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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

International tourist arrivals down 65% in first five months of 2021

Figures released by the United Nations' World Tourism Organization show that international tourist arrivals declined by 65% globally in the first five months of 2021 from the same period of 2020 and decreased by 85% relative to the first five months of 2019, due to the travel restrictions imposed by countries as a result of the COVID-19 pandemic. It said that countries worldwide recorded a drop of 147 million international arrivals or overnight visitors in the first five months of 2021 relative to the same period of 2020, and a contraction of 460 million visitors from the first five months of 2019. It pointed out that international tourist arrivals dropped by 86% and 82% in April and May 2021, respectively, from the corresponding months in 2019. Further, it added that international arrivals to the Asia & the Pacific region plunged by 95% in the first five months of 2021 from the same period in 2019, followed by a decline of 85% in arrivals to Europe, to the Middle East (-83%), Africa (-81%), and the Americas (-72%). Also, it indicated that the number of destinations that closed their borders completely as a result of the pandemic decreased from 69 countries in February 2021 to 63 in June 2021, and included 33 countries in the Asia & the Pacific region and seven in Europe.

Source: United Nations' World Tourism Organization

Output losses from low vaccination rates to reach $2.3 trillion in 2022-25 period

The Economist Intelligence Unit (EIU) indicated that developed countries have vaccinated the majority of their population earlier than lower income economies. It pointed out that 60% of the population of high income countries have received at least one dose of the coronavirus vaccine by the end of August 2021, compared to only 1% of the poorer population in lower income economies. It added that the countries that will vaccinate less than 60% of their population by mid-2022 are expected to register economic losses totaling $2.3 trillion in the 2022-25 period. It projected developing economies to account for 65.5% of global output losses between 2022 and 2025, and for developed economies to generate the remaining 34.4% in losses. Also, it noted that the Asia & Pacific region will account for 73% of global output losses in the 2022-25 period, followed by the Middle East and North Africa (10%), Sub-Saharan Africa (9%), Eastern Europe (6%) and Latin America (3%). In parallel, it forecast output losses in Sub-Saharan Africa to be equivalent to 2.9% of the region's GDP in the 2022-25 period, followed by losses of 1.4% of GDP in the Middle East and North Africa, 1.3 % of GDP in Asia-Pacific, 0.3% of GDP in Latin America, and 0.1% of GDP in Eastern Europe during he covered period.

Source: Economist Intelligence Unit

MENA

Stock markets up 24% in first eight months of 2021

Arab stock markets increased by 23.9% and Gulf Cooperation Council equity markets grew by 27.2% in the first eight months of 2021, relative to contractions of 10.9% and of 9.2%, respectively, in the same period of 2020. In comparison, global stocks improved by 14.6% and emerging market equities expanded by 3.3% in the covered period. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 191% in the first eight months of 2021, the Abu Dhabi Securities Exchange rallied by 51.6%, the Saudi Stock Exchange jumped by 30.3%, the Damascus Securities Exchange increased by 27.4%, the Amman Stock Exchange rose by 24.4%, the Palestine Exchange appreciated by 21.7%, and the Boursa Kuwait gained 21%. In addition, the Iraq Stock Exchange improved by 17%, the Dubai Financial Market advanced by 16.5%, the Casablanca Stock Exchange gained 12.5%, the Bahrain Bourse expanded by 10.4%, the Muscat Securities Market grew by 8.4%, the Tunis Bourse increased by 6.8%, the Qatar Stock Exchange appreciated by 6.3%, the Egyptian Exchange grew by 2.8%, and the Khartoum Stock Exchange expanded by 1.8% in the covered period.

