

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Import-facilitating measures cover \$739bn of trade merchandise

The World Trade Organization indicated that WTO members and observers have put in place 165 new trade-restrictive measures between mid-October 2019 and mid-May 2020, compared to 102 restrictive measures between mid-October 2018 and mid-October 2019. It added that 109 of these measures were coronavirus-related, while 56 were unrelated to the virus. The distribution of the trade-restrictive measures that are unrelated to the virus shows that import-related restrictions accounted for 82.1% of total measures, while export-related restrictions represented 16.1% of the total. In parallel, the WTO said that its members and observers imposed 198 trade-facilitating measures in the covered period, compared to 120 new measures between mid-October 2018 and mid-October 2019. It added that 147 measures were related to the coronavirus, while 51 were unrelated to the pandemic. The distribution of the trade-liberalizing measures that are unrelated to the virus shows that 94% were import-related trade-facilitating procedures, while export-related measures represented 4% of the total. Import-restrictive measures that are unrelated to coronavirus covered an estimated \$423.1bn of trade merchandise, which is equivalent to 2.2% of world merchandise imports, while import-facilitating measures that are unrelated to COVID-19 covered \$739.4bn of global trade and accounted for 3.8% of world merchandise imports. Further, the WTO noted that the measures that members introduced in the early stages of the pandemic were mainly export-restrictive. However, it said that 57% of all pandemic-related measures were trade facilitating as at mid-May 2020, and that the WTO members and observers cancelled about 28% of all virus-related trade restrictions by mid-May.

Source: World Trade Organization

Private equity fundraising down 23% to \$116bn in second quarter of 2020

Research provider Preqin indicated that 225 private equity (PE) funds raised a total of \$115.7bn in capital commitments worldwide in the second quarter of 2020, the lowest amount since the first quarter of 2018. In comparison, 327 PE funds secured \$143.3bn in the first quarter of 2020 and 425 PE funds raised \$149.7bn in the second quarter of 2019. Preqin noted that PE fundraising significantly slowed down in the second quarter, as the full effect of lockdown measures materialized. It added that 116 PE funds with a primary focus on North America secured \$60.6bn in the second quarter of 2020, followed by 45 European-focused funds (\$36.5bn), and 42 Asian-focused funds (\$16.5bn). In parallel, it said that there were 888 PE-backed buyout deals in the covered quarter for a total of \$61.3bn relative to 1,321 deals (\$95bn) in the first quarter of 2020 and to 1,567 deals (\$114.7bn) in the second quarter of 2019. Asia accounted for 43.4% of the total number of closed deals in the covered quarter, followed by North America (40.8%), and Europe (11.1%). Further, there were 3,280 venture capital deals in the second quarter of 2020 for an aggregate amount of \$60.1bn, up from 3,099 deals worth \$52bn in the first quarter of 2020, but down from 4,118 deals that totaled \$56.9bn in the second quarter of 2019.

Source: Preqin

EMERGING MARKETS

Tradable domestic and external debt up 11% to \$29 trillion at end-2019

Bank of America indicated that the tradable domestic and external debt of governments and corporates in emerging markets (EMs) reached \$29.1 trillion (tn) at the end of 2019, constituting an increase of 10.8% from \$26.3tn at the end of 2018 and compared to \$10.1tn at the end of 2009. It noted that the debt of EM governments and corporates accounted for 22.1% of global tradable debt at the end of 2019, up from a share of 12.5% at the end of 2012. Also, it pointed out that the domestic debt of EM governments and corporates increased by 11% from the end of 2018 to \$24.8tn at end-2019, and represented 85% of tradable EM debt; while their external debt grew by 10% to \$4.3tn, or 15% of the total. Further, it said that the tradable debt of EM corporates reached \$15.6tn at the end of 2019, up by 11% from a year earlier, and accounted for 53.7% of total tradable EM debt, while the debt of EM governments rose by 10.4% to \$13.5tn, or 46.3% of the total. It indicated that the distribution of EM corporate debt shows that the tradable debt of financial institutions reached \$9.3tn at the end of 2019, or 60% of total corporate debt, while the debt of other corporates was at \$6.4tn, or 40% of the total. On a regional basis, it pointed out that the tradable debt of Asian governments and corporates represented 74% of total EM tradable debt at the end of 2019, followed by Latin America (15%), the Middle East & Africa (6%), and Emerging Europe (5%). In addition, the tradable debt of the Chinese government and corporates accounted for 52% of EM tradable debt at the end of 2019.

