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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global merchandise trade down 1% in third quarter of 2021

The World Trade Organization indicated that the volume of global merchandise trade regressed by 0.8% in the third quarter of 2021 from the second quarter of 2021, as supply chain disruptions, shortages of production inputs and rising COVID-19 cases weighed on trade growth. It estimated that the volume of merchandise exports decreased by 3.8% in Africa in the third quarter of 2021 from the previous quarter, followed by exports from South & Central America (-2.5%), North America (-1.9%), Asia (-1.2%), and Europe (-1%), while merchandise export volumes from other regions including the Caribbean grew by 0.5%. In parallel, it estimated that the volume of merchandise imports grew by 0.4% in each of North America and South & Central America in the covered period. In contrast, it noted that merchandise imports from Asia declined by 1.3% in the third quarter of 2021 from the previous quarter, followed by exports from Africa (-0.7%), Europe (-0.5%), and other regions including the Caribbean (-0.3%). Further, it noted that the value of global merchandise trade rose by 24% in the third quarter of 2021 due mainly to the increase in fuel prices that more than doubled between the third quarter of 2020 and the third quarter of 2021. It noted that trade in fuels and mining products surged by 71% in the covered period, followed by trade in agricultural products (+21%), and trade in manufactured goods (+18%).

Source: World Trade Organization

EMERGING MARKETS

Fixed income trading up 10% to $1,248bn in third quarter of 2021

Trading in emerging markets debt instruments reached $1,248bn in the third quarter of 2021, constituting an increase of 10% from $1,132bn in the same period of 2020 and a decline of 8% from $1,354bn in the second quarter of 2021. Turnover in local-currency instruments reached $763bn in the covered period, up by 14% from $672bn in the third quarter of 2020, and accounted for 61% of the debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $479bn in the third quarter of the year and increased by 6% from $454bn in the same period of 2020. The volume of traded sovereign Eurobonds reached $277bn and accounted for 58% of total Eurobonds traded in the third quarter, relative to $272bn and a share of 60% of traded Eurobonds in the same period of 2020. Also, the volume of traded corporate Eurobonds reached $196bn, or 40% of total traded Eurobonds. In addition, loan assignments stood at $5.4bn, while turnover in warrants and options amounted to $384m in the third quarter of 2021. The most frequently-traded instruments in the third quarter of 2021 were Mexican fixed income assets with a turnover of $216bn, or 17% of the total, followed by securities from Brazil with $153bn (12%), and instruments from China with $144bn (11%). Other frequently-traded instruments consisted of fixed income securities from India at $56bn (4.5%) and from South Africa at $44bn (3.5%).

Source: EMTA

MENA

Stock markets up 28% in 2021

Arab stock markets increased by 28.4% and Gulf Cooperation Council equity markets grew by 30.2% in 2021, relative to contractions of 4% and 1%, respectively, in 2020. In comparison, global stocks improved by 16%, while emerging market equities regressed by 1.6% in the covered year. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 199.3% in 2021, the Damascus Securities Exchange jumped by 116.4%, the Abu Dhabi Securities Exchange rallied by 68.2%, the Boursa Kuwait gained 34.2%, the Saudi Stock Exchange improved by 30%, the Palestine Exchange grew by 29%, the Dubai Financial Market advanced by 28.2%, and the Amman Stock Exchange yielded 27.8%. In addition, the Bahrain Bourse rose by 20.6%, the Casablanca Stock Exchange appreciated by 18.3%, the Muscat Securities Market gained 13%, the Khartoum Stock Exchange expanded by 12.1%, the Iraq Stock Exchange improved by 12%, the Qatar Stock Exchange grew by 11.4%, the Egyptian Exchange yielded 10.2%, and the Tunis Bourse increased by 2.3% in 2021.

