650 ISSUES+
Issue 699 | December 9, 2021

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global trade up by 24% in third quarter of 2021

The United Nations Conference on Trade and Development (UNCTAD) indicated that global trade in goods reached $5.6 trillion (tn) in the third quarter of 2021, constituting an increase of 22% from the same period of 2020, while trade in services stood at $1.5tn in the covered period and rose by 6% from the third quarter of 2020. It noted that global trade in goods & services increased by 1% in the third quarter of 2021 from the previous quarter and by 24% from the same quarter last year as well as by 13% from the third quarter of 2019. It stated that imports to developing countries grew by 30% and imports to developed economies increased by 19% in the third quarter of 2021 from the same period last year, while exports from developing economies expanded by 30% and those from developed countries grew by 18% in the covered period. Moreover, trade in energy products surged by 79% in the third quarter of 2021 from the same quarter last year, followed by trade in minerals (+51%), metals (+43%), chemicals (+35%), pharmaceuticals (+31%), agri-food products (+26%), other manufacturing products and machinery (+22% each), precision instruments (+15%), office equipment and apparel (+13% each), road vehicles (+10%), communication equipment (+8%), and transport equipment (+4%). In contrast, trade in textiles regressed by 14% from the third quarter of 2021. In parallel, it projected global trade to reach $28tn in 2021 and to increase by $5.2tn from 2020, with trade in goods at $22tn and trade in services at $6tn in 2021.

Source: UNCTAD

International tourist arrivals down 20% in first nine months of 2021, up 58% in third quarter

Figures released by the United Nations World Tourism Organization (UNWTO) show that international tourist arrivals declined by 20% in the first nine months of 2021 from the same period of 2020 and decreased by 76% relative to the first nine months of 2019, due to the travel restrictions imposed by countries as a result of the COVID-19 pandemic. But the number of tourist arrivals increased by 58% in the third quarter of 2021 from the same quarter last year, due to the rebound in international tourism during the summer season. Tourist arrivals to the Asia & the Pacific region plunged by 95% in the first nine months of 2021 from the same period in 2019, followed by a decline of 82% in arrivals to the Middle East, to Africa (-77%), to Europe (-69%) and to the Americas (-65%). In parallel, the UNWTO indicated that tourism spending per arrival rose from an average of $1,000 in 2019, to $1,300 in 2020 and could exceed $1,500 in 2021. It said that total export revenues from international tourism may reach $700bn to $800bn in 2021, down from $1.7 trillion (tn) in 2019, and estimated the direct economic contribution of tourism at $1.9tn in 2021 compared to $3.5tn in 2019.

Source: World Tourism Organization

MENA

Investment climate varies across Arab world

The Milken Institute ranked the UAE in 33rd place among 143 countries globally and in first place among 16 Arab countries on its Global Opportunities Index (GOI) for 2021. Qatar followed in 42nd place, then Bahrain (44th), Oman (49th), Kuwait (54th), Saudi Arabia (57th), Jordan (79th), Tunisia (83rd), Morocco (86th), Djibouti (98th), Egypt, (102nd), Lebanon (106th), Algeria (110th), Sudan (138th), Mauritania (140th), and Yemen (141st). The index assesses the attractiveness of the investment climate in countries around the world. It provides foreign investors with a broad outlook on the global investment landscape and measures a number of factors that investors might consider when deciding where to deploy capital. It tracks the performance of countries based on 96 variables that it groups into five categories that are Business Perception, Economic Fundamentals, Financial Services, Institutional Framework, and International Standards & Policy. The rankings of nine Arab countries improved, and the rankings of seven Arab economies regressed from the 2020 index. In parallel, Bahrain led the Arab world on the Business Perception category, Kuwait came in first place on the Economic Fundamentals category, Qatar led on the Financial Services category, while the UAE ranked first on each of the Institutional Framework and the International Standards & Policy categories.