Source: Bank of America

MENA

Healthcare startups raise \$21m in funding in 2019

The online platform MAGNiTT indicated that a record-high of 31 healthcare startups based in the Middle East & North Africa (MENA) region raised \$21m in funding in 2019, compared to 27 MENA-based healthcare startups that raised about the same amount in 2018. It said that healthcare startups accounted for 6% of the number of MENA-based startups that raised capital in 2019. It also noted that healthcare startups represented 3% of the total amount that MENA startups raised last year. It added that 472 healthcare startups were active in the MENA region as at the end of 2019. In parallel, early stage funding accounted for 84% of total funds raised by MENA-based healthcare startups in 2019 compared to a share of 93% in 2018, while 'Series A' funding represented 13% of the total and 'Series B' funding took the balance of 3%. Further, there were 38 institutions that invested in MENA-based healthcare startups in 2019 compared to 12 investors in 2015, of which 89% were regional investors and the remaining 11% were international institutions. Flat6Labs, a startup accelerator program and a seed investment company in the MENA region, was the most active investor in the healthcare sector in 2019 with eight deals.

Source: MAGNiTT

OUTLOOK

WORLD

Lower remittance inflows to weigh on growth and external positions of recipient countries

Moody's Investors Service anticipated that the global economic downturn as a result of the COVID-19 outbreak will weigh on remittance inflows to low- and middle-income countries, which the World Bank projected to decline by nearly 20% to \$110bn in 2020. It pointed out that remittance inflows originate mostly from members of the Group of 20 economies and from Gulf Cooperation Council (GCC) countries. It noted that the G-20 and GCC economies are experiencing a severe contraction in economic activity from the coronavirus pandemic and/or from the collapse in global oil prices, which resulted in job losses, particularly among migrant workers, and affected remittance outflows from these countries. Further, it anticipated that remittance inflows will partially pick up in 2021, but it said that they will remain below pre-coronavirus levels as it expected the global labor markets to recover slowly.

In parallel, the agency anticipated that the decline in remittance inflows to low- and middle-income economies in 2020 will exacerbate the economic slowdown and external vulnerabilities in these countries. It noted that the expected drop in remittances in 2020 will amplify the growth shock of the virus for economies that significantly rely on remittances to finance consumption. As a result, it anticipated that the 20% decline in remittance inflows will reduce GDP by between 1% to 7% in 2020 in such countries. Further, it indicated that remittance inflows make up a significant share of current account receipts of most low- and middle-income sovereigns. As such, it forecast that the 20% fall in remittance inflows this year will result in an average drop of three percentage points of GDP in the current account balance of remittance-dependent economies. But it noted that most remittance-reliant countries are also net oil importers, and expected lower oil prices to partly mitigate the impact of lower remittances on their external balance. As such, it forecast the median current account deficit of these countries at 5% of GDP in 2020.

Source: Moody's Investors Service

EMERGING MARKETS

Quantitative easing to protect against deflation and stagnation risks

French corporate and investment bank Natixis anticipated the risks of deflation and stagnation in emerging markets (EMs) to be more significant than inflationary risks, amid the sharp decline in commodity prices and the collapse in remittance inflows and tourism activity. It added that EMs are facing unprecedented challenges that originate not only from the pandemic-induced economic sudden stop, but also from typical EM exposures, such as shocks to capital inflows and to trade, as well as from their limited ability to borrow. It considered that financing from the International Monetary Fund might not be sufficient to cover the funding gap, as several EMs could face sizeable financial needs.

It considered that EMs with a flexible exchange rate regime, well-anchored inflation expectations, and with the ability to issue local currency sovereign debt, should pursue quantitative easing (QE) operations more aggressively in order to ease financial conditions and provide financing for their fiscal deficits. It said that QE pro-

grams can support spending on healthcare and welfare services that are necessary to mitigate the COVID-19 crisis, and protect against deflation and stagnation risks. It added that fiscal expansions that are financed through QE will not be inflationary, as long as economies are functioning below their potential. Further, it pointed out that the central banks' government bond purchases programs can restore liquidity in the local bond markets and reduce the cost of borrowing. It considered that this is particularly relevant to economies where foreign investors hold a significant share of the local currency sovereign debt, as risk-off episodes can trigger fire sales of local bonds and put pressure on government bond yields and exchange rates. Still, it said that QE can pose risks to the exchange rate and inflation, and that not all EM economies are well positioned for QE, especially poorly-diversified and import-dependent economies.

