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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps down 11% to $349bn in third quarter of 2021

Trading in emerging markets Credit Default Swaps (CDS) reached $349bn in the third quarter of 2021, constituting a decrease of 11% from $392bn in the third quarter of 2020 and an increase of 38% from $253bn in the second quarter of 2021. The most frequently traded sovereign CDS contracts in the third quarter of 2021 were those of China at $40bn, followed by Indonesia at $35bn, and Mexico and South Africa at $26bn each. As such, traded sovereign CDS contracts on China accounted for about 11.5% of trading volume in emerging markets CDS in the covered quarter, followed by CDS contracts on Indonesia (10%), and Mexico and South Africa (7.5% each). Further, the most frequently traded corporate CDS contracts in the covered quarter were those of Brazil's state-oil company Petrobras at about $971m, which accounted for about 0.4% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, as well as from 12 major international banks and broker-dealers.

Source: EMTA

GCC

Corporate earnings up 114% to $139bn in first nine months of 2021

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $139.1bn in the first nine months of 2021, constituting an increase of 114.3% from $65bn in the same period of 2020. The firms' net earnings totaled $38.4bn in the first quarter of 2021, $45.2bn in the second quarter, and $55.5bn in the third quarter of the year. In parallel, listed companies in Saudi Arabia generated $38.7bn, or 69.7% of total corporate earnings in the GCC in the third quarter of 2021, followed by listed firms in Kuwait with $5.6bn (10%), Abu Dhabi with $4.4bn (8%), Qatar with $3.3bn (6%), Dubai with $2.3bn (4.1%), Bahrain with $702m (1.3%), and Oman with $373m (0.7%). Further, the earnings of listed companies in Kuwait jumped by 477% from the third quarter of 2020, followed by the earnings of listed firms in Bahrain (+212.4%), Saudi Arabia (+123.5%), Dubai (+108.4%), Abu Dhabi (+75%), Qatar (+43.3%), and Oman (+1.2%). Further, the earnings of listed firms in the GCC energy sector reached $29.7bn and accounted for 53.5% of total corporate earnings in the third quarter of 2021, followed by the profits of listed banks with $9.6bn (17.3%), companies in the materials sector with $3.9bn (7%), utilities firms and telecommunications companies with $2bn each (3.6% each), real estate firms with $1.6bn (2.9%), capital goods companies with $1.1bn (2%), and food, beverages & tobacco firms with $780m (1.4%). The income of companies in the energy sector expanded by $18bn in the third quarter of 2021, followed by the earnings of firms in the materials sector (+3.2bn), the profits of banks (+$2.6bn), the income of utilities (+$2bn) and the profits of capital goods firms (+$1bn).

Source: KAMCO

MENA

Venture capital investments in impact-driven startups at $444m from January 2016 to September 2021

Figures released by investment online platform Magnitt show that "impact-driven" startups based in the Middle East & North Africa (MENA) region received $444m in venture capital (VC) funding between the start of 2016 and the end of September 2021. Impact-driven startups are defined as firms that aim to create positive social or environmental effects, along with financial returns. It noted that VC investments in UAE-based impact-driven startups stood at $163m, or 37% of such placements in the region during the covered period, followed by Saudi Arabia with $118m (27%), Egypt with $85m (19%), Jordan with $39m (9%), and Lebanon with $11m (2%). Further, there were 403 investments in impact-driven startups in the MENA region in the covered period, with 80 placements in Saudi Arabia that accounted for 20% of the total number of such investments, followed by Egypt with 78 (19% of the total), the UAE with 66 (16%), Jordan with 47 (12%), Lebanon with 27 (7%), Bahrain and Qatar with 20 each (5% each), while the number of investments in other MENA countries totaled 65 (16%). In parallel, the energy sector was the recipient of 25% of VC investments in impact-driven startups in the MENA region during the covered period, followed by placements in education technology companies (18%), healthcare providers (14%), financial technology firms (10%), and enterprise solution providers (8%). Also, the number of VC investments in healthcare and education technology startups accounted for 20% each of the aggregate number of deals, while enterprise software represented 7% of the total, and the sport & fitness and agriculture sectors constituted 6% each of the total in the covered period.

