

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

S&P affirms 54% of sovereign ratings in past two months

S&P Global Ratings indicated that it reviewed, between March 10 and May 11, 2020, the ratings of 90 out of the 135 sovereigns that it rates. It pointed out that 51 sovereigns were from Europe, the Middle East, and Africa (EMEA), 29 from North & Latin America, and 10 from Asia Pacific. It affirmed the ratings of 54% of the reviewed sovereigns, despite its expectations that the majority of rated sovereigns will face economic contractions, widening fiscal deficits, and rising government debt stocks due to the coronavirus pandemic. In addition, it downgraded the ratings of 20% of the reviewed sovereigns, while it revised the outlooks on the ratings of 15% of the sovereigns from 'stable' to 'negative' and the outlooks on 12% of the sovereigns from 'positive' to 'stable'. It noted that the majority of its negative rating actions was on speculative-grade sovereigns, with the average rating of downgraded sovereigns at 'BB-'. It added that the outlook on the ratings of 104 of the sovereigns is 'stable', while the outlook on 25 sovereigns is 'negative' and the outlook on the ratings of six sovereigns is 'positive'. As such, it pointed out that the 'negative' outlook balance indicates that there will be additional negative rating actions. S&P noted that it analyzed the trajectory of the ratings under the assumption that the coronavirus pandemic will peak in mid-2020 and that the economic recovery will start towards the end of 2020.

Source: S&P Global Ratings

Greenfield FDI projects to decline by 40% in 2020

Figures released by fDi Markets show that there were 15,558 greenfield foreign direct investment (FDI) projects in 2019 worldwide compared to 15,561 projects in 2018. The amount of greenfield FDI reached \$795.7bn in 2019, constituting a decline of 15% from 2018. The Asia Pacific region attracted \$256bn, and accounted for 32.2% of greenfield FDI in 2019. Europe followed with \$214.1bn (27%), then the Middle East & Africa (ME&A) region with \$115.2bn (14.5%), Latin America & the Caribbean with \$108bn (13.6%), and North America with \$102.4bn (13%). In parallel, Europe was the largest source of greenfield FDI with \$325.5bn, or 41% of the total, followed by Asia Pacific with \$228.5bn (28.7%), North America with \$150.2bn (19%), ME&A with \$71.6bn (9%), and Latin America & the Caribbean with \$20bn (2.5%). On a sectoral basis, the coal, oil & gas sector attracted \$123bn in greenfield FDI, or 15% of the total in 2019, followed by the renewable energy industry with \$92.2bn (12%), and the real estate sector with \$71.6bn (9%). fDi Markets indicated that the number of greenfield FDI projects decreased by 15% year-on-year in the first two months of 2020 and by 50% in March 2020 from the same month of 2019 due to the coronavirus pandemic. As such, it projected the number of greenfield FDI projects to drop by 40% in 2020. It said that sectors such as tourism, airlines, leisure and entertainment, luxury goods, and oil & gas have been hit the hardest due to a significant collapse in demand in these sectors. However, it noted that demand increased in sectors such as e-commerce, e-health, medical products, video conferencing and basic consumer goods and food & beverage products.

Source: fDi Markets, Byblos Research

MENA

M&A deals at \$26bn in first four months of 2020

Figures issued by Bureau Van Dijk and Zephyr show that there were 175 merger & acquisition (M&A) deals targeting companies in the Middle East & North Africa (MENA) region for a total of \$26.2bn in the first four months of 2020. In comparison, there were 194 M&A deals worth \$89.6bn in the first four months of 2019. The figures show a decrease of 10% in the number of deals, and a decline of 71% in their amount year-on-year in the covered period. The elevated value of deals in the first four months of 2019 was mainly driven by Saudi Aramco's acquisition of a 70% stake in Saudi Basic Industries Corporation for \$69.1bn in March 2019. The amount of M&A transactions in Bahrain reached \$11.5bn in the first four months of 2020 and accounted for 43.8% of the region's aggregate deal value. The UAE followed with M&A deals valued at \$8.8bn (33.8%), then Saudi Arabia with \$1.6bn (6.2%), Qatar with \$1.2bn (4.7%), Oman with \$926m (3.5%), Iran with \$877m (3.4%), Egypt with \$871m (3.3%), Kuwait with \$298m (1.1%), Morocco with \$42m (0.2%), Jordan with \$17m (0.1%), and Lebanon with \$1m. Egypt had 64 M&A deals in the covered period; followed by the UAE with 31 transactions; Saudi Arabia with 19 deals; Kuwait with 15 transactions; Jordan with 14 deals; Oman with 11 transactions; Bahrain with 9 deals; Iran, Morocco and Qatar with 3 transactions each; Algeria with two deals; and Lebanon with one transaction.

