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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Net private wealth in Arab world at $6.44 trillion at end-2020

Global investment bank Credit Suisse estimated the aggregate net wealth of Arab citizens at $6,436bn at the end of 2020, constituting a decline of 7.5% from $6,957bn at end-2019, and accounting for 1.5% of global net wealth at end-2020 compared to 1.8% at the end of 2019. It defines a country's net wealth as the sum of its adult population's marketable value of financial and non-financial assets, less its aggregate personal debt, with non-financial assets consisting mainly of real estate holdings. It excludes a country's stock of human capital as well as its stock of public assets and liabilities, such as the public debt. The aggregate net wealth of Arab nationals consisted of $3,264bn in financial wealth at the end of 2020 that declined by 8% year-on-year, $3,615bn in non-financial wealth that decreased by 7.4%, and $442.5bn in personal debt that dropped by 11.4% from the end of 2019. Citizens of Saudi Arabia accumulated $1,662bn in net wealth as at end-2020, followed by citizens of Egypt ($1,159bn), the UAE ($929.9bn), Kuwait ($492.3bn), and Qatar ($399bn). In contrast, citizens of Syria and Sudan had $25.4bn and $21.6bn in aggregate net wealth, respectively; while citizens of Mauritania and Djibouti had $6.6bn and $1.9bn in net wealth, respectively, as at the end of 2020, the lowest in the Arab world. In parallel, Qatar has the highest net wealth per adult among Arab countries at $146,730 as at end-2020, followed by Kuwait ($129,890) and the UAE ($115,476); while Mauritania ($2,788), Syria ($2,197) and Sudan ($1,014) have the lowest net wealth per adult in the Arab world.

Source: Credit Suisse, Byblos Research

IRAQ

Profits of listed firms at $192m in first half of 2021

The cumulative unaudited pre-tax profits of 76 out of 130 companies listed on the Iraq Stock Exchange totaled IQD283.4bn in the first half of 2021, constituting an increase of 8.9% from IQD260.3bn in the same period of 2020. In US dollar terms, the profits of the listed companies reached $191.7m in the covered period and regressed by 9.2% from $211m in the first half of 2020. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,234 per US dollar in the first half of 2020 to an average of IQD1,479 per dollar in the same period of 2021. Listed telecommunication companies generated $134.1m in profits in the first half of 2021, followed by banks with $35.8m, industrial firms with $15.9m, firms in the hotels & tourism sector with $3m, insurance companies with $1.3m, firms operating in the agricultural sector with $0.9m, and services providers with $0.8m; while investment companies posted losses of $0.03m in total in the covered period. Also, the profits of services providers surged by 65.2% year-on-year in the first half of 2021, followed banks' earnings with 3.5%. In contrast, the profits of insurers plunged by 69.6%, the net income of investment firms dropped by 60.7%, the earnings of the industrial companies declined by 30.3%, the profits of firms in the hotels & tourism sector decreased by 28.4%, the earnings of the agricultural companies dipped by 28.3%, and the net income of telecommunication firms regressed by 6.6% in the first half of 2021.

Source: Rabee Securities, Iraq Stock Exchange

GCC

Fixed income issuance up 3% to $105bn in first eight months of 2021

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $104.8bn in the first eight months of 2021, constituting an increase of 3% from $101.7bn in the same period of 2020. Fixed income issuance in the covered period consisted of $49.1bn in corporate bonds, or 46.9% of the total, followed by $19.4bn in sovereign bonds (18.5%), $19.3bn in corporate sukuk (18.4%) and $17bn in sovereign sukuk (16.2%). Further, aggregate bonds and sukuk issued by corporates amounted to $68.4bn in the covered period, or 65.3% of total fixed income proceeds in the region; while aggregate issuance by sovereigns reached $36.4bn, or 34.7% of the total. GCC sovereigns issued $11.6bn in bonds and sukuk in January, $6bn in February, $6.4bn in March, $800m in April, $500m in May, $8.1bn in June, $800m in July and $2.2bn in August 2021. In parallel, companies in the GCC issued $6.3bn in bonds and sukuk in January, $9.6bn in February, $5.5bn in March, $7.7bn in April, $5.1bn in May, $15.5bn in June, $17.3bn in July and $1.4bn in August of this year. Sovereign proceeds in August consisted of $1.8bn in sukuk from Saudi Arabia and $398m in bonds from Bahrain. In parallel, corporate issuance in the covered month included $960m in bonds issued by firms based in UAE and $55.4m in bonds issued by Qatar-based companies.

