



In memory of the victims of
the Beirut Port explosion

Issue 641 | September 3, 2020

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 331% of GDP at end-March 2020

The Institute of International Finance indicated that global debt, which includes the debt of governments, corporates and households, reached a record-high of \$258 trillion (tn) at the end of March 2020, constituting an increase of 3.4% from \$249.4tn at end-March 2019. It noted that the debt was equivalent to 331% of global GDP at the end of March 2020 compared to 320% of GDP a year earlier. It attributed the increase in global debt issuance mainly to the large global fiscal and monetary responses to the coronavirus pandemic. It pointed out that the debt of non-financial corporates reached \$75.6tn, or 94.7% of GDP, at end-March 2020, followed by government debt with \$69.9tn (90.7% of GDP), financial sector indebtedness with \$64.3tn (84.3% of GDP), and household debt with \$48.1tn (61.7% of GDP). In parallel, the IIF said that emerging market (EM) debt grew from \$70.6tn at end-March 2019 to \$72.6tn, or 230% of GDP, at the end of March 2020. It indicated that EM non-financial corporate debt totaled \$31.2tn, or 96.1% of GDP, at the end of March 2020, followed by EM government borrowing at \$16.4tn (53.8% of GDP), EM household debt at \$13.4tn (42.4% of GDP), and financial sector indebtedness at \$11.6tn (37.7% of GDP). Further, it pointed out that the debt of developed markets increased from \$178.8tn or 379.7% of GDP at end-March 2019 to \$185.4tn or 392% of GDP at the end of March 2020. The IIF indicated that refinancing risks have increased, with \$3.7tn of EM debt coming due in the remainder of 2020. It added that EMs will need to refinance \$620bn in foreign currency debt this year.

Source: Institute of International Finance

MENA

Stock markets down 11% in first eight months of 2020

Arab stock markets dropped by 11% and Gulf Cooperation Council equity markets fell by 9.2% in the first eight months of 2020, relative to expansions of 5.3% and 3.8%, respectively, in the same period of 2019. In comparison, global stocks increased by 2.6% and emerging market equities declined by 1.6% in the covered period. The index of the Beirut Stock Exchange jumped by 133% in the first eight months of 2020, activity on the Damascus Securities Exchange expanded by 28.2%, and the Khartoum Stock Exchange grew by 7.5%. In contrast, activity on the Dubai Financial Market dropped by 18.8% in the first eight months of 2020, the Egyptian Exchange fell by 18.6%, the Casablanca Stock Exchange decreased by 16.7%, the Palestine Exchange contracted by 15.2%, the Bursa Kuwait declined by 14.8%, the Bahrain Bourse regressed by 14.2%, the Amman Stock Exchange retreated by 13.3%, and the Abu Dhabi Securities Exchange deteriorated by 11%. Also, activity on the Qatar Stock Exchange declined by 5.6%, the Saudi Stock Exchange and the Muscat Securities Market retreated by 5.3% each, and the Tunis Bourse and the Iraq Stock Exchange regressed by 5% each.

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

M&A deals down 63% to \$40bn in first eight months of 2020

Figures issued by Bureau Van Dijk and Zephyr show that there were 354 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$39.8bn in the first eight months of 2020. In comparison, there were 458 M&A deals worth \$107.7bn in the same period of 2019. As such, the number of deals decreased by 22.7%, while the amount of deals dropped by 63% year-on-year. The elevated value of deals in the first seven months of 2019 was mainly driven by Saudi Aramco's acquisition in March 2019 of a 70% stake in Saudi Basic Industries Corporation for \$69.1bn. The amount of M&A transactions in the UAE reached \$19.5bn in the first eight months of 2020 and accounted for 49% of the region's aggregate deal value. Bahrain followed with M&A deals of \$11.7bn (29.3%), then Saudi Arabia with \$2.4bn (6%), Oman with \$2.1bn (5.3%), Egypt with \$1.6bn (4.1%), Qatar with \$1.2bn (3.1%), Iran with \$877m (2.2%), Kuwait with \$334m (0.8%), Jordan with \$68m (0.2%), Morocco with \$42m (0.1%), and Lebanon with \$1m. Egypt had 138 M&A deals in the covered period, followed by the UAE with 63 transactions, Saudi Arabia with 36 deals, Jordan with 33 transactions, Kuwait with 23 deals, Oman with 20 transactions, and Bahrain with 14 deals. Also, Lebanon had nine transactions, while Iraq had five deals, Iran had four transactions, Morocco and Qatar had three deals each, Algeria had two transactions, and Tunisia had one deal.