Source: Milken Institute, Byblos Research

GCC

Fixed income issuance up 2% to $150bn in first 11 months of 2021

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $149.6bn in the first 11 months of 2021, constituting an increase of 2.3% from $146.3bn in the same period of 2020. Fixed income issuance in the covered period consisted of $55.3bn in corporate bonds, or 37% of the total, followed by $38.8bn in sovereign bonds (26%), $34.7bn in sovereign sukuk (23.2%), and $20.8bn in corporate sukuk (14%). Further, corporates issued $76.1bn in bonds and sukuk in the covered period, or 51% of total fixed income proceeds in the region; while sovereigns issued $73.5bn, or 49% of the total. GCC sovereigns issued $13.7bn 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, $4.5bn in August, $12.5bn in September, $5.4bn in October and $14.8bn in November 2021. In parallel, companies in the GCC issued $6.3bn in bonds and sukuk in January, $9.4bn in February, $5.5bn in March, $7.7bn in April, and $5.1bn in May, $15.8bn in June, $17.3bn in July, $1.4bn in August, $4.4bn in September, $500m in October and $2.7bn in November of this year. Sovereign proceeds in November consisted of $10.9bn in sukuk and $1.2bn in bonds from Saudi Arabia, $1bn in sukuk and $1bn in bonds from Bahrain, and $643m in bonds from Qatar. In parallel, corporate issuance in the covered months included $1.2bn in bonds and $500m in sukuk issued by companies based in the UAE, $250m in sukuk and $198.7m in bonds issued by Kuwaiti firms, and $186.6m in bonds issued by Saudi based companies.

Source: KAMCO

POLITICAL RISK OVERVIEW - November 2021

ALGERIA

Tensions escalated between Algeria and Morocco, as Algerian President Abdelmadjid Tebboune accused Morocco of carrying out an attack with a "sophisticated weapon" on Algerian transport convoys in the disputed territory of the Western Sahara. In parallel, President Tebboune appointed the members of new Constitutional Court in line with the constitutional amendments of 2020. Algerians voted on November 27, 2021 to elect their mayors and regional leaders, amid widespread frustration over the rising cost of basic goods, housing and healthcare. Further, lawmakers approved the replacement of state subsidies with direct handouts to eligible families.

ARMENIA

Clashes erupted along the border between Armenia and Azerbaijan, which led Russia's Ministry of Defense to broker a ceasefire to end hostilities. Following the clashes, Prime Minister Nikol Pashinyan dismissed the Minister of Defense Arshak Karapetyan and appointed Deputy Premier Suren Papikyan as his replacement. Further, the President of the European Council, Charles Michel, proposed a bilateral meeting between Azerbaijani and Armenian leaders on the margins of the Eastern Partnership Summit in December in Brussels. The two sides agreed to establish a direct communication line at the level of their ministers of defense. In parallel, Russian President Vladimir Putin met with PM Pashinyan and Azerbaijan's President Ilham Aliyev in Russia to discuss the situation, one year after the ceasefire that halted the war over the disputed Nagorno-Karabach province. During the summit, the two leaders declared their readiness to establish a bilateral commission on the demarcation of the borders.

EGYPT

The Egyptian parliament approved amendments to the counter-terrorism law, Penal Code and public infrastructure law, after President Abdel Fattah el-Sisi lifted the nationwide state of emergency that was first imposed in April 2017. Further, the United States and Egyptian officials held a strategic dialogue in Washington, DC and discussed international and regional issues, human rights, and pathways to increased cooperation on economic, judicial, security, education, and cultural issues.

ETHIOPIA

The Ethiopian government declared on November 2, 2021 a six-month nationwide state of emergency, as fighting in the north of the country spread amid rising political and ethnic tensions. The authorities gave security forces the right to detain any suspect without a court warrant. The Ethiopian Human Rights Commission noted that authorities are arresting people based on ethnicity, and the UN High Commissioner for Human Rights said that at least 1,000 individuals, mostly ethnic Tigrayans, were detained since the declaration of the state of emergency. Further, the advance of Tigray forces towards Addis Ababa prompted thousands of residents to join self-defense groups. Also, nine anti-government groups signed a new alliance agreement to unseat Prime Minister Abiy Ahmed.

IRAN

The international Atomic Energy Agency (IAEA) reported that Tehran continued to increase its nuclear capabilities and expressed concerns about the ability of the agency's inspectors to monitor Iran's nuclear program. The U.S. and Gulf Cooperation Council countries accused Iran of causing a "nuclear crisis ", and called on Iranian authorities to cooperate with the IAEA. Negotiations between the U.S. and Iran about the latter's nuclear program resumed in Vienna on November 29, 2021. In parallel, the U.S. Department of the Treasury sanctioned six Iranian persons and one Iranian entity "for attempting to influence the 2020 U.S. presidential election".

IRAQ

Prime Minister Mustafa al-Kadhimi survived an assassination attempt after drones laden with explosives targeted his residence in Baghdad on November 7, 2021. Protestors against the results of Iraq's parliamentary elections, which took place on October 10, 2021, tried to breach the Green Zone and clashed with Iraqi security forces. In parallel, the fight against the Islamic State terrorist group persisted in the Kirkuk, Diyala and Salah-al Din provinces. Turkish forces continued operations against the Kurdistan Workers' Party militants in northern Iraq. Further, the Iraq Joint Operations Command announced on November 23, 2021 that foreign militants will leave the country within 15 days.

