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BYBLOS BANK SAL
Economic Research & Analysis Department

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### EMERGING MARKETS

**Fixed income trading up 3% to $1,354bn in second quarter of 2021**

Trading in emerging markets debt instruments reached $1,354bn in the second quarter of 2021, constituting an increase of 3% from $1,311bn in the same period of 2020 and a decline of 1.3% from $1,372bn in the first quarter of 2021. Turnover in local-currency instruments reached $813bn in the covered period, up by 6% from $768bn in the second quarter of 2020, and accounted for 60% of the debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $536bn in the second quarter of the year, unchanged from the same period of 2020. The volume of traded sovereign Eurobonds reached $337bn and accounted for 63% of total Eurobonds traded in the second quarter, relative to $358bn and a share of 64% of traded Eurobonds in the same period of 2020. Also, the volume of traded corporate Eurobonds reached $195bn, or 36% of total traded Eurobonds. In addition, the turnover in warrants and options amounted to $106m, while loan assignments stood at $4.5bn in the second quarter of 2021. The most frequently-traded instruments in the second quarter of 2021 were Mexican fixed income assets with a turnover of $194bn, or 14% of the total, followed by securities from Brazil with $169bn (12%), and instruments from China with $141bn (10%).

*Source: EMTA*

### KUWAIT

**Profits of listed companies up 288% to $3.2bn in first half of 2021**

The cumulative net profits of 164 companies listed on Boursa Kuwait totaled KD976.04m, or $3.2bn, in the first half of 2021, constituting an increase of 287.9% from KD251.64m, or $835.4m, in the same period of 2020. Listed banks generated net profits of $1.6bn in the covered period and accounted for 48.7% of total earnings, followed by financial services providers with $610.2m (18.8%), telecommunications firms with $363m (11.2%), industrial companies with $347.3m (10.7%), real estate firms with $137.4m (4.2%), insurers with $119.5m (3.7%), oil & gas companies with $32.1m (1%), utilities providers with $21.2m (0.6%), consumer goods firms with $16.9m (0.5%), healthcare providers with $12.6m (0.4%), and basic materials firms with $9.6m (0.3%). In parallel, consumer services providers posted net losses of $6.6m in the first half of 2021, while technology firms recorded losses of $1m. Further, the net earnings of basic materials firms rose by 87.4% in the covered period, followed by the income of healthcare providers (+70.4%), banks (+53.6%), the oil & gas sector (+49.4%), insurers (+39.3%), telecommunications firms (+7.5%), and utilities providers (+7.4%). In contrast, the income of consumer goods firms decreased by 42.6% in the first half of 2021. Further, the results of listed financial services providers, industrial firms and real estate companies shifted from aggregate losses of $640m in the first half of 2020 to net profits of $1.09bn in the same period of 2021.

*Source: KAMCO*

### MENA

**Public governance level varies across countries in the region**

The World Bank's World Governance Indicators for 2020 show that the average score of 20 Arab countries improved on the Voice & Accountability, Regulatory Quality and the Rule of Law indicators, while it regressed on the Political Stability, Government Effectiveness and the Control of Corruption indicators relative to 2019. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. Arab countries posted an average score of -0.53 points on the Government Effectiveness indicator in 2020, down from -0.49 points in 2019. This category evaluates the condition of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The UAE had the most effective government among Arab countries, followed by Qatar, Bahrain, Saudi Arabia and Oman; while Iraq, Sudan, Syria, Libya and Yemen have the least efficient governments in the region. In parallel, Arab countries received a score of -0.52 points on the Control of Corruption indicator, down from -0.49 in 2019. Regionally, the control of corruption was highest in the UAE, Qatar, Saudi Arabia, Oman and Jordan, while it was the lowest in Iraq, Sudan, Libya, Yemen and Syria. Further, Arab countries posted an average score of -0.44 points on the Rule of law indicator in 2020, up from -0.48 points in 2019. This category measures the extent that citizens have confidence in the rules of society and abide by them. Qatar had the strongest rule of law among Arab countries, followed by the UAE, Oman, Bahrain and Kuwait; while Sudan, Iraq, Yemen, Libya and Syria have the weakest rule of law in the region