Source: Zephyr, Bureau Van Dijk, Byblos Research

SAUDI ARABIA

Profits of listed firms down 49% to \$29bn in first half of 2020

The cumulative net income of 97 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR109.4bn, or \$29.2bn, in the first half of 2020, constituting a decrease of 49.2% from SAR215.3bn, or \$57.4bn, in the same period of 2019. Listed energy firms generated net profits of \$23.2bn and accounted for 79.4% of total net earnings in the covered period. Listed banks followed with \$5.1bn (17.4%), then telecommunications firms with \$1.6bn (5.5%), the food & beverages industry with \$477.1m (1.6%), and retailers with \$225.5m (0.8%); while listed companies in other sectors registered profits of \$330.2m (1.1%). In parallel, listed commercial & professional services providers, diversified financials firms, as well as companies in the utilities, basic materials, transportation, and media sectors registered aggregate net losses of \$1.7bn in the first half of 2020. Further, the net earnings of food & staples retailers increased by 112.3% year-on-year in the first half of 2020, followed by the net income of the food & beverages industry (+65%), software services firms (+48%), retailers (+7.1%), and telecommunications companies (+2.3%). In contrast, the net profits of real estate firms decreased by 73.5% in the covered period, followed by the net earnings of consumer services companies (-72.4%), insurers (-60%), healthcare equipment & services providers (-53.6%), energy firms (-50.7%), and banks (-14.4%). The results of the remaining listed companies shifted from a net income of \$1.8bn in the first half of 2019 to net losses of \$1.6bn in the same period of 2020.

Source: KAMCO

OUTLOOK

EMERGING MARKETS

Insurance premiums to decline in 2020 and 2021

Global insurer Swiss Re anticipated that insurance companies in emerging markets (EM) will be more severely hit by the COVID-19 outbreak than insurers in developed economies. It projected the growth rate of insurance premiums in EMs to decrease by 3.6 percentage points (ppts) in each of 2020 and 2021, compared to a decline of 2.5 ppts annually in advanced economies. It expected China's insurance market to be the exception among EM markets and to grow by an average of 7% annually in the 2020-21 period. As such, it forecast the growth rate of insurance premiums in EMs ex-China to regress by 4.5 ppts in the 2020-21 period, mainly due to steep declines of premiums in EM Europe, Latin America, and the Middle East & Africa. Further, it considered the fundamental drivers of economic activity in EMs, such as urbanization, an expanding middle class and rising consumer risk awareness, to remain robust. As such, it forecast EMs to be the growth engine of the global insurance sector in the long term.

In parallel, Swiss Re indicated that the pandemic will have a steeper impact on the life insurance segment than on the non-life segment in EMs. It projected life premiums in EMs to stagnate in 2020 before increasing by 7% in 2021. In addition, it expected insurance markets in EM Asia to be resilient, but anticipated deep recessions and unfavorable labor market dynamics to negatively impact demand for life insurance in other EM economies, such as Brazil, Mexico, Turkey and South Africa. Also, it forecast non-life premiums in EMs to grow by 3% this year and by about 7% in 2021, driven by robust growth in China. It anticipated non-life premiums in EM Europe and in Central Asia to significantly decline in 2020 due to their trade dependence on Western Europe, where growth is expected to weaken, as well as to recessions in Russia and Turkey. It also projected weak economic activity and lower commodity prices to weigh on the growth of non-life insurance premiums in Latin America and in the Middle East & Africa. Further, it expected the direct impact of the pandemic on insurance claims to be manageable, due to the exclusion of infectious diseases from most policies and to low insurance penetration rates in EMs.

Source: Swiss Re

PAKISTAN

Downside risks to economic outlook

The Institute of International Finance projected Pakistan's real GDP to grow by 1.8% in the fiscal year that ends in June 2021, following a contraction of 0.7% in FY2019/20, in case of a recovery in private consumption. But it noted that risks to the economic outlook are tilted to the downside amid elevated uncertainties about the magnitude and duration of the COVID-19 pandemic. It said that the government's response measures have been adequate, underpinned by a \$1.4bn emergency financing from the International Monetary Fund. It added that the State Bank of Pakistan's monetary and liquidity measures are supporting economic activity and maintaining financial stability, while the sharp depreciation of the Pakistani rupee has reduced external vulnerabilities. It expected the average inflation rate to decline from 10.7% in FY2019/20 to 8.2% in FY2020/21.

In parallel, it indicated that Pakistan's major challenges include wide fiscal deficits, low tax revenue mobilization and an elevated public debt level. It added that resistance to tax reforms in the

energy sector could undermine fiscal consolidation and put at risk the sustainability of the public debt. It forecast the fiscal deficit to widen from 8.1% of GDP in FY2019/20 to 8.7% of GDP in FY2020/21, compared to the government's budgeted deficit of 7% of GDP. It projected the public debt level to rise from 84.1% of GDP at end-June 2020 to 85.7% of GDP at end-June 2021.