Source: Zephyr, Bureau Van Dijk, Byblos Research

SAUDI ARABIA

Profits of listed firms down 21% to \$109bn in 2019

The cumulative net income of 172 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR407.6bn, or \$108.7bn, in 2019, constituting a decrease of 20.7% from SAR514.2bn, or \$137.1bn, in 2018. Listed energy firms generated net profits of \$88.3bn and accounted for 81.2% of total net earnings last year. Listed banks followed with \$12.4bn (11.4%); then telecommunications companies with \$3bn (2.7%); basic materials firms with \$2.5bn (2.3%); the food & beverages industry with \$595.3m (0.5%); utilities firms with \$395m and retailers with \$394.8m (0.4% each); insurers with \$328.6m (0.3%); healthcare equipment & services providers with \$232.4m, consumer services companies with \$186.3m and transportation firms with \$185.4m (0.2% each); while listed companies in the remaining sectors registered net profits of \$241.2m in 2019. Further, the net earnings of media firms increased by 188.4% last year, followed by the net income of consumer services companies (+106.5%), insurers (+70%), the food & beverages industry (+30.5%), retailers (+26%), banks (+13.2%), transportation firms (+12.2%), commercial & professional services providers (+5.1%), and telecommunications companies (+3%). In contrast, the net profits of real estate management & development firms decreased by 93.4% in 2019, followed by the net earnings of basic materials companies (-73.2%), software services firms (-38.7%), diversified financials providers (-30.7%), energy companies (-20.8%), utilities firms (-20%), healthcare equipment & services providers (-7.4%), and food & staples retailers (-7%).

Source: KAMCO

OUTLOOK

WORLD

Global economy to contract by nearly 6% in 2020

Deutsche Bank projected global real GDP to contract by 5.9% in 2020, compared to its March 2020 forecast of a 3.2% contraction, due to a steeper-than-anticipated deterioration in economic activity so far in the second quarter of the year amid the coronavirus outbreak. It also expected global real GDP to shrink by 10% annually in the second quarter of 2020. It indicated that its baseline scenario assumes that efforts by countries across the world to mitigate the impact of the virus will allow for a gradual and moderate economic recovery in coming quarters, and that an effective cure or a vaccine are unlikely to be available before 18 months. Under these conditions, it forecast the global economy to grow by 5.3% in 2021.

However, it considered that the forecasts under the baseline scenario are subject to downside and upside risks. It anticipated that real GDP could contract by 8.7% in 2020 and may grow by 2% in 2021 under its worse-case or "protracted" scenario, whereby social distancing proves to be less effective in containing the pandemic and more disruptive to the global economy. In contrast, it expected real GDP to retreat by around 3% this year under its "optimistic" scenario, which assumes that social distancing will be significantly more effective in containing the virus and less disruptive to economic activity than under other scenarios. It added that developing an effective antiviral drug in the near term will lead to an even more positive economic outcome.

Further, it anticipated the impact of the virus on advanced economies to be greater than on emerging markets (EMs), and expected real GDP to contract by 12% in the Eurozone and by 7.1% in the United States this year. In contrast, it projected China's economic activity to retreat by only 1.1% in 2020, reflecting the country's ability to better manage the virus, as well as the ability of the Chinese economy to rebound more quickly. It also considered that some EMs that have limited healthcare resources to combat the virus, like Brazil, will be more inclined to accept a higher mortality rate in exchange for less disruption to their economies. It added that many cities in EMs, such as in Asia and Africa, are supported by more favorable demographics, as they are less urbanized and have younger populations.

Source: Deutsche Bank

EMERGING MARKETS

Effectiveness of policy actions to determine speed of recovery

Goldman Sachs projected the impact of the coronavirus pandemic and the resulting countermeasures to reduce economic activity across emerging markets (EMs) by between three percentage points and 10 percentage points of GDP in 2020. It estimated that global economic activity contracted by 14% year-on-year as at the end of April 2020 due to lockdown and social distancing measures. However, it expected the negative effects of these measures on real GDP in the second quarter of 2020 to recede in case economic activity starts recovering. It anticipated lockdown measures to ease modestly in May and more significantly in June. It expected activity to quickly rebound in the industrial sector and in some services sectors where social distancing is less of a concern.