*Source: World Bank, Byblos Research*

**IPOs down 48% to $426m in first half of 2021**

Figures released by EY indicate that capital raised through initial public offerings (IPOs) in the Middle East & North Africa (MENA) region totaled $426m in the first half of 2021, constituting a decline of 48% from $814m in the same period of 2020. There were four IPOs in the region in the first half of 2021, unchanged from the same period of 2020. IPOs in the MENA region totaled $295m in the first quarter and $131m in the second quarter of 2021, while three listings took place in the first quarter and one during the second quarter of the year. Capital raised through IPOs in the MENA region accounted for 0.2% of the total capital raised through IPOs worldwide in the, while the number of IPO deals in the region represented 0.4% of the number of global listings in the first half of the year. Taaleem Management Services, a higher education platform, was the only listed IPO in the MENA region in the second quarter and raised $131m in capital. Alkhorayef Water & Power Technologies attracted $144m in capital in the first quarter of 2021, followed by the floatation of Theeb Rent a Car's shares that raised $137.6m, and Oman's REIT Fund that attracted $13.2m. The four listings were in the transport, power & utilities, education and real estate sectors.

*Source: EY*

# OUTLOOK

## IRAQ

### Growth projection of 9% in 2022 contingent on increase in oil production

Citi Research projected Iraq's real GDP to grow by 2.1% in 2021, following a contraction of 10.9% in 2020. It considered that economic activity has been sluggish this year, due in large part to Iraq's improved compliance with the OPEC+ oil production cuts. But, it projected nominal GDP to grow by about 45% in US dollar term and by around 77% in Iraqi dinar terms this year, mainly due to higher public consumption from a rise in public revenues, as it anticipated global oil prices to average $69 per barrel (p/b) in 2021 and following the passthrough effect of the devaluation of the dinar on the inflation rate. It expected real GDP growth to accelerate to 9.1% in 2022, in case the OPEC+ coalition maintains the increase in oil output that it approved in August.

Further, it projected Iraq's fiscal deficit to significantly narrow from 23.2% of GDP in 2020, but to remain wide at 7.8% of GDP in 2021 and 7.1% of GDP in 2022. As a result, it forecast the public debt level to decline from 81.2% of GDP at the end of 2020 to 54% of GDP by end-2022. Also, it expected the current account balance to shift from a deficit of 9.7% of GDP in 2020 to surpluses of 2.8% of GDP in 2021, due to higher oil receipts, and 3% of GDP in 2022. It forecast foreign currency reserves to rise from $54.5bn at the end of 2020 to $68.6bn by the end of 2022. As such, it did not expect authorities to face difficulties in servicing the government's external debt, as most of Iraq's external debt is to bilateral or to multilateral institutions, which translates into low liquidity risks to foreign currency reserves.

In parallel, Citi anticipated the current account balance to shift back to a deficit amid expectations that oil prices will average $50 p/b in the medium term. As a result, it forecast the public debt level to resume its increase and to reach to 77% of GDP, and for foreign currency reserves to shrink to $50bn by the end of 2025. It considered that promoting growth in the non-oil private sector is key to achieving sustainable fiscal and external balances.
*Source: Citi Research*

## TURKEY

### Economic growth to slow down to 4% in 2022

The Institute of International Finance considered that Turkey's near-term growth prospects are contingent on the progress of the country's vaccination program and on the spread of the Delta variant of the coronavirus. It did not expect that the ongoing global surge in COVID-19 cases will require renewed lockdowns in Turkey, as well as in its main export markets, and anticipated that disruptions to economic activity will be limited. It projected real GDP to expand by 9% in 2021 and by 4% in 2022, mainly driven by robust domestic demand, higher exports and a pickup in credit growth. Also, it anticipated that the government's fiscal stance will remain broadly neutral in 2022, and that authorities will adopt an expansionary stance ahead of the 2023 elections.