Source: Magnitt

Remittance inflows up by 9% to $62bn in 2021

The World Bank projected remittance inflows to 15 Arab countries at $61.89bn in 2021, which constitutes an increase of 9.4% from $56.55bn in 2020, compared to an uptick of 2.8% in 2020. Further, it estimated inflows to Arab countries to account for 8.2% of global remittance flows and for 10.5% of remittances to developing economies in 2021. The Arab region ranks as the fourth largest recipient among developing markets this year, behind South Asia ($159bn), Latin America and Caribbean ($126.4bn), and Emerging Europe & Central Asia ($67bn). Also, it forecast remittance inflows to Arab countries in 2021 to register the second largest increase among developing regions, ahead of South Asia (+8%), Sub-Saharan Africa (+6.2%), and Emerging Europe & Central Asia (+4.7%). In parallel, it expected Egypt to be the largest Arab recipient of remittances with $33.3bn or 54% of the total in 2021, followed by Morocco with $9.3bn (15%), Lebanon with $6.6bn (10.7%), Jordan with $3.6bn (6%) and Palestine with $2.9bn (4.7%); with the remaining 10 Arab countries receiving $6.2bn in remittances, or 9.8% of the total. It estimated remittance inflows to Lebanon to be equivalent to 34.8% of GDP in 2021, the highest in the region, followed by Palestine at 16.7% of GDP, and Egypt at 8.4% of GDP. When excluding Syria, remittance inflows to Arab countries would be equivalent to about 2.2% of the region's GDP this year.

Source: World Bank, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth to average 3.2% in 2022-24 period, risks to outlook on the downside

S&P Global Ratings projected real GDP growth in emerging markets (EMs) at 3.5% in 2022, as well as at 3.1% and 3% in 2023 and 2024, respectively. It expected the global trade in goods to continue to support growth in EMs in the coming quarters, as advanced economies restock their inventory of merchandise that originates from EMs, but it expected trade activity to moderate thereafter. Also, it anticipated that spending on goods will shift to expenditures on services, as it expected activity in sectors that rely on close physical proximity, such as tourism, to normalize and to boost trade in services as the effects of the pandemic abate. It added that the gradual withdrawal of fiscal support across EMs will weigh on the private sector, as the latter's ability to expand economic activity has declined amid rinsing in inflation rates.

As such, it projected real GDP in Emerging Asia to grow by 7.6% in 2021 and by 5.7% in 2022, for economic growth in Latin America to decelerate from 6.2% this year to 1.9% in 2022, and for real GDP growth in Emerging Europe, the Middle East & Africa (EEMEA) to slow down from 5.3% in 2021 to 3.3% next year. Also, it forecast economic activity in EMs excluding China to expand by 3.6% in 2021 and by 4.8% in 2022.

S&P expected overall financing conditions in EMs to tighten in the near term amid rising inflation rates globally. It anticipated tighter financial conditions to hinder economic activity, especially in some economies in the EEMEA region and Brazil, as a result of the increase in borrowing costs for households and businesses. It considered that the risk of tighter external and domestic financing conditions is significant for EMs, as it is contingent on inflationary expectations worldwide. Further, it anticipated that growth across EMs could be weaker-than-forecast in 2022 if the pandemic takes longer than expected to abate amid the emergence of the new Omicron variant of the coronavirus, or in case of a slowdown in economic activity in China. Also, it considered that a drop in investor sentiment could cause more stress in EM economies with large external financing needs.
Source: S&P Global Ratings

ANGOLA

Economy to grow in 2022 for first time since 2017

Bank of America expected economic activity in Angola to expand in 2022 for the first time since 2017, and projected real GDP growth at 2.4% next year following an annual average contraction rate of 2.9% during the 2018-21 period. It attributed the anticipated rebound in economic activity mainly to higher global oil prices in 2022 that it projected to peak at $120 per barrel (p/b) in the second quarter of the year. As such, it forecast Angola's fiscal breakeven oil price at $70 p/b in 2022, supported by the authorities' fiscal adjustment efforts that have helped ease pressure on public finances. Also, it forecast the fiscal and current account balances to post surpluses of 2.8% of GDP and 5.7% of GDP, respectively, next year.