Further, it considered that the speed of the economic recovery is contingent on the ability of policy actions to limit business bankruptcies and to avert a crisis in the labor market. It pointed out that policy responses in EMs have been significant but less aggressive than in developed countries, given that some EMs are constrained by large fiscal deficits or external imbalances. It expected the average EM public debt level to rise by 10 percentage points of GDP between end-2019 and the end of 2021. It anticipated that most EM countries will face painful adjustments of their primary balances in the aftermath of the crisis in order to put the public debt on a sustainable path, especially if borrowing costs and growth do not return to pre-crisis levels. It forecast that South Africa, Saudi Arabia, Kenya, Nigeria, Brazil and Ghana will require sharp fiscal adjustments to stabilize their debt levels. It also indicated that Turkey, Romania, Colombia and South Africa are particularly exposed to the crisis given their inadequate infrastructure to address a viral outbreak, their significant external imbalances, their limited reserve buffers, and their lack of policy credibility or space, among other factors.

Source: Goldman Sachs

ANGOLA

Collapse in oil prices to exacerbate fiscal and external financing needs

Barclays Capital anticipated that the collapse in global oil prices will significantly weigh on Angola's fiscal and external funding needs. As such, it considered two scenarios to assess the risks to the sustainability of the rising public debt level.

Under its optimistic scenario, whereby oil prices average \$31 per barrel (p/b) in 2020 and \$37 p/b in 2021, it projected real GDP to contract by 1.5% in 2020 and to grow by 1% in 2021. Also, it forecast the fiscal balance to shift from a surplus of 1% of GDP in 2019 to a deficit of 1.7% of GDP this year, despite the authorities' efforts to cut spending and raise revenues. As such, it projected the debt level to rise from 108.7% of GDP at end-2019 to 116% of GDP at end-2020. But it expected the fiscal balance to improve starting in 2021 in case of higher oil prices, and anticipated the debt level to steadily decline to 85% of GDP by end-2025, which will put the debt burden on a sustainable path. Further, it projected Angola's external funding needs at \$11.8bn in 2020, up from \$7.4bn in 2019. Still, it considered that the economy could meet its external funding needs through IMF emergency funds, credit lines from China, and other multilateral financing. It added that authorities will cover the residual gap by drawing down on foreign currency reserves, which it projected at \$9.5bn at end-2020. Under this scenario, it anticipated that Angola will be able to avoid a restructuring of its public debt.

Under its pessimistic scenario, whereby it assumed a prolonged period of oil prices at about \$20 p/b, it anticipated that external financing needs will exceed \$11.8bn for 2020, while it projected the debt level to surge above 130% of GDP at end-2020 and to reach 180% of GDP by end-2025. It expected the government to be reluctant to implement harsher austerity measures, and for multilateral institutions to find it increasingly difficult to continue to provide financing without calling for commercial creditors to share the burden. It cautioned that, in this case, a restructuring of the Eurobonds, with some relief on near-term interest payments and "notional" haircuts, could become unavoidable.

Source: Barclays Capital



ECONOMY & TRADE

SAUDIA ARABIA

Fiscal measures to push economy deeper into recession

Bank of America expected the fiscal measures that the Saudi Arabian authorities recently announced to significantly weigh on non-hydrocarbon growth and push the economy into recession. It also anticipated the sustained cuts to oil production and low global oil prices to weigh on the Kingdom's public finances. It said that the authorities increased the value-added tax (VAT) rate by 10 percentage points to 15%, discontinued the cost-of-living allowance that they introduced in 2018, and reduced capital expenditures, among other measures. Overall, it estimated the government's year-to-date fiscal measures to generate fiscal consolidation equivalent to \$25.6bn, or 3.8% of GDP in 2020. It also estimated that the increase in the VAT rate and the suspension of the cost of living allowances will generate fiscal savings of \$37.2bn, or 5.2% of GDP per year. Further, it projected real GDP to contract by 5.7% in 2020, as it anticipated activity in the non-hydrocarbon sector to shrink by about 5% following the new fiscal measures. Also, it pointed out that Saudi officials announced an additional voluntary cut to the Kingdom's oil output starting in June, and expected the decline in production to be maintained during the remainder of 2020. In addition, it forecast the fiscal deficit at 14.5% of GDP in 2020, mainly due to low oil output and prices. It also expected non-hydrocarbon revenues to decline this year as a result of the temporary suspension of government fees, which is anticipated to offset the impact of higher VAT receipts. Also, it projected public spending to decrease by 13.7% annually in 2020, as it expected capital expenditure to drop by about 20% and current spending to fall by about 12% this year.