In parallel, it expected the Central Bank of the Republic of Turkey (CBRT) to cut policy rates by 150 basis points (bps) to 16.5% in the remainder of 2021, amid expectations of lower inflation rates in November and December 2021, and to reduce rates by an additional 150 bps in 2022. It estimated that the policy rate cuts in the remainder of the year would further weaken the Turkish lira, which would amplify imported inflationary pressures. As such, it forecast the inflation rate to peak at about 20% in September 2021 due to a weaker lira, rising energy and food prices, and the ongoing acceleration in services inflation, before slowing to nearly 17% by December 2021 and 14% by the end of 2022.

Further, it considered that the weaker lira would provide support to for the rebalancing of Turkey's economic growth model towards a more export-oriented one. It projected the current account deficit to narrow from 3.1% of GDP in 2021 to 2.8% of GDP in 2022, in case the recovery in tourism receipts more than offsets the anticipated widening of the trade deficit next year. Also, it forecast Turkey's external financing needs that have a high rollover risk at $87bn, while it expected foreign currency reserves at the CBRT, excluding gold, at $78bn in the next 12 months.
*Source: Institute of International Finance*

## TUNISIA

### Economy facing significant vulnerabilities

The Institute of International Finance indicated that the COVID-19 outbreak and the current political paralysis have exacerbated the vulnerabilities of the Tunisian economy, which has been facing challenges for the past decade. It anticipated policymakers to face difficulties in stimulating growth and in reducing macroeconomic imbalances. It projected real GDP to grow by 2.5% in 2021 and by 3.7% in 2022, amid a decline in agricultural output and subdued activity in the tourism sector. It did not expect the country to regain its 2019 output level before 2023. It considered that the growth outlook is subject to uncertainties, including the evolution of the pandemic and progress in vaccination programs in Tunisia and globally.

In parallel, it stressed that authorities need to implement significant fiscal consolidation once the pandemic abates, in order to put the public debt level back on a downward path, including by reducing the public sector wage bill through streamlining employment in the public administration. It projected the fiscal deficit to narrow from 9.9% of GDP in 2021 to 8% of GDP in 2022. Still, it forecast the public debt level to increase from 88.3% of GDP at the end-2021 to 90.2% of GDP at the end of 2022. It estimated that the primary fiscal balance needs to post a minimum surplus of 2% of GDP annually to put the debt level back on downward trajectory.

Further, it projected the current account deficit to widen from 6.5% of GDP in 2020 to 7.8% of GDP this year, due to the significant increase in imports as a result of higher global commodity prices, as well as to lower cereal harvest and sustained low tourism receipts. It expressed concerns about the government's external funding needs, given the wide current account deficit and elevated debt amortization. It noted that the rollover of short-term debt and financing from the International Monetary Fund in 2020 eased Tunisia's external financing needs and shored up its foreign currency reserves. It forecast foreign currency reserves to decline from $9.1bn at the end of 2020 to $8.8bn at the end of 2021, despite the IMF's new allocation of Special Drawing Rights in August of this year, and to reach $9.3bn at the end of 2022.
*Source: Institute of International Finance*

## WORLD

### Marine protection and indemnity sector has 'high' industry risk level

S&P Global Ratings considered that the global marine protection and indemnity (P&I) sector has a 'high' industry risk level. It based its assessment on the analysis of 13 P&I insurers that account for around 90% of the global owned tonnage. It said that the P&I industry risk assessment is comparable with that of the global property and casualty reinsurance and global trade credit sectors. It noted that the high industry risk reflects the sector's weak profitability prospects and its exposure to an increase in the frequency of large claims. It indicated that the P&I sector's combined ratio reached 117% in 2020 compared to 88% in 2015, which signals that the industry has struggled to generate profits in 2020. However, it expected that new factors would support the improvement of the combined ratio in 2021, such as revising terms and conditions of the sector's premiums, diversifying the premium base according to the industry's needs, and increasing insurance rates by 5% to 10%. Further, it considered that premiums grew at a relatively low rate of around 4% in 2020, since the fallout from the COVID-19 outbreak has significantly affected the performance of the sector. But, it anticipated the sector's premiums to grow by 5% in 2021 and by 7% in 2022, due to the anticipated global economic recovery. In parallel, it pointed out that the global P&I sector has a 'low' country risk level, since the 13 P&I insurers are based in developed countries.