Further, it forecast Angola's fiscal external financing requirements at about 5% of GDP in 2022, and at 7% of GDP to 8% of GDP over the medium term. It said that the country's public debt stock is elevated and that external debt servicing will remain high in the medium term, and stressed that authorities need to access cheap concessional funding, given that the country's current program with the International Monetary Fund (IMF) will expire at the end of 2021. It expected Angolan authorities to re-engage with the IMF on the renewal of the IMF-supported program following the August 2022 elections. It anticipated that authorities will focus on addressing domestic social pressures ahead of the elections, but without derailing the fiscal framework. However, it considered that an extension to the current IMF-supported program prior to the elections will be a positive signal for investors and will result in stable external financing.

In parallel, BofA anticipated the Angolan kwanza to depreciate from an average of AOA600 per US dollar in 2021 to AOA640 per dollar in 2022, and to correct the kwanza's overvaluation of 6.8% against the US dollar. However, it expected the kwanza to appreciate in case of higher foreign currency inflows, such as government external borrowing, which would support foreign currency reserves. It forecast foreign currency reserves to slightly increase from $14.7bn at the end of 2021 to $15bn at end-2022.
Source: Bank of America

SAUDI ARABIA

Economic activity to grow by 7% in 2022, fiscal balance to post first surplus since 2013

Jadwa Investment projected economic activity in Saudi Arabia to expand by 2.7% in 2021 and 7% in 2022, following a contraction of 4.1% in 2020, mainly due to the stronger-than-anticipated performance of the hydrocarbon sector and of the non-oil economy, amid the continued implementation of the Kingdom's Vision 3030. It expected real hydrocarbon GDP to grow by 13.7% in 2022, mainly driven by the recovery of global demand for oil. Also, it anticipated activity in the non-oil private sector and the non-oil public sector to grow by 3.2% and 3.5%, respectively, next year, supported by a rebound in wholesale & retail trade, transport & communication, construction, as well as the finance, non-oil manufacturing and mining sectors. It noted that the key risks to the outlook consist of adverse developments from the Omicron variant of the coronavirus, such as a drop in global demand for oil and new restrictions on international mobility. Further it forecast the inflation rate to decline from an average of 3.2% in 2021 to 1.7% in 2022.

In parallel, it projected the fiscal balance to shift from a deficit of 1.7% of GDP in 2021 to a surplus of 1% of GDP in 2022, the first surplus since 2013, mainly supported by higher hydrocarbon revenues. It attributed the improvement in the fiscal balance mainly to a 6% decrease in public expenditures and a 3.2% increase in revenues, generated largely from oil receipts. It expected the public debt level to remain stable at about 29% of GDP in the 2021-23 period. Also, it forecast the current account surplus to increase from 5.3% of GDP in 2021 to an average of 6% of GDP annually in the 2022-23 period, in case of higher oil export receipts and non-hydrocarbon export revenues. It anticipated reserve assets at the Saudi Central Bank to rise from $466bn at end-2021 to $499bn at end-2022 and $524bn at end-2023.
Source: Jadwa Investment

