rise of non-oil revenues to the hike in the value added tax rate from 5% to 15% in July 2020, which, in turn, led to a 544% increase in receipts from taxes on goods and services in the covered quarter. However, it anticipated a smaller-than-expected increase in revenues from tax receipts in the second half of the year as the impact from the increase in the value added tax rate normalizes. In parallel, it noted that government expenditures totaled SAR253bn, or $67.5bn, in the second quarter of 2021, constituting an increase of 4% from the same period last year. It projected capital expenditures to increase significantly in the coming quarters, due to outlays on development projects related to Vision 2030. Still, it expected capital spending to drop by 26% from their level in 2020. Further, it pointed out that the fiscal deficit reached SAR4.6bn, or $1.2bn, in the second quarter of the year, and totaled SAR12bn, or $3.2bn, in the first half of 2021. It forecast the fiscal deficit to reach SAR102bn in 2021, equivalent to 3.3% of GDP, as it anticipates the deficit to be much wider in the second half of the year.

Source: Jadwa Investment

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'CCC+/C' Angola's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook on the long-term ratings. It pointed out that the 'stable' outlook balances the risks related to the country's large external funding needs against the decline in near-term debt-servicing requirements following the restructuring agreements with Angola's bilateral lenders. It indicated that the ratings are constrained by the government's high external debt-servicing needs, but it noted that the government's restructuring of its bilateral debt with Chinese lenders and with member countries of the Group of 20 economies, as a result of the Debt Service Suspension Initiative (DSSI), creates fiscal space to service its commercial debt over the 2020-22 period. It stated that the government anticipates the debt restructuring to reduce debt-servicing requirements by $2.8bn to $7.2bn in the 2021-22 period. Further, S&P noted that it could upgrade Angola's ratings in case fiscal and economic reforms reduce the debt-servicing burden, stabilize the exchange rate, and increase foreign currency reserves beyond the agency's expectations. In parallel, it said that it could downgrade the ratings if the government's access to external funding deteriorates, which could limit its capacity to service its external debt; if the external environment further deteriorates, which would increase fiscal and external pressures; and if the government intends to restructure its commercial debt, given its bilateral restructuring arrangements It projected Angola's gross external financing needs at 13.2% of current account receipts plus usable reserves in 2021 and at 8.6% in 2022, and forecast the current account surplus at 5.7% of GDP in 2021 and 3.4% of GDP in 2022.

Source: S&P Global Ratings

QATAR

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed Qatar's long-term foreign and local currency sovereign ratings at 'AA-', with a 'stable' outlook on the long-term ratings. It pointed out that the ratings are supported by the substantial government assets of the Qatar Investment Authority, large hydrocarbon revenues, a high level of expenditure flexibility, and low domestic political risks. However, it noted that the ratings are constrained by the government's large contingent liabilities, the economy's limited diversification, and considerable geopolitical risks. It said that the 'stable' outlook points to the likelihood that the ratings will remain unchanged in the next 12 months, since the outlook balances the large contingent liabilities and geopolitical risks against sizeable fiscal and external buffers. It added that Qatar's fiscal and external position benefitted from the rebound of hydrocarbon prices in recent months, and anticipated the current account balance to register a surplus of 4.7% of GDP in 2021 relative to a deficit of 2.5% in 2020. However,it considered that Qatar's substantial contingent liabilities constitute an important risk factor for the ratings.It pointed out that it could revise the outlook to 'positive' if the government implements further fiscal and structural reforms, which would reduce its reliance on hydrocarbon revenues or if geopolitical tensions recede markedly. It said that it could revise the outlook to 'negative' or downgrade the ratings if contingent liabilities materialize or if geopolitical tensions escalate.

Source: Capital Intelligence Ratings

JORDAN

Loans up 4% to $42bn in first half of 2021

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD29.8bn, or $42bn, at the end of June 2021, constituting an increase of 4% from JD28.6bn, or $40.4bn, at end-2020 and a rise of 5.5% from JD28.2bn, or $39.8bn, at end-June 2020. Loans in foreign currency represented 12% of the total at end June 2021 relative to 12.6% a year earlier. The resident private sector accounted for 88.8% of total credit at end-June 2021, unchanged from a year earlier, followed by the central government with 6.3% compared to 6.6% at end-June 2020, the non-resident private sector and public entities with 2.2% each, and financial institutions with 0.5%. The distribution of credit by main sectors shows that construction represented JD7.7bn or 26% of the total at end-June 2021, up from 25.2% a year earlier, while public services & utilities accounted for JD4.7bn, or 15.8% of the total. General trade followed with JD4.6bn or 15% of the total; then industry with JD3.5bn (12%); tourism, hotels & restaurants with JD729.8m (2.5%); financial services with JD715.8m (2.4%); agriculture with JD458.5m (1.5%); transportation with JD406.8m (1.4%), and mining with JD205.6m (0.7%). In parallel, loans & advances reached JD18.8bn at the end of June 2021, followed by receivables of Islamic banks with JD7.7bn, overdrafts with JD2.8bn, discounted bills with JD201.2m, and credit cards with JD199.3m.