*Source: S&P Global Ratings*

## SAUDI ARABIA

### Structural reforms to drive medium term growth

Standard Chartered Bank indicated that the response of the Saudi authorities' to the dual shock of the COVID-19 pandemic and the sharp drop global oil prices was mainly through monetary policy rather than through fiscal response. It said that the containment measures weakened economic activity in 2020, but that growth in the non-oil sector drove the initial recovery from the pandemic. Also, it considered that the economic rebound in the Kingdom is underway and expected activity in the hydrocarbon sector to accelerate in the coming quarters in case the OPEC+ coalition maintains the increase in oil production that it approved in August 2021. It noted that authorities are stepping up efforts to diversify the economy, but considered that growth in the hydrocarbon sector is still the key to Saudi Arabia's growth prospects, as oil accounted for nearly 30% of GDP in the second quarter of 2021. It also expected that the implementation of sustained structural reforms, digitalization, and investments in renewable energy to help drive growth in the medium term. In parallel, it indicated that the fiscal deficit stood at 11.3% of GDP in 2020 relative to a deficit of 15.8% of GDP during the oil price shock of 2015, which mainly reflects the authorities' accelerated reforms momentum, including cuts to public expenditures and the increase of the value-added tax rate from 5% to 15%. It forecast the fiscal deficit to narrow to about 5% of GDP in 2021, 3% of GDP in 2022, and to 0.5% of GDP by 2023. In addition, it projected the current account balance to shift from a deficit in 2020 to surpluses of about 2.5% of GDP in 2021 and 2% of GDP in 2022. It noted that foreign currency reserves have stabilized and that pressures on the peg of the Saudi riyal to the US dollar have receded.

*Source: Standard Chartered Bank*

## ARMENIA

### Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term local and foreign-currency Issuer Default Ratings of Armenia at 'B+', with a 'stable' outlook on the ratings. It also maintained the local and foreign currency country ceilings at 'BB-'. It noted that the ratings are supported by a robust macroeconomic and fiscal policy framework, a credible commitment to reforms that are backed by the International Monetary Fund, sound per-capita income, as well as by strong governance and business environment indicators relative to peers. But it pointed out that the high level of foreign currency-denominated public debt, weak external finances and geopolitical tensions are weighing on the ratings. Further, it said that the public debt level remains elevated and increased by 13 percentage points of GDP to 67.4% of GDP at the end of 2020 due to the impact of the COVID-19 pandemic and the conflict in the Nagorno Karabakh province on the economy. It forecast the public debt level to reach 60.2% of GDP in 2021 and to regress gradually to 55% of GDP by the end of 2023, in case nominal GDP expands, the fiscal deficit narrows and the Armenian currency appreciates. Also, it said that the IMF's allocation of $175m in Special Drawing Rights to Armenia will boost the Central Bank of Armenia's foreign currency reserves in 2021. In parallel, the agency said that it could downgrade the ratings if the country's external imbalances deteriorate and the current account deficit widens, if foreign currency reserves decline, if the public debt level rises, or if domestic political instability intensifies. In contrast, it noted that it may upgrade the ratings if external indicators and governance standards improve, and if the debt trajectory resumes its downward path over the medium term.