Source: Bank of America

JORDAN

Ratings affirmed, outlook revised to 'negative'

Fitch Ratings affirmed Jordan's long-term foreign-currency Issuer Default Rating at 'BB-', while it revised the outlook from 'stable' to 'negative'. It attributed the outlook revision to the impact of the coronavirus pandemic on the economy, which it expected would result in a sharp economic contraction, as well as to a significant widening of the fiscal deficit, an increase in the public debt level, and a worsening of external finances. It considered that the extent of the shock increases downside risks to the sovereign's credit profile, despite the external financial support and the government's prompt response to address the crisis. It projected the fiscal deficit to widen from an almost balanced level to 5% of GDP in 2020, as it forecast real GDP to contract by 5% in 2020, which, along with tax relief measures, will cause a sharp decline in government receipts. It anticipated the public debt level to increase from 81% of GDP at end-2019 to 91% of GDP at end-2020. But it considered that some factors mitigate the downside risks, such as the fact that 60% of the government's external debt is owed to multilateral and official bilateral creditors. Further, it forecast the current account deficit to widen from a 15-year low of 2.9% of GDP in 2019 to 6.1% of GDP in 2020, due to an estimated fall of 60% in tourism receipts. It expected the authorities to finance the deficit through external borrowing and a drawdown of foreign currency reserves. It projected foreign currency reserves to decline from \$15.4bn at end-2019 to \$13.5bn by the end of 2021.

Source: Fitch Ratings

EGYPT

Global pandemic taking toll on external financing requirements

The International Monetary Fund indicated that the coronavirus pandemic has drastically disrupted economic conditions in Egypt. It added that the global shock has affected the Egyptian economy through a deterioration in tourism activity, significant capital outflows, and a slowdown in remittance inflows. Consequently, the IMF approved Egypt's request for an emergency financial assistance of about \$2.8bn under the Rapid Financing Instrument to help authorities meet the urgent balance-of-payments needs stemming from the virus outbreak. In parallel, Moody's Investors Service affirmed Egypt's long-term foreign- and local-currency issuer ratings at 'B2', with a 'stable' outlook. It said that the ratings reflect Egypt's enhanced governance and policy effectiveness in recent years, which will help the country face the liquidity and external financing shocks from the outbreak of the coronavirus. It noted that the pandemic, the deteriorating global economic outlook, the drop in global oil prices, and the decline in asset prices are increasing the pressure on Egypt's external financing requirements, reducing tourism receipts and remittance inflows, as well as weakening economic activity. It forecast Egypt's liquid foreign currency reserves to decline from \$42bn at the end of February 2020 to about \$30bn at end-June 2020, as a result of increased external funding needs and capital outflows, and to stabilize at these levels. It considered that the country's foreign currency buffers will remain sufficient to fully cover upcoming external liabilities in the next few years.

International Monetary Fund, Moody's Investors Service

NIGERIA

Oil production cuts to put strains on economic activity and external balance

Bank of America projected the Nigerian economy to contract by 3.5% in 2020, mainly due to lower hydrocarbon output under the recent OPEC agreement, as well as to the country's ongoing lockdown measures amid the coronavirus outbreak. It also forecast the current account deficit to widen from 3.6% of GDP in 2019 to 4.4% of GDP in 2020 due to lower hydrocarbon export receipts. Further, it indicated that the International Monetary Fund approved \$3.4bn for Nigeria under the Rapid Financing Instrument, which will support foreign currency reserves and will limit devaluation pressures on the naira for now. Still, it anticipated the naira to weaken towards NGN430 per US dollar on the Nigerian Autonomous Foreign Exchange Rate Fixing market by the third quarter of 2020. It added that the Central Bank of Nigeria imposed foreign currency restrictions, as it stopped providing liquidity to bureaux de change and to foreign portfolio investors in March, and is taking significant measures to tighten liquidity in the banking sector, which implies limited room for monetary easing. In parallel, the Institute of International Finance projected the fiscal deficit to widen to 5% of GDP in 2020 due to the decline in hydrocarbon receipts, to persistently low non-oil revenues, as well as to rising public spending. Further, it noted that Nigeria will need to rely on external funding, given the pressure on its external balance. It said that authorities are planning to receive a total of \$3.6bn in financing from other international institutions in addition to the IMF funding.