LIBYA

Libya's High National Elections Commission disqualified 25 out of the 98 registered candidates for the presidential election, which is scheduled to take place on December 24, 2021, including Saif al-Islam Gaddafi, the son of former Libyan dictator Muammar Gaddafi. Further, many political parties rejected the presidential and parliamentary election laws that the House of Representatives enacted on October 4, 2021. In parallel, delegates of Egypt, France, Germany, Italy, Libya and the U.S. who attended an international conference for Libya in Paris announced that "individuals or entities, inside or outside of Libya, who might attempt to obstruct, undermine, manipulate or falsify the electoral process and the political transition" could face international sanctions.

PAKISTAN

The government revoked its previous decision to ban the armed group Tehreek-e-Labaik party (TLP) under the anti-terrorism law. Also, the government and the TLP agreed to a one-month ceasefire, during which the two sides decided to form a committee to continue peace talks in order to end their 14-year conflict. Further, Pakistani authorities released Saad Rizvi, the leader of the TLP, who was arrested for calling for nationwide protests if the government does not expel the French ambassador over the publication of controversial cartoons in French magazine Charlie Hebdo. In parallel, deadly attacks by militias persisted against security forces in several cities in the country.

SUDAN

Deadly clashes escalated across Sudan in early November between protesters and security forces, after the military seized power in October. In parallel, the chairman of the Sovereign Council, Abdel Fattah al-Burhan, and ousted Prime Minister Abdallah Hamdok, signed a political agreement on November 21, 2021 that reinstated the latter as Prime Minister until the next parliamentary elections. The international community welcomed the deal, but Sudanese pro-democracy activists rejected it and considered it an "attempt to legitimize the coup". Several Sudanese political parties said that the military should not be part of any future government. Protestors demonstrated in Khartoum and other cities against the military's involvement in politics since the deal between Mr. al-Burhan and PM Hamdok

TUNISIA

Thousands of people protested near the parliament's building against President Kais Saïed's seizure of political power and clashed with Tunisian police. Also, tensions increased between security forces and residents of the city of Agareb who were protesting against the reopening of a landfill site, citing health and environmental concerns. In parallel, human rights groups warned about the "alarming increase" in the number of civilians facing military courts since Saïed took the decision to rule by decree on July 25, 2021.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Stable credit conditions to support bank fundamentals in 2022

Moody's Investors Service anticipated operating conditions for banks in emerging markets (EMs) to return to pre-pandemic levels in most countries, with economic activity in the EMs of the Group of 20 economies expanding by 4.8% in 2022 and 4.5% in 2023. Also, it expected the continued normalization in global demand and high commodity prices to support the economic rebound in EM commodity exporters and improve the environment for the business volumes of banks in these economies. Further, it expected the economic recovery to be uneven among EMs due to differing vaccination trends and inflationary pressures, which could strain the budgets of households and weigh on the asset quality of EM banks. In parallel, it expected that higher interest rates in most EM economies and the expansion of business volumes to have a positive effect on the profitability of EM banks in the next two years. Also, it expected the acceleration of digital transformation in EM economies to drive competition among the larger banks that are prepared to take advantage of economies of scale and new business opportunities.

Further, the agency anticipated that shifting policy priorities in EM economies, as well as limited government spending and the possibility of mobility restrictions amid the renewed pandemic, could weaken labor markets, consumer demand and borrowers' cashflow, which would weigh on the profitability of EM banks. Also, it expected that capital outflows from EM markets, due to the expectations of higher interest rates globally and to a stronger-than-anticipated US dollar, could result in credit risks in certain dollarized EM banking systems. In addition, it anticipated that sustained supply chain disruptions constitute risks to borrowers and, in turn, to the banks' asset quality and profitability, in case of higher credit costs and lower loan growth in certain markets. However, it expected that economic reforms would enhance the fiscal strength of EM sovereigns and lead to the strengthening of the banks' credit fundamentals, while stronger-than-projected economic activity in EMs would support demand for loans and the banks' capital accumulation in 2022.

Source: Moody's Investors Service

EGYPT

Economic activity to accelerate in FY2021/22, vulnerabilities persist

BNP Paribas projected Egypt's real GDP growth to accelerate from 3.3% in the fiscal year that ended in June 2021 to 5.5% in FY2021/22, in case of higher household consumption and investments, as well as stronger activity in the energy, industrial and tourism sectors. It considered that the main downside risks to the outlook include an acceleration in inflation rates that would weigh on the purchasing power of households, and a resurgence of the COVID-19 pandemic, which would jeopardize the recovery of the tourism sector.