Further, the IIF noted that Pakistan's external position has improved given the depreciation of its currency, weaker domestic demand and sustained remittance inflows. It noted that the current account deficit narrowed from 4.8% of GDP in FY2018/19 to 1.1% of GDP in FY2019/20, and forecast the deficit to reach 1.6% of GDP in FY2020/21. It considered that the improvement in the current account dynamics, along with the rollover of short-term debt and the suspension of debt servicing payments under the G-20 Debt Service Suspension Initiative, have reduced Pakistan's external financing needs and bolstered its official foreign currency reserves. It forecast foreign currency reserves to increase from \$13.3bn or 2.8 months of import coverage in FY2019/20, to \$15.4bn or 3.3 months of imports in FY2020/21.

Source: Institute of International Finance

EGYPT

Growth to decelerate on COVID-19 impact

The International Monetary Fund indicated that Egypt managed to correct large external and domestic imbalances under the Extended Fund Facility (EFF) and prior to the COVID-19 outbreak. However, it anticipated that the pandemic will significantly weigh on the country's economic activity, due to its detrimental impact on tourism, exports and remittance inflows, as well as to the authorities' containment measures in response to the outbreak. As such, it estimated that real GDP growth decelerated from 5.6% in the fiscal year then ended in June 2019 to 2% in FY2019/20 and projected growth at 2.8% in FY2020/21.

In parallel, the Fund indicated that authorities launched a broad policy response package, equivalent to 1.8% of GDP, to contain the economic impact of the pandemic, while the Central Bank of Egypt initiated measures to ease pressures in domestic liquidity and credit conditions. It projected the fiscal deficit to narrow from 8.3% of GDP in FY2019/20 to 7.8% of GDP in FY2020/21, and for the public debt level to rise from 87.5% of GDP at the end of June 2020 to 91.5% of GDP at end-June 2021. It stressed that, given the limited fiscal space, the government needs to restore the primary surplus to 2% of GDP starting in FY2021/22 in order to resume the downward trajectory of the public debt level.

Further, the IMF projected the current account deficit to widen from 4.3% of GDP in FY2019/20 to 4.6% of GDP in FY2020/21, due to weaker foreign direct investments, as well as lower tourism receipts and remittances inflows. It anticipated external financing needs to reach \$14bn in FY2019/20 and FY2020/21. It noted that the flexible exchange rate and adequate foreign currency reserves provide a significant cushion to mitigate the shock. But it said that emergency financial assistance of about \$2.8bn under the Rapid Financing Instrument will help alleviate the immediate balance-of-payments needs. It added that authorities have requested a follow-on Stand-By Arrangement, while also seeking funding from other multilateral and official bilateral creditors. It forecast foreign currency reserves to decline from \$35bn at end-June 2020 to \$31.9bn at end-June 2021.

Source: International Monetary Fund

ECONOMY & TRADE

WORLD

Pandemic-related travel restrictions impact trade

The World Trade Organization (WTO) considered that the travel restrictions that countries around the world imposed to contain the outbreak of the COVID-19 pandemic have directly impacted the global trade in goods and services. It noted that the restrictive measures have disrupted freight transport, the supply of tradable services, as well as business travel. It added that travel restrictions have contributed to a substantial increase in trade costs, especially those related to transport and travel, which account for over 30% of the cost of global manufacturing trade. First, it noted that air freight transport has been severely disrupted, with global air cargo capacity declining by 24.6% annually in March 2020. Second, it indicated that tradable services that rely on physical proximity between suppliers and consumers, such as tourism and maintenance & repair services, have been significantly impacted by travel restrictions and social distancing. Third, the WTO pointed out that the disruptions to business travel, which plays an important role in establishing and maintaining trading relationships, are also likely to affect business and professional services and manufacturing. But it said that the extent of the disruptions will depend on the ability of businesses to replace face-to-face communication with electronic interactions. As such, it considered that the quality of the information and communications technology infrastructure and the digital preparedness of an economy will be determining factors of how well businesses cope with the virus-related shock.

Source: World Trade Organization

KUWAIT

Government to continue to be financed despite depletion of reserves and political obstacles

Fitch Ratings considered that the Kuwaiti government would continue to find sources of financing, despite the depletion of the foreign assets of the Government Reserves Fund (GRF) that serves as the State's treasury account, and in spite of political resistance to passing a new law that permits debt issuance. It anticipated that the GRF's remaining \$6.5bn in assets will be depleted by the end of November 2020. As such, it considered that, after November, the government would issue new debt, despite the uncertainties about the Parliament's enacting of the new law on debt issuance that it has been considering since 2017. It added that the government would resort to drawing down the foreign assets of the Reserve Fund for Future Generations (RFFG), which is an inter-generational savings fund that diversifies oil revenues into long-term financial investments. As such, it projected the RFFG's foreign assets to decline from \$488.7bn at the end of 2019 to \$461.5bn at end-2020 and to \$440.4bn by end-2022. It considered that the drawdowns from the GRF and RFFG, as well as the issuance of debt, would weaken Kuwait's exceptionally strong balance sheet. Still, it forecast Kuwait's sovereign net foreign assets at around \$600bn, or 500% of GDP, at end-2020, which is much higher than the median net foreign asset level of 'AA'-rated sovereigns. Further, Fitch pointed out that Kuwait's debt servicing obligations are low, and can be prioritized and repaid even without RFFG drawdowns or new debt issuance. It noted that the country has to service around \$650m in interest and debt payments during the remainder of 2020, and about \$1.3bn in 2021.