Source: Local stock markets, Dow Jones Indices, Refinitiv, Byblos Research

Property rights level varies across region

The Property Rights Alliance ranked the UAE in 22nd place among 129 countries worldwide and in first place among 14 Arab economies on its International Property Rights Index for 2021. Qatar followed in 26th place, then Oman (33rd), Saudi Arabia (34th) and Bahrain (38th) as the five countries with the highest level of property rights. In contrast, Lebanon (110th), Mauritania (119th), and Yemen (127th) have the lowest levels of property rights in the region. The index measures the strength and protection of physical and intellectual property rights in a country. It is a composite of three equally weighted sub-indices that are the Legal & Political Environment Sub-Index, the Physical Property Rights Sub-Index and the Intellectual Property Rights Sub-Index. The index rates the property rights level of each country on a scale from zero to 10, with a score of 10 reflecting the highest level of property rights. Qatar led on the Physical Property Rights sub-index in the Arab region, while the UAE ranked first on each of the Legal & Political Environment and the Intellectual Property Rights sub-indices. In addition, the Arab region's average score stood at 5.51 points, and was lower than the global average of 5.6 points. It was also lower than the average score of North America (7.9 points), Western Europe (7.3 points), Asia & Oceania (6 points), and Central Eastern Europe & Central Asia (5.6 points), but came higher than the average score of Africa (4.6 points), and Latin America & the Caribbean (4.9 points). Further, the ranks of five Arab economies improved, those of three Arab state were unchanged, and those of six countries deteriorated, while the scores of three Arab economies increased and those of 11 countries declined from the previous survey.

Source: Property Rights Alliance, Byblos Research

GCC

Region's economic recovery supports outlook on banking sector

Moody's Investors Service considered that higher global oil prices and the relaxation of travel restrictions and lockdown measures are supporting the recovery of the non-oil sectors in Gulf Cooperation Council (GCC) economies. It expected that the strong capital and liquidity profiles of GCC banks will shield them from the rise in non-performing loans, as they will provide solid loss-absorbing buffers amid the expiration of loan repayment holidays and other pandemic support measures. It said that overall loan-loss reserves at GCC banking systems are healthy and cover more than 100% of problem loans on average, and anticipated loan-loss coverage to remain solid in 2022. It also expected real estate collateral to constitute additional buffers against potentially higher non-performing loans. Still, it anticipated the asset quality at banks across the region to stay solid in the near term.

In parallel, the agency expected that the profitability of GCC banks will pick up in 2022, but that it will take some time for the banks' earnings to fully recover to pre-pandemic levels. It added that most GCC countries maintain currency pegs against the US dollar and follow the monetary policy trends of the U.S. Federal Reserve. As such, it expected that higher interest rates in the U.S. will be supportive of the GCC banks' interest margins.

Further, Moody's noted that GCC banks hold liquid assets that range between 25% and 30% on average of their assets. It added that banks are increasingly investing their deposits in high-yielding government securities issued by their respective sovereigns to fund the latters' budget deficits, which is benefiting their liquidity and profitability but will increase concentration risks.

Source: Moody's Investors Service

ARMENIA

Economy to expand by 5% in 2022

The International Monetary Fund (IMF) considered that the Armenian government responded to the COVID-19 shock by taking appropriate actions, and expected the economy to benefit from the authorities' targeted healthcare, fiscal and financial support measures. As such, it projected real GDP to grow by 5.3% in 2021 and 5% in 2022, following a contraction of 7.4% in 2020. It forecast the inflation rate to moderate in the near term and to reach 5.5% at the end of 2022, down from 8.5% at end-2021, due to the tightening of monetary policy. It considered that the implementation of broad-based reforms under the government's 2021-26 economic program will boost exports and investments. It said that the government's efforts to improve the business environment, increase access to finance for small- and medium-sized enterprises, create space for priority social spending, and establish policies to mitigate and adapt to climate change, can achieve stronger and more inclusive growth. It called on authorities to develop an action plan to support the robust and timely implementation of reforms within a medium-term expenditures framework, and expected the plan for the development of capital markets to facilitate the financing of future domestic investments.

Further, it expected the financial support from the IMF to help the country meet the urgent social and economic implications of the pandemic, and considered the government's performance under the IMF program to be satisfactory. It stressed the importance of balancing the withdrawal of targeted policy support with the rebuilding of medium-term buffers until the economy fully recovers. It also encouraged authorities to strength the public investment management framework in order to provide quality infrastructure, as it considered it critical for future sustainable growth. However, it indicated that the risk of an uncertain economic environment remains high, driven by global economic and financial conditions and the intensity and duration of the pandemic. Also, it considered that the Central Bank of Armenia should adjust its monetary policy stance to preserve macroeconomic stability, while maintaining exchange rate flexibility to absorb shocks within its inflation-targeting framework. In parallel, it expected the fiscal deficit to narrow from 4.7% of GDP in 2021 to 3.1% of GDP in 2022, due to the authorities' commitment to fiscal consolidation.