Source: Natixis

GCC

Challenging outlook reinforces need for reforms

Citi Research expected Gulf Cooperation Council (GCC) countries to face significant challenges from the coronavirus pandemic and the collapse in global oil prices. It pointed out that, despite the swift and strong response of GCC policymakers, the region has entered this crisis with less favorable external and fiscal positions than it did in the run up to the global financial crisis of 2008. It anticipated economic activity in GCC economies to contract by an average of 4.5% in 2020, relative to an expected growth rate of 2.3% prior to the pandemic. It considered that major disruptions to the tourism sector, which has been a key component of the diversification efforts of GCC governments, will magnify the adverse impact of the dual shocks. It forecast the aggregate fiscal deficit of GCC economies to widen from 4.6% of GDP in 2019 to 13.5% of GDP in 2020 due to the contraction in activity and to the decline in hydrocarbon-export receipts. It indicated that Saudi Arabia, the UAE, Kuwait and Qatar are in a better position to absorb large deficits than Bahrain and Oman, due to their elevated public foreign assets. In addition, it anticipated the GCC countries' aggregate current account balance to shift from a surplus of \$68bn in 2019 to a deficit of about \$40bn in 2020, due to lower oil export receipts.

Citi expected the outlook for GCC economies to continue to be challenging in 2021, even though it projected economic activity to grow by 3.6% in the coming year. It projected oil prices to remain below the fiscal breakeven oil prices for the six GCC countries, and for the global environment to be challenging. It considered that the two factors reinforce the importance of reforms to diversify the economies and ensure the debt sustainability of GCC countries. In addition, it reiterated the need for fiscal discipline in order to support the credibility of the exchange rate pegs in the region. It anticipated the pegs to be sustained throughout the current crisis, due to the commitment of core GCC countries to the current exchange rate regime, as well as to their expected financial support to more vulnerable GCC economies, mainly Bahrain and Oman, in case of need. However, it considered that the sustainability of the current exchange rate regime will depend on the progress on reforms to diversify the economies, on the nationalization of the local labor markets, as well as on the development of the financial markets.

Source: Citi Research



ECONOMY & TRADE

EMERGING MARKETS

IMF facilities provide governments with time to set policy response

Moody's Investors Service indicated that the coronavirus pandemic prompted many sovereigns to seek financing from the International Monetary Fund, which usually supports sovereign creditworthiness by easing liquidity pressures and by partly closing the fiscal and external financing gaps. It pointed out that the IMF's Rapid Financing Instrument (RFI), Rapid Credit Facility (RCF), and Flexible Credit Line (FCL) are designed to provide financial support to manage short-term liquidity pressures that are not driven by fundamental macroeconomic imbalances. It added that, since March 23 of this year, 77 sovereigns have received financing from the IMF, with 63 sovereigns accessing the RFI and/or the RCF. It considered that the IMF facilities are not intended to resolve the crisis facing beneficiary countries, but aim to provide them with additional time to adjust to the prevailing shocks through homegrown policy measures. It added that the RFI and the RCF could ease liquidity pressures in the short term, but that the negative credit pressures from the pandemic and/or from pre-existing weaknesses will persist. In parallel, it did not expect negative credit pressures on recipient countries of FCLs, as the amount of IMF funding is larger than under the RFI and RCF, and is associated with conditionality for recipient countries. It added that FCLs help beneficiary countries access market financing, given that the provisions of FCLs reflect the IMF's positive view of the recipient's economic policies and fundamentals.