Source: Bank of America, Institute of International Finance



BANKING

EMERGING MARKETS

Banks' ratings to remain resilient despite negative momentum

S&P Global Ratings expected banks around the world to face a negative rating momentum as a result of the substantial adverse effects of the coronavirus pandemic, the oil price shock, and market volatility. However, it anticipated the banks' ratings to remain resilient due to the generally strong capital and liquidity position of banks around the world; to the support from public authorities to their respective banking sectors, households and corporates; as well as to a projected recovery in the global economy in 2021. Still, it indicated that the outlook on banks has become more negative, amid worsening macroeconomic forecasts. It pointed out that it took negative rating actions on 175 banks due to the COVID-19 and/or the oil shock, including outlook revisions on 143 banks and rating downgrades on 32 banks. It added that the vast majority of the downgraded banks is in regions that are immediately affected by the pandemic and/or by the oil shock. But it said that it based more recent rating actions on longer-term considerations, such as a protracted low interest rate environment, which could affect banks that have structurally weak profitability. Still, it noted that the number of its negative rating actions on banks is lower than its similar action on non-financial companies, which implies that banks are less sensitive than other sectors to the current environment. It added that the massive liquidity support that central banks around the world provided to banks will continue to effectively curb funding and liquidity risks for banks and financial markets. It considered that most banks were able to continue operating under social-distancing requirements, due to their investments in digital transformation and new technologies.

Source: S&P Global Ratings

SAUDI ARABIA

Outlook on banks' ratings revised to 'negative' on deteriorating operating environment

Moody's Investors Service affirmed the long-term deposit ratings of National Commercial Bank (NCB), Al Rajhi Bank (Al Rajhi), Samba Financial Group (SAMBA), Banque Saudi Fransi (BSF), and Saudi British Bank (SABB) at 'A1'; the ratings of Riyadh Bank and Arab National Bank (ANB) at 'A2'; those of the Saudi Investment Bank (SAIB) and Bank AlBilad at 'A3'; and the ratings of Bank Al-Jazira and Gulf International Bank (GIB KSA) at 'Baa1'. It also revised from 'stable' to 'negative' the outlook on the ratings of 10 banks, while it maintained the 'negative' outlook on the rating of BSF. The agency indicated that its affirmation reflects its view that the banks' financial performance continues to be resilient, due to their strong capital buffers, favorable funding profiles and ample liquidity buffers. Further, it pointed out that the outlook revision follows its recent similar action on the sovereign, and is driven by a combination of factors. First, it said that the 'negative' outlook captures the potential weakening capacity of the government to support banks in case of need. Second, it noted that the outlook reflects the deteriorating operating environment for Saudi banks, given the sharp drop in global oil prices, reduced government spending and the outbreak of the coronavirus. Third, it added that the outlook captures idiosyncratic challenges, or existing pressures on the standalone credit profiles of SABB, Bank AlBilad, SAIB and BSF, such as weakening asset quality.

Source: Moody's Investors Service

TURKEY

'Negative' industry risk trend for banking sector on increasing refinancing risks

S&P Global Ratings revised from 'stable' to 'negative' the industry risk trend for Turkish banks in its Banking Industry Country Risk Assessment, as it considered that banks are vulnerable to negative sentiment and risk aversion of international investors and domestic depositors. It added that the short-term nature of the majority of the banks' external debt and the depreciation of the Turkish lira further exacerbate these risks. It anticipated that sovereign interference in the banking sector could represent a possible step towards less independence of the Central Bank of the Republic of Turkey and its reduced ability to effectively oversee banks. In addition, it anticipated that the divergence in lending growth between privately-owned and state-owned banks will distort the competitive dynamics of the sector. In parallel, S&P expected asset quality at banks to deteriorate in the coming months, due to the slowdown in economic activity and the weaker lira. However, it considered that the introduction of forbearance measures will allow banks to delay the recognition of non-performing loans (NPLs). As such, it projected the sector's NPLs ratio to rise from 5.8% at end-2019 to between 10% to 11% by end-2021, and for problematic loans to exceed 20% of total loans, up from about 10% at end-September 2019. Further, it anticipated that the banks' capitalization will weaken due to increased credit losses, lower profitability, strong lending growth, and the weaker lira.