BAHRAIN

Outlook on ratings revised to 'stable' on assumption of GCC financial support

S&P Global Ratings affirmed Bahrain's long-term foreign and local currency issuer credit ratings at 'B+', which are four notches below investment grade. It maintained the country's short-term foreign and local currency issuer credit ratings at 'B' and its transfer and convertibility assessment at 'BB-'. Also, it revised the outlook from 'negative' to 'stable' on the long-term ratings. It attributed the outlook revision to the agency's assumption that sufficient financial support from Gulf Cooperation Council peers would cover the country's financing needs, and to the authorities' efforts to implement fiscal consolidation measures. It noted that Bahrain received $6.3bn in financial support from GCC countries in the 2018-2020 period, and the agency expected the disbursements to reach $1.85bn in 2021, $1.42bn in 2022 and $0.65bn in 2023. In parallel, it forecast the country's gross external financing needs at 413.6% of current account receipts and usable reserves in 2022, as well as at 381.5% and 362% of such receipts and reserves in 2023 and 2024, respectively. Further, it stated that it could upgrade the ratings if the government's budgetary position improves significantly beyond its expectations. In contrast, it said that it may downgrade the ratings if foreign currency reserves decline, which would limit the government's ability to service its external debt, as well as if the budget deficit widens, the public debt level rises, or if the country's banking system faces significant withdrawals of non-resident deposits.

Source: S&P Global Ratings

TUNISIA

External financing needs at nearly 10% of GDP in 2022

Bank of America considered that the political transition in Tunisia could impair the authorities' ability to implement economic reforms in the near term and impede negotiations with the International Monetary Fund (IMF). It anticipated that the absence of an IMF-supported program, and of related bilateral and multilateral financial support, could result in a significant depletion of foreign currency reserves at the Banque Centrale de Tunisie by the end of 2022. Further, it forecast Tunisia's external financing gap at $1.9bn or at 4.3% of GDP in the fourth quarter of 2021, and projected external financing needs to increase from $2.6bn in 2020 to $4.3bn in each of 2021 and 2022, which is equivalent to 9.7% of GDP per year. In addition, it said that the 2021 supplementary budget implies an increase in the country's gross financing needs from $7.2bn in 2020 to $7.7bn in 2021, which is equivalent to 17.2% of GDP. Also, it considered that the authorities' audit of public finances could lead to renegotiations with creditors, which would reflect the government's reluctance to repay the country's debt obligations. In parallel, it anticipated the fiscal deficit to narrow from $4bn or 9.5% of GDP in 2020 to $1.7bn or 4.1% of GDP in 2021 due to cuts in public expenditures. Moreover, it estimated that, in the absence of reforms and the lack of external funding, the fiscal deficit will widen to $4.3bn or 9.7% of GDP in 2022, which will lead to the further accumulation of arrears, an acceleration in the drawdown of foreign currency reserves, and to high risks of sovereign debt restructuring.

Source: Bank of America

NIGERIA

Outlook on ratings revised to 'stable' on potential improvement in external position

Moody's Investors Service affirmed Nigeria's long-term local and foreign currency issuer ratings and senior unsecured ratings at 'B2', which are five notches below investment grade. It maintained the local currency country ceiling and the foreign currency country ceiling at 'Ba3' and 'B2', respectively. Also, it revised the outlook from 'negative' to 'stable' on the long-term ratings. It attributed the outlook revision to the agency's expectations that higher oil prices will support the country's external position in the near term. Further, the agency noted that the ratings reflect the country's weak fiscal revenues, low governance and development indicators, high reliance on the hydrocarbon sector, heightened political risks, low income levels, and elevated social tensions. But it said that the ratings are supported by the ongoing improvement of Nigeria's macroeconomic policies and the amelioration of its external position. In parallel, it stated that it could upgrade the ratings if authorities implement effective structural reforms faster than expected, or if the government's economic policies raise economic growth. In contrast, it said that it may downgrade the ratings if external vulnerability risk increases, foreign exchange reserves decline, the fiscal position tightens, or if the country's growth prospects weaken over the medium-term. In parallel, it attributed the two notches difference between the foreign and local currency country ceilings to its expectations that the authorities might impose capital and foreign exchange controls during oil price shocks.