*Source: Fitch Ratings*

## ETHIOPIA

### Low reserves and rising external vulnerabilities trigger ratings downgrade

S&P Global Ratings downgraded Ethiopia's long-term foreign and local currency sovereign credit ratings, as well as transfer and convertibility assessment, from 'B-' to 'CCC+'. It also lowered its short-term foreign and local currency sovereign credit ratings from 'B' to 'C', and revised the outlook on the long-term ratings from 'credit watch negative' to 'negative'. It attributed the downgrades to the country's low foreign currency reserves, its high external liquidity needs, the persistent deficits in its current account, and rising external vulnerabilities. It pointed out that the 'negative' outlook reflects the weak external financial support and the risk that the government may include commercial creditors in its debt restructuring plans. Further, it forecast the country's gross external financing needs at 150.6% of current receipts and usable reserves in 2022, 157.3% in 2023 and 165.3% in 2024. In parallel, it said that it could downgrade the ratings if it concludes that Ethiopia is unwilling or unable to service the interest payments on its commercial obligations during the 2021-24 period, or if political turbulence and weak bilateral and multilateral financial support place further strains on the country's external debt repayment capacity and on its low foreign currency reserves. Moreover, it noted that it could lower the ratings to 'Selective Default' if the government carries out a debt exchange offer with commercial creditors.

*Source: S&P Global Ratings*

## WORLD

### Central banks experimenting with digital currencies

Moody's Investors Services indicated that, since the beginning of the COVID-19 pandemic, the number of central banks investigating, developing or testing central bank digital currencies (CBDCs) has increased. It noted that the pandemic accelerated consumers' preferences towards digital payments and that the adoption of "CBDC digital wallets", a platform where individuals can store and use their digital currencies, would be cheaper for consumers compared to cash in terms of storage and security. It said that, according to a survey of central banks that the Bank for International Settlements conducted in 2021, 86% of central banks are actively researching the potential of testing or using CBDBs, 60% of participants are in the experimentation phase, and 14% of survey respondents started their CBDCs pilot projects. It indicated that central banks are developing CBDCs in conjunction with existing financial markets, which would allow financial institutions to attract more clients by taking part in the new CBDCs systems. Moreover, it pointed out that, in general, governments could distribute and collect public revenues to and from individuals and companies through CBDCs. It stated that the usage of CBDCs may reduce operational risks at banks, such as the high cost of transferring cash. It added that the adoption of CBDCs could make cross-border payments faster and more secure, but noted that it might reduce bank revenues from certain activities. In parallel, it considered that the usage of CBDCs without a developed framework could affect the monetary policy stance of many central banks.

*Source: Moody's Investors Services*

## JORDAN

### NPLs ratio to increase to 9% at end-2022

S&P Global Ratings maintained Jordan's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '8' and industry risk score of '7'. The BICRA framework evaluates banking systems based on the economic and industry risks that they face, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's Group '8' include Armenia, Cyprus, Georgia and Russia. The agency indicated that the economic risk score reflects "extremely high risks" in Jordan's economic resilience, "very high" credit risks in the economy, and "intermediate risks" in the country's economic imbalances. It expected the sector's non-performing loans (NPLs) ratio to increase from 5.5% at end-2020 to 8% at end-2021 and to 9% at the end of 2022, given the rise in Stage 2 loans. In parallel, S&P said that the industry risk score reflects the country's "high risks" in its institutional framework, competitive dynamics and system-wide funding. It considered that the banks' capitalization is adequate, due to a resilient capital adequacy ratio that slightly increased from 18.2% at end-2019 to 18.3% at end-2020. Further, it indicated that banks will continue to generate sufficient profitability to absorb additional credit losses, despite the Central Bank of Jordan's decision to cut interest rates by 150 basis points and significant provisioning needs. Also, it expected the banks' earnings to remain sound despite the deterioration in asset quality. It noted that the trend for the industry and economic risks is 'stable'.