Source: S&P Global Ratings

ETHIOPIA

Banks face liquidity and asset quality risks

The International Monetary Fund considered that the Ethiopian banking sector is facing increasing liquidity and asset quality risks amid the outbreak of the coronavirus. It pointed out that the banks' funding through deposits has remained stable so far. However, it indicated that borrowers that are directly affected by the pandemic are calling on authorities to postpone their loan repayments to both private and state-owned banks, which could exacerbate the pressure on the banks' asset quality and liquidity. It noted that the National Bank of Ethiopia (NBE) has taken prompt action to provide liquidity support to banks. It said that the NBE injected around ETB15bn, or the equivalent of 0.45% of GDP, into privately-owned commercial banks in March 2020 by redeeming NBE-issued bills. It also indicated that the NBE plans to inject an additional ETB16bn, or the equivalent of 0.5% of GDP, in the state-owned Commercial Bank of Ethiopia (CBE). It considered that asset quality is a concern for the CBE, given the latter's large exposure to state-owned enterprises (SOEs). The IMF welcomed the NBE's efforts to build liquidity buffers at commercial banks. But it stressed that the authorities need to deal with the structural weaknesses on the CBE's balance sheet by adopting a comprehensive solution that addresses the debt sustainability challenges of SOEs. In addition, it encouraged the NBE to closely monitor the banks' liquidity positions, as well as to implement frequent supervisory reviews and reassessments of the banks' loan portfolios during the crisis. It also stressed the need for authorities to consider policy options to deal with potential liquidity shortages at banks, such as strengthening the framework for emergency lending from the NBE and adjusting the reserve requirements.

Source: International Monetary Fund



ENERGY / COMMODITIES

Brent prices to average \$34 p/b in 2020

ICE Brent crude oil front-month prices continued to trade at about \$30 per barrel (p/b) during the past week. Oil prices were supported by announcements of additional production cuts from Saudi Arabia, the UAE and Kuwait for June 2020, as well as by a partial lifting of lockdown measures in some countries, which will help oil demand recover. The U.S. Energy Information Administration expected global oil demand to exceed supply at the beginning of the second half of 2020, and projected significant inventory draws in early July, which will allow prices to start increasing steadily. It anticipated global oil demand to average 92.6 million barrels per day (b/d) in 2020, which will constitute a decline of 8.1 million b/d from 2019. However, it indicated that high inventory levels, elevated OPEC spare production capacity, and uncertainty about the trajectory of oil demand will limit the upward potential for oil prices. It expected prices to increase from an average of \$23 p/b in the second quarter of 2020 to \$32 p/b in the second half of the year. It forecast oil prices to average \$34 p/b in 2020 and \$48 p/b in 2021. But it considered that risks to the oil price outlook include lower-than-expected oil consumption in the second half of 2020, as well as a weak level of compliance to the recent OPEC agreement. It added that the response of U.S. shale producers to low prices will also affect the oil price trajectory over the coming quarters.

Source: U.S. EIA, Refinitiv, Byblos Research

Middle East's demand for gold bars and coins down 11% in first quarter of 2020

Net demand for gold bars and coins in the Middle East totaled 15.2 tons in the first quarter of 2020, constituting a decline of 11.4% from 17.2 tons in the same quarter of 2019. It accounted for 6.3% of global demand for bars and coins. Gold demand in Iran reached 8.9 tons in the covered period, representing 58.2% of the region's total demand. Saudi Arabia followed with 2.5 tons (16.2%), then the UAE with 1.8 tons (11.8%), Kuwait with 0.8 tons (5.4%), and Egypt with 0.6 tons (3.9%).

Source: World Gold Council, Byblos Research

MENA's natural gas output to drop by 2% in 2020

Natural gas production in the Middle East & North Africa region is forecast to average 15.8 million barrels of oil equivalent per day (boe/d) in 2020, which would constitute a decrease of 2% from 16.1 million boe/d in 2019. The GCC countries' natural gas output would account for 59.2% of the region's gas production this year, while non-GCC economies would represent the balance of 40.8%. Iran's natural gas output is projected at 5.03 million boe/d in 2020, equivalent to 31.8% of the region's gas production, followed by Qatar at 4.38 million boe/d (27.7%) and Saudi Arabia at 2.41 million boe/d (15.3%).

Source: International Monetary Fund, Byblos Research

Libya's oil & gas receipts at \$3.4bn in first quarter

Libya's oil and gas revenues totaled \$3.4bn in the first quarter of 2020, down by 22.3% from the same quarter of 2019. The decline in hydrocarbon receipts was mainly due to lower global oil prices and to supply disruptions amid blockade of several oil and gas facilities. Oil and gas receipts amounted to \$1.1bn in March 2020, up by 96.8% from \$555.5m in February and compared to \$1.8bn in January 2020. The growth in receipts in March was due to the collection of revenues from sales orders placed in January.