Source: Moody's Investors Service

GCC

Current economic crisis to trigger large departures of expatriate workers

BNP Paribas anticipated that the economic recession, wide fiscal deficits and nationalization programs of the local labor markets in Gulf Cooperation Council (GCC) countries will lead to significant departures of expatriate workers, particularly from the public sector. It projected activity in the non-oil sector to contract by 3.4% this year, while it expected the region's aggregate fiscal deficit to reach a record high of 12.7% of GDP in 2020, amid the outbreak of the coronavirus and the drop in global oil prices. It indicated that the construction and tourism sectors, which employ a large number of expatriate workers, along with the oil sector, will be the most affected industries. Further, it noted that GCC countries, particularly those that are dealing with recurrent fiscal deficits and significant pressures on their labor market, have been introducing programs to encourage the employment of nationals in the past few years. It noted that several GCC countries, including Kuwait and Qatar, have already taken initiatives to either reduce the number of expatriates in the public sector or lower their wages. It estimated that more than one million expatriate workers could leave Kuwait by the end of 2020, while it anticipated that about 1.5 million expatriate workers could exit Saudi Arabia and Dubai this year. Further, it indicated that the reduction in the number of expatriate workers will not only affect the least skilled workers in the construction or services sectors, but also intermediate positions. It added that it is too early to predict if the departure of foreign workers will have a sustained and significant impact on the employment of nationals in the GCC.

Source: BNP Paribas

EGYPT

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed at 'B+' Egypt's long-term foreign currency Issuer Default Rating (IDR), with a 'stable' outlook on the rating. It noted that the IDR and the outlook are supported by the authorities' recent track-record of fiscal and economic reforms and their commitment to accelerate the reform program, as well as by the availability of fiscal and external financing amid the COVID-19 pandemic. But it said that the rating is constrained by the wide fiscal deficit, high public debt level, as well as by weak governance. It projected real GDP growth to accelerate from 2.5% in the fiscal year that ends in June 2021 to 5.5% in FY2021/22, in case of a recovery in the tourism sector and of stronger activity in the energy and manufacturing sectors. It also forecast the fiscal deficit to widen from 8.8% of GDP in FY2019/20 to 9.5% of GDP in FY2020/21, and anticipated the public debt level to rise from 86% of GDP at end-June 2020 to 88% of GDP at end-June 2021. Further, it projected the current account deficit to widen from 3.1% of GDP in 2019 to 5% of GDP in 2020, but to narrow to an annual average of 3.6% of GDP in the 2021-22 period in case tourism receipts and remittance inflows recover. Also, it pointed out that the foreign currency reserves of the Central Bank of Egypt (CBE) and the banking sector's net foreign assets declined by a combined \$18bn between February and June 2020, despite net inflows of \$8.6bn from Eurobond issuances and IMF disbursements. It partly attributed the decrease to the CBE's exceptional foreign currency intervention to limit the impact of portfolio outflows on the exchange rate.

Source: Fitch Ratings

ARMENIA

High growth potential and diverse economic drivers support rating

In its periodic review of Armenia's sovereign ratings, Moody's Investors Service indicated that the country's 'Ba3' issuer rating reflects a rating of 'ba2' on its economic strength, a rating of 'baa3' on the strength of institutions and governance metric, one of 'b1' on the fiscal strength, and a rating of 'ba' on the country's susceptibility to event risk. It indicated that Armenia's 'ba2' economic strength is supported by the country's high growth potential and increasingly diverse drivers of economic activity, but it said that the rating is constrained by the small size of the economy and low income levels. Further, the agency considered that Armenia's 'baa3' rating on the strength of institutions and governance metric takes into account the improved credibility and effectiveness of the country's macroeconomic policies and institutions that cushion the impact of economic shocks. It noted that the rating is also underpinned by the implementation of structural reforms that aim to strengthen the control of corruption and the rule of law. In addition, it said that the 'b1' rating on the fiscal strength reflects the country's moderate debt level that is vulnerable to a sharp depreciation of the local currency. In parallel, the agency indicated that Armenia's rating of 'ba' on the susceptibility to event risk is constrained by the "low probability" but "high impact" of an escalation of tensions to full scale hostilities with Azerbaijan over the disputed territory of Nagorno-Karabakh. Armenia's 'Ba3' rating is three notches below investment grade.