Source: Moody's Investors Service

PAKISTAN

Financial support and reforms reduce sovereign risks

Fitch Ratings considered that Pakistan's recent policy adjustments and demonstrated access to external financing, as well as its commitment to a floating exchange rate, offset rising external risks from a widening current account deficit. It added that a flexible exchange rate regime that supports Pakistan's competitiveness could help reduce the country's reliance on debt financing to improve its external accounts. It said that the increase in global energy prices and the recovery from the COVID-19 shock have put additional pressure on the country's external position. Also, it stated that the State Bank of Pakistan (SBP) raised its policy rate by 150 basis points to 8.75% on November 2021, which points to increasing risks related to the balance of payments and inflation. Further, it anticipated external liquidity pressures to be manageable in the near term, due to Pakistan's adequate foreign currency reserves and its ability to access financing, as demonstrated by the country's successful external debt issuance in March 2021. It pointed out that the International Monetary Fund's (IMF) allocation of $2.8bn in Special Drawing Rights to Pakistan boosted the SBP's foreign currency reserves in August 2021. It added that Saudi Arabia's plan to place $3m in deposits at the SBP and to provide an oil-financing facility of $1.2bn would support the country's near-term external financing. In parallel, it said that the authorities' sustained reform efforts and commitment to the IMF program should facilitate access to external financing, and expected the IMF to release a further $1bn in funding.

Source: Fitch Ratings

GCC

Banking sector consolidation to take place among smaller banks

Moody's Investors Service considered that the wave of bank mergers and acquisitions (M&A) in the Gulf Cooperation Council (GCC) countries that started in 2016 would continue, but is likely to shift to smaller banks. It indicated that the drop in oil prices in 2014 triggered the consolidation of banks in the GCC, which resulted in M&A banking transactions of $1,030bn in combined assets. It said that a wave of consolidation began before the pandemic started, as shareholders of banks wanted to maximize the value of their shares, to secure higher returns on their equity and to maintain profitability. It noted that the UAE saw four M&A deals among banks since 2016, followed by two deals in each of Qatar and Saudi Arabia since 2019, while Bahrain and Oman had one banking each since 2019. Further, it noted that the top five banks in each of the GCC countries have gained market share as a result of the transactions. It indicated that the top five banks in Oman accounted for 95% of the total loan portfolio of the country's banking system, followed by the top five banks in the UAE (88%), in Qatar (83%), in Kuwait (78%) and in Saudi Arabia (59%). Also, it anticipated further consolidation among small banks in the region, although many of them, particularly in Bahrain and the UAE, continue to compete to maintain their market share. In parallel, the agency noted that the banks' financial performance will be an important factor in the coming quarters to conclude M&A banking deals in the region.

Source: Moody's Investors Service

MOROCCO

Rabat to continue implementation of AML/CFT action plan

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that, in February 2021, Morocco made a high-level political commitment to work with the FATF and its regional body MENAFATF, in order to strengthen the effectiveness of its AML/CFT regime. It noted that Morocco has taken steps towards improving its AML/CFT regime by providing the financial intelligence unit with financial and human resources to enhance its analytical capabilities in order to fulfil its core mandate of operational and strategic analysis. The FATF considered that authorities should continue working on the implementation of their action plan in order to address AML/CFT strategic deficiencies. As such, it called on authorities to improve risk-based supervision, take remedial actions, and apply effective, proportionate and dissuasive sanctions against non-complying entities and persons. It also encouraged authorities to verify beneficial ownership information on legal persons and legal arrangements. Further, it called on authorities to increase the diversity of suspicious transaction reporting. In addition, it recommended that authorities prioritize the identification, investigation, and prosecution of all types of money laundering in accordance with the country's risks. Also, it called on authorities to effectively supervise and monitor the compliance of financial institutions and designated non-financial businesses and professions with targeted sanctions obligations.