Source: Central Bank of Jordan

UAE

Strong profitability and adequate capitalization support banks' ratings

In its periodic review of the ratings of 10 banks in the UAE, Moody's Investors Service indicated that First Abu Dhabi Bank's long-term deposit rating of 'Aa3' is supported by the bank's solid capitalization, resilient profitability and strong liquidity, but is constrained by its elevated borrower and funding concentrations, and by its reliance on wholesale funding. Further, it said that the 'A2' issuer rating of Abu Dhabi Islamic Bank is driven by the bank's stable profits, strong funding, deteriorating asset quality and modest capitalization and liquidity. Also, it considered that the 'A3' rating of Emirates NBD and HSBC Bank Middle East (HBME) balances the banks' strong profitability, funding and solid capitalization, with their weak asset quality and credit concentration. In parallel, it said that the 'Baa1' ratings of the Commercial Bank of Dubai (CBD), MashreqBank, the National Bank of Fujairah (NBF), and the National Bank of Ras Al-Khaimah are supported by their strong profitability, capitalization, and liquidity level. However, it said that the ratings of CBD, MashreqBank, and NBF are constrained by their weak asset quality due to the deteriorating operating environment. It added that United Arab Bank's 'Baa3' long-term deposit rating is supported by the bank's sound funding and liquidity, but is constrained by its weak asset quality. In parallel, it said that Sharjah Islamic Bank's 'Baa1' long-term issuer rating is supported by the bank's sound liquidity and capital buffers, but said that weak asset quality, declining core capital, and modest profitability are weighing on the ratings. Also, Moody's indicated that the banks' ratings benefit from a very high probability of government support in case of need, except for HBME which is supported by the bank's parent HSBC Holdings.

Source: Moody's Investors Service

IRAQ

Central Bank develops strategic plan for 2021-23 period

The Central Bank of Iraq (CBI) unveiled its second strategic plan for the 2021-23 period following its first strategic plan of the 2016-20 period. It identified five strategic objectives that aim to build an efficient monetary policy, to develop governance in the financial sector, to operate advanced payment systems, and to improve the performance of the CBI. It noted that the plan's first strategic objective is to support and achieve monetary and financial stability, in order to improve the CBI's role in taking precautionary measures at the macroeconomic and microeconomic levels, and to reduce systemic risks. It added that the second strategic objective is to reinforce the banking sector and financial institutions by enacting regulations that allow banks to diversify their services, to expand their banking activities, and to verify the soundness of their financial positions. It added that the third strategic objective consists of promoting digital transformation at the CBI and in the banking sector, to raise the level of performance through supervisory technologies, the adoption of digitalization, and the expansion of information security and cybercrime tools. It indicated that its fourth strategic objective is to develop the organizational structure and human resources of the CBI, and to update its training program in accordance with best international practices. It pointed out that the fifth strategic objective is to activate coordination with governmental institutions, and to strengthen cooperation with international financial institutions.

Source: Central Bank of Iraq

EGYPT

Agencies take rating actions on banks

Fitch rating affirmed at 'B+' the long-term Issuer Default Ratings (IDRs) of Banque Misr (BM), the Commercial International Bank (CIB) and the National Bank of Egypt (NBE). It also maintained the outlook at 'stable' on the ratings of BM and NBE, and revised the outlook on CIB from 'negative' to 'stable'. It added that it kept at 'b+' the Viability Ratings (VRs) of BM, CIB and NBE. It pointed out that the IDRs of the three banks reflect the standalone credit strength of the banks, which is incorporated in their respective VRs. It added that the ratings of BM and NBE take into account the potential support of Egyptian authorities, in case of need. However, it said that the ratings on the three banks are constrained by their significant exposure to the sovereign. It stated that Egyptian securities represented 43% and 40% of BM's and NBE's total assets, respectively, as at end-2020, while CIB's holdings of Egyptian securities represented 43% of its assets as at end-June 2021. However, the agency said that it may downgrade the IDRs of BM and NBE if the banks' asset quality deteriorates sharply in case operating conditions worsen, which could lead to high loan impairment charges and affect the banks' profitability and capitalization Further, Moody's Investors Service upgraded Bank of Alexandria's long-term foreign currency Counterparty Risk Rating from 'B1' to 'Ba3', with a 'stable' outlook, in line with its upgrade of the sovereign's foreign currency ceiling from 'B1' to 'Ba3'.