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

GCC

Corporate earnings up 217% to $45bn in second quarter of 2021

The net income of listed companies in the Gulf Cooperation Council (GCC) countries reached $45bn in the second quarter of 2021, constituting a rise of $30.8bn, or of 217%, from $14.2bn in the same period of 2020 and an increase of $6.8bn (+18%) from $38.2bn in the first quarter of 2021. Listed companies in Saudi Arabia generated $33.9bn, or 75.3% of total corporate earnings in the GCC in the second quarter of 2021, followed by listed firms in Abu Dhabi with $3.8bn (8.4%), in Qatar with $2.6bn (5.8%), in Dubai with $1.9bn (4.2%), in Kuwait with $1.6bn (3.6%), in Bahrain with $663m (1.5%), and in Oman with $520m (1.2%). Further, the earnings of listed companies in Kuwait jumped by 364% from the second quarter of 2020, followed by listed firms in Saudi Arabia (357%), in Bahrain (164%), in Abu Dhabi (49%), in Dubai (30%), in Qatar (25%), and in Oman (22.3%). In parallel, the earnings of listed firms in the GCC energy sector reached $24.5bn and accounted for 54.4% of total corporate earnings in the second quarter of 2021, followed by the profits of listed banks with $8.2bn (18.3%), companies in the materials sector with $4.3bn (9.5%), utilities firms with $1.67bn (3.7%), telecommunications companies with $1.64bn (3.6%), real estate firms with $1bn (2.2%), food, beverages & tobacco companies with $610m (1.4%), and diversified financial services firms with $560m (1.2%). The income of companies in the energy sector expanded by $17.85bn in the second quarter of 2021, followed by the profits of banks (+$4.1bn), the earnings of utilities firms (+1.48bn), the income of real estate firms (+$580m), and the earnings of food, beverages & tobacco companies (+$20m).

Source: KAMCO

OUTLOOK

WORLD

Growth outlook varies across Group of 20 economies

Moody's Investors Service considered that the rebound in global economic activity continues to be robust, but it anticipated the pace of the recovery to be uneven across countries, and for the spread of the Delta variant of the coronavirus to pose risks to the outlook. It projected real GDP growth for the Group of 20 major economies at 6.2% this year following a contraction of 3.2% in 2020, and forecast economic activity in the EM economies of the G20 ex-China to grow by 5.7% in 2021 and 4.1% in 2022, following a contraction of 4.9% in 2020. The agency expected the recovery in most of the emerging market (EM) economies of the G20, excluding China, to be slower than the rebound in advanced economies and in China. However, it expected these economies to benefit from the strong rebound in advanced economies through the financial, trade and commodity terms-of-trade channels. It attributed the weaker recovery in EMs ex-China mainly to the slow and uneven distribution of the vaccine, as well as to the emergence of new variants of the coronavirus, which will delay the normalization of economic activity in these markets. It also anticipated that many EMs will face tighter external financial conditions as the recovery in advanced economies picks up, which would further weigh on their economic rebound.

Moody's added that it revised upwards its growth forecasts for Argentina, Brazil, Mexico and Turkey due to their significantly faster rebound in economic activity in the first half of 2021, while it upgraded its growth forecast for Russia in the context of a rise in global oil prices. Further, it said that it revised downwards its growth forecasts for Indonesia due to the government's reintroduction of restrictions to curb the spread of the Delta variant, while it downgraded its growth forecast for South Africa, as economic losses during recent riots will weigh on the country's economic recovery. In parallel, it forecast economic activity in G20 economies to grow by 4.5% in 2022, and expected that factors such as the size of existing output gaps, the financial health of households and businesses, and fiscal and monetary stances will influence the pace and shape of economic growth in the G20 countries in the coming two years.

Source: Moody's Investors Service

EGYPT

Economic outlook dependent on pick up in private consumption and tourism activity

Regional Investment Bank EFG Hermes expected Egypt's real GDP growth to pick up in the near term as the economy recovers from the COVID-19 outbreak, mainly supported by a rebound in activity in the industrial, mining and tourism sectors, as well as in public investments. It projected real GDP growth to accelerate from 2.8% in the fiscal year that ended in June 2021 to 5.4% in FY2021/22, and expected it to stabilize at 5.2% in FY2022/23. Still, it anticipated the recovery to be gradual, given that the rebound in private consumption, which accounts for more than 70% of GDP in the country, comes from a low pre-pandemic base amid the absence of fiscal and monetary stimulus from the authorities. It considered that the main downside risk to the outlook is the subdued recovery in private consumption, which would translate into weak investment dynamics.