Source: Moody's Investors Service

BANKING

WORLD

Credit losses to reach \$2.1 trillion in 2020-21 period

S&P Global Ratings considered that the COVID-19 pandemic will have a significant and long-lasting impact on the asset quality of banks worldwide. It projected 88 banking systems to post credit losses of \$1.3 trillion (tn) in 2020 as a result of the pandemic, compared to losses of \$0.6tn in 2019, and forecast the losses to moderate to \$0.8tn in 2021. The agency defines credit losses as charges on a bank's income statement that translates to provisions or allowances for the expected losses on its balance sheet, as well as any direct write-offs of loans. It projected credit losses at banks in the Asia Pacific region at \$1.3tn, or 59.4% of the total, in the 2020-21 period, followed by losses at banks in North America with \$366bn (17.2%), in Western Europe with \$228bn (10.7%), in Central & Eastern Europe and Middle East & Africa with \$142bn (6.7%), and in Latin America with \$131bn (6.1%). It added that credit losses at Chinese banks will account for over 75% the losses of banks in the Asia Pacific region in the covered period. Also, S&P projected the credit losses of top 200 rated banks worldwide to absorb over 75% of their pre-provision earnings in 2020, compared to 30% of earnings in 2019, which shows the banks' limited capacity to absorb a further rise in losses. It considered that the fiscal measures that authorities around the world are implementing to cope with the economic and financial fallouts of the pandemic are essential, but it noted that the premature withdrawal of such measures could deepen the global economic contraction and weigh on the banks' asset quality.

Source: S&P Global Ratings

MENA

GCC countries to maintain pegged exchange rates

Fitch Ratings anticipated that Gulf Cooperation Council (GCC) countries will maintain their pegged exchange rate regimes in the medium term, despite double-digit fiscal and current account deficits that originated from the collapse in global oil prices and the outbreak of the COVID-19 pandemic. It indicated that the sovereign net foreign assets of Kuwait, Qatar, Saudi Arabia, and the UAE are sufficient to cover their entire broad money M3, which means that the four countries will be able to maintain their exchange rate arrangements even in case of a complete loss of domestic confidence. In contrast, it noted that Bahrain has a weaker reserve position that covered 17% of its money supply M1 as at May 2020, but it expected other GCC countries to provide financial support for Bahrain in case of need. It added that Oman's foreign currency reserves are sufficient to cover 36% of its broad money supply M3, but it said that external support for the country from GCC peers is uncertain. In parallel, Fitch anticipated that Iraq's increasing reliance on foreign currency reserves and monetary financing to meet its fiscal and external financing needs could challenge the stability of the Iraqi dinar's peg. It projected Iraq's foreign currency reserves to cover 30% of broad money M3 and four months of imports by 2021. Further, it said that Jordan's adequate foreign currency reserves, which cover 80% of M1, as well as its access to external financing, will mitigate risks to the dinar, provided that the government implements reforms. It indicated that Jordan is the only rated sovereign in the MENA region other than Iraq and the GCC countries to have a hard peg, after the de-facto devaluation of the Lebanese pound.

Source: Fitch Ratings

QATAR

Challenging operating environment to weigh on banks' asset quality

Fitch Ratings indicated that the challenging operating environment weighed on the asset quality of Qatari banks in 2019. It said that the average impaired loans ratio stood at 2.3% at the end of 2019, nearly unchanged from end-2018. But it noted that this ratio does not fully reflect the extent of the deterioration in asset quality, due to the banks' restructuring of their loan portfolios. It added that Stage 2 loans, which include restructured loans, vary significantly across banks, and range from less than 10% of aggregate loans to nearly 30% of loans at end-2019. It anticipated the banks' asset quality to further deteriorate in 2020, as it did not expect all borrowers to be able to weather the impact of the fallout from the coronavirus pandemic. In parallel, the agency said that the average net interest margin was nearly stable in 2019, as increased funding costs were mitigated by the higher pricing of loans. It anticipated that lower interest rates, weaker non-interest income and higher loan impairment charges will weigh on profitability in 2020. Also, it pointed out that the banks' elevated foreign funding constitutes a risk to the Qatari banking sector, but it expected authorities to provide support for banks in case of financial distress. It added that the banks' liquidity is adequate and sufficient to meet funding maturities. Further, Fitch indicated that the average Common Equity Tier One capital ratio stood at 14.5% at end-2019, supported by sound internal capital generation. It anticipated that a steeper-than-expected weakening in asset quality and profitability metrics from a protracted period of economic disruptions could put pressure on the banks' capital buffers.