Source: Fitch Ratings

AFRICA

Region's average rating down from 'B+' to 'B'

S&P Global Ratings indicated that it took mostly negative rating actions on Sub-Saharan African sovereigns this year due to the adverse impact of the coronavirus on economies in the region. It said that the region's average rating declined from 'B+' at the end of 2019 to 'B' as of August 18, 2020, with Botswana rated the highest at 'BBB+' and Zambia the lowest at 'CCC'. It expected the real GDP of the 19 rated-SSA economies to contract by an average of 1% in 2020, with the contraction in economic activity ranging from 1.5% to 10%, depending on the economic structure and lockdown measures in each country. It anticipated that the pandemic will have the most significant impact on SSA economies that are dependent on tourism and on commodities, and that already have fiscal and external vulnerabilities. It projected economic growth to average 4.3% in 2021 and to range from 1% in Angola to 6.5% in Burkina Faso. In parallel, it forecast the region's fiscal deficit to average 6.7% of GDP in 2020 and 4.2% of GDP in 2021. It anticipated that a rise in fiscal imbalances in the majority of rated-sovereigns in SSA in the next few years will lead to a substantial increase in the public debt level of most countries. Further, it expected SSA's current account deficit to average 8.4% of GDP in 2020 and 6% of GDP in 2021. It pointed out that the pandemic caused a deterioration in the balance of payments of SSA economies, which created urgent external financing needs. It considered that international financial support and debt suspension initiatives might not be enough for SSA economies, given their elevated debt burdens and limited fiscal flexibility.

Source: S&P Global Ratings

NIGERIA

Sovereign ratings affirmed with 'stable' outlook

S&P Global Ratings affirmed Nigeria's long- and short-term foreign and local currency sovereign credit ratings at 'B-/B', with a 'stable' outlook on the long-term ratings. It anticipated that the low oil price environment and the authorities' lockdown measures in response to the COVID-19 outbreak will result in a 3.8% contraction in economic activity in 2020. It expected lower global oil prices and cuts to oil production to reduce hydrocarbon export receipts, and forecast the current account deficit at 4.3% of GDP this year. It anticipated external liquidity to remain under pressure, with gross external financing needs at 116% of current account receipts plus usable reserves during the 2020-23 period. The agency considered that the government's policy response to the drop in oil prices, such as the lifting of fuel subsidies, as well as the planned reduction in electricity subsidies and tax increases, among other measures, will be insufficient to offset the reduction in oil revenues this year. It projected the fiscal deficit to widen from 5% of GDP in 2019 to 5.5% of GDP in 2020. Also, it anticipated that lower foreign currency receipts will put pressure on the exchange rate and weigh on foreign currency reserves. However, it pointed out that Nigeria received more than \$3.4bn in funding from the International Monetary Fund under its Rapid Financing Initiative, and said that additional multilateral support is forthcoming, which would partially alleviate pressure on foreign currency reserves. It forecast foreign currency reserves to decline from \$38.1bn at the end of 2019 to \$31.7bn at end-2020.

Source: S&P Global Ratings

BANKING

JORDAN

Private sector lending up 4% in first half of 2020

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD54.1bn, or \$76.3bn at the end of June 2020, constituting increases of 0.9% from the end of 2019 and of 4.1% from end-June 2019. Claims on the resident private sector grew by 4% from end-2019 to JD25.7bn and credit to the non-resident private sector decreased by 9.5% to JD610.1m, leading to an expansion of 3.7% in overall private sector credit facilities in the first half of 2020. Lending to the resident private sector accounted for 47.6% of total assets at the end of June 2020 compared to 47% a year earlier. In parallel, resident private sector deposits reached JD27.9bn at the end of June 2020, and decreased by 1.6% from JD28.3bn at end-2019, while non-resident private sector deposits grew by 9.5% from end-2019 and by 11.7% year-on-year to JD4.4bn. The dollarization rate of private sector deposits reached 25.1% at end-June 2020 relative to 25.5% a year earlier. The government's deposits totaled JD897.3m and those of public non-financial institutions reached JD234.5m at the end of June 2020. Claims on the public sector accounted for 23.8% of total assets at end-June 2020 compared to 23% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD4.8bn, or \$6.8bn at end-June 2020, up by 2.5% from end-June 2019; while capital accounts and allowances increased by 6.6% to JD8.3bn, or \$11.8bn. Also, deposits at foreign banks reached JD3.6bn, or \$5.1bn, at end-June 2020, down by 5.4% from end-2019; while the sector's foreign liabilities stood at JD8.6bn, or \$12.2bn, up by 7.2% from end-2019.