Source: International Monetary Fund

ANGOLA

Non-oil growth to pick up to 3.4% in 2022, IMF calls for economic diversification

The International Monetary Fund projected Angola's real GDP growth to accelerate from 0.1% in 2021 to 2.9% in 2022, following a contraction of 5.2% in 2020, supported by a slow recovery of the non-oil economy from the COVID-19 pandemic, as well as by the implementation of growth-enhancing structural reforms. It forecast real non-hydrocarbon GDP to grow by 3.9% in 2021 and 3.4% in 2022, relative to a 4% contraction in 2020, due to a recovery in major non-hydrocarbon sectors. It considered that a more rapid and sustainable expansion of non-oil output requires the development of human capital and infrastructure, as well as the implementation of ongoing reforms to strengthen governance, improve the business environment, and promote private investments and trade openness. It called on authorities to develop the agricultural, telecommunications and financial sectors, as it noted that the diversification of the economy is essential for achieving inclusive growth and economic sustainability. Further, it forecast the inflation rate to regress from 26.8% at the end of 2021 to 18% at the end of 2022, due in part to monetary tightening and moderate global food inflation. It supported the Banco Nacional de Angola's plan to tighten monetary policy, as well as the authorities' commitment to shift to a flexible exchange rate regime.

In parallel, the IMF projected the fiscal surplus to remain stable and to slightly decrease from 2.8% of GDP in 2021 to 2.4% in 2022, driven by higher oil receipts, a decline in public expenditures and debt servicing, and relatively stable non-oil revenues. As such, it forecast the public debt level to decline from 96% of GDP at end-2021 to 79% of GDP at end-2022, supported by the authorities' structural fiscal reforms. Further, it expected Angola's external position to strengthen due to higher oil prices, and projected the current account balance to remain in surplus and to reach 10.8% of GDP in 2021 and 9.5% of GDP in 2022. Further, it forecast foreign currency reserves to increase from $14.1bn in 2021 to $14.8bn in 2022. Also, it expected that the financial support from the IMF would help reinforce the economy's external and fiscal sustainability, improve governance, and diversify the economy in order to lay the foundations for private sector-led economic growth.

Source: International Monetary Fund

JORDAN

IMF calls for reforms to improve business environment

The International Monetary Fund indicated that sound policy measures and the implementation of structural reforms have maintained Jordan's macroeconomic stability despite a challenging external environment. It added that the robust rollout of the COVID-19 vaccines supported the gradual recovery of the economy, but it considered that the spread of new coronavirus variants poses downside risks to economic activity. Further, it indicated that the current account deficit widened in recent months due to high oil prices and increasing imports, despite weak domestic demand. It said that the authorities amended the fiscal targets for 2022, in order to have adequate space for the extension of social protection and job retention programs, as well as for priority public investments. It pointed out that the government reinforced the sustainability of the public debt and introduced major legislative reforms to close tax loopholes and broaden the tax base. It also considered that Jordan's monetary policy stance is appropriate and will continue to support the currency peg to the US dollar. It indicated that the authorities are committed to resolving the deficiencies that the Financial Action Task Force identified, in order to further improve the anti-money laundering and combating the financing of terrorism regime. Also, it stressed the importance of implementing reforms to enhance labor market flexibility, reduce the cost of doing business, accelerate reforms in the electricity sector, and strengthen governance and transparency. In parallel, the IMF considered that continued donor support is crucial to help address Jordan's external financing needs.

Source: International Monetary Fund

OMAN

Outlook on ratings revised to 'stable' on improving fiscal metrics

Fitch Ratings affirmed Oman's long-term foreign and local currency issuer default ratings at 'BB-', three notches below investment grade, and revised the outlook on the ratings from 'negative' to 'stable'. It attributed the outlook revision to the improvement in the country's fiscal metrics, driven by higher global oil prices and fiscal consolidation efforts, as well as to the easing of external financing pressures despite high external funding needs. The agency expected the fiscal deficit to narrow from 3.4% of GDP in 2021 to 1.6% of GDP in 2022, in case of higher hydrocarbon revenues, a rise in tax receipts and lower subsidy costs. It also estimated that the public debt level declined from a peak of 71% of GDP at the end of 2020 to 67% of GDP at end-2021, and forecast it at 64% of GDP at end-2022. Still, it considered that contingent liabilities are elevated and constitute a risk to government finances, with the debt of non-bank state-owned entities at about 40% of GDP in 2021. Further, it said that external financing pressures have eased relative to recent years, although funding requirements remain sizeable and Oman's level of external indebtedness is elevated. In parallel, Fitch said that it could upgrade the ratings in case of higher-than-expected oil prices, if authorities step up efforts to reduce the public debt level and stabilize the sovereign's net assets, and/or if the net external debt level declines.