Source: Fitch Ratings, Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $68.7 p/b in 2021

ICE Brent crude oil front month prices reached $71.44 per barrel (p/b) on August 11, 2021 and increased by 1.5% from $70.38 p/b from a week earlier. The U.S. Administration urged on August 11 the Organization of the Petroleum Exporting Countries (OPEC) and its allies, known as OPEC+, to increase oil production amid the increase in retail gasoline prices. The OPEC+ agreed in July 2021 to raise output by 400,000 barrels per day (b/d) starting in August, but the markets remain concerned that the increase will not meet global demand, as the U.S. and European countries ease their COVID-19 related restrictions. In parallel, the U.S. Energy Information Administration (EIA) pointed out that the short-term outlook for oil prices remains uncertain, as it is related to the global economic recovery from the COVID-19 pandemic. It added that its forecasts for oil prices are based on the assumptions of current economic growth and increasing economic activity in the U.S.. It noted that any change in these assumptions would likely cause oil consumption and prices to deviate from the current forecast. In parallel, it expected oil prices to remain close to current levels for the remainder of 2021, but anticipated the continuing increase of oil production from OPEC+ economies and the accelerating growth in U.S. oil output to outpace global oil consumption in 2022. It forecast oil prices to average $68.7 p/b in 2021 and $66 p/b in 2022.

Source: EIA, Refinitiv, Byblos Research

Global renewable energy demand up 10% in 2020

BP estimated the consumption of global renewable energy at 31.7 exajoules (EJ) in 2020, constituting an increase of 9.7% from 28.8 EJ in 2019. Consumption in the Asia-Pacific region reached 12.4 EJ, or 39% of global demand for renewable energy last year, followed by Europe with 8.9 EJ (28.2%), North America with 7 EJ (22.2%), South & Central America with 2.8 EJ (8.7%), Africa with 0.4 EJ (1.2%), the Middle East with 0.17 EJ (0.5%), and the Commonwealth of Independent States with 0.08 EJ (0.3%).

Source: BP, Byblos Research

Middle East's jewelry demand up 190% in first quarter of 2021

Demand for jewelry in the Middle East totaled 36.5 tons in the second quarter of 2021, constituting an increase of 189.8% from 12.6 tons in the same period of 2020 and accounted for 9.3% of global jewelry demand. Consumption of gold jewelry in the Saudi Arabia reached 7.7 tons in the covered period, representing 21.1% of the region's demand. The UAE followed with 7.3 tons (20.1%), then Egypt with 6.5 tons (17.8%), Iran with 6.3 tons (17.1%), and Kuwait with 2.5 tons (6.8%).

Source: World Gold Council, Byblos Research

Nigeria's oil receipts down 67% in first quarter of 2021

Nigeria's receipts from the export of crude oil and condensate totaled $418.6m in the first quarter of 2021, constituting a drop of 67% from $1.3bn in the same period 2020. Export revenues consisted of $237.8m in gas exports (56.8%), $153.7m from crude oil exports (36.7%), and $27.1m in other receipts (6.5%). The authorities transferred $145.2m in hydrocarbon revenues to the Federation Account in the covered period, and used $273.4m to pay global oil companies to guarantee current and future oil output.

Source: Nigerian National Petroleum Corporation

Base Metals: Zinc prices to average $3,150 per ton in the next three months

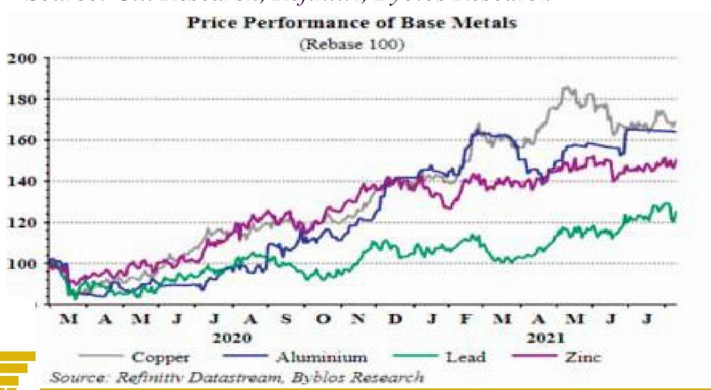
The LME cash prices of zinc averaged $2,855.7 per ton in the year-to-August 11, 2021 period, constituting an increase of 37.3% from an average of $2,079.2 a ton in the same period of 2020. They reached $3,061 per ton on June 2, 2021, their highest level since June 2018, driven mainly by speculations 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 5.4% from 13.3 million tons in 2020 to 14 million tons this year, and for the supply of refined zinc to grow by 1.6% from 13.9 million tons last year to 14.1 million tons in 2021. As a result, it forecast the surplus in the zinc market to decrease from 612,000 tons in 2020 to 115,000 tons in 2021. As such, it projected prices to increase to $3,150 per ton in the next three months and to average $3,000 a ton in the third quarter of 2021. It expected prices to trend lower in 2022 and 2023, as tight supply conditions in the zinc market gradually ease in the next two years.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices projected at $1,300 per ounce by 2023