Source: Central Bank of Jordan

UAE

Tier One capital of top 17 banks at \$92bn at end-2019

In its 2020 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included 17 banks operating in the UAE, which constitute 25% of the 68 banks in the Middle East region covered in the survey. The rankings are based on the banks' Tier One capital at end-2019, as defined by the Basel Bank of International Settlements. The aggregate Tier One capital of UAE banks totaled \$92.1bn at the end of 2019, constituting an increase of 17.8% from \$78.2bn at end-2018, and accounted for 1% of the Tier One capital of the Top 1000 banks worldwide. In addition, the aggregate assets of the 17 banks reached \$805.5bn at end-2019 compared to \$682.7bn at end-2018, and accounted for 0.6% of the aggregate assets of the Top 1000 banks in the world. As such, the UAE banks' combined Tier One capital-to-assets ratio was 11.4% at end-2019 compared to 11.5% a year earlier, and came higher than the ratio of the Top 1000 banks' aggregate ratio of 6.9%. Also, the cumulative pre-tax profits of the 17 banks was \$13.5bn in 2019, and represented 27.3% of aggregate profits of banks in the Middle East region and for 1.2% of the total profits of the Top 1000 banks. As such, the ratio of pre-tax profits-to-Tier One capital of UAE banks reached 14.7% in 2019, compared to the Top 1000 banks' ratio of 13.2%. The Tier One capital of First Abu Dhabi Bank was \$20.8bn at the end of 2019, the highest among UAE banks, followed by Emirates NBD (\$20.3bn), Abu Dhabi Commercial Bank (\$13.6bn), Dubai Islamic Bank (\$7.9bn), and Mashreqbank (\$5.7bn).

Source: *The Banker*

EGYPT

NPLs ratio to exceed 7% by end-June 2021

S&P Global Ratings maintained Egypt's banking sector in 'Group 9' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '9' and the industry risk score at '8'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 9' are Azerbaijan, Greece, Kazakhstan and Turkey. The agency said that Egypt's economic risk score reflects "extremely high risks" in its economic resilience, "very high" credit risks in the economy, and "high risks" in its economic imbalances. It noted that Egyptian banks have a high exposure to the sovereign, given that their aggregate loans to the public sector and their holdings of government securities accounted for 40% of the sector's total assets at end-June 2019, compared to a share of 29% at end-June 2010. It also pointed out that lending to the private sector represents 35% of total assets at end-June 2020 and is equivalent to 26% of GDP, which shows a low level of banking penetration. It considered that banks will face increasing credit losses in coming years, mainly due to the negative impact of the COVID-19 on economic activity, and to the banks' significant exposure to small and medium-sized enterprises. As such, it projected the sector's aggregate non-performing loans ratio to rise from 4.2% at end-June 2019 to 7.1% at the end of June 2021. In parallel, it said that the industry score reflects the country's "extremely high risks" in its institutional framework, and "high risks" in its system-wide funding and competitive dynamics. It noted that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

OMAN

Agency takes rating actions on six banks

Fitch Ratings downgraded the long-term Issuer Default Rating (IDR) of HSBC Bank Oman (HBON) from 'BB+' to 'BB', as well as the rating of Bank Muscat from 'BB' to 'BB-', and the IDR of Ahli Bank (ABO) from 'BB-' to 'B+'; while it affirmed at 'BB-' the ratings of Bank Dhofar and National Bank of Oman (NBO), and at 'B+' the IDR of Sohar International Bank (SIB). Also, it revised the outlook on the rating of SIB from 'stable' to 'negative', while it maintained the 'negative' outlook on the IDRs of the other five banks. The agency indicated that its rating actions follow the recent downgrade of Oman's sovereign ratings, and that the 'negative' outlook on the ratings mirrors the outlook on the sovereign rating. It added that the banks' IDRs reflect the government's weakening ability to provide support to banks in case of financial stress. In parallel, Fitch downgraded the Viability Ratings (VRs) of Bank Muscat and HBON from 'bb' to 'bb-', and the rating of ABO from 'bb-' to 'b+'; while it affirmed the VRs of Bank Dhofar and NBO at 'bb-', and the rating of SIB at 'b+'. It said that the six banks' VRs signify elevated concentrations on both sides of their respective balance sheets. It also noted that the VRs incorporate downside risks to the banks' credit profiles from the economic and financial implications of lockdown measures in response to the coronavirus pandemic. It anticipated that the current challenging operating environment, combined with lower global oil prices and the government's restrictive fiscal policy, will increase the pressure on the banks' asset quality, earnings and capitalization.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices projected at \$43 p/b in 2020