Source: National Oil Corporation, Byblos Research

Base Metals: Zinc prices decrease by 25% in first four months of 2020

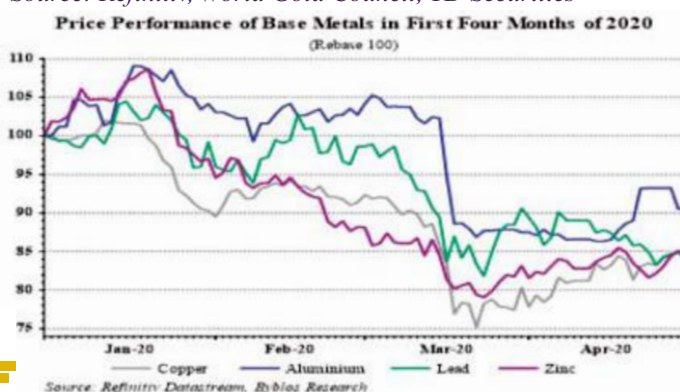
The LME cash price of zinc averaged \$2,070 per ton in the first four months of 2020, constituting a decline of 25% from the same period of 2019. Prices averaged \$2,351 per ton in January, \$2,113 a ton in February, \$1,904 per ton in March, and \$1,902 a ton in April 2020. The decrease in prices was driven by the decline in demand for metals and the slowdown in global economic activity following the outbreak of the coronavirus. Zinc prices recovered gradually from a low of \$1,803 per ton on March 24 to \$2,027 a ton on May 11, 2020, their highest level in more than two months. The increase in prices was driven by supply disruptions, as coronavirus-related lockdown measures weighed significantly on the supply chain of zinc and led to mine closures in key producers. Goldman Sachs estimated that 25% of global zinc mines were forced either to shut down completely or to limit their operations. Also, low zinc prices are forcing miners to cut production irrespective of lockdown rules. In parallel, prices were supported by expectations of a recovery in demand for metals, as several countries started to ease their lockdown measures and to slowly open their economies. Still, Goldman Sachs projected zinc prices to fall back to \$1,760 per ton in the coming three months, amid expectations of a larger supply surplus in the refined zinc market.

Source: Goldman Sachs, Refinitiv

Precious Metals: Gold prices to average \$1,713 per ounce in second half of 2020

Gold prices averaged \$1,608 per troy ounce in the first four months of 2020, constituting an increase of 23.8% from the same period of 2019. They also averaged \$1,700 an ounce so far in May 2020, up from \$1,684 per ounce in April 2020, as reports of a new wave of coronavirus infections in some counties, such as China, Germany and South Korea, supported demand for gold exchange-traded funds (ETFs). Further, prices are expected to rise from an average of \$1,620 per ounce in the first half of the year to \$1,713 an ounce in the second half of 2020. In parallel, global gold demand rose by 1.2% year-on-year to 1,084 tons in the first quarter of 2020, as the increase of 80% in investment demand was largely offset by decreases of 39% in jewelry consumption and of 8.2% in demand from the technology sector, as well as by a decline of 7.7% in net purchases by central banks. Demand for bars & coins and investments in gold ETFs accounted for 50% of total gold demand in the first quarter of 2020, followed by jewelry consumption (30%), net purchases by central banks (13.4%), and demand from the technology sector (6.8%). In parallel, global gold supply declined by 4% annually to 1,066 tons in the covered period, with mine production representing 74.6% of the total.