Source: Fitch Ratings

KUWAIT

Ratings of four banks affirmed

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency rating (FCR) of the National Bank of Kuwait (NBK) at 'AA-', the FCRs of Gulf Bank and the Commercial Bank of Kuwait (CBK) at 'A+', and the FCR of Kuwait Finance House (KFH) at 'A'. Also, it affirmed at 'a-' the Bank Standalone Rating (BSR) of NBK and of Gulf Bank, at 'bbb+' the BSR of CBK and at 'bbb' the BSR of KFH. It maintained the 'stable' outlook on the FCRs and BSRs of Gulf Bank, CBK and KFH, while it revised the outlook on NBK's FCR and BSR from 'stable' to 'negative'. It indicated that the uplift of the banks' FCRs above their respective BSRs takes into account the high likelihood of extraordinary support from the government in case of financial distress, due to the banks' systemic importance, as well as the existence of a state guarantee on all customer deposits at banks in Kuwait. In parallel, it said that the outlook revision on the ratings of NBK reflects the anticipated impact of the sharp deterioration in the bank's domestic and international operating environments from the COVID-19 outbreak and the collapse in global oil prices, which will weigh on the bank's earnings and asset quality. It added that the BSR of NBK is constrained by the latter's reliance on interbank funding, as well as by elevated concentrations on both sides of the balance sheet. Still, it said that the BSR of NBK is supported by the bank's sound capitalization, current adequate asset quality and high coverage ratios, as well as by its solid net profitability.

Source: Capital Intelligence Ratings



ENERGY / COMMODITIES

Global oil demand to increase by less than one million b/d through end-2020

ICE Brent crude oil front-month prices have been relatively stable in July 2020, trading at between \$42 per barrel (p/b) and \$44 p/b. Oil prices were mainly supported by OPEC's strong compliance to the June production cut agreement, as well as by the announcement of a stimulus package for European Union countries, a weaker U.S. dollar, and a steeper-than-expected drop in U.S. oil inventories. However, concerns about the outlook for global oil demand amid rising coronavirus infections in the second half of the month and, more recently, difficult negotiations among U.S. lawmakers on a new stimulus package, exerted downside pressure on prices. Goldman Sachs considered that uncertainties about oil fundamentals rose significantly. It indicated that the recovery in global oil demand is sharply slowing, with a daily increase in demand of about 50,000 barrels per day (b/d) in the past three weeks, constituting a decline of 60% from the daily rise in demand in May and June. It attributed the slowdown in the recovery of demand to the resurgence of the virus in the U.S., a marginal rise in demand for jet fuel around the world, and challenges to the normalization of economic activity in countries where the virus has been contained. It expected oil demand to expand by less than one million b/d monthly from August through December, compared to a rise of 12.5 million b/d during the April to July period. It considered that demand dynamics are a key factor in containing oil prices at a maximum of \$45 p/b in the remainder of the year.

Source: Goldman Sachs, Refinitiv, Byblos Research

Libya's oil and gas receipts down 65% to \$3.6bn in first half of 2020

Libya's oil and gas revenues totaled \$3.6bn in the first half of 2020, constituting a decrease of 65% from \$10.3bn in the same period of 2019. The decline in hydrocarbon receipts was due to lower global oil prices and to supply disruptions amid ongoing blockades of several oil facilities. Oil and gas receipts amounted to \$45m in June 2020, down by 48.6% from \$87.7m in May and compared to \$1.7bn in June 2019.

Source: National Oil Corporation, Byblos Research

Steel output down 6% in first half of 2020

Global steel production reached 873 million tons in the first half of 2020, constituting a decrease of 6% from 928.4 million tons in the same period of 2019. Production in China totaled 499 million tons and accounted for 57.2% of global output in the covered period. India followed with 43 million tons (5%), then Japan with 42.2 million tons (4.8%), the U.S. with 36.2 million tons (4.1%), Russia with 35.3 million tons (4%), and South Korea with 32.6 million tons (3.7%).

Source: World Steel Association, Byblos Research

Global hydroelectricity consumption up 1% in 2019

BP estimated global hydroelectricity consumption at 37.6 exajoules (EJ) in 2019, up by 0.8% from 37.3 EJ in 2018. Hydroelectricity consumption in the Asia-Pacific region reached 15.9 EJ, or 42.2% of global demand for hydroelectricity last year, followed by South & Central America with 6.4 EJ (16.9%), North America with 6 EJ (16%), Europe with 5.6 EJ (15%), the Commonwealth of Independent States with 2.2 EJ (5.9%), Africa with 1.18 EJ (3.1%), and the Middle East with 0.3 EJ (0.8%).