In parallel, it indicated that the authorities are planning to resume fiscal consolidation in FY2021/22. As such, it projected the fiscal deficit to narrow from 7.7% of GDP in FY2020/21 to 6.9% of GDP in FY2021/22, and forecast the public debt level to decline from 85.2% of GDP at the end of June 2021 to 84% of GDP at the end of June 2022. Further, it considered that the expected recovery in the tourism sector in the next 12 months would be critical for the improvement of Egypt's external position, for easing external funding vulnerabilities, and for reducing the dependence on volatile portfolio inflows. It forecast the current account deficit to narrow from 4.4% of GDP in FY2020/21 to 2.7% of GDP in FY2021/22. Also, it considered that the external funding gap of between $4bn and $6bn in the current and next fiscal years is manageable, in case global oil prices average $60 per barrel and domestic demand gradually recovers. It said that foreign currency reserves at the Central bank of Egypt reached $40.6bn as at the end of June 2021 and expected them to increase to $43.3bn by the end of June 2023. As such, it expected the Egyptian pound to remain stable in the next 12 months.

Source: EFG Hermes

JORDAN

Medium term growth projected at 3.2% annually

The International Monetary Fund projected a slower-than-previously anticipated economic recovery in Jordan, and projected real GDP to grow by 2% in 2021 relative to a previous forecast of 2.5% for this year. It attributed the revision to the protracted COVID-19 outbreak, the slow start to the country's vaccination program, and delays to the rebound in the tourism sector, which have weighed on domestic demand in the first half of 2021. But it forecast real GDP growth at 3.2% annually in the medium term, in case of a rebound in tourism activity and a pick-up in global demand, amid the authorities' efforts to pursue structural reforms.

In parallel, it considered that the authorities' fiscal policy should continue to balance the need to support the recovery in the near term and reduce debt sustainability risks. It projected the fiscal deficit at 7.7% of GDP in 2021 and forecast the public debt level at 113.6% of GDP at end-2021. Also, it called on authorities to reform the public sector wage bill, strengthen the social safety net, fully implement the public-private partnerships law, improve procurement practices, and stem the flow of arrears. Further, it projected the current account deficit to widen from 6.8% of GDP in 2020 to 8.3% of GDP in 2021, due to weak tourism receipts and low remittance inflows amid higher imports. It estimated that the pandemic has increased Jordan's external financing requirements by about $1.1bn in the 2021–22 period, which highlights the need for sustained donor financing.

The IMF considered that downside risks to the outlook are considerable and include the spread of new coronavirus variants, vaccine shortages, and the re-imposition of lockdown measures, which would widen the budget deficit, amplify financing needs, and raise the already-elevated public debt level. Also, it anticipated that the materialization of contingent liabilities from public sector entities will pose a significant risk to public finances. However, it expected these risks to be mitigated by the authorities' strong commitment to the objectives of the extended arrangement with the IMF, continued broad-based donor support, and a well-capitalized banking system.

Source: International Monetary Fund

WORLD

Market conditions favor reinsurance sector

Fitch Ratings indicated that the activity of the global reinsurance sector improved in the first half of 2021, as the net non-life premiums of 17 reinsurers reached $72.8bn in the first half of 2021, constituting an increase of 18.5% from $61.4bn in the same period last year. It attributed the double-digit growth in premiums to rate increases and a shift to quota-share business, which is benefiting from primary rate increases, as well as to growth in casualty and specialty reinsurance underwritings. It said that the firms incurred $0.5bn in COVID-19 pandemic-related losses in the first half of 2021 compared to $6.1bn in the same period of 2020, which were equivalent to 0.7% of net premiums earned in the first half of 2021 relative to 11.3% of such premiums in the same period last year. Also, the reinsurers' combined ratio was 94.5% in the covered period compared to 105.9% in the first half of 2020. It said that the pandemic-related losses contributed 0.7 percentage points to the combined ratio in the first half of the year, compared to 11.3 percentage points in the first half of 2020. It added that the underwriting results of the reinsurers continue to improve as rate increases remain ahead of rises in costs, and it anticipated premium rates to increase in 2022 and beyond. As such, it expected the combined ratio to continue improving into 2022. In parallel, it noted that the return on equity of the reinsurers was 14.1% in the first half of 2021 compared to -0.7% in the same period last year, as underwriting gains and an improved investment market supported profitability.