Source: KAMCO

Food consumption to rise by a CAGR of 2.3% in 2020-25 period

Alpen Capital projected the demand for food in the Gulf Cooperation Council (GCC) countries to grow from 46.8 million metric tons (MT) in 2020 to 52.4 million MT in 2025, and to post a compound annual growth rate (CAGR) of 2.3% during the 2020-25 period. It attributed the expected rise in food demand to an increase in the resident population of GCC countries, the post pandemic rebound in tourism activity, higher per capita income, and the anticipated recovery of GCC economies. It forecast demand for milk to post a CAGR of 3.4% during the 2020-25 period, followed by the consumption of vegetables with a CAGR of 2.9%, meat (+2.8%), fruits (+2.2%), and cereals (+1.5%), while it projected demand for other food items to post a CAGR of 3.7% in the covered period. In parallel, it expected demand for cereals to account for 42.6% of total food consumption in GCC countries in 2025, followed by fruits (14.7%), vegetables (14.5%), milk (9.4%), and meat (8.7%), while it forecast 'other food items' to account for 10% of total food consumption in 2025. Further, it expected food consumption in Saudi Arabia to reach 29.6 million MT in 2025 and to account for 56.5% of aggregate in the GCC, followed by the UAE with 10.5 million MT (20.1%), Oman with 4.6 million MT (8.8%), Kuwait with 4.3 million MT (8.3%), Qatar with 2.2 million MT (4.1%), and Bahrain with 1.2 million MT (2.2%). It projected food consumption in Bahrain to grow by 33.3% during the 2020-25 period, followed by demand in Kuwait (+23%), Oman (+21%), the UAE (+18%), Saudi Arabia (+8%), and Qatar (+4.8%).

Source: Alpen Capital

POLITICAL RISK OVERVIEW - AUGUST 2021

ARMENIA

Deadly clashes persisted on the border between Armenia and Azerbaijan, constituting the most lethal clashes since the Nagorno-Karabakh war in 2020. The Ministry of Defense of Armenia announced the deployment of Russian border guards in a village near Azerbaijan. Also, Russian troops formed new military posts on the border between Armenia and Georgia, while the Armenian media reported that several new Russian posts will be based in locations along the Armenia-Azerbaijan border. In parallel, Prime Minister Nikol Pashinyan appointed former Parliament Speaker Ararat Mirzoyan as Foreign Minister. Parliament adopted a new government program for the next five years and expressed its intention to normalize relations with Turkey.

ETHIOPIA

Tigrayan forces stepped up violent offensives in the Amhara and Afar regions by seizing several towns and causing thousands of people to leave. As a result, the federal government threatened to "deploy the entire defensive capability of the state" and urged "all capable" citizens to join its military forces. In response, Tigrayan forces formed an alliance with the rebels group Oromo Liberation Army with the aim of overthrowing the federal government. In parallel, Amnesty International accused Ethiopian and Eritrean troops of using sexual violence "to terrorize, degrade, and humiliate" ethnic Tigrayans. Further, the U.S. Agency for International Development accused the government of preventing the access of humanitarian aid and personnel to the Tigray State.

IRAN

The new President of Iran, Ebrahim Raisi, took office on August 5, 2021 and announced that he will support any diplomatic plan to lift U.S. sanctions on his country. The International Atomic Energy Agency reported that Tehran continued to increase its nuclear capabilities .The U.S. Department of the Treasury continued to put on its blacklist individuals and businesses involved in an international oil smuggling network that is allegedly linked to the Islamic Revolutionary Guard Corps. In addition, maritime tensions between Iran and the U.S. persisted, as Iran denied its involvement in an attack on an oil tanker near the coast of Oman. In parallel, Supreme Leader Ali Khamenei described the COVID -19 pandemic as the "country's number one problem today".

IRAQ

Political tensions intensified between the Sunni parties and the pro-Iran Shia political blocs ahead of the parliamentary elections that are scheduled for October 10, 2021. In parallel, security forces launched attacks against Islamic State (IS) militants in northern Baghdad and in the Diyala province, arrested many members, and killed one IS leader. Also, the Kurdistan Workers Party shelled a Turkish military base in northern Iraq. Further, the Iraqi government hosted a regional conference that Iran, Saudi Arabia, Turkey, Egypt, Jordan, Qatar, the UAE and some European countries attended, in order to reduce tensions in the

LIBYA

The leader of the Arab Libyan Armed Forces (ALAF), Field Marshal Khalifa Haftar, ordered the appointment and promotion of senior military officials under his command, which came in violation of the decision of the Presidency Council that cautioned against unilateral decisions to nominate or promote military officials. The 5+5 Joint Military Commission (JMC) called on the Government of National Unity (GNU) to suspend military agreements with all countries. It said it had agreed on measures for the "urgent removal of foreign forces and mercenaries" from Libya, but the GNA-aligned political and military figures accused the JMC of overstepping its authority. In parallel, the UN-backed Libyan Political Dialogue Forum failed to reach an agreement on the legal framework to hold elections in December 2021, while the House of Representatives said that it is drafting a bill for direct presidential elections.

PAKISTAN

Following the takeover by Taliban forces of Afghanistan's capital Kabul in mid-August 2021, Pakistani President Dr. Arif Alvi requested assurances from the Taliban that Afghanistan would not be used as a launching pad for operations against any other country. Also, Pakistani authorities said that they would consider recognizing the Taliban government "after consulting with regional and international powers". Also, Pakistani security forces announced that they are expecting 'cordial' relations with the new Afghan government, which may help with the fight against the Taliban in Pakistan. In parallel, deadly attacks by militias persisted against security forces in several cities in the country.