Source: Fitch Ratings

DEM REP CONGO

Reforms critical to support economic recovery

The International Monetary Fund (IMF) indicated that high external demand and mining production supported the economic rebound in the Democratic Republic of the Congo in 2021, despite new measures to mitigate the effects of the coronavirus since the summer season. It said that the authorities' structural reforms program remains critical to support the recovery, promote sustainable and private sector-led growth, improve the business climate, tackle corruption and money laundering, and expand domestic revenues to widen the fiscal space for infrastructure and social needs. It expected the fiscal policy in 2022 to support the economic recovery, given that authorities will earmark 50% of the IMF's Special Drawing Rights allocation to priority investment projects in the near term. It added that enhancing public financial management will be important to promote fiscal transparency and accountability, in addition to spending efficiency. Further, it considered that the government has to prioritize access to concessional financing for the budget and avoid monetary financing from the Central Bank of Congo (BCC). It said that the BCC should continue to strengthen its monetary policy framework and financial position, as well as improve banking supervision. It called on the BCC to continue to accumulate foreign currency reserves and to allow the exchange rate to act as a shock absorber. It also noted that reducing the dollarization rate in the economy would help improve the monetary policy transmission mechanism. Further, the IMF said that its three-year Extended Credit Facility arrangement aims to underpin the authorities' medium-term reforms program to foster macroeconomic stability and sustainable development.

Source: International Monetary Fund

MOROCCO

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term foreign currency issuer default ratings at 'BB+', one notch below investment grade, with a 'stable' outlook. It said that the ratings are supported by the country's record of macroeconomic stability and low inflation rates, by a moderate share of government debt denominated in foreign currency, and by relatively comfortable external liquidity buffers. It added that the ratings are restrained by weak development and governance indicators, an elevated level of public debt, as well as fiscal and current account deficits that are wider than rated peers. In parallel, the agency indicated that it could upgrade the ratings in case the fiscal deficit narrows and the public debt level declines significantly in the medium term, if the current account deficit narrows and reverses the recent increase in the net external debt level, and/or in case of stronger medium-term growth prospects underpinned by economic reforms and upgrades to the economic policy framework. Also, it noted that it could downgrade the ratings in case of a higher-than-expected rise in the public debt level, due to wide fiscal deficits or the materialization of contingent liabilities on the sovereign's balance sheet, if foreign currency reserves significantly decline, or if wide current account deficits lead to a steep rise in the net external debt level, and/or in case of security developments or social instability that would affect the country's macroeconomic performance or lead to significant fiscal slippages.

Source: Fitch Ratings

ALGERIA

Deterioration in asset quality threatens buffers of state-owned banks

The International Monetary Fund considered that the banking sector in Algeria is adequately capitalized and profitable, given that the banks managed to mitigate the impact of the COVID-19 pandemic due to the implementation of a crisis management framework. It noted that the capital adequacy ratio of banks operating in Algeria increased from 18% at end-2019 to 18.8% at end-2020, the latest available figures, and their Tier-One capital adequacy ratio improved from 14.3% at end-2019 to 15.2% at end-2020, as Banque d'Algérie (BA) increased capital requirements for banks in 2018. Further, it said that the banks' non-performing loans (NPLs) ratio grew from 14.8% at end-2019 to 16.3% at end-2020 due to the impact of the coronavirus pandemic on the economy. It indicated that the elevated NPLs ratio heightened risks to financial stability, but added that authorities can mitigate these risks by reinforcing the supervision of banks and strengthening the crisis management framework. It noted that the deterioration of the banks' asset quality threatens the capital buffers of state-owned banks, given that high lending to the public sector drove the increase in their net domestic assets. Also, it indicated that some banks in Algeria are still facing liquidity pressures, although BA implemented measures during the pandemic to reduce the banks' refinancing needs. It said that the banks' liquidity fell to a low level at the beginning of 2021, in line with the decrease in hydrocarbons export receipts. It pointed out that BA reduced gradually the reserve requirement ratio from 12% to 3% during the pandemic to boost the banks' liquidity, as it released about DZD700bn to the banking sector. Further, the IMF encouraged the authorities to adopt an effective Emergency Liquidity Assistance framework to solvent banks facing temporary liquidity issues, in order to preserve financial stability.