Source: Fitch Ratings

PAKISTAN

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Pakistan's long- and short-term sovereign credit ratings at 'B-' and 'B', respectively, with a 'stable' outlook on the long-term rating. It indicated that the ratings reflect Pakistan's gradual economic recovery despite the persistent risks from the COVID-19 pandemic, the high external indebtedness and liquidity needs, the fiscal deficits, and the elevated public debt level. Also, it noted that the 'stable' outlook takes into account the country's ability to meet its external debt obligations over the next 12 months due to funding from bilateral and multilateral partners, along with the recent improvement in Pakistan's balance of payments position. In parallel, it expected the fiscal deficit at 7% of GDP in 2021 and at 6.1% of GDP in 2022, and forecast the public debt level to reach 83% of GDP in 2021 and 83.6% of GDP in 2022 and to stay at around 79% of GDP in the 2022-24 period. It considered that the reforms and funding program that are backed by the international Monetary Fund, along with other bilateral and multilateral financing, will help alleviate the external pressures on Pakistan, support the foreign currency reserves at the State Bank of Pakistan, and address the country's near-term funding risks. Further, it said that it could downgrade the sovereign ratings in case the country's fiscal or external indicators deteriorate, or if it is unable to pay its external debt obligations. In contrast, it said that it may upgrade the sovereign ratings if fiscal and external metrics improve faster than expected. In addition, it projected the country's gross external financing needs at 115.3% of current account receipts and usable reserves in 2021 and at 118% of such reserves in 2022.

Source: S&P Global Ratings

IRAQ

Upgrade of sovereign ratings contingent on improving macroeconomic profile

S&P Global Ratings indicated that Iraq's long- and short-term foreign and local currency sovereign credit ratings of 'B-' and 'B', respectively, are supported by Iraq's significant foreign currency revenues from oil exports, which help the accumulation of foreign exchange reserves at the Central Bank of Iraq. However, it stated that the ratings are constrained by weak institutions, domestic political tensions, elevated security risks, poor data collection, and the government's difficult fiscal position. In parallel, it noted that the 'stable' outlook on the long-term rating reflects the sovereign's ability to meet its external debt obligations due to its high level of foreign currency reserves. Also, the agency expected the Iraqi economy to recover gradually in 2021 due to the increase in oil production. Further, it forecast the country's gross external financing needs at 51.9% of current account receipts and usable reserves in 2021, as well as at 51.3 % of such reserves in 2022, 53.4% in 2023, and 54.4% in 2024. Moreover, it said that it could upgrade the ratings if the government's fiscal position improves, if the economic growth and GDP per capita increase, or if the authorities implement institutional reforms. In contrast, it said that it may downgrade the ratings if the country's foreign currency reserves decline, if the government is unable to pay its debt obligations, or if political tensions and security risks increase.

Source: S&P Global Ratings

ARMENIA

Sovereign ratings affirmed, Outlook 'stable'

Moody's Investors Service affirmed the long-term local and foreign currency issuer ratings of Armenia at 'Ba3', with a 'stable' outlook on the long-term rating. Also, it maintained the local and foreign currency country ceilings at 'Baa2' and 'Ba1', respectively. It attributed its decision to the resiliency of Armenia's credit profile to the coronavirus outbreak and to geopolitical and domestic political tensions, as well as to its expectation that growth and fiscal strength will recover in the medium term. It said the 'stable' outlook balances the authorities' developing track record of policy effectiveness, with a growth potential that is constrained by demographic pressures and the small size of the economy. Also, it expected the economic recovery and the adherence to the authorities' expenditures plan to support a decline in the debt level to less than 60% GDP by 2022. In parallel, it anticipated a broad-based growth recovery in the next 12 to 18 months driven by private consumption and investment, robust external demand, and the return to pre-pandemic levels of remittance inflows. It anticipated that a healthy reserves position and a moderate level of external debt service over the next four years to ease pressures on foreign currency reserves. It added that the International Monetary Fund's Special Drawing Rights allocation and the issuance of $750m in Eurobonds will boost the country' reserves in 2021. In parallel, the agency said it could upgrade the ratings if the current account deficit narrows, if the country's external position improves, if fiscal reforms are implemented, or if tensions with neighboring countries ease. In contrast, it said that it may downgrade the ratings if macroeconomic and financial stability risks materialize, if foreign exchange reserves decline, or in case of a significant depreciation of the local currency.