SUDAN

Inter-communal fighting intensified in the western North Darfur State, which led to multiple deaths. The leader of the Sudan Liberation Movement/Army faction, Minni Minnawi, was sworn in as the governor of the Darfur region, in line with the October 2020 peace deal, while the chairman of the Sovereign Council, Abdel Fattah al-Burhan, pledged that the signatories of the peace agreement would immediately start forming a joint force to protect civilians in Darfur. In parallel, Prime Minister Abdallah Hamdok pledged that Sudan would not make any concessions on the country's territorial integrity, following a visit with Mr. Abdel Fattah al-Burhan to the disputed al-Fashqa border zone with Ethiopia. Further, Khartoum recalled its ambassador to Ethiopia after Addis Ababa rejected Sudan's offer to mediate the conflict in Ethiopia's Tigray State.

SYRIA

The Syrian armed forces and the Russian military launched several airstrikes against the Islamist militant group Tahrir al-Sham in the Idlib province, despite the March 2020 ceasefire agreement between proxies of the Turkish military and Syrian forces. In addition, regime forces continued to target rebels in the Daraa province. Also, Turkey carried out airstrikes on the Syrian-Kurdish People's Protection Units in northern Syria. Moreover, Turkish-backed armed groups and Kurdish-led Syrian Democratic forces shelled each other's positions in the Hasakah province. Further, Russia conducted airstrikes against Islamic State targets in the central desert region, while Israel launched airstrikes on alleged Iran-linked targets in the Quneitra province. President Bachar El Assad approved on August 10, 2021 a new cabinet headed by Hussein Arnous. In parallel, the UN Secretary-General for Syria expressed concerns that Syrian citizens are facing shortages of basic goods.

TURKEY

Turkish authorities expressed concerns about potential mass arrivals of Afghan refugees to Turkey. As such, the government decided to expand the construction of a security wall along its frontier with Iran and to take additional security measures on its borders. The authorities' efforts to delegitimize the Peoples' Democratic Party (HDP) persisted, as the police detained HDP officials and members. Also, Turkey conducted several airstrikes against the Kurdish-led People's Protection Units militants in northern Syria.

YEMEN

The United Nations warned about fuel shortages in Yemen and urged the government to allow the entry of essential supplies through the port of Hodeida. Also, it noted that two thirds of the population in Yemen depend on humanitarian aid and expressed concerns about the high risk of famine. Houthi rebels made military advances into the Shebwa governorate and other territories controlled by Yafa tribe, and continued to launch cross-border attacks on Saudi Arabia.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Property & casualty insurance premiums to reach $4.3 trillion in 2040

Global reinsurer Swiss Re projected the insurance premiums of the property & casualty (P&C) category to reach $4.3 trillion in 2040, and to constitute an increase of $2.5 trillion from $1.8 trillion in 2020. It forecast P&C premiums to rise by 7.1% in emerging markets and by 3.5% in advanced economies during the 2021-40 period. It attributed the faster growth rate of premiums in emerging markets mainly to an expansion of 6.8% in P&C insurance premiums in China. However, it anticipated that $1.4 trillion of new global P&C insurance premiums, or 57% of the total, will originate from advanced markets, while China will be the source of $0.5 trillion (20%), and the balance of $0.6 trillion (23%) will come from other emerging economies. As such, it said that emerging markets will account for 33% of global P&C premiums by 2040, up from 20% in 2020; while advanced economies will represent the balance of 67% in 2040, down from 80% last year. It expected economic developments to remain the key driver of premium growth across all lines of business, and considered that its projections reflect its "best-case" scenario, given the high uncertainties about predicting trends in technology, social, legal, and environmental changes.

In parallel, Swiss Re anticipated that the P&C insurance sector will become riskier and more complex in the next 20 years. It expected the share of motor insurance premiums, which is the low-risk and high-volume segment of P&C, to shrink from 42% of global P&C premiums currently to 32% by 2040, as new advanced safety technologies, shared mobility models and sustainability policies will slow the premiums growth in the motor segment over the 2021-40 period. Also, it projected the share of property insurance premiums to rise from 25% to an estimated 29% due to economic developments, urbanization trends in emerging markets and climate risks, and for liability insurance premiums to increase from 12% to 13% of total P&C premiums by 2040.

Source: Swiss Re

AFRICA

Economic activity to vary significantly across Sub-Saharan Africa regions

Fitch Solutions projected real GDP in Sub-Saharan Africa (SSA) to expand by 3.1% in 2021, following a contraction of 2.3% in 2020, and to remain below its average growth rate of 4.1% annually in the 2010-19 period. It expected governments in most SSA countries to tighten their fiscal policy this year by rolling back the stimulus packages that they implemented in 2020. Also, it anticipated that structural constraints, such as rising inflation rates in Nigeria and the challenging operating environment in Angola, to continue to weigh on the region's near-term growth prospects. It added that new waves of coronavirus cases and the slow rollout of the vaccine, which could result in sustained restriction measures, constitute downside risks to the outlook.