Source: FATF

NIGERIA

Launch of digital currency carries multiple risks

The International Monetary Fund (IMF) indicated that the Central Bank of Nigeria (CBN) officially launched on October 25, 2021 the "eNaira", its Central Bank Digital Currency (CBDC). It pointed out that the eNaira is a digital form of the national currency, and is pegged at parity to the naira, and is a liability of the CBN. Also, it mentioned that the eNaira uses the same blockchain technology as any cryptocurrency, is stored in digital wallets, and can be used to execute cross-border payments and transfers without cost. It noted that the CBN considers that the eNaira would increase financial inclusion, ease the effective implementation of social transfers programs, and facilitate the distribution of remittance inflows. Further, it stated that the CBN declared that the transactions made through the eNaira are traceable, which may bring greater transparency to informal payments and strengthen the tax base. In parallel, the IMF cautioned that the eNaira carries risks for monetary policy implementation, cyber security, and financial integrity and stability. However, it said that Nigerian authorities have put daily transactions and balance limits to the transfers executed from bank deposits to eNaira wallets, in order to mitigate risks of a reduction in the role of banks and other financial institutions. It added that authorities implemented an identity verification system to reduce financial integrity risks and to enforce anti-money laundering measures, and will collaborate with a group of specialists to address cybersecurity risks.

Source: International Monetary Fund

ARMENIA

Credit growth to rebound in next 12 to 18 months

Moody's Investors Service indicated that the credit profile of Armenian banks is underpinned by a score of 'ba2' on the country's economic strength indicator, a score of 'baa3' on the institutional framework category, as well as a score of 'ba' on the susceptibility to event risk indicator. It noted that the banking system's 'weak' macro profile balances the economy's small size and low-income level, with its robust growth potential and increasingly diverse economic drivers. It said that lending growth decelerated in 2020 and turned negative in the first nine months of 2021, due to the escalation of tensions with Azerbaijan over the disputed Nagorno-Karabakh territory, as well as to the impact of the COVID-19 pandemic on the economy. However, it expected credit growth to rebound during the next 12 to 18 months, but to remain subdued, driven by the economic recovery. Also, it anticipated the banks' credit risk to be elevated in the near-term, due to the banks' high exposure to retail and small and medium-sized enterprises. In parallel, it noted that the Armenian banking system is highly dollarized, as foreign-currency deposits accounted for 51% of total deposits at end-September 2021, which drove banks to lend in dollars. As such, it pointed out that the sector's large exposure to foreign-currency loans, which represented 46% of gross loans at the end of September 2021, poses risks to the banks' asset quality. It added that the Central Bank of Armenia applies an additional 50% risk weighting to foreign currency-denominated loans under its capital requirements, in order to encourage de-dollarization. Further, it considered that adverse political and market events could negatively affect the confidence of depositors and increase the risk of deposit outflows.

Source: Moody's Investors Service

Oil prices to average $80 p/b in fourth quarter 2021

ICE Brent crude oil front-month prices averaged $80.8 per barrel (p/b) in November 2021, constituting a decrease of 3.5% from $83.7 p/b in October 2021 and a surge of 84.6% from $43.8 p/b in November 2020. The decline in oil prices in November was mainly driven by fears of a global slowdown in economic activity, given that the World Health Organization announced that the new COVID-19 Omicron variant poses high global risks, and that a major pharmaceuticals company cautioned that the currently available vaccines are less effective against the new variant. In parallel, Goldman Sachs considered that that there is a high level of uncertainty about the potential impact of the Omicron variant on oil prices. It estimated oil demand globally to decline by 0.5 million barrels per day in the short term, if some countries impose travel restrictions. Further, it expected the OPEC+ coalition to put on hold the ongoing increase in oil production for at least one month, in order to offset the potential slowdown in oil demand due to the Omicron variant, as well as to neutralize the impact of the U.S.-coordinated strategic inventory oil release. In parallel, Refinitiv projected, through its latest crude oil price poll of 39 industry analysts, oil prices to average $79.86 p/b in the fourth quarter of the year, $78.65 p/b in the first quarter of 2022 and $76.38 p/b in the second quarter of 2022.