Further, it indicated that the pandemic has had a limited impact on Egypt's public finances, and estimated the fiscal deficit at 7.4% of GDP in FY2020/21. It said that the government adopted a more expansionary budget for FY2021/22, in order to support the purchasing power of households. Still, it expected authorities to postpone some public investment spending and for revenues to recover, and projected the fiscal deficit to narrow to 6.8% of GDP in FY2021/22. It estimated that the public debt level peaked at 95% of GDP at the end of June 2021 and expected it to start declining starting in FY2022/23. Also, it anticipated debt servicing costs to remain very high in coming years, and to decline to less than 50% of total budgetary revenues starting in 2023.

In parallel, BNP projected the current account deficit at 4.5% annually in FY2021/22 and FY2022/23, supported by a gradual recovery in the tourism sector, but it expected risks associated with the pandemic to continue at least during 2022. Also, it forecast foreign currency reserves at the Central Bank of Egypt to rise from $40.6bn at the end of June 2021 to $43.3bn at the end of June 2022 and to remain stable at this level by end-June 2023. Further, it anticipated Egypt's external financing requirements, including short-term external debt, at between $25bn and $30bn annually through 2025, or the equivalent of about 7% of 2021 GDP. It also expected the country's dependence on portfolio inflows to remain high in the medium term, despite continued significant external support.

Source: BNP Paribas

SAUDI ARABIA

Activity in oil and non-oil private sectors to drive economic growth

The National Bank of Kuwait indicated that the Saudi authorities' effective policymaking and the ongoing structural reforms have supported the economy's recovery from the COVID-19 pandemic and the drop in oil prices. As such, it projected real GDP growth to accelerate from 2.9% in 2021 to an average of 3.7% annually in the 2022-24 period. It anticipated activity in the non-oil economy to expand by 4.6% in 2021, supported by the recovery of private sector consumption and of activity in the manufacturing sector, and to grow by 3.4% annually in the next three years. It also expected real hydrocarbon GDP growth to average 4% in the 2022-24 period, supported mainly by higher oil production under the OPEC+ agreement. It expected that the development of the Kingdom's entertainment sector will unlock significant growth opportunities in the non-oil sector. Also, it considered that key downside risks consist of slower-than-projected non-oil growth and weaker-than-forecast oil production.

In parallel, it projected the fiscal deficit to narrow from 11.2% of GDP in 2020 to 2.2% of GDP in 2021, due to rising non-oil revenues, higher oil prices, and spending restraint. It expected the authorities' commitment to expand non-oil revenues and to rationalize spending, and the anticipated increase in oil production, to result in a steady and gradual narrowing of the fiscal deficit to less than 1% of GDP by 2023. Also, it forecast the public debt level to remain at less than 31% of GDP through 2024, in case of narrower fiscal deficits and robust GDP growth. Further, it projected the current account balance to shift from a deficit of 3.1% of GDP in 2020 to a surplus of about 5% of GDP in 2021, supported by higher oil prices and a strong rebound in non-oil exports. It expected the authorities' initiatives in support of non-oil exports to result in the increase in the non-oil exports-to-GDP ratio starting in 2022, which will be favorable for economic diversification, job creation, and the balance of payments.

Source: National Bank of Kuwait

JORDAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Jordan's long-term foreign and local currency ratings at 'B+', which are four notches below investment grade. It also maintained the 'stable' outlook on the long-term ratings, and affirmed the country's short-term foreign and local currency ratings at 'B'. It said that the ratings are supported by an adequate level of foreign currency reserves, a sound banking system and robust growth prospects for next year. But, it noted that the ratings are constrained by the elevated public debt level, regional instability risks, and significant socioeconomic challenges. Further, it expected fiscal and external pressures to remain elevated in the next 12 months. It projected the fiscal deficit to narrow from 8.9% of GDP in 2020 to 6.6% of GDP in 2022 if authorities implement steady fiscal consolidation measures. It forecast the public debt level to rise from 88% of GDP at the end of 2020 to 92.5% of GDP at the end of 2022, and anticipated that a sharper-than-expected deterioration in the public debt's metrics will pose downside risks to the ratings. Further, it considered the chronic current account deficits to constitute a key external liquidity risk, as the economy relies on large financial inflows. Moreover, it pointed out that the 'stable' outlook balances regional instability risks and substantial fiscal pressures, against existing and potential external donor support from multilateral and bilateral partners. In parallel, the agency said that it could revise the outlook to 'positive' in case the government places the public debt level on a downward trajectory, while it could downgrade the ratings if regional or domestic instability increases substantially or if public finances deteriorate.