In parallel, it projected real GDP growth in East & Central Africa at 3.5% in 2021 and 5% in 2022, but noted that the economic expansion in the sub-region will remain below the annual average growth rate of 6% in the 2010-19 period due to the lingering impact of the COVID-19 outbreak. It expected Kenya to be one of the sub-region's outperformers, while it anticipated security conditions in Ethiopia and elevated inflation rates in Sudan to significantly weigh on growth in these two countries in 2021. In addition, Fitch forecast economic activity in Southern Africa to grow by 3.2% in 2021, the sub-region's strongest performance since 2013, mainly as a result of low base effects. It expected Botswana to be the sub-region's outperformer in 2021 as the recovering global economy boosts demand for diamonds. However, it anticipated a subdued economic recovery this year in Angola, Namibia and Zambia, due to the countries' structural constraints. Further, it projected real GDP in West Africa to expand by 2.9% in 2021, mainly as a result of weak economic activity in Nigeria. It forecast real GDP growth to reach 4.5% in West African countries excluding Nigeria, which compares favorably with other emerging market regions. It anticipated that the deterioration in living standards as a result of the pandemic, along with limited progress on reforms, will exacerbate social grievances across the sub-region. It also expected political instability in the Sahel region to persist and to result in spillover security risks in West African economies.

Source: Fitch Solutions

PAKISTAN

Economic outlook dependent on deeper structural reforms

The Institute of International Finance indicated that Pakistan's economy recovered from the COVID-19 outbreak in the fiscal year that ended in June 2020, and projected real GDP growth to accelerate from 3.9% in FY2020/21 to 4% in FY2021/22. It attributed the slight pick-up in growth to an accommodative monetary policy and a significant increase in public investments, as well as to a rebound in agricultural activity. It said that downside risks to the outlook include an increase in the number of new coronavirus cases and the still low vaccination rate in the country. Also, it expected security concerns from cross-border activity following the Taliban's seizure of power in Afghanistan, as well as the sustained exodus of refugees from Afghanistan to Pakistan, to pose significant downside risks to the outlook and to put strains on public finances. It considered that authorities need to implement deeper structural reforms to stabilize public finances, improve the business environment, as well as fight corruption and rent-seeking behavior, which would raise private investments and result in higher growth rates over the medium term.

In parallel, the IIF indicated that the Pakistani government is planning further fiscal consolidation in the FY2021/22 budget, supported by ongoing reforms under the Extended Fund Facility with the International Monetary Fund. It projected the fiscal deficit to narrow from 7.1% of GDP in FY2020/21 to 6.4% of GDP in FY2021/22, in case authorities further rationalize spending and implement reforms to raise public revenues. As such, it anticipated the public debt level to remain elevated, but to decline from 91% of GDP at the end of June 2021 to 88% of GDP at end-June 2022. Also, it projected the current account deficit to widen from 0.7% in FY2020/21 to 1.5% of GDP in FY2021/22, on the assumption of higher imports of petroleum products and slightly lower remittance inflows during the fiscal year. Still, it forecast foreign currency reserves at the State Bank of Pakistan to rise from $21.7bn at the end of June 2021 to $22.7bn at end-June 2022, supported by an expected increase in net capital inflows.

Source: Institute of International Finance

GCC

Agency takes rating actions on sovereigns

Capital Intelligence Ratings (CI) downgraded Kuwait's long-term foreign and local currency ratings from 'AA-' to 'A+', and revised the outlook from 'negative' to 'stable' on the long-term rating. It attributed the downgrades to the government's sizeable budget deficit, to the lack of a clear funding strategy, to the near depletion of the assets of the General Reserve Fund, and to the elevated refinancing and government liquidity risks due to the political deadlock over the debt law and fiscal reforms. It said that the 'stable' outlook signals that it is unlikely to change the ratings in the next 12 months. Further, it expected the budget deficit to remain wide, but to narrow from 27.2% of GDP in the fiscal year that ended in March 2021 to 16.3% of GDP in FY2021/22. It noted that it could downgrade the ratings in case Parliament does not enact the debt law that would allow the government to raise additional funding. In parallel, CI Ratings affirmed Oman's long-term foreign and local currency ratings at 'BB', and maintained the 'negative' outlook on the ratings. It attributed its decision to the country's moderate fiscal and external positions, to a sound banking system, as well as to its expectation that other Gulf Cooperation Council countries would provide financial support to Oman, in case of need. However, it added that the ratings are constrained by the strong increase in the public debt level, the government's reliance on external commercial borrowing, weak domestic demand, and the economy's limited diversification. It said that it could downgrade the ratings if geopolitical risks rise, or if international investor sentiment towards Oman or global oil prices deteriorate significantly.