Source: International Monetary Fund

TURKEY

Banks facing uncertain environment

Fitch Ratings considered that the challenging operating environment in Turkey, the deterioration in investor confidence, and the depreciation of the Turkish lira amid uncertainties about monetary policy and high inflation rates, constitute negative factors for the credit profiles of Turkish banks and could increase the likelihood of government intervention in the banking system. It also noted that the banks' credit profiles are sensitive to potential government stimulus or other measures channeled through the banking sector to support the government's economic agenda. In parallel, the agency indicated that the Central Bank of the Republic of Turkey's reduction of the policy rates by 400 basis points between September and November 2021 has triggered a rapid depreciation of the lira and increased uncertainties about the direction of monetary policy. It anticipated the cut in interest rates to put further pressure on borrowers in foreign currency, and to result in higher impaired loans and provisioning charges. In contrast, it expected that lower interest rates, economic growth and higher inflation rates could be supportive to borrowers in the local currency. It also anticipated banks to reprice deposits more quickly than loans in response to the policy rate cuts.

Source: Fitch Ratings

GHANA

Banking sector exposed to elevated credit risks

Moody's Investors Service indicated that the credit profile of banks in Ghana is underpinned by a score of 'ba2' on the country's economic strength indicator, a score of 'ba3' on the institutional framework category, as well as a score of 'b' on the susceptibility to event risk indicator. It noted that the banking system's 'very weak+' macro profile balances the strong growth potential of Ghana's diversified economy, improved power supply and growing hydrocarbon development, against the small size of the economy, low income levels and high exposure to commodity prices. It said that the banking sector is exposed to elevated credit risks given its limited number of clients and its high level of foreign-currency loans that leads to exchange rate risks. It pointed out that the average lending rate declined from 21.3% in October 2020 to 20.3% in October 2021 but remains elevated, and expected credit growth at 9% in 2021, which is slightly higher than the expansion rate of the country's nominal GDP. It indicated that the sector's non-performing loans ratio increased from 14.8% at end-2020 to 16.4% at end-October 2021, due to the impact of the COVID-19 pandemic on the economy, the banks' weak risk management infrastructure and internal controls, as well as low provisioning levels at some banks. Also, it considered that the International Monetary Fund-backed reforms, such as the restructuring of legacy debts of state-owned enterprises and the reorganization of the utility sector, are likely to support the repayment of loans to banks. In parallel, it said that Ghanaian banks rely mainly on deposits and capital to fund their lending, which both account for 78% of the sector's total liabilities; while the net loans-to-deposits ratio stood at 45% at end-July 2021, reflecting the banks' sufficient internal funding capacity.

Source: Moody's Investors Service

NIGERIA

Banking sector facing multiple risks

Standard Chartered Bank considered that the elevated exposure of Nigerian banks to the oil and gas sector, their high level of foreign currency lending, and single borrowers concentration pose risks to the country's financial sector. It indicated that the banks' liquidity and loans-to-deposits ratios fluctuated between 55% and 65% between the end of August 2020 and June 2021. It said that non-performing loans (NPLs) remained elevated, driven by the decline in oil prices, but it noted that the rise in NPLs was limited due to regulatory forbearance measures. However, it anticipated the expiry of the coronavirus-related support measures in March 2022 to negatively affect the banks' asset quality, and expected proceeds of maturing securities that are reinvested at lower yields to affect the banks' profitability. But it expected that the sector's robust capital adequacy ratio of nearly 30% at end-June 2021 will protect banks against credit losses. Also, it said that the International Monetary Fund's (IMF) allocation of Special Drawing Rights to Nigeria and the issuance of sovereign Eurobonds increased the Central Bank of Nigeria's foreign currency reserves in November 2021. In parallel, it noted that the IMF expects the authorities to take action against undercapitalized banks, to regulate digital payments and lending, and to comply with Basel III requirements, in order to manage systemic and cyclical risks in the banking sector.