Source: Moody's Investors Service

WORLD

Pandemic may test resilience of global financial system

The Financial Stability Board (FSB) indicated that the global financial system has weathered the COVID-19 pandemic due to the swift, determined and bold international policy response, as well as to the reforms implemented by the Group of 20 economies in the wake of the global financial crisis of 2008. It noted that large banks held more capital, had more liquidity and were less leveraged than they were in 2008, which allowed them to cushion, rather than amplify, the macroeconomic shock. It considered that the strong international standards that the G20 put in place post-2008, as well as the standards' flexibility, supported an effective policy response during the initial phase of the pandemic. It added that a broad set of monetary, fiscal, regulatory and supervisory measures cushioned the impact of the COVID-19 shock on the financial system, as banks generally did not need to use their capital and liquidity buffers so far to meet demand for loans. But it noted that banks may have been hesitant to dip into their buffers, in case of need, despite the flexibility embedded in the regulatory framework. Further, the FSB cautioned that the COVID-19 pandemic may still test the resilience of the global financial system. It noted that the current low level of corporate insolvencies seems conditional on continued policy support, and that banks and non-bank lenders could face additional losses when these measures are lifted. It added that recent bank stress tests suggest that the largest banks are well capitalized and will remain resilient under a range of recovery scenarios. But it expressed concerns about how banks would keep financing the real economy amid deteriorating credit quality in the non-financial sector. It called on authorities to continue taking steps to further improve their preparedness for crisis management and to identify systemic vulnerabilities at an early stage.

Source: Financial Stability Board

QATAR

Banks' net profit up 12% in first half of 2021

Moody's Investors Service indicated that Qatari banks posted net profits of QAR11.8bn, or $3.2bn, in the first half of 2021, constituting an increase of 12% from the same period of 2020 and an improvement of 1% from the first half of 2019. It noted that the banks' earning returned to pre-pandemic levels in the first half of the year due to the increase in interest and non-interest income, in spite of higher provisioning costs. Also, it said that the banks' asset quality remains adequate, as the ratio of problem loans to gross loans increased marginally from 2% at the end of 2020 to 2.1% at end-June 2021. It anticipated the lifting of extensive support measures to borrowers, such as payment deferrals, to weigh on the banks' asset quality. It added that the sector's loan-loss provisioning charges increased by 35% to QAR5.5bn in the first half of 2021, and consumed 31% of pre-provision income compared to 26% in the same period last year. But it noted that the provisions were equivalent to 0.86% of gross loans on an annualized basis and were lower that regional peers. Moreover, it considered that the banks' solid capital position, the recovery in oil prices, and the resolution of Qatar's dispute with neighboring Arab countries will support their financial performance in 2021.

Source: Moody's Investors Service

GCC

Banks' profits up 83% to $8.3bn in second quarter of 2021

Figures released by financial services firm KAMCO indicate that listed banks in Gulf Cooperation Council (GCC) countries posted aggregate net profits of $8.3bn in the second quarter of 2021, unchanged from the first quarter of 2021 and constituting an increase of 82.8% from $4.6bn in the second quarter of 2020. It attributed the increase in earnings in the second quarter of the year, mainly to a decline of $700m, or of 14.6%, in loan-loss provisions from the second quarter of 2020. Also, it pointed out that the aggregate loan-loss provisions amounted to $4.1bn in the second quarter of 2021. It added that the aggregate revenues of banks reached $21.8bn in the second quarter of 2021, representing an increase of 9.5% from $20bn in the second quarter of 2020, driven by higher net interest and non-interest income. Further, it indicated that the aggregate assets of GCC banks stood at $2.64 trillion (tn) at the end of June 2021, as they increased by 4.7% from the end of March 2021 and grew by 6.7% from end-June 2020. In addition, it said that the banks' aggregate net loans amounted to $1.6tn at end-June 2021, and expanded by 7.1% from a year earlier, while customer deposits reached $2tn and grew by 6.1% from end-June 2020. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC banks reached 80.4% at the end of June 2021 compared to 79.7% a year earlier. It noted that the ratio reached its highest level in the last five quarters, but that it is still below its pre-pandemic levels.