Source: Capital Intelligence Ratings

TURKEY

Outlook on ratings revised to 'negative' on loosening monetary policy

Fitch Ratings affirmed Turkey's long-term local and foreign currency Issuer default Ratings (IDR) at 'BB-', which are three notches below investment grade. It maintained the country's short-term local and foreign currency Issuer default Ratings at 'B', and affirmed the Country Ceiling at 'BB-'. Also, it revised the outlook from 'stable' to 'negative' on the long term ratings. It pointed out that the ratings take into account the low levels of the government's debt and deficit, as well as the robust economic growth rates and structural indicators. However, it noted that the ratings are constrained by high inflation rates, elevated geopolitical risks, the depreciation of the Turkish lira, low external liquidity, and weak monetary policy credibility. It attributed the outlook revision to the decision of the Central Bank of Turkey (CBT) to lower its main policy rate by 400 basis points to 15% in November 2021, despite the rising inflation rates and the tightening of external financing conditions. Further, it considered that the negative real interest rates would adversely affect the credibility of the CBT, reduce investors' confidence in the currency, increase macroeconomic and financial stability risks, and amplify external financing pressures. In parallel, it said that it could downgrade the ratings in case macroeconomic risks increase, political or security conditions deteriorate, foreign currency reserves decline, the current account balance deteriorates, access to external financing tightens, or the government's debt rises.

Source: Fitch Ratings

IRAQ

Non-oil economic growth at 12% in 2021

The International Monetary Fund (IMF) considered that the Iraqi economy is rebounding from the COVID-19 shock due to the easing of lockdown measures related to the pandemic, the low number of coronavirus cases in the country, the elevated vaccination rates as well as to high oil export receipts. It indicated that high oil prices are a key driver of Iraq's growth and could improve the economy's resilience to shocks and provide the Iraqi government with an opportunity to address its socioeconomic needs. Also, it projected real non-oil GDP growth to expand by 12% in 2021 and forecast the fiscal and current account deficits to narrow this year due to higher oil revenues. Further, it expected the economic recovery to continue in the medium term, but it noted that downside risks to the outlook are considerable and include the spread of new coronavirus variants and the volatility of the global oil market. In parallel, the IMF encouraged authorities to restructure the large state-owned banks and to improve competition among all banks in the country, which would help increase access to finance for the private sector and lead to financial stability. Moreover, it urged authorities to strengthen public finances by promoting private sector development and by creating fiscal space for much-needed investments and for social safety nets. It encouraged the government to implement wide ranging reforms in the civil service to improve the productivity of the public sector, as well as to reduce fiscal costs, to develop governance, to diversify fiscal revenues, to cut inefficient energy subsidies, and to stop the electricity sector's large financial losses.

Source: International Monetary Fund

CÔTE D'IVOIRE

Credit profile supported by strong growth prospects

S&P Global Ratings indicated that Côte d'Ivoire's long- and short-term foreign and local currency sovereign credit ratings of 'BB-' and 'B', respectively, are supported by strong economic growth prospects and by the improvement in the country's business environment. Also, it noted that the 'stable' outlook on the long-term rating reflects strong economic growth due to efficient policymaking, as well as the risks of budgetary slippage and sociopolitical tensions. It said that it could downgrade the ratings if sociopolitical tensions worsen or if budget deficits do not narrow as expected. In contrast, it stated that it may upgrade the ratings if the country's external financing needs decline or if budget deficits widen. In parallel, it noted that the external and government financing needs will remain significant, given the large investment requirements for key infrastructure projects. It forecast the country's gross external financing needs at 98.3% of current account receipts and usable reserves in 2022, as well as at 97.6% and 96.5% of such receipts and reserves in 2023 and 2024, respectively. Further, it expected structural reforms under the National Development Plan of 2021-25 to accelerate economic growth to 6.5% in 2022. In addition, it projected the current account deficit to narrow from 3.7% of GDP in 2020 to 3.6% in 2022 due to higher exports receipts. Further, it stated that Côte d'Ivoire's membership in the West African Economic and Monetary Union limits its monetary flexibility but provides a strong policy anchor and reduces country-specific external risks.