ICE Brent crude oil front-month prices averaged \$45 per barrel (p/b) in August 2020, constituting an increase of 4.2% from \$43.2 p/b in July. Oil price volatility decreased significantly in August, with prices trading at between \$44.2 p/b and \$45.9 p/b. Oil prices have been recently supported by a temporary decline in U.S. oil output due to hurricanes in the Gulf of Mexico, a larger-than-expected drawdown in U.S. crude oil inventories, improving manufacturing activity data from the U.S. and China, as well as by the United Arab Emirates' plan to reduce its crude oil supply by 30% in October. Also, the US dollar reached in late August its lowest level in more than two years against a basket of currencies, which supported oil prices. However, oil prices remain capped by investor concerns about a slower-than-expected recovery in global oil demand, given the likelihood of renewed coronavirus-lockdown measures, as well as by rising global oil supply. The Reuters monthly poll for August 2020, which includes the forecasts of global oil analysts and economists, projected Brent oil prices to average \$42.75 p/b in 2020 and \$50.5 p/b in 2021. In parallel, Goldman Sachs expected oil prices to reach \$65 p/b in the third quarter of 2021, based on the rising likelihood that a vaccine for COVID-19 will become available starting in the spring of 2021, which would support global economic activity and demand for oil. It added that production "discipline" among the OPEC+ and U.S. shale oil producers would exert upside pressure on oil prices. *Source: CNBC, Oilprice, Goldman Sachs, Refinitiv*

Iraq's oil exports receipts up 1% in August 2020

Preliminary figures show that Iraq's crude oil exports totaled 80.5 million barrels in August 2020, down by 6% from 85.7 million barrels in July 2020 and relative to 111.7 million barrels in August 2019. They averaged 2.6 million barrels per day (b/d) in August 2020, down by 6% from 2.8 million b/d in the previous month. Oil exports from the central and southern fields reached 77.5 million barrels in August, while shipments from the Kirkuk fields totaled 3 million barrels. Oil receipts stood at \$3.52bn in August, relative to \$3.49bn in July 2020.

Source: Iraq Ministry of Oil, Byblos Research

Nigeria's oil receipts down 22% in first half of 2020

Nigeria's receipts from the export of crude oil and condensate totaled \$1.98bn in the first half of 2020, and fell by 22.1% from \$2.54bn in the same period of 2019. Export revenues consisted of \$1.3bn from crude oil exports (66.2%), \$370m from gas exports (18.7%), and \$297m in other receipts (15%). The authorities transferred \$856.8m in hydrocarbon revenues to the Federation Account in the first half of 2020, and used \$1.1bn to pay global oil companies to guarantee current and future oil production.

Source: Nigerian National Petroleum Corporation

Consumer demand for gold in the Middle East down 34% annually in first half of 2020

Consumer demand for gold in the Middle East region, which includes demand for jewelry and bars & coins, totaled 82.3 tons in the first half of 2020, constituting a decline of 33.8% from 124.3 tons in the same period of 2019. It accounted for 8.5% of global consumer demand for the precious metal in the covered period. Consumer demand for gold in Iran reached 26.5 tons, and represented 32.2% of the region's total demand, followed by Saudi Arabia with 14.7 tons (17.8%) and the UAE with 13.4 tons (16.3%). *Source: World Gold Council, Byblos Research*

Base Metals: Zinc prices to average \$2,100 per ton in 2020

The LME cash prices of zinc averaged \$2,406 per ton in August 2020, constituting an increase of 10.5% from an average of \$2,177 a ton in July, and compared to an average of \$2,026 per ton in June. Prices closed at \$2,529 per ton on September 1, their highest level since November 2019, and grew by 40.3% from a four-year low of \$1,803 per ton in March 2020. The increase in prices was mainly driven by a recovery in China's economy, by supply disruptions amid coronavirus-related mine closures, and by a weaker US dollar. In addition, prices grew after the People's Bank of China injected new funds in the country's financial system, which boosted investors' risk sentiment. The rise in zinc prices was also due to higher demand for zinc from the Chinese steel sector, as China's massive stimulus measures increased the country's steel production. Also, the U.S. Federal Reserve's plans to promote higher inflation triggered expectations of a weakening of the US dollar, which also supported prices. Further, progress in U.S.-China trade talks and signs of a potential coronavirus vaccine breakthrough contributed to the price increase. In parallel, the latest available data showed that the surplus in the global zinc market narrowed from 19,000 tons in May to 2,000 tons in June. As such, Fitch Ratings revised upward its price projection for zinc in 2020 from \$1,900 per ton in April to \$2,100 a ton in August, in order to reflect stronger-than-expected demand in China and lower mine supply.