Source: Capital Intelligence Ratings

GHANA

Sovereign ratings affirmed, outlook 'negative'

Moody's Investors Service affirmed Ghana's long-term issuer ratings and the foreign currency senior unsecured debt ratings at 'B3', with a 'negative' outlook. It also maintained the Country Ceiling at 'Ba3'. It indicated that the ratings and the 'negative' outlook reflect the country's elevated public debt level, large gross borrowing requirements, weak debt affordability, as well as the high liquidity needs. It added that the ratings' affirmation takes into account Ghana's improving growth prospects and the country's sustained access to domestic and international capital markets, as well as the government's structural reforms agenda that includes improving the economy's export competitiveness and expanding the revenue base. Further, it said that Ghana's gross financing needs were equivalent to about 20% of GDP in 2020, while debt-servicing costs exceeded 40% of government revenues. It added that the fiscal deficit reached 13.9% of GDP in 2020 and the public debt level increased from 62.6% of GDP in 2019 to 80% of GDP in 2020. In parallel, Moody's indicated that authorities aim to narrow the fiscal deficit to 4.8% of GDP by 2024, but it did not except them to achieve their target, given the persistent risks from the COVID-19 pandemic. It said that it could upgrade the ratings if the authorities implement strong fiscal consolidation measures to ensure the public debt's sustainability, or if liquidity risks decrease. In contrast, it added that it could downgrade the ratings if the fiscal deficit widens or if the government is unable to meet its debt obligations.

Source: Moody's Investors Service

ANGOLA

Sovereign ratings upgrade contingent on debt sustainability and external financing

Fitch Ratings affirmed Angola's long- and short-term foreign currency Issuer Default Ratings (IDRs) at 'CCC' and 'C', respectively. It also maintained the Country Ceiling at 'B-'. It pointed out that the ratings reflect the uncertainties about the availability of external financing in the 2022-23 period and about the medium-term risks to debt sustainability. However, it expected higher oil export receipts to support the public debt's affordability as well as public finances and foreign currency reserves. Moreover, it forecast the public debt level to decline from a peak of 124% of GDP at end-2020 to less than 100% of GDP by the end of 2021. It projected foreign currency reserves, including the International Monetary Fund's allocation of Special Drawing Rights, to stand at $16.5bn at the end of 2021 compared to $14.9bn a year earlier. It added that the government will have to increase its non-concessional borrowing if it does not reach a new agreement with the IMF by the end of 2021. It noted that the successful sale of state assets under the ongoing privatization program would provide additional external funding. In parallel, it said that it could downgrade the ratings in case the government cannot meet its debt-servicing obligations. In contrast, it said that it may upgrade the ratings if the debt's sustainability becomes more resilient to shocks, the authorities identify additional external financing sources, or if the government uses the oil earnings to rebuild its foreign currency reserves. In parallel, it attributed the difference between the country ceiling and the IDRs to its expectations that the authorities will not impose capital and foreign exchange controls that would prevent or materially impede the private sector's ability to convert local currency into foreign currency and to transfer them to non-resident creditors.

Source: Fitch Ratings

TURKEY

New economic plan for 2022-24 targets growth rate of 5.5%

Citi Research indicated that Turkey's Medium-term Program (MTP) for the 2022-24 period, which is the country's new economic plan, projects real GDP growth rates of 9% in 2021, 5% in 2022 and 5.5% in each of 2023 and 2024. In addition, the program forecast the inflation rate at 16.2% in 2021, 9.8% in 2022, 8% in 2023 and 7.6% in 2024; and projects the fiscal deficit at 3.5% of GDP in each of 2021 and in 2022, 3.2% of GDP in 2023 and 2.9% of GDP in 2024. Further, the MTP anticipates the current account deficit to stand at 2.6% of GDP and 2.2% of GDP in 2021 and 2022, respectively, and to narrow to 1.5% of GDP in 2023 and to 1% of GDP in 2024. However, Citi considered that the country's ability to grow at a stable rate of 5% to 5.5% annually in the coming years would require significant improvements to the economy's productivity and competitiveness. It added that the disinflation path in the MTP would require the additional tightening of monetary policy. Also it did not expect authorities to achieve the planned fiscal targets, given that it expected tax receipts to be lower than budgeted and for primary public expenditures to be higher than planned. Moreover, it considered that uncertainties about tourism receipts and the path of the real exchange rate will weigh on the country's external balance.

Source: Citi Research

UAE

Banks to regain pre-pandemic levels of profitability in 2022-23 period

Moody's Investors Service indicated that the aggregate net profits of First Abu Dhabi Bank (FAB), Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB) and Dubai Islamic Bank (DIB), which accounted for 77% of the UAE banking sector's assets at end-June 2021, reached $4bn in the first half of 2021, constituting an increase of 17% from the same period of 2020. It attributed the rise in income to lower loan-loss provisions, the easing of coronavirus-related restrictions, a strong vaccination rollout, and renewed real estate activity. Also, it indicated that the four banks' combined cost of risk dropped by four basis points in the first half of 2021, due to the expected decline in credit losses as pandemic restrictions gradually ease. In parallel, it said that the banks' net interest income regressed by 12% year-on-year in the first half of 2021, while non-interest income grew by 17% annually. Also, it indicated that the banks' aggregate operating expenses declined by 6% in the covered period due to cost control measures. It added that the banks' combined return on assets stood at 1.2% on an annualized basis as at June 2021, compared to 1.1% in in the same period last year and to 1.7% in 2019. It expected the banks' net profits to remain below pre-pandemic levels over the coming quarters due to lower interest income and precautionary provisioning. It expected the banks to return to their pre-pandemic levels of profitability between 2022 and 2023.