Source: Refinitiv, World Gold Council, TD Securities



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	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	-	-	-	-	BB-	-5.2	36.9*	2.2	-	-	-	-9.1	-
	-	-	-	-	Negative								
Angola	CCC+	B3	B	-	B-	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
	Stable	Stable	Negative	-	Stable								
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
	Stable	Stable	Stable	Stable	Positive								
Ethiopia	B	B2	B		B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
	Negative	URD	Negative	-	Stable								
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
	Negative	Negative	Stable	-	Stable								
Côte d'Ivoire	-	B3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
	-	Stable	Positive	-	Stable								
Libya	-	-	-	-	B-	-7.4	-	-	-	-	-	2	-
	-	-	-	-	Stable								
Dem Rep Congo	CCC+	Caa1	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
	Positive	Stable	-	-	Stable								
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
	Stable	Stable	Stable	-	Stable								
Nigeria	B-	B2	B	-	BB-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
	Stable	Negative	Negative	-	Stable								
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
	-	-	-	-	Negative								
Tunisia	-	B2	B	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
	-	URD***	Stable	-	Negative								
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
	Stable	-	-	-	Stable								
Rwanda	B+	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
	Stable	Stable	Stable	-	Stable								
Middle East													
Bahrain	B+	B2	BB-	BB-	BB+	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
	Stable	Stable	Stable	Negative	Stable								
Iran	-	-	-	B	BB-	-4.1	30.0	2.0	-	-	-	-0.4	-
	-	-	-	Negative	Negative								
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
	Stable	Stable	Negative	-	Stable								
Jordan	B+	B1	BB-	B+	BB+	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
	Stable	Stable	Negative	Stable	Stable								
Kuwait	AA-	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
	Stable	URD***	Stable	Stable	Stable								
Lebanon	SD	Ca	C	SD	B-	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
	-	Stable	-	-	Negative								
Oman	BB-	Ba2	BB	BBB-	BBB-	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
	Negative	URD***	Negative	Negative	Negative								
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
	Stable	Stable	Stable	Stable	Stable								
Saudi Arabia	A-	A1	A	A+	AA-	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
	Stable	Negative	Stable	Stable	Stable								
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
	-	Stable	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	-
	-	-	-	-	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	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-	-1.8	48.5	81.7	-	-	-	-6.2	-
	-	Stable	Negative	-	Stable								
China	A+	A1	A+	-	A	-4.8	50.5	-	40.0	2.1	64.2	0.4	0.8
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BBB	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB-	Baa3	BBB	-	BBB	0.5	21.9	-	25.7	4.7	87.4	0.6	1.5
	Stable	Positive	Stable	-	Stable								
Pakistan	B-	B3	B-	-	CCC	-6.5	72.1	30.4	50.1	28.3	144.3	-6.1	0.87
	Stable	Stable	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB	-	BBB	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
	Positive	Stable	Positive	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
	Negative	Stable	Stable	-	Negative								
Russia	BBB-	Baa3	BBB	-	BBB-	2.8	14.0	-	17.2	2.6	57.4	7.0	-1.3
	Stable	Stable	Stable	-	Stable								
Turkey	B+	B1	BB-	BB-	B+	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
	Stable	Negative	Stable	Negative	Negative								
Ukraine	B	Caa1	B-	-	B-	-2.3	63.9	-	59.3	9.3	129.2	-3.7	1.0
	Stable	Stable	Stable	-	Stable								

* Central Government

** External debt, official debt, debtor based

*** Under Review for Downgrade

Source: International Monetary Fund; IHS Markit; S&P Global Ratings; Byblos Research - The above figures are estimates for 2018



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.00-0.25	29-Apr-20	No change	10-Jun-20
Eurozone	Refi Rate	0.00	30-Apr-20	No change	04-Jun-20
UK	Bank Rate	0.10	07-May-20	No change	18-Jun-20
Japan	O/N Call Rate	-0.10	27-Apr-20	No change	16-Jun-20
Australia	Cash Rate	0.25	05-May-20	No change	02-Jun-20
New Zealand	Cash Rate	0.25	13-May-20	No change	24-Jun-20
Switzerland	SNB Policy Rate	-0.75	19-Mar-20	No change	18-Jun-20
Canada	Overnight rate	0.25	15-Apr-20	No change	03-Jun-20
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Apr-20	Cut 20bps	20-May-20
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	19-Mar-20	Cut 25bps	N/A
South Korea	Base Rate	0.75	09-Apr-20	No change	28-May-20
Malaysia	O/N Policy Rate	2.00	05-May-20	Cut 50bps	07-Jul-20
Thailand	1D Repo	0.75	25-Mar-20	No change	20-May-20
India	Reverse repo Rate	4.40	27-Mar-20	Cut 75bps	N/A
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	02-Apr-20	No change	14-May-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	8.75	22-Apr-20	Cut 100bps	21-May-20
South Africa	Repo Rate	4.25	14-Apr-20	Cut 100bps	21-May-20
Kenya	Central Bank Rate	7.00	29-Apr-20	Cut 25bps	N/A
Nigeria	Monetary Policy Rate	13.50	24-Mar-20	No change	25-May-20
Ghana	Prime Rate	14.50	18-Mar-20	Cut 150bps	22-May-20
Angola	Base Rate	15.50	07-May-20	No change	24-Jul-20
Mexico	Target Rate	6.00	21-Apr-20	Cut 50bps	14-May-20
Brazil	Selic Rate	3.00	06-May-20	Cut 75bps	17-Jun-20
Armenia	Refi Rate	5.00	28-Apr-20	Cut 25bps	16-Jun-20
Romania	Policy Rate	2.00	20-Mar-20	Cut 50bps	12-May-20
Bulgaria	Base Interest	0.00	01-May-20	No change	01-Jun-20
Kazakhstan	Repo Rate	9.50	27-Apr-20	No change	08-Jun-20
Ukraine	Discount Rate	8.00	23-Apr-20	Cut 200bps	11-Jun-20
Russia	Refi Rate	5.50	24-Apr-20	Cut 50bps	19-Jun-20

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