Source: S&P Global Ratings

BANKING

GCC

Banks' profits up 25% to $9.4bn in third quarter of 2021

Figures released by financial services firm KAMCO indicate that listed banks in Gulf Cooperation Council (GCC) countries posted aggregate net profits of $9.4bn in the third quarter of 2021, constituting increases of 13.2% from $8.3bn from the previous quarter and of 25.3% from $7.5bn in the third quarter of 2020. It noted that the aggregate profits of GCC listed banks reached $65.5bn in the first nine months of 2021 compared to $62.2bn in the same period of 2020. It attributed the increase in earnings in the third quarter of the year mainly to a decline of $1.2bn, or of 27.3%, in loan-loss provisions from the third quarter of 2020, with provisions totaling $3.2bn at end-September 2021. It added that the aggregate revenues of banks reached $22.6bn in the third quarter of 2021, representing an increase of 8.7% from $20.8bn in the same period of 2020 due to higher net interest and non-interest income. Further, it indicated that the aggregate assets of GCC banks stood at $2.7 trillion (tn) at end-September 2021, as they increased by 5.2% from end-2020 and grew by 6.4% from end-September 2020. In addition, it said that the banks' aggregate net loans reached $1.6tn at end-September 2021 and expanded by 7.1% from a year earlier, while customer deposits amounted to $2tn and grew by 6.1% from the end of September 2020. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 80.1% at end-September 2021 compared to 79.3% a year earlier, due to the faster growth of deposits than the increase in net loans in the third quarter of 2021.

Source: KAMCO

BAHRAIN

Agency takes rating actions on seven banks

Capital Intelligence Ratings downgraded the long-term foreign currency rating (LTFCR) of National Bank of Bahrain (NBB) from 'BB-' to 'B+'. It affirmed the LTFCR of Gulf International Bank (GIB) at 'A+', the rating of Ahli United Bank (AUB) at 'A-', the LTFCR of the Arab Banking Corporation (ABC) at 'BBB+', the rating of United Gulf Bank (UGB) at 'BBB', that of GFH Financial Group (GFH) at 'BB-', and the rating of Al Baraka Islamic Bank (AIB) at 'B+'. Also, it maintained the 'stable' outlook on the long-term ratings of AUB, ABC, UGB, and AIB, and the 'negative' outlook on GIB, while it revised the outlook on the ratings of NBB and GFH from 'negative' to 'stable'. Also, it downgraded the Bank Standalone Ratings (BSRs) of NBB from 'b+' to 'bb-', and affirmed the BSR of AUB at 'bbb+', the rating of ABC at 'bbb', the BSRs of GIB and UGB at 'bbb-', and the rating of AIB at 'b'. It indicated that the outlook on GIB's rating mirrors the 'negative' outlook on the long-term ratings of Saudi Arabia, given that the kingdom is the main shareholder in the bank. It pointed out that elevated liquidity levels and adequate funding support the ratings of the seven banks. It added that the ratings of GFH, NBB and AUB benefit from stable credit metrics and that the ratings of ABC and AIB are underpinned by satisfactory asset quality and sound capital positions. It noted that robust profitability support the ratings of UGB, NBB and AUB, that the increased exposure to the sovereign is weighing on the ratings of GFH and AIB, while a challenging operating environment from the COVID-19 pandemic constrains the ratings of GFH and NBB.

Source: Capital Intelligence Ratings

NIGERIA

Agency affirms ratings on nine banks, changes outlook to 'stable'

Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings of Access Bank, United Bank for Africa, Zenith Bank, First Bank of Nigeria, Guaranty Trust Bank, First City Monument Bank, Fidelity Bank, Union Bank of Nigeria and Sterling Bank at 'B2'. Also, it revised the outlook on the long-term ratings of the banks from 'negative' to 'stable' following its similar action on the sovereign's ratings. It said that the banks' substantial exposure to government securities links their credit profiles to that of the sovereign, but it added that the banks benefit from a high probability of government support in case of need. It attributed its decision to affirm the ratings to the banks' resilient financial positions against the difficult operating environment in Nigeria. Further, it indicated that the banking system's non-performing loans ratio regressed from 6% at end-2020 to 5.3% at end-October 2021, due to selective lending by the banks, as well as to the restructuring of loans and to forbearance measures. In parallel, it considered that Nigerian banks maintain solid liquidity buffers, mainly in local currency, while the system still faces foreign currency liquidity challenges. It pointed out that the banks' solvency will remain at adequate levels in the next 12 to 18 months, supported by resilient profitability. It expected the banks' asset quality to benefit from the current increase in oil prices, due to the banks' elevated exposure to the oil and gas sector.