Source: Moody's Investors Service

SAUDI ARABIA

Banking sector resilient to low oil prices and weak economic growth

S&P Global Ratings indicated that the Saudi banking system has largely demonstrated its resilience to low oil prices and weak economic growth. It noted, however, that the sector is still affected by oil price dynamics and government expenditures, and is vulnerable to global economic and regional geopolitical trends. It said that the rapid increase in lending has resulted in a sharp increase in leverage, with private sector credit set to exceed 85% of GDP by the end of 2021 compared to 65% to 70% of GDP prior to 2020. It considered that the increase in credit penetration and the rapid growth in new projects will test the banks' underwriting standards, but it expected banks to remain conservative. It projected credit growth at 15% in 2021 and to exceed 10% in 2022, supported by the expansion of mortgage portfolios and the gradual launch of landmark construction projects as part of Vision 2030. It added that the banks' cost of risk will stabilize at about 90 to 100 basis points (bps) in 2021 from 100 bps in 2020, before starting to normalize in 2022, as authorities gradually phase out deferral programs and the economy adjusts to the new normal. It projected the banks' return on average assets at about 1.4% to 1.5% in coming years, compared to 2% before 2020. In parallel, the agency indicated that the Saudi banking sector is predominantly funded by stable customer deposits, despite a gradual buildup of external funding. It expected the sector to remain a net external creditor even though its external debt is set to increase, and anticipated the banks' funding profiles to continue to support their creditworthiness.

Source: S&P Global Ratings

EGYPT

Banks' creditworthiness closely linked to that of the sovereign

S&P Global Ratings indicated that the Egyptian banks' significant purchases of government securities have allowed them to place their excess liquidity and have supported their profitability in previous years but it noted that it has increased their linkages to the sovereign. It added that the banks' direct exposure to sovereign debt accounted for about 34% of the banking sector's assets as of March 31, 2021, and anticipated the ratio to remain in the 30% to 35% range until the end of June 2022 despite its expectation that customer loans will grow faster that the banks' purchases of government securities during the covered period. Further, the agency expected the banks' asset quality to deteriorate in the medium term, with the non-performing loans ratio (NPLs) increasing from 3.9% at end-June 2020 to 6.5% by the end of June 2022. It attributed the increase in the NPLs ratio primarily to the impact of the COVID-19 pandemic on affected sectors such as tourism and small and midsize enterprises (SMEs). Also, it forecast credit losses at Egyptian banks to average between 150 and 200 basis points in the 2021-2022 period, due to the impact of the pandemic on private borrowers, particularly on SMEs. It anticipated that the banks' pre-provisioning income will be more than sufficient to offset the increase in credit losses. Moreover, it forecast the banks' liquidity level to remain adequate, due to low loan leverage and sizable customer deposits, as it estimated that deposits increased to about 20% in the fiscal year that ended on June 30, 2021, despite the prevailing global uncertainties.

Source: S&P Global Ratings

MOROCCO

Agency affirms ratings on four banks

Capital Intelligence Ratings (CI) affirmed at 'BBB-' the long-term foreign currency ratings of Société Générale Marocaine de Banques (SGMA), and Banque Marocaine pour le Commerce et l'Industrie (BMCI); and at 'BB+' the ratings of Banque Centrale Populaire (BCP) and Bank of Africa (BOA), formerly known as BMCE Bank of Africa. Also, it maintained a 'stable' outlook on the ratings of the four banks. It indicated that the ratings reflect the banks' adequate profitability at the operating level and their good franchise in the country, but it said that their high level of non-performing loans is weighing on the ratings. In addition, it stated that the adequate capital position of SGMA and BMCI support the banks' 'BBB-' ratings, but it noted that the high level of loans-to-deposits ratio constrains the ratings. It added that SGMA's rating is underpinned by its solid profitability and elevated loan-loss provisioning, while BMCI's rating is driven by its satisfactory credit-loss absorption capacity. Also, it stated that BCP's 'BB+' rating is underpinned by a sound funding and liquidity profile, while BOA's rating is supported by its stable revenue base and adequate loan loss coverage. Moreover, it said that ratings of BCP and BOA are constrained by the banks' weak capital position, as well as by their high risk profile amid a significant exposure to low-rated African countries. It pointed out that the ratings of SGMA and BMCI reflect the high probability of support from their parent banks, while the ratings of BCP and BOA take into account the high likelihood of support from the Moroccan authorities, in case of need.

Source: Capital Intelligence Ratings

Oil prices to average $56 p/b in fourth quarter 2021

ICE Brent crude oil front month prices reached $72.6 per barrel (p/b) on September 9, 2021, constituting a marginal decrease of 0.6% from a week earlier, the decline in global oil supply is mainly due to Hurricane Ida that led to damages in the oil infrastructure of energy firms in the U.S. Gulf coast and to protests in Libya that blocked oil exports at the ports of Es Sider and Ras Lanuf. In parallel, S&P Global Platts, reported that 77% of energy firms on the U.S. Gulf coast remain closed and that oil production decreased by about 1.4 million barrels per day (b/d) , which could lead to an increase in oil prices in the near term. In addition, it said that the Energy Information Administration (EIA) expected global oil prices to average $68.61 p/b in 2021 and $66.04 p/b in 2022. It added that the EIA anticipated global oil demand to decrease by 240,000 b/d in 2022. In parallel, Standard Chartered Bank anticipated that the damages to oil facilities in the U.S. will reduce the global supply of oil by an average of 380,000 b/d in September. Also, it expected the Organization of the Petroleum Exporting Countries and its allies, known as OPEC+, to increase their production in October and November 2021. Further, it forecast oil prices to average $56 p/b in the fourth quarter of 2021 and $65 p/b in full year 2021.