Source: Goldman Sachs, Refinitiv, Byblos Research

Global natural gas demand to increase by 4% in 2021

The International Energy Agency projected global natural gas demand to increase by 143 billion cubic meters (bcm), or by 3.6%, to 4,069 bcm in 2021. It indicated that the growth in demand for natural gas in 2021 is mainly driven by the global economic recovery from the COVID-19 pandemic. It anticipated demand for natural gas in North America to reach 1,150 bcm in 2021 and to represent 28.3% of the world’s aggregate natural gas demand, followed by Eurasia with 982 bcm (24%), the Middle East with 694 bcm (17%), and Asia Pacific with 669 bcm (16.4%).

Source: International Energy Agency, Byblos Research

MENA's oil production to grow by 3% in 2021

The International Monetary Fund projected oil production in the Middle East & North Africa region to average 24.24 million barrels per day (b/d) in 2021, which would constitute an increase of 2.9% from 23.56 million b/d in 2020. Oil production in the Gulf Cooperation Council countries would account for 66% of the region's oil output this year. On a country basis, it projected Saudi Arabia's oil production at 9.1 million b/d in 2021, equivalent to 37.5% of the region's oil output, followed by Iraq at 4 million b/d (16.5%), and the UAE at 2.7 million b/d (11.1%).

Source: International Monetary Fund, Byblos Research

MENA gas projects at $133bn in 2021-25 period

The Arab Petroleum Investment Corporation (APICORP) projected gas-related projects that are currently under execution in the Middle East & North Africa region at $78bn in the 2021-25 period, compared to an earlier forecast of $87bn in the 2020-24 period. In parallel, it forecast planned gas projects in the region at $133bn for the 2021-25 period, driven mainly by Saudi Arabia's $100bn Jafurah project, as well as by the strong ongoing regional willingness to use environmentally friendly power generation.

Source: APICORP

Base Metals: Aluminum prices to average $3,096 per ton in 2022

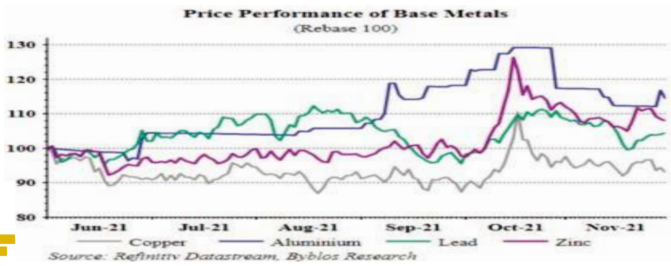
The LME cash price of aluminum averaged $2,453.8 per ton in the first 11 months of 2021, constituting a surge of 46.5% from an average of $1,675.4 a ton in the same period of 2020. The rise in prices was mainly due to concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry, as well as to strong demand for the metal, decreasing LME-registered inventories, and improved prospects of a global economic recovery. Further, prices reached $3,149 per ton on October 15, 2021, their highest level in 13 years, mainly due to tight supply conditions and declining inventories of the metal in China, the world's biggest producer of aluminum, as well as to an increase in the prices of raw materials used in the production of refined aluminum. In parallel, the latest available figures released by the International Aluminum Institute show that the global production of aluminum reached 183.5 kilotons per day in October 2021, compared to 182.7 kilotons a day in September 2021, and relative to 181.2 kilotons per day in October 2020. Further, Standard Chartered Bank said that LME aluminum inventories reached in October 2021 their lowest level since September 2019, as supply disruptions have been rising due to increased scrutiny of energy and emissions targets that have constrained the production of aluminum in China. Also, Goldman Sachs projected aluminum prices to average $2,481 a ton in 2021, $3,096 per ton in 2022, and $3,250 per ton in 2023.