*Source: S&P Global Ratings*

## MOROCCO

### Banks' asset quality to deteriorate in 2021 and 2022

S&P Global Ratings indicated that the Moroccan banking sector posted an average return on equity of 9.4% and a solvency ratio of 15.6% in 2019 before the onset of COVID-19 pandemic. It expected these ratios to deteriorate in 2021, but noted that the banks' earnings will provide some buffers to absorb additional credit losses. It said that government measures aimed at supporting corporates, including lending facilities, subsidized interest rates, and a partial state guarantee, were relatively successful, while lower interest rates supported mortgage lending. However, it expected credit growth to slow down in 2021 as state-guaranteed loan programs expire. It anticipated that that banks' cost-cutting efforts will continue, which will partly offset the impact of margin contraction and lower lending volumes on their earnings. It forecast a deterioration in the banks' asset quality indicators, and expected the sector's exposure to tourism, small and medium-sized enterprises, and real estate exposures to contribute the most to the decline in asset quality. It noted that the asset quality metrics have yet to show the true impact of the pandemic on banks. It forecast loan-loss reserves at 69% in 2021 and 68% in 2022, and for the ratio of non-performing assets to total loans to exceed 9% in 2022 and for credit losses to reach about 1.8% of total loans for the same year.

*Source: S&P Global Ratings*

## ANGOLA

### Agency takes rating actions on three banks

Moody's Investors Service upgraded the long-term deposit ratings of Banco Angolano de Investimentos (BAI) and Banco de Fomento Angola (BFA) from 'Caa1' to 'B3', and maintained the 'stable' outlook on the ratings. It attributed the upgrades to its earlier upgrade of the sovereign ratings from 'Caa1' to 'B3'. Also, it upgraded the baseline credit assessment (BCA) of BFA from 'caa1' to 'b3' and affirmed BAI's BCA at 'caa1'. It stated that the BCA of BFA reflects the bank's robust capital position and strong asset quality. It noted that the BCA of BAI balances the bank's standalone credit profile, good funding and liquidity profiles, as well as its low share of loans in total assets, against a non-performing loans (NPLs) ratio of 61% at end-2020 that is weighing on the bank's asset quality. It added that the ratings of BAI benefit from a high probability of government support in case of need. In parallel, the agency affirmed the long-term deposit ratings of Banco Economico at 'Caa3' and the bank's BCA at 'ca', and kept the 'negative' outlook on the deposit ratings. It pointed out that the ratings of Banco Economico reflect the bank's weak capital position and solvency profile, modest funding base, as well as a high level of problem loans, with the ratio of NPLs to total common equity and loan-loss reserves exceeding 100% at the end of 2020. It added that the bank's ratings could benefit from a moderate probability of government support, as well as from regulatory forbearance measures and liquidity injection in case of need, given its importance to the domestic financial system.

*Source: Moody's Investors Service*

# ENERGY / COMMODITIES

## Oil prices to average $85 p/b in fourth quarter 2021

ICE Brent crude oil front month prices reached $78.64 per barrel (p/b) on September 30, 2021, constituting a rise of 3.2% from a week earlier and a surge of 10% from the month's low of $65.18 p/b registered on September 9, 2021, mainly due to the recovery of oil demand to its pre-pandemic levels. In parallel, Goldman Sachs indicated that global oil demand has recovered from the Delta variant at a faster pace than previously anticipated, as the rollout of the coronavirus vaccine is leading to an easing of international travel restrictions. It added, however, that global oil supply remains below previous forecasts, since Hurricane Ida led to a decrease in U.S oil output, which placed upward pressure on oil prices. It anticipated that global oil supply will not meet the projected demand during the next two years, despite the latest decision by the OPEC+ coalition to gradually raise oil output by 400,000 barrels per day (b/d) starting in August of this year. It added that downside risks to oil prices are related to the emergence of new waves of the coronavirus, as well as to the effectiveness of the vaccine on any new COVID-19 variant. Further, it revised its oil price forecast for the end of 2021 to $90 p/b from $80 p/b previously. Also, it projected oil prices to average $85 p/b in the fourth quarter of 2021, $72.1 p/b in 2021, $81.3 p/b in 2022, and $85 p/b in 2023.