Source: S&P Global Platts, Standard Chartered, Reuters, Refinitiv, Byblos

Iraq's oil exports receipts at $6.5bn in August 2021

Preliminary figures show that Iraq's crude oil exports totaled 94.6 million barrels in August 2021 and increased by 4.6% from 90.5 million barrels in July 2021. Oil exports from the central and southern fields amounted to 91.6 million barrels in August, while shipments from the Kirkuk fields totaled 3 million barrels. Oil receipts stood at $6.5bn in August, nearly unchanged from the previous month.

Source: Iraq Ministry of Oil, Byblos Research

Saudi Arabia's oil exports receipts up 123% to $16bn in June 2021

Total oil exports from Saudi Arabia, amounted to 7.3 million barrels per day (b/d) in June 2021, constituting an increase of 4.9% from 6.9 million b/d in May and a surge of 20.7% from 6 million b/d in June 2020. In parallel, crude oil output averaged 8.9 million b/d in June 2021, up by 4.4% from the preceding month, and compared to an average of 7.5million b/d in June 2020. Further, oil export receipts reached $16.3bn in June 2021, increasing by 1.6% from $16bn in May 2021 and surging by 123.2% from $7.3bn in June 2020.

Source: JODI, General Authority for Statistics

Nigeria's oil receipts down 67% in first four months of 2021

Nigeria's receipts from the export of crude oil and condensates totaled $485.7m in the first four months of 2021, constituting a drop of 66.8% from $1.5bn in the same period 2020. Export revenues consisted of $306.8m in gas exports (63.2%), $150.6m from crude oil exports (31%), and $28.4m in other receipts (5.8%). The authorities transferred $145.2m in hydrocarbon revenues to the Federation Account in the covered period, and used $345.5m to pay global oil companies to guarantee current and future oil output.

Source: Nigerian National Petroleum Corporation

Base Metals: Copper prices projected at $9,125 per ton in 2022

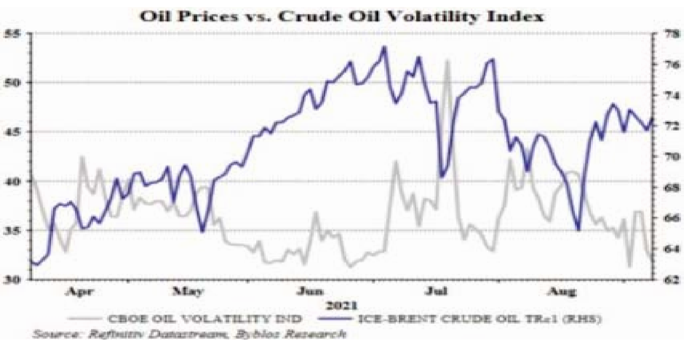
LME copper cash prices averaged $9,177 per ton in the year-to-September 8, 2021 period, constituting a rise of 59.2% from an average of $5,766 a ton in the same period of 2020. The surge in prices was mainly driven by supply disruptions, and by expectations of robust demand amid the anticipated stronger global economic recovery. Prices dropped by 11.7% from an all-time high of $10,448.5 per ton on May 11 of this year to $9,226.5 a ton on September 8, due to expectations that the U.S. Federal Reserve could tighten its monetary policy faster than expected, and as Chinese regulators threatened to take measures against speculators who are manipulating the market and against hoarders of the metal. In parallel, Citi Research expected copper prices to peak at $11,000 per ton in the second half of 2021 due to a de-stocking of inventories, as well as to high demand from the automotive sector. Also, it projected global refined copper production to grow by 3.4% in 2022 and to reach 25.1 million tons at the end of the year, and for global demand for refined copper to expand by 1.7% next year to 25.2 million tons at end-2022. As such, it forecast the deficit in the copper market to narrow from 521,000 tons in 2021 to 112,000 tons in 2022. Also, it expected copper prices to average $9,667 per ton in 2021 and $9,125 in 2022.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,760 per ounce in 2021

Gold prices averaged $1,803 per troy ounce in the year-to-September 8, 2021 period, constituting an increase of 4.8% from an average of $1,720 an ounce in the same period last year. The rise in the metal's price was mainly due to accelerating inflation rates and declining real interest rates globally, which led to higher investment demand for gold and reinforced the appeal of the metal as a hedge against potential inflationary pressure. Further, prices regressed from a recent high of $1,906 per ounce on May 31, 2021 to $1,794 an ounce on September 8, due to expectations that the U.S. Federal Reserve could tighten its monetary policy earlier than expected. In parallel, Citi Research projected global gold demand to reach 3,725 tons in 2021, up by 1.1% from 2020. It attributed the expected increase in demand for gold to an 83.2% surge in net purchases by central banks, a 51% expansion in the demand of gold bars & coins, a 41.6% growth in jewelry consumption, and a rise of 7.6% in demand from the technology sector. Further, it anticipated global gold supply to rise by 6% to 4,985 tons in 2021, with mine output representing 72.8% of the total. As such, it forecast prices to decline from $1,780 per ounce in 2020 to $1,760 an ounce in 2021, and to reach $1,570 per ounce in 2022 and $1,475 an ounce in 2023.

Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	Caa1	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	B-	Caa1	CCC		B+								
	CWN**	RfD***	-	-	Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	B3	B	-	BB-								
	Stable	Negative	Negative	-	Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-	B+								
	-	Stable	Stable	-	Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep	CCC+	Caa1	-	-	CCC								
Congo	Positive	Stable	-	-	Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-	BBB								
	Negative	Negative	Stable	-	Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-	B-								
	Stable	Negative	Stable	-	Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Tunisia	-	B3	B	-	B+								
	-	Negative	Negative	-	Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-	B+								
	Negative	Negative	Stable	-	Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+	B2	B+	BB-	B+								
	Negative	Negative	Stable	Negative	Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B	B-								
	-	-	-	Negative	Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Negative	-	Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+	B+								
	Stable	Stable	Negative	Stable	Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA	A+	AA-								
	Negative	Stable	Negative	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	SD	CCC								
	-	-	-	-	Negative	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	B+	Ba3	BB-	BB	BB-								
	Stable	Negative	Negative	Negative	Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+	A+								
	Stable	Negative	Negative	Stable	Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-	AA-								
	-	Stable	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	S&P	Moody's	LT Foreign currency rating Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia													
Armenia	-	Ba3	B+	-	B-								
	-	Stable	Stable	-	Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Negative	Negative	-	Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-	BBB-								
	Stable	Positive	Stable	-	Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB	Baa1	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Negative	Negative	Negative	-	Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB-	Baa3	BBB	-	BBB-								
	Stable	Stable	Stable	-	Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+	B2	BB-	B+	B-								
	Stable	Negative	Stable	Stable	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B	B3	B	-	B-								
	Stable	Stable	Stable	-	Stable	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
*** CreditWatch with negative implications*
****Review for Downgrade*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, IHS Markit, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	28-Jul-21	No change	22-Sep-21
Eurozone	Refi Rate	0.00	09-Sep-21	No change	28-Oct-21
UK	Bank Rate	0.10	05-Aug-21	No change	N/A
Japan	O/N Call Rate	-0.10	16-Jul-21	No change	22-Sep-21
Australia	Cash Rate	0.10	07-Sep-21	No change	05-Oct-21
New Zealand	Cash Rate	0.25	18-Aug-21	No change	06-Oct-21
Switzerland	SNB Policy Rate	-0.75	17-Jun-21	No change	23-Sep-21
Canada	Overnight rate	0.25	08-Sep-21	No change	27-Oct-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	20-Aug-21	No change	20-Sep-21
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	17-Jun-21	No change	N/A
South Korea	Base Rate	0.75	26-Aug-21	Raised 25 bps	12-Oct-21
Malaysia	O/N Policy Rate	1.75	09-Sep-21	No change	03-Nov-21
Thailand	1D Repo	0.50	04-Aug-21	No change	29-Sep-21
India	Reverse repo Rate	4.00	06-Aug-21	No change	08-Oct-21
UAE	Repo Rate	1.50	16-Mar-20	No change	N/A
Saudi Arabia	Repo Rate	1.00	16-Mar-20	Cut 75bps	N/A
Egypt	Overnight Deposit	8.25	05-Aug-21	No change	16-Sep-21
Jordan	CBJ Main Rate	2.50	16-Mar-20	Cut 100bps	N/A
Turkey	Repo Rate	19.00	12-Aug-21	No change	23-Sep-21
South Africa	Repo Rate	3.50	22-Jul-21	No change	23-Sep-21
Kenya	Central Bank Rate	7.00	28-Jul-21	No change	28-Sep-21
Nigeria	Monetary Policy Rate	11.50	27-Jul-21	No change	21-Sep-21
Ghana	Prime Rate	13.50	26-Jul-21	No change	27-Sep-21
Angola	Base Rate	20.00	02-Jul-21	Raised 450bps	27-Sep-21
Mexico	Target Rate	4.50	12-Aug-21	Raised 25 bps	30-Sep-21
Brazil	Selic Rate	5.25	04-Aug-21	Raised 100bps	22-Sep-21
Armenia	Refi Rate	7.00	03-Aug-21	Raised 50bps	N/A
Romania	Policy Rate	1.25	06-Augl-21	No change	05-Oct-21
Bulgaria	Base Interest	0.00	01-Sep-21	No change	01-Oct-21
Kazakhstan	Repo Rate	9.25	26-Jul-21	Raised 25bps	13-Sep-21
Ukraine	Discount Rate	8.50	09-Sep-21	Raised 50bps	21-Oct-21
Russia	Refi Rate	6.50	13-Jul-21	Raised 100bps	10-Sep-21

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