Source: Standard Chartered Bank, Goldman Sachs, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,946 per ounce in 2022

Gold prices averaged $1,800 per troy ounce in the first 11 months of 2021, constituting an increase of 2% from an average of $1,763 an ounce in the same period last year. The rise in the metal's price was mainly driven by 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 $1,780.05 an ounce on November 30, due to expectations that the U.S. Federal Reserve could tighten its monetary policy earlier than expected. In parallel, Standard Chartered Bank indicated that the physical gold market offered a solid support to gold prices in previous months amid strong global consumption. In contrast, it said that inflows into gold-backed exchange traded funds (ETF) reached 10.2 tons at mid-November, their largest daily ETF inflow since January 15, 2021, amid a decline in gold prices. It added that a stronger US dollar and an increase in U.S. Treasury yields are weighing on gold prices, as the gold correlation with the US dollar dipped below 30%. Also, Goldman Sachs forecast gold prices to average $1,812 per ounce in 2021, $1,946 an ounce in 2022, and $1,885 per ounce in 2023.

Source: Standard Chartered Bank, Goldman Sachs, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	LT Foreign currency rating Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	B3	CCC	-	CCC								
	Stable	Stable	-	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC		B+								
	Negative	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	Stable	Stable	-	Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Tunisia	-	Caa1	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+	B+	B+								
	Stable	Negative	Stable	Stable	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-								
	Positive	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	Stable	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	B+	Ba3	B+	B+	B-								
	Positive	Stable	Stable	Positive	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	03-Nov-21	No change	N/A
Eurozone	Refi Rate	0.00	28-Oct-21	No change	N/A
UK	Bank Rate	0.10	04-Nov-21	No change	N/A
Japan	O/N Call Rate	-0.10	28-Oct-21	No change	17-Dec-21
Australia	Cash Rate	0.10	02-Nov-21	No change	07-Dec-21
New Zealand	Cash Rate	0.75	24-Nov-21	Raised 25 bps	23-Feb-22
Switzerland	SNB Policy Rate	-0.75	23-Sep-21	No change	16-Dec-21
Canada	Overnight rate	0.25	27-Oct-21	No change	08-Dec-21
Emerging Markets					
China	One-year Loan Prime Rate	3.85	22-Nov-21	No change	20-Dec-21
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	23-Sep-21	No change	N/A
South Korea	Base Rate	1	25-Nov-21	Raised 25 bps	14-Jan-22
Malaysia	O/N Policy Rate	1.75	03-Nov-21	No change	20-Jan-22
Thailand	1D Repo	0.50	10-Nov-21	No change	22-Dec-21
India	Reverse repo Rate	4.00	08-Oct-21	No change	08-Dec-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	28-Oct-21	No change	16-Dec-21
Jordan	CBJ Main Rate	2.50	01-Sep-21	Cut 100bps	N/A
Turkey	Repo Rate	15.00	18-Nov-21	Cut 100bps	16-Dec-21
South Africa	Repo Rate	3.75	18-Nov-21	Raised 25 bps	27-Jan-22
Kenya	Central Bank Rate	7.00	29-Nov-21	No change	N/A
Nigeria	Monetary Policy Rate	11.50	23-Nov-21	No change	N/A
Ghana	Prime Rate	14.50	22-Nov-21	Raised 100bps	31-Jan-22
Angola	Base Rate	20.00	30-Nov-21	No change	28-Jan-22
Mexico	Target Rate	5.00	11-Nov-21	Raised 25 bps	16-Dec-21
Brazil	Selic Rate	7.75	27-Oct-21	Raised 150bps	08-Dec-21
Armenia	Refi Rate	7.25	02-Nov-21	No change	N/A
Romania	Policy Rate	1.75	09-Nov-21	Raised 25bps	10-Jan-22
Bulgaria	Base Interest	0.00	01-Dec-21	No change	N/A
Kazakhstan	Repo Rate	9.50	25-Oct-21	No change	06-Dec-21
Ukraine	Discount Rate	8.50	21-Oct-21	No change	06-Dec-21
Russia	Refi Rate	7.50	22-Oct-21	Raised 75bps	17-Dec-21

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