*Source: Goldman Sachs, Refinitiv, Byblos Research*

## Global steel output up 11% in first eight months of 2021

Global steel production reached 1.32 billion tons in the first eight months of 2021 and increased by 10.6% from 1.19 billion tons in the same period of 2020. Production in China totaled 733 million tons and accounted for 55.5% of global output in the covered period. India followed with 77.7 million tons (5.8%), then Japan with 64 million tons (4.8%), the U.S. with 57.1 million tons (4.3%), and Russia with 50.8 million tons (3.8%).

*Source: World Steel Association, Byblos Research*

## Saudi Arabia's oil exports receipts up 112% to $19bn in July 2021

Total oil exports from Saudi Arabia amounted to 7.65 million barrels per day (b/d) in July 2021, constituting an increase of 4.5% from 7.32 million b/d in June and a surge of 15.2% from 6.64 million b/d in July 2020. In parallel, crude oil output averaged 9.5 million b/d in July 2021, up by 6.1% from the preceding month, and compared to an average of 8.5million b/d in June 2020. Further, oil export receipts reached $18.9bn in July 2021, increasing by 16.2% from $16.3bn in June 2021 and surging by 112% from $8.9bn in July 2020.

*Source: JODI, General Authority for Statistics*

## Global hydroelectricity consumption up 1% in 2020

BP estimated global hydroelectricity consumption at 38.16 exajoules (EJ) in 2020, constituting an increase of 1.2% from 37.69 EJ in 2019. Hydroelectricity consumption in the Asia-Pacific region reached 16.41 EJ, or 43% of global demand for hydroelectricity last year, followed by demand in North America with 6.22 EJ (16.3%), South & Central America with 5.87 EJ (15.4%), Europe with 5.82 EJ (15.2%), the Commonwealth of Independent States with 2.36 EJ (6.2%), Africa with 1.27 EJ (3.3%), and the Middle East with 0.23 EJ (0.6%).

*Source: BP, Byblos Research*

## Base Metals: Copper prices at $9,300 per ton in fourth quarter of 2021

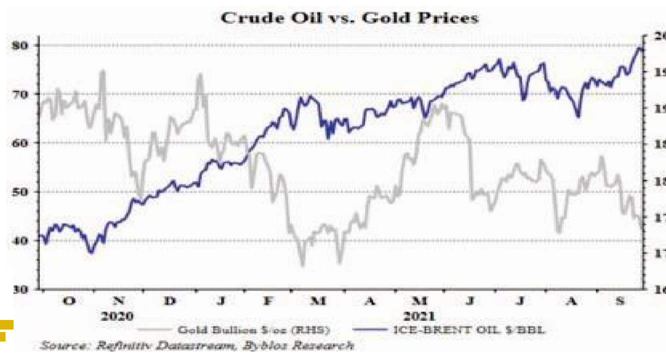
LME copper cash prices averaged $9,190 per ton in the year-to-September 29, 2021 period, constituting a rise of 57.4% from an average of $5,838 a ton in the same period of 2020. Supply disruptions and expectations of robust demand drove the surge in prices, amid the anticipated stronger global economic recovery. Also, copper prices dropped from an all-time high of $10,448.5 per ton on May 11 of this year to $9,174 a ton on September 29 mainly due to expectations that the U.S. Federal Reserve could tighten its monetary policy faster than expected. In parallel, the latest available figures show that global demand for refined copper was 12.3 million tons in the first half of 2021, up by 3.8% from the same period of 2020, as the 6% growth in Chinese demand more than offset the 9% decrease in demand from the rest of the world, given that China is the world's largest consumer of the metal. In parallel, global refined copper production grew by 3.2% to 12.3 million tons in the first half of the year, as higher output from China, the Democratic Republic of the Congo, the United States and Zambia was partially offset by lower production in Brazil, Chile, Germany, Japan, Russia, Spain and Sweden. Further, Standard Chartered Bank projected copper prices to decline from $9,970 per ton in the third quarter of 2021 to $9,300 a ton in the fourth quarter of the year.