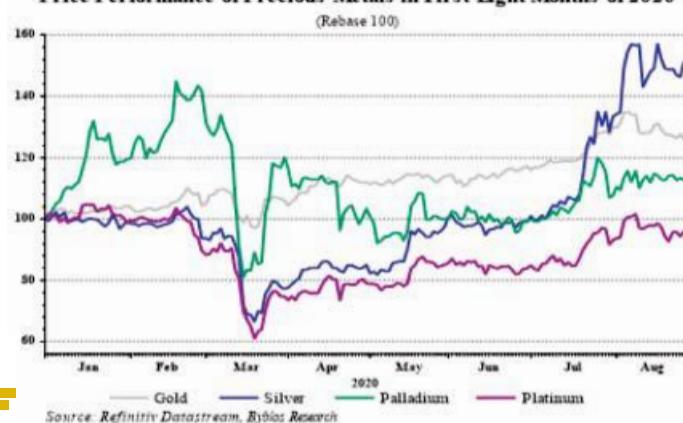
Source: ILZSG, Fitch Ratings, Refinitiv

Precious Metals: Silver prices up 18% in first eight months of 2020 on higher inflows to ETFs

Silver prices averaged \$18.4 per troy ounce in the first eight months of 2020, which constitutes an increase of 18.2% from an average of \$15.6 an ounce in the same period of 2019. Prices traded at a low of \$12.1 per ounce on March 18, and recovered to a seven-year high of \$29 an ounce on August 10. Also, the metal's price averaged \$27 per ounce in August 2020, up by 31.5% from an average of \$20.5 an ounce in the previous month, which constitutes the fifth consecutive monthly increase in prices. The rise in silver prices has mainly been driven by record-high inflows to silver exchange-traded funds, as investors started to switch to silver as a cheaper alternative to gold, while continuing to diversify their portfolios amid low U.S. interest rates and a weakening US dollar. In addition, demand for silver coins grew by 60% annually in the year-to-August 6 period, which also supported the metal's price. Silver prices are expected to continue to increase in the near term, supported by a recovery in silver jewelry and industrial demand, as well as by inflows in ETFs and strong demand for coins.

Source: BNP Paribas, The Silver Institute, Refinitiv

Price Performance of Precious Metals in First Eight Months of 2020



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								
Africa													
Algeria	-	-	-	-	B+	-4.8	-	-	-	-	-	-21.4	-
Angola	CCC+	B3	B-	-	CCC	-4.0	127.1	7.7	91.1	45.4	122.9	-14.4	9.5
Egypt	B	B2	B+	B+	B+	-8.3	86.5	6.0	71.4	44.8	120.1	-4.6	1.8
Ethiopia	B	B2	B	-	B+	-3.2	31.3	2.3	64.8	4.5	175.3	-7.3	2.0
Ghana	B	B3	B	-	BB-	-9.0	66.7	2.7	49.6	52.1	128.0	-4.3	3.8
Côte d'Ivoire	-	Ba3	B+	-	B+	-5.5	43.2	4.8	-	14.4	-	-4.0	0.2
Libya	-	-	-	-	CCC	-	-	-	-	-	-	-	-
Dem Rep Congo	CCC+	Caa1	-	-	CCC	-1.5	12.6	0.3	6.4	1.9	120.7	-5.3	2.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-7.4	61.6	6.0	40.4	9.2	101.3	-8.9	1.0
Nigeria	B-	B2	B	-	B-	-5.0	47.6	4.5	62.1	56.7	130.1	-6.6	0.2
Sudan	-	-	-	-	CC	-	-	-	-	-	-	-	-
Tunisia	-	B2	B	-	B+	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+	-5.0	46.7	0.5	28.51	5.18	140.33	-5.52	0.5
Rwanda	B+	B2	B+	-	B+	-12.46	67.5	4.76	30.01	7.51	124.17	-16.44	1.0
Middle East													
Bahrain	B+	B2	B+	BB-	BB-	-12.1	114.4	-0.9	207.3	33.9	349.5	-10.1	2.2
Iran	-	-	-	B	BB-	-9.3	-	-	-	-	-	-5.0	-
Iraq	B-	Caa1	B-	-	CC+	-17.5	84.4	-0.1	6.9	8.3	140.9	-11.0	-1.0
Jordan	B+	B1	BB-	B+	BB+	-5.0	85.6	1.7	82.9	11.6	170.0	-6.8	1.5
Kuwait	AA-	Aa2	AA	AA-	AA-	-9.7	11.6	2.1	72.6	0.9	160.6	-13.6	0
Lebanon	SD	C	C	SD	CCC	-12	197.2	7.5	143.0	80.3	149.7	-5.1	1.5
Oman	BB-	Ba3	BB-	BBB-	BBB-	-16.5	83.8	1.7	43.5	11.4	144.6	-15.6	3.8
Qatar	AA-	Aa3	AA-	AA-	A+	-0.6	84.6	3.1	201.8	8.5	242.2	-4.9	-1.5
Saudi Arabia	A-	A1	A	A+	A+	-12.6	35.6	19.7	21.9	3.3	48.5	-9.8	-1.1
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	CC	-	-	-	-	-	-	-	-