Source: KAMCO

BAHRAIN

Banking sector has high level of liquidity

Moody's Investors Service indicated that the Bahraini banking system faces several challenges, including a subdued macroeconomic environment, as well as the concentration of borrowers and depositors, and low transparency at family owned businesses. But it said that the country's high per capita income, strong regulatory environment and diversified economy compared with regional peers support the macroeconomic profile. In parallel, it said that Bahrain's banks are largely self-funded, with deposits accounting for 71% of non-equity funding at the end of 2020 and for 69% at end-March 2021, and that the system's gross loans to deposits ratio stood at a healthy 80% at end-2020. It added that the banks have a high level of liquid assets, with total liquid assets to tangible assets at around 35% as of December 2020. It added that the high share of foreign funding may put pressure on banks to liquidate part of their foreign assets, in case of need, to honor foreign debt obligations and foreign currency deposit withdrawals. It considered that the system's elevated liquidity level and relatively low loans to deposits ratio mitigate the risks from interest rate fluctuations and foreign exchange risks if banks use foreign funding to purchase local currency securities. Also, it pointed out that the large number of banks in the small domestic market has generated strong competition to increase market share, which has affected product pricing and profitability and led banks to seek growth opportunities outside Bahrain. It noted, however, that the government's increased debt issuance in recent years has provided banks with reasonably-priced assets, which has reduced some of the fierce competition among them.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $68 p/b in 2021

ICE Brent crude oil front-month prices averaged $70.5 per barrel (p/b) in August 2021, constituting a decrease of 5.1% from $74.3 p/b in July 2021, and a rise of 80% from $45.02 p/b in August 2020. The Organization of the Petroleum Exporting Countries and its allies, known as OPEC+, maintained its previous decision to gradually raise oil output by adding 400,000 barrels per day (b/d) starting in August 2021, but the markets remained concerned that the increase in oil production will not meet global demand as the economic recovery in the U.S. and Europe picks up pace. In parallel, the National Bank of Kuwait noted that the decrease in oil prices reflects the decision of China on August 27, 2021 to re-impose mobility restrictions across several cities to combat the spread of the Delta variant of the coronavirus, while Emirates NBD Bank expected global oil demand to decline in the final months of 2021 due to the outbreaks of the Delta variant in major economies. It considered that the pandemic remains the dominant factor affecting oil demand in the near term. It added that the shipping and travel industries pose downside risks to oil demand, and did no except activity in these sectors to normalize in 2022, which may lead to a surplus in global oil production. Moreover, it expected oil prices to average $68 p/b in 2021 and $65 p/b in 2022.

Source: National Bank of Kuwait, Emirates NBD Bank, Refinitiv, Byblos Research

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

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 12.26 million barrels per day (b/d) in 2021, which would constitute a rise of 5.4% from 11.63 million b/d in 2020. The region's demand for oil would represent 23.6% of demand in non-OECD countries and 12.7% of global consumption this year.

Source: OPEC

Gold demand in Middle East up 93% in the second quarter of 2021

Consumer demand for gold in the Middle East region, which includes demand for jewelry as well as for bars and coins, totaled 44.6 tons in the second quarter of 2021, constituting an increase of 93% from 23.1 tons in the same period of 2020. Gold demand in the Middle East accounted for 7.7% of the global consumption of the precious metal in the covered period. Consumer demand for gold in Saudi Arabia reached 10.1 tons and represented 22.6% of the region's aggregate demand, followed by UAE with 8.8 tons (19.7%), Iran with 8.7 tons (19.6%), Egypt with 7 tons (15.7%), and Kuwait with 3.1 tons (7%).