Source: Moody's Investors Service

KUWAIT

Earnings of seven banks up 64% to $1.9bn in first nine months of 2021

Regional investment bank EFG Hermes indicated that the aggregate net income of the National Bank of Kuwait, Kuwait Finance House, Burgan Bank, Gulf Bank, Boubyan Bank, Kuwait International Bank, and Warba Bank, reached KD576m, or $1.9bn, in the first nine months of 2021, constituting an increase of 64% from the same period of 2020. It attributed the surge in the banks' profits mainly to the solid growth in revenues and lower provisioning costs, and forecast the sector's earnings to grow by 17% in 2022. It said that the aggregate net interest margin (NIM) of the seven banks narrowed by 10 basis points (bps) year-on-year in the covered period, and anticipated a slight decrease in their NIM in 2022 due to downward pressures on lending yields, as well as to a small increase in funding costs, as it expected lending growth to continue to outpace the accumulation of deposits. Also, it stated that the cost of risk retreated by 34 bps in the first nine months of the year from the same period in 2020, and forecast it to further decline in the near term due to the expected improvement in asset quality. It indicated that the seven banks' non-performing loans ratio was stable at 1.9% in the covered period and that banks in Kuwait continue to have provisioning levels that are above the requirements of international accounting standard IFRS 9. In parallel, it pointed out that the banks' aggregate operating expenses grew by 12% year-on-year in the covered period, due mainly to the banks' investment in digital banking. It expected the seven banks' credit growth to decelerate from 10% in 2021 to between 7% and 8% in 2022, as the retail loan deferral program that ended last October supported the rise in lending.

Source: EFG Hermes

ENERGY / COMMODITIES

Oil prices to average $73 p/b in first quarter 2022

ICE Brent crude oil front month prices reached $75.82 per barrel (p/b) on December 8, 2021, compared to a seven-year peak of $86.4 p/b on October 26 of this year, driven by fears of a global slowdown in economic activity due to the spread of omicron, the new coronavirus variant. Oil prices increased by $6.95 p/b on December 8, 2021, or by 10% from a week earlier, as concerns about the impact of the omicron variant on global oil demand eased. Further, in its latest meeting held on December 2, 2021, the OPEC+ coalition maintained its previous decision to gradually raise oil output by 400,000 barrels per day. In parallel, the U.S. Energy Information Administration expected global oil demand to decrease in the first quarter of 2022, as some countries imposed travel restrictions to combat the spread of the omicron variant of the coronavirus. As such it anticipated that the continuing increase of oil production from OPEC+ economies, as well as the rapid rise in U.S. oil output and from non-OPEC countries, will outpace global oil consumption in 2022. However, it considered that that there is a high level of uncertainty about the potential impact of the omicron variant on global oil markets. In parallel, it projected oil prices to average $78.27 p/b in the fourth quarter of the year, $73 p/b in the first quarter of 2022 and $70.65 p/b in the second quarter of 2022. Moreover, it forecast oil prices to average $70.6 p/b in 2021 and $70.1 p/b in 2022.

Source: EIA, Refinitiv, Byblos Research

MENA's natural gas output to grow by 5% in 2021

Natural gas production in the Middle East & North Africa region is forecast to average 15.76 million barrels of oil equivalent per day (boe/d) in 2021, constituting an increase of 5.1% from 15 million boe/d in 2020. The GCC countries' natural gas output is expected to account for 62.6% of the region's gas production this year, while non-GCC production will represent the balance of 37.4%. Qatar’s natural gas output is projected at 4.54 million boe/d in 2021, or 28.2% of the region’s gas production, followed by Iran with 3.99 million boe/d (25.3%), and Saudi Arabia with 2.44 million boe/d (15.5%).

Source: International Monetary Fund, Byblos Research

Iraq's oil exports receipts at $7.6bn in November 2021

Preliminary figures show that the exports of crude oil from Iraq totaled 98.2 million barrels in November 2021 and increased by 1.5% from 96.7 million barrels in October 2021. They averaged 3.3 million barrels per day (b/d) in November compared to 3 million b/d in the previous month. Oil exports from the central and southern fields amounted to 95.9 million barrels in November, while shipments from the Kirkuk fields totaled 2.3 million barrels. Oil receipts stood at $7.6bn in November, down by 1% from $7.7bn in October 2021.

Source: Iraq Ministry of Oil, Byblos Research

Libya's oil & gas receipts at $17.3bn in first 10 months of 2021

Libya's oil and gas revenues totaled $17.3bn in the first 10 months of 2021, constituting an increase of 323% from $4.1bn in the same period of 2020. Oil and gas receipts reached $1.9bn in October, representing a rise of 3.2% from $1.8bn in the preceding month and a surge of 8.3 times from $230.2m in October 2020.