*Source: ICSG, Standard Chartered Bank, Refinitiv*

## Precious Metals: Platinum prices to average $1,080 per ounce in 2021

Platinum prices averaged $1,121 per troy ounce in the year-to-September 29, 2021 period, constituting an increase of 29.7% from an average of $864 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. However, Standard Chartered Bank projected global platinum demand to reach 7.2 million ounces in 2021 and to regress by 1.1% from 2020. It attributed the expected decrease in demand to an 88% drop in investments in platinum-backed exchange traded funds, mainly due to chip shortages in the automotive sector, as well as to concerns about a slowdown in global growth. Further, it forecast global platinum supply to increase by 17.8% to 7.8 million ounces in 2021, with mine output representing 76.2% of the total. As such, it forecast platinum prices to average $1,080 an ounce in 2021 and $1,110 per ounce in 2022.

*Source: Standard Chartered Bank, 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+ | B3 | 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 | A+ | AA- | | | | | | | | |
| | Negative | Stable | Negative | Stable | 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 | 22-Sep-21 | No change | N/A |
| Eurozone | Refi Rate | 0.00 | 09-Sep-21 | No change | 28-Oct-21 |
| UK | Bank Rate | 0.10 | 05-Aug-21 | No change | N/A |
| Japan | O/N Call Rate | -0.10 | 22-Sep-21 | No change | 28-Oct-21 |
| Australia | Cash Rate | 0.10 | 07-Sep-21 | No change | 05-Oct-21 |
| New Zealand | Cash Rate | 0.25 | 18-Aug-21 | No change | 06-Oct-21 |
| Switzerland | SNB Policy Rate | -0.75 | 23-Sep-21 | No change | 16-Dec-21 |
| Canada | Overnight rate | 0.25 | 08-Sep-21 | No change | 27-Oct-21 |
| **Emerging Markets** | | | | | |
| China | One-year Loan Prime Rate | 3.85 | 22-Sep-21 | No change | 20-Oct-21 |
| Hong Kong | Base Rate | 0.86 | 15-Mar-20 | Cut 64bps | N/A |
| Taiwan | Discount Rate | 1.125 | 23-Sep-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 | 09-Sep-21 | No change | 03-Nov-21 |
| Thailand | 1D Repo | 0.50 | 29-Sep-21 | No change | 10-Nov-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 | 16-Sep-21 | No change | 28-Oct-21 |
| Jordan | CBJ Main Rate | 2.50 | 16-Mar-20 | Cut 100bps | N/A |
| Turkey | Repo Rate | 18.00 | 23-Sep-21 | Cut 100bps | 21-Oct-21 |
| South Africa | Repo Rate | 3.50 | 23-Sep-21 | No change | 18-Nov-21 |
| Kenya | Central Bank Rate | 7.00 | 28-Sep-21 | No change | N/A |
| Nigeria | Monetary Policy Rate | 11.50 | 17-Sep-21 | No change | 23-Nov-21 |
| Ghana | Prime Rate | 13.50 | 27-Sep-21 | No change | 22-Nov-21 |
| Angola | Base Rate | 20.00 | 02-Jul-21 | Raised 450bps | 30-Sep-21 |
| Mexico | Target Rate | 4.50 | 12-Aug-21 | Raised 25 bps | 30-Sep-21 |
| Brazil | Selic Rate | 6.25 | 22-Sep-21 | Raised 100bps | N/A |
| Armenia | Refi Rate | 7.25 | 14-Sep-21 | Raised 25bps | 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 | 9.50 | 13-Sep-21 | Raised 25bps | 25-Oct-21 |
| Ukraine | Discount Rate | 8.50 | 09-Sep-21 | Raised 50bps | 21-Oct-21 |
| Russia | Refi Rate | 6.75 | 10-Sep-21 | Raised 25bps | 22-Oct-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

# 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