Source: BP, Byblos Research

Base Metals: Nickel prices to average \$12,860 in 2020

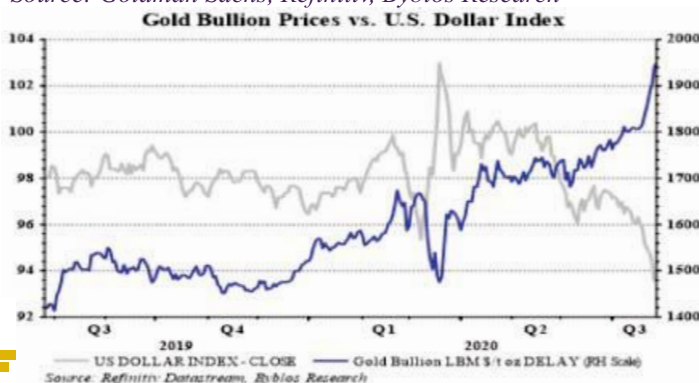
The LME cash prices of nickel closed at \$13,670 per ton on July 27, their second highest level since January 20 after the \$13,671 a ton they reached on July 13. Prices have been gradually recovering from a March low of \$10,806 per ton, supported by ongoing supply disruptions in South America, as well as by strong improvement in demand, particularly from China, and by stimulus from central banks around the world. More recently, prices were supported by improved market sentiment amid news about a potential coronavirus vaccine, talks about a \$1 trillion new stimulus package in the U.S., and the weakening of the US dollar. In addition, prices jumped by 4.2% on July 23, after calls to increase the supply of nickel for batteries of electric vehicles. But weaker demand from the stainless steel market, the main driver of nickel prices, is slowing the recovery. In fact, global demand for nickel dropped by 8% in the first five months of 2020, mainly due to lower consumption from the stainless steel sector. Also, the nickel market posted a supply surplus of 57,300 tons in the first five months of 2020, compared to a deficit of 31,500 tons in the same period of 2019. Citi Research projected prices to average \$12,860 per ton in 2020 and to underperform other metals in the medium term, as delayed cuts in stainless and alloys production, and the slow recovery of demand in sectors that use nickel in their end products, will create multi-year supply surpluses in the market.

Source: INSG, Citi Research, Refinitiv

Precious Metals: Gold prices at all-time high of \$1,950 per ounce

Gold prices reached an all-time high of \$1,950 per troy ounce on July 28, 2020, constituting an increase of 9.3% from \$1,784 an ounce at the end of June 2020 and of 28.2% from \$1,521 per ounce at the end of 2019. The increase in the metal's price was mainly due to record-high levels of inflows in gold exchange-traded funds (ETFs), as investors diversified their portfolios amid the low U.S. interest rate environment, expectations of a weakening US dollar, global concerns of a second wave of COVID-19 infections, and rising geopolitical uncertainties around the world. Global net inflows to gold ETFs stood at \$47bn in the year-to-July 24, 2020 period, mainly due to demand for gold ETFs from developed markets, especially from the United States. In comparison, they reached \$8.2bn in the first seven months of 2019 and \$19.4bn in full year 2019. Gold prices are projected to increase to \$2,300 per ounce in next 12 months, largely on expectations of low U.S. interest rates, a weaker US dollar, rising inflationary pressure in the U.S., heightened geopolitical risks, and a recovery in global physical demand, mainly for jewelry.