Source: Standard Chartered Bank

Oil prices to average $75 p/b in first quarter of 2022

ICE Brent crude oil front-month prices reached $70.85 per barrel (p/b) in 2021, constituting a surge of 63.7% from $43.3 p/b in 2021. The significant increase in prices was mainly due to strong global demand for oil and improved prospects of a global economic recovery, driven by the lifting of lockdown measures in several countries. Also, global shortages in the supply of natural gas and coal led to a rise in worldwide demand for crude oil, which placed upward pressure on oil prices. Prices averaged $55.15 p/b in January, their lowest monthly level in 2021 and then increased gradually to a seven-year peak of $86.4 p/b on October 26, 2021, supported by a global supply shortage and strong demand in the United States. However, fears of a global slowdown in economic activity due to the spread of the Delta and Omicron variants of the coronavirus posed downward pressures on oil prices in July and November 2021. Further, OPEC+ members announced at their meeting on January 4 that they will increase their oil production by 400,000 barrels per day in February 2022, as they considered that the Omicron variant will have a mild impact on demand for oil. In parallel, Emirates NBD indicated that the global oil market will shift to a surplus in 2022 due to the increase in oil production. It anticipated that the supply and demand for oil would return to their pre-pandemic levels by the end of 2022, following significant disruptions from the impact of the coronavirus pandemic on the global economy. In addition, Refinitiv projected, through its latest crude oil price poll of 35 industry analysts, oil prices to average $75.42 p/b in the first quarter of 2022 and $75.09 p/b in the second quarter of 2022.

Source: Emirates NBD, Refinitiv, Byblos Research

MENA's natural gas exports to grow by 6% in 2021

The International Monetary Fund projected natural gas exports from the MENA region to average 4.84 million barrels of oil equivalent per day (boe/d) in 2021, constituting an increase of 5.9% from 4.57 million boe/d in 2020. It expected natural gas exports from GCC countries to account for 70.6% of the region's gas exports this year, and for non-GCC exporters to represent the balance of 29.4%. On a country basis, it estimated Qatar's natural gas exports at 2.6 million boe/d in 2021, equivalent to 53.5% of the region's gas exports, followed by Algeria with 1.1 million boe/d (22.7%).

Source: International Monetary Fund, Byblos Research

OPEC oil output up 1% in November 2021

The members of the Organization of Petroleum Exporting Countries, based on secondary sources, produced 27.7 million barrels of oil per day (b/d) on average in November 2021, constituting an increase of 1% from 27.4 million b/d in October 2021. Saudi Arabia produced 9.8 million b/d, or 35.6% of OPEC's total output, followed by Iraq with 4.2 million b/d (15.3%), the UAE with 2.8 million b/d (10.3%), Kuwait with 2.5 million b/d (9.1%), and Iran with 2.4 million b/d (9%).

Source: OPEC

Global steel output up 5% in first 11 months of 2021

Global steel production reached 1.75 billion tons in the first 11 months of 2021, constituting an increase of 4.8% from 1.67 billion tons in the same period of 2020. Production in China totaled 946.4 million tons and accounted for 54% of global output in the covered period. India followed with 107.3 million tons (6.1%), then Japan with 88.4 million tons (5%), the U.S. with 78.8 million tons (4.5%), and Russia with 69.7 million tons (4%).

Source: World Steel Association, Byblos Research

Base Metals: Copper prices projected to average $9,400 per ton in first quarter of 2022

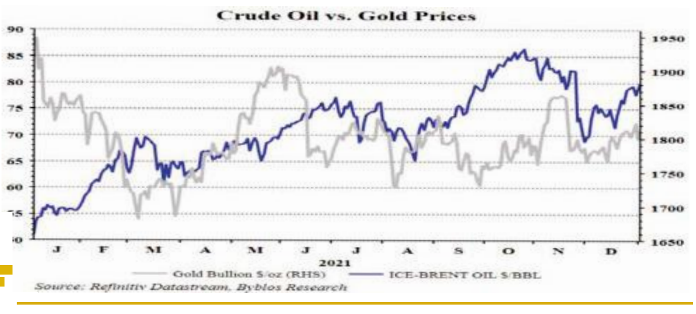
LME copper cash prices averaged $9,317.8 per ton in 2021, constituting a rise of 50.7% from an average of $6,183.5 a ton in 2020. Prices averaged $8,489.7 per ton in the first quarter of 2021, and then increased to $9,679 a ton in the second quarter due to global supply disruptions. They declined to an average of $9,382.7 per ton in the third quarter and rose to $9,700.2 a ton in the fourth quarter, amid growing concerns that the global energy crisis would affect production levels. Also, copper prices dropped from an all-time high of $11,299.5 per ton on October 18 of this year to $9,740.6 a ton on December 31, as a slowdown in economic activity in China put pressure on the metal's price. In parallel, the latest available figures show that global demand for refined copper was 18.67 million tons in the first nine months of 2021, up by 1.3% from the same period of 2020, due to a 9% increase in global demand excluding China. Further, the demand for the metal in China declined by 4.5% in the covered period, driven by a 30% decrease in the imports of net refined copper. In parallel, global refined copper production grew by 1.7% to 18.51 million tons in the first nine months of the year, as higher output from China, the Democratic Republic of the Congo, and the United States was partially offset by lower production in Brazil, Chile, Germany, Japan, Myanmar, Russia, Spain and Sweden. Further, Standard Chartered Bank projected copper prices to average $9,400 per ton in the first quarter of 2022 and $9,500 a ton in the second quarter of 2022.