Platinum prices averaged $1,151 per troy ounce in the year-to-August 11, 2021 period, constituting an increase of 35% from an average of $852.5 an ounce in the same period of 2020, with prices reaching a six-year high of $1,294 per ounce on February 19 of this year. A weaker dollar, higher inflation rates, and declining real interest rates globally drove the rise in the metal's price and reinforced the appeal of platinum as a hedge against inflationary pressures. Also, anticipations that the economic recovery would boost demand for platinum in industrial and global automotive production supported the metal's price. In parallel, Citi Research projected total refined supply of platinum at 6.4 million ounces in 2021 relative to 5 million ounces last year. Further, it forecast demand for the metal at nearly 5.4 million ounces compared to 4.8 million ounces in 2020, and for investment in platinum-backed exchange-traded-funds to total 79,000 ounces this year. As such, it expected the balance in the platinum market to shift from a deficit of 422,000 ounces in 2020 to a surplus of one million ounces in 2021. However, it anticipated the surplus to shift back to a deficit by 2023, driven by the ongoing substitution of palladium to platinum. As a result, Citi forecast platinum prices at $1,200 per ounce in the second half of 2021, and expected prices to reach about $1,300 an ounce by 2023.

Source: Citi Research, 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 (%)
	LT Foreign currency rating												
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	BB-	-	B+								
	-	Stable	Stable	-	Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Positive	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	A+	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	28-Jul-21	No change	22-Sep-21
Eurozone	Refi Rate	0.00	22-Jul-21	No change	09-Sep-21
UK	Bank Rate	0.10	05-Aug-21	No change	N/A
Japan	O/N Call Rate	-0.10	16-Jul-21	No change	22-Sep-21
Australia	Cash Rate	0.10	03-Aug-21	No change	07-Sep-21
New Zealand	Cash Rate	0.25	14-Jul-21	No change	18-Aug-21
Switzerland	SNB Policy Rate	-0.75	17-Jun-21	No change	23-Sep-21
Canada	Overnight rate	0.25	14-Jul-21	No change	08-Sep-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Jul-21	No change	20-Aug-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	15-Jul-21	No change	26-Aug-21
Malaysia	O/N Policy Rate	1.75	08-Jul-21	No change	09-Sep-21
Thailand	1D Repo	0.50	04-Aug-21	No change	29-Sep-21
India	Reverse repo Rate	4.00	06-Aug-21	No change	08-Oct-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	05-Aug-21	No change	16-Sep-21
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	19.00	12-Aug-21	No change	23-Sep-21
South Africa	Repo Rate	3.50	22-Jul-21	No change	23-Sep-21
Kenya	Central Bank Rate	7.00	28-Jul-21	No change	N/A
Nigeria	Monetary Policy Rate	11.50	27-Jul-21	No change	21-Sep-21
Ghana	Prime Rate	13.50	26-Jul-21	No change	27-Sep-21
Angola	Base Rate	20.00	02-Jul-21	Raised 450bps	27-Sep-21
Mexico	Target Rate	4.25	24-Jun-21	Raised 25 bps	12-Aug-21
Brazil	Selic Rate	5.25	04-Aug-21	Raised 100bps	N/A
Armenia	Refi Rate	7.00	03-Aug-21	Raised 50bps	N/A
Romania	Policy Rate	1.25	06-Augl-21	No change	05-Oct-21
Bulgaria	Base Interest	0.00	02-Aug-21	No change	01-Sep-21
Kazakhstan	Repo Rate	9.25	26-Jul-21	Raised 25bps	13-Sep-21
Ukraine	Discount Rate	8.00	22-Jul-21	Raised 50bps	09-Sep-21
Russia	Refi Rate	6.50	13-Jul-21	Raised 100bps	10-Sep-21

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