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	BB-	-	B-	-5.0	62.0	-	-	9.9	-	-8.5	0.9
	-	Stable	Negative	-	Stable								
China	A+	A1	A+	-	A	-11.1	56.0	14.4	47.0	2.2	66.7	1.2	0.4
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-11.5	84.6	10.6	56.8	32.1	84.1	-0.9	1.1
	Stable	Negative	Negative	-	Negative								
Kazakhstan	BBB-	Baa3	BBB	-	BBB-	-5.1	20.9	5.4	34.9	8.9	100.0	-5.9	3.4
	Stable	Positive	Stable	-	Negative								
Pakistan	B-	B3	B-	-	CCC	-9.5	88.2	0.5	42.7	61.2	145.8	-1.5	0.5
	Stable	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB	-	BBB	-4.0	25.6	2.8	32.0	1.6	104.9	1.9	0.5
	Stable	Positive	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-8.0	46.2	4.0	28.0	4.9	101.5	-4.8	0.5
	Negative	Negative	Stable	-	Negative								
Russia	BBB-	Baa3	BBB	-	BBB-	-6.8	22.9	13.0	23.7	4.9	58.3	0.8	0
	Stable	Stable	Stable	-	Stable								
Turkey	B+	B1	BB-	B+	B-	-5.0	38.0	1.8	83.6	9.5	161.9	-1.0	0.5
	Stable	Negative	Negative	Stable	Stable								
Ukraine	B	B3	B	-	B-	-7.1	65.1	3.8	55.0	7.3	118.5	-6.0	0.5
	Stable	Stable	Stable	-	Stable								

* Current account payments

** Under 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	0.00-0.25	29-Jul-20	No change	16-Sep-20
Eurozone	Refi Rate	0.00	16-Jul-20	No change	10-Sep-20
UK	Bank Rate	0.10	06-Aug-20	No change	17-Sep-20
Japan	O/N Call Rate	-0.10	15-Jul-20	No change	17-Sep-20
Australia	Cash Rate	0.25	01-Sep-20	No change	06-Oct-20
New Zealand	Cash Rate	0.25	12-Aug-20	No change	11-Nov-20
Switzerland	SNB Policy Rate	-0.75	18-Jun-20	No change	24-Sep-20
Canada	Overnight rate	0.25	15-Jul-20	No change	09-Sep-20
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Aug-20	No change	21-Sep-20
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	18-Jun-20	No change	N/A
South Korea	Base Rate	0.50	27-Aug-20	No change	14-Oct-20
Malaysia	O/N Policy Rate	1.75	07-Jul-20	Cut 25bps	10-Sep-20
Thailand	1D Repo	0.50	05-Aug-20	No change	23-Sep-20
India	Reverse repo Rate	4.00	06-Aug-20	No change	01-Oct-20
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	9.25	13-Aug-20	No change	24-Sep-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	8.25	20-Aug-20	No change	24-Sep-20
South Africa	Repo Rate	3.50	23-Jul-20	Cut 25bps	17-Sep-20
Kenya	Central Bank Rate	7.00	29-Jul-20	No change	29-Sep-20
Nigeria	Monetary Policy Rate	12.50	20-Jul-20	No change	21-Sep-20
Ghana	Prime Rate	14.50	27-Jul-20	No change	28-Sep-20
Angola	Base Rate	15.50	28-Jul-20	No change	28-Sep-20
Mexico	Target Rate	4.50	13-Aug-20	Cut 50bps	24-Sep-20
Brazil	Selic Rate	2.00	05-Aug-20	Cut 25bps	16-Sep-20
Armenia	Refi Rate	4.50	28-Jul-20	No change	15-Sep-20
Romania	Policy Rate	1.50	05-Aug-20	Cut 25bps	N/A
Bulgaria	Base Interest	0.00	01-Sep-20	No change	01-Oct-20
Kazakhstan	Repo Rate	9.00	20-Jul-20	Cut 50bps	07-Sep-20
Ukraine	Discount Rate	6.00	23-Jul-20	No change	03-Sep-20
Russia	Refi Rate	4.25	24-Jul-20	Cut 25bps	18-Sep-20



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