Source: National Oil Corporation, Byblos Research

Base Metals: Copper prices projected to average $9,150 per ton in 2022

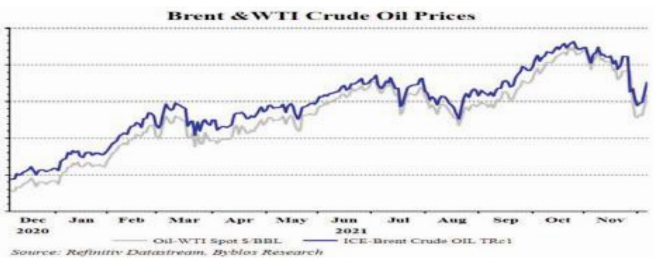
LME copper cash prices averaged $9,301.5 per ton in the year-to-December 8, 2021 period, constituting a rise of 53.2% from an average of $6,071.3 a ton in the same period of 2020. Supply disruptions and expectations of robust demand drove the surge in prices, amid anticipations of a stronger global economic recovery. Also, copper prices dropped from an all-time high of $11,299.5 per ton on October 18 of this year to $9,654.75 a ton on December 8, as a slowdown in economic activity in China put downward pressure on the metal's price. In parallel, Standard Chartered Bank indicated that imports of refined copper increased from 259.9 kilotons in September 2021 to 308 kilotons in October 2021, but remained below the monthly average of 2020. It added that China's imports of refined copper have trended lower in the first three quarters of 2021, following a strong rise in 2020 that was driven by the stocking of inventories and the rebound in domestic activity last year. Also, the metal's imports have recovered in the fourth quarter of 2021, due to a tightening of supply in the scrap market globally. It said that copper prices have decreased starting the end of November, 2021, due to the outbreak of the omicron variant of the coronavirus in major economies worldwide. Further, Citi Research projected copper prices to average $9,309 per ton in 2021 and $9,150 a ton in 2022.

Source: Standard Chartered Bank, Citi Research, Refinitiv

Precious Metals: Platinum prices to average $969 per ounce in 2022

Platinum prices averaged $1,099.5 per troy ounce in the year-to-December 8, 2021 period, constituting an increase of 26% from an average of $873.6 an ounce in the same period of 2020, with prices reaching a six-year high of $1,294 per ounce on February 19 of this year. A weaker dollar, higher inflation rates, and declining real interest rates globally drove the rise in the metal's price and reinforced the appeal of platinum as a hedge against inflationary pressures during the year. Also, anticipations that the economic recovery will boost demand for platinum in industrial and global automotive production supported the metal's price. In parallel, the World Platinum Investment Council projected global demand for platinum to reach 7.6 million ounces in 2022 and to increase by 3.45% from 7.34 million ounces in 2021. It attributed the expected rise in demand to a 20.7% increase in autocatalyst demand, mainly due to the substitution of palladium to platinum in catalytic converters, which would support physical demand for the metal and attract investor inflows. It forecast the global supply of platinum to increase by 1.5% from 8.1 million ounces in 2021 to 8.24 million ounces in 2022, with mine output representing 75.3% of the total. It expected that large shipments of platinum may lead to stockpiling in China and to sustained surpluses in the platinum market in coming months. Also, Goldman Sachs forecast platinum prices to average $1,092 an ounce in 2021 and $969 per ounce in 2022.

Source: World Platinum Investment Council, Goldman Sachs, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	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	Negative	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	Fitch (LT Foreign currency rating)	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+ Positive	Ba3 Stable	B+ Stable	B+ Positive	B- Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	A Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	BBB Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	BBB- Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B- Stable	B3 Stable	B- Stable	- -	CCC Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	BBB Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	BBB- Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	BBB- Stable	Baa3 Stable	BBB Stable	- -	BBB- Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+ Stable	B2 Negative	BB- Negative	B+ Stable	B- Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B Stable	B3 Stable	B Stable	- -	B- 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	16-Dec-21
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	08-Dec-21	No change	N/A
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-Dec-21	No change	09-Feb-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	9.25	08- Dec-21	Raised 150bps	N/A
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	9.75	06-Dec-21	No change	24-Jan-22
Ukraine	Discount Rate	8.50	21-Oct-21	No change	09-Dec-21
Russia	Refi Rate	7.50	22-Oct-21	Raised 75bps	17-Dec-21

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

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
256 Archbishop Makariou III Avenue, Eftapaton Court
3105 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