Source: World Gold Council, Byblos Research

OPEC oil output up 2% in July 2021

The members of the Organization of Petroleum Exporting Countries, based on secondary sources, produced 26.7 million barrels of oil per day (b/d) on average in July 2021, constituting an increase of 2.4% from 26 million b/d in June 2021. Saudi Arabia produced 9.4 million b/d, or 35.3% of OPEC's total output, followed by Iraq with 4 million b/d (14.9%), the UAE with 2.7 million b/d (10.2%), Iran with 2.5 million b/d (9.3%), and Kuwait with 2.4 million b/d (9.1%).

Source: OPEC

Base Metals: Aluminum prices up 44% in the first eight months of 2021

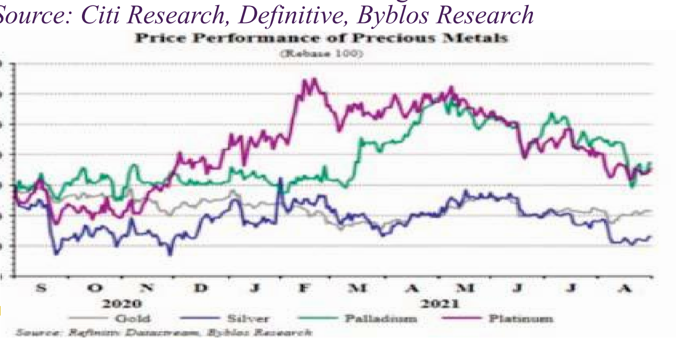
The LME cash price of aluminum averaged $2,324 per ton in the first eight months of 2021 period, constituting an increase of 43.5% from an average of $1,619 a ton in the same period of 2020. The rise in prices was mainly due to concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry, as well as to strong demand for the metal, decreasing LME-registered inventories and improved prospects of a global economic recovery. Further, prices reached $2,739 per ton on August 31, 2021, their highest level in 10 years, mainly due to tight supply conditions and declining inventories of the metal in China, the world's biggest producer of aluminum, as well as to repeated warnings from Beijing against speculation in the markets for metals. In parallel, Citi Research projected aluminum prices to reach $3,000 per ton over the next three months following robust global demand and strict Chinese restrictions on production. It expected the supply of global refined aluminum to increase by 5% in 2021 and by 2.6% in 2022, and anticipated demand for the metal in the energy sector, as well as for home remodeling and the refurbishing of household durable goods, to increase in the near to medium term. As such, it forecast aluminum prices to average $2,449 an ounce in 2021 and $2,763 per ounce in 2022.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Silver prices projected at over $28 per ounce in next three months

Silver prices averaged $26.1 per troy ounce in the first eight months of 2021, constituting an increase of 41.7% from an average of $18.4 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 addition, the metal's price dropped from a recent high of $28.18 an ounce on May 17, 2021 to $24 per ounce on August 31, due to higher U.S. Treasury yields and to expectations that the U.S. Federal Reserve could tighten its monetary policy earlier than expected. In parallel, Citi Research projected the global supply of silver at 1,079 million ounces in 2021 relative to 956 million ounces last year. Further, it forecast demand for the metal at nearly 1,009 million ounces compared to 954 million ounces in 2020, and for investments in silver-backed exchange-traded-funds to total 110 million ounces this year. As such, it expected the deficit in the silver market to narrow from 299 million ounces in 2020 to 41 million ounces in 2021. Still, Citi forecast silver prices to rise from $21.5 per ounce in 2020 to over $28 an ounce in the next three months, and to reach $33 per ounce in 2021. It anticipated prices to moderate in the medium term in case of higher interest rates.

Source: Citi Research, Definitive, 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	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 Date	Last meeting Action	Next meeting
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	18-Aug-21	No change	06-Oct-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-Aug-21	No change	20-Sep-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	0.75	26-Aug-21	Raised 25 bps	12-Oct-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	28-Sep-21
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	4.50	12-Aug-21	Raised 25 bps	30-Sep-21
Brazil	Selic Rate	5.25	04-Aug-21	Raised 100bps	22-Sep-21
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	01-Sep-21	No change	01-Oct-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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