Source: Goldman Sachs, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	Short-Term External Debt by Rem. Mat./ CARs	Govt. 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+	-5.2	36.9*	2.2	-	-	-	-9.1	-
Angola	CCC+	B3	B	-	CCC	2.4	88.1	45.7**	50.5	26.7	102.2	1.3	1
Egypt	B	B2	B+	B+	B+	-9.5	92.6	37.1	51.8	45	115.4	-2.4	3
Ethiopia	B	B2	B	-	B+	-3	61.1	31.8**	27.2	3.6	146.2	-6.5	4.1
Ghana	B	B3	B	-	BB-	-7	59.6	27.9**	38.9	31.9	121.8	-3.2	6
Côte d'Ivoire	-	Ba3	B+	-	B+	-4	52.2	35.9**	-	-	-	-3.4	-
Libya	-	-	-	-	CCC	-7.4	-	-	-	-	-	2	-
Dem Rep Congo	CCC+	Caa1	-	-	CCC	-0.5	15.7	12.9**	4.4	3	104.1	-0.5	2.8
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.7	65.2*	33.2	30.6	7.4	93	-4.5	2.1
Nigeria	B-	B2	B	-	B-	-4.5	28.4	8.8**	67.6	22.8	104.2	2.1	0.7
Sudan	-	-	-	-	CC	-8.5	163.2	161.2	-	-	-	-11.5	-
Tunisia	-	B2	B	-	BB-	-4.6	77	83.1	-	-	-	-11.2	-
Burkina Faso	B	-	-	-	B+	-4.7	43	23.8**	21	4.6	145.4	-7.5	2.8
Rwanda	B+	B2	B+	-	B+	-2.6	40.7	40.1**	13.2	5.1	102.8	-7.8	2.9
Middle East													
Bahrain	B+	B2	BB-	BB-	BB-	-8.4	100.2	189.9	201.7	22.3	327.6	-3.6	0.4
Iran	-	-	-	B	B-	-4.1	30.0	2.0	-	-	-	-0.4	-
Iraq	B-	Caa1	B-	-	CC+	-5.2	50.2	32.1	3.7	2.2	100.9	-6.7	1.0
Jordan	B+	B1	BB-	B+	BB+	-4.0	94.8	72.1	63.6	9.4	151.0	-8.2	4.5
Kuwait	AA-	Aa2	AA	AA-	AA-	9.5	17.8	45.8	32.8	0.55	87.9	7.4	-5.5
Lebanon	SD	C	C	SD	CCC	-11.7	157.8	191.3	136.8	50.1	136.2	-28.2	2.8
Oman	BB-	Ba3	BB	BBB-	BBB-	-9.9	61.3	99.6	44.9	4.5	140.3	-8.7	1.5
Qatar	AA-	Aa3	AA-	AA-	A+	6.1	52.7	106.7	60.9	3.4	173.9	4.6	-1.0
Saudi Arabia	A-	A1	A	A+	A+	-7.9	23.7	30.4	8.0	1.2	36.9	3.5	0.3
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	-	AA-	AA-	-0.8	19.2	68.7	-	-	-	5.9	-0.8
Yemen	-	-	-	-	CC	-5.1	54.7	18.1	-	-	-	0.7	-



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-	Baa3	BBB-	-	BBB	-6.6	69.8	-	39.5	19.4	90.7	-2.5	1.6
	Negative	Negative	Stable	-	Negative								
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	URD***	Stable	-	Stable								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB	-	BBB	0.1	20.5	-	26.0	2.0	100.8	3.9	1.9
	Stable	Positive	Positive	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.9	36.6	-	25.8	4.2	95.1	-4.6	2.4
	Negative	Negative	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-	B+	B-	-3.6	29.1	-	84.3	5.9	176.4	-3.6	1.0
	Stable	Negative	Stable	Stable	Stable								
Ukraine	B	B3	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	10-Jun-20	No change	29-Jul-20
Eurozone	Refi Rate	0.00	16-Jul-20	No change	10-Sep-20
UK	Bank Rate	0.10	18-Jun-20	No change	06-Aug-20
Japan	O/N Call Rate	-0.10	15-Jul-20	No change	17-Sep-20
Australia	Cash Rate	0.25	07-Jul-20	No change	04-Aug-20
New Zealand	Cash Rate	0.25	24-Jun-20	No change	23-Sep-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-Jul-20	No change	20-Aug-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	16-Jul-20	No change	27-Aug-20
Malaysia	O/N Policy Rate	1.75	07-Jul-20	Cut 25bps	10-Sep-20
Thailand	1D Repo	0.50	24-Jun-20	No change	05-Aug-20
India	Reverse repo Rate	4.00	22-May-20	Cut 40bps	06-Aug-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	25-Jun-20	No change	13-Aug-20
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	8.25	23-Jul-20	No change	20-Aug-20
South Africa	Repo Rate	3.50	23-Jul-20	Cut 25bps	17-Sep-20
Kenya	Central Bank Rate	7.00	25-Jun-20	No change	29-Jul-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	5.00	25-Jun-20	Cut 50bps	13-Aug-20
Brazil	Selic Rate	2.25	17-Jun-20	Cut 75bps	05-Aug-20
Armenia	Refi Rate	4.50	28-Jul-20	No change	15-Sep-20
Romania	Policy Rate	1.75	29-May-20	Cut 25bps	N/A
Bulgaria	Base Interest	0.00	01-Jul-20	No change	03-Aug-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



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

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



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
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 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