Source: ICSG, Standard Chartered Bank, Refinitiv

Precious Metals: Gold prices to average $1,675 per ounce in first quarter of 2022

Gold prices averaged $1,800 per troy ounce in 2021, constituting an increase of 1.6% from an average of $1,777.5 an ounce in 2020. Prices averaged $1,796.5 per ounce in the first quarter, $1,815 an ounce in the second quarter, $1,789.8 per ounce in the third quarter, and $1,796.3 an ounce in the fourth quarter of 2020. The increase in prices 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, gold prices regressed from a high of $1,906 per ounce on May 31, 2021 to $1,800.3 an ounce on December 31. The decline in prices was due to expectations that the U.S. Federal Reserve could tighten its monetary policy earlier than expected. In parallel, ABN AMRO indicated that the outlook on gold prices will remain negative in 2022. It expected that higher U.S. real bond yields and the direction towards a tight monetary policy by some central banks will weigh on the metal's price. It projected gold prices to average $1,675 per ounce in the first quarter of 2022, $1,625 an ounce in the second quarter, $1,575 per ounce in the third quarter, and $1,525 an ounce in the fourth quarter of the year. As such, it forecast prices to average $1,600 per ounce in 2022.

Source: ABN AMRO, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating 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 (%)
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	-	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	Stable	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	LT Foreign currency rating 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 (%)
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+ Negative	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	15-Dec-21	No change	26-Jan-22
Eurozone	Refi Rate	0.00	16-Dec-21	No change	03-Feb-22
UK	Bank Rate	0.25	16-Dec-21	Raised 150bps	N/A
Japan	O/N Call Rate	-0.10	17-Dec-21	No change	18-Jan-22
Australia	Cash Rate	0.10	07-Dec-21	No change	01-Feb-22
New Zealand	Cash Rate	0.75	24-Nov-21	Raised 25bps	23-Feb-22
Switzerland	SNB Policy Rate	-0.75	16-Dec-21	No change	24-Mar-22
Canada	Overnight rate	0.25	08-Dec-21	No change	26-Jan-22
Emerging Markets					
China	One-year Loan Prime Rate	3.80	20-Dec-21	Cut 50bps	20-Jan-22
Hong Kong	Base Rate	0.86	15-Mar-20	Cut 64bps	N/A
Taiwan	Discount Rate	1.125	23-Sep-21	No change	17-Mar-22
South Korea	Base Rate	1	25-Nov-21	Raised 25bps	14-Jan-22
Malaysia	O/N Policy Rate	1.75	03-Nov-21	No change	20-Jan-22
Thailand	1D Repo	0.50	22-Dec-21	No change	09-Feb-22
India	Reverse repo Rate	4.00	08-Dec-21	No change	09-Feb-22
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	16-Dec-21	No change	N/A
Jordan	CBJ Main Rate	2.50	01-Sep-21	Cut 100bps	N/A
Turkey	Repo Rate	14.00	16-Dec-21	Cut 100bps	20-Jan-22
South Africa	Repo Rate	3.75	18-Nov-21	Raised 25bps	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	5.50	16-Dec-21	Raised 50bps	10-Feb-22
Brazil	Selic Rate	9.25	08- Dec-21	Raised 150bps	N/A
Armenia	Refi Rate	7.75	14-Dec-21	Raised 50bps	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	9.00	9-Dec-21	Raised 50bps	20-Jan-22
Russia	Refi Rate	8.50	17-Dec-21	Raised 100bps	11-Feb-22

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

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

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