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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Country risk level decreases in third quarter of 2021

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world decreased in the third quarter of 2021, as the average country risk score of 18 Arab economies was 42.46 points relative to 41.56 points in the third quarter of 2020. A higher score represents a lower country risk level. Qatar had the 30th lowest country risk level globally and the lowest in the region, followed by the UAE (32nd), Kuwait (38th), Saudi Arabia (39th), and Morocco (52nd) as the five Arab countries with the lowest risk levels in the region. In contrast, Iraq (155th), Sudan (156th), Lebanon (170th), Yemen (171st) and Syria (172nd) posted the highest risk levels in the Arab world. In parallel, the Arab region's risk level was higher than the global risk level (49 points), as well as higher than the risk levels of North America (66.94 points), Europe & Central Asia (60.5 points), East Asia & Pacific (53.3 points), and Latin America & the Caribbean (47.5 points); while it was lower than the risk levels of South Asia (39.7 points) and Sub-Saharan Africa (37 points). Further, Qatar ranked in first place regionally on the Economic Assessment and Access to International Capital Markets categories, Kuwait came first on the Debt Indicators category, and the UAE ranked in first place among Arab countries on the Political Assessment and Structural Assessment indicator categories.

Source: Euromoney Group, Byblos Research

Knowledge level varies across the region

The Global Knowledge Index for 2021 ranked the UAE in 11th place among 154 countries worldwide and in first place among 17 Arab countries. Qatar followed in 38th place, then Saudi Arabia (40th), Kuwait (48th), Egypt (52nd), Oman (53rd), Bahrain (55th), Tunisia (83rd), Lebanon (92nd), Morocco (101st), Jordan (103rd), Palestine (106th), Algeria (111th), Iraq (137th), Sudan (145th), Mauritania (147th), and Yemen (150th). The index, which is issued by the United Nations Development Program and the Dubai-based Mohammed Bin Rashid Al Maktoum Knowledge Foundation, measures the multidimensional concept of knowledge, and aims to introduce a comprehensive approach to "knowledge-based development". It is composed of seven sub-indices that are Pre-University Education; Technical Vocational Education & Training; Higher Education; Research, Development & Innovation; Information & Communications Technology; the Economy; and the General Enabling Environment. The Arab region's average score stood at 45.7 points in 2021, and was lower than the global average of 48.4 points. Also, the region's score came lower than the average scores of North America (70 points), Europe & Central Asia (57.9 points), East Asia & the Pacific (52.6 points), Latin America & the Caribbean (46.3 points), while it was higher than the average score of South Asia (39 points) and Sub-Saharan Africa (36.8 points). Further, the UAE ranked first in the Arab world on all of the seven sub-indices.

Source: UNDP, MBRF, Byblos Research

GCC

Fixed income issuance down 1% to $146bn in 2021

Total fixed income issuance in Gulf Cooperation Council (GCC) countries reached $146.1bn in 2021, constituting a decrease of 1% from $147.4bn in 2020. Fixed income issuance in 2021 consisted of $56.1bn in corporate bonds, or 38.4% of the total, followed by $34.8bn in sovereign sukuk (23.8%), $33.3bn in sovereign bonds (22.8%), and $21.9bn in corporate sukuk (15%). Further, corporates issued $78bn in bonds and sukuk in 2021, or 53.4% of total fixed income proceeds in the region; while sovereigns issued $68.1bn, or 46.6% 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, $7bn in September, $5.4bn in October, $14.9bn in November, while they did not issue bonds or sukuk in December 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, $2.3bn in November and in December for last year. Further, corporate issuance in December 2021 included $1.1bn in sukuk and $50.25m in bonds issued by companies based in Saudi Arabia, $835.3m in bonds issued by firms in the UAE, and $59.6m in bonds issued by Qatari companies.

Source: KAMCO

IRAQ

Profits of listed firms down 16% to $332m in first nine months of 2021

The cumulative unaudited pre-tax profits of 80 out of 132 companies listed on the Iraq Stock Exchange totaled IQD491.2bn in the first nine months of 2021, nearly unchanged from IQD490.7bn in the same period of 2020. In US dollar terms, the profits of the listed companies reached $332m in the covered period and regressed by 16.3% from $397m in the first nine months of 2020. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,236 per US dollar in the first nine months of 2020 to an average of IQD1,479 per dollar in the same period of 2021. Listed telecommunication companies generated $221m in profits in the first nine months of 2021, followed by banks with $71.5m, industrial firms with $38.2m, companies in the hotels & tourism sector with $5.1m, services providers with $1.4m, insurers with $1.1m, and firms in the agricultural sector with $0.35m; while investment companies posted losses of $0.05m in the covered period. Further, the profits of companies in the hotels & tourism sector surged by 17.5% year-on-year in the first nine months of 2021, followed by the earnings of services providers (+9.1%). In contrast, the profits of agricultural companies plunged by 78.4%, the net income of insurers dropped by 52.6%, the earnings of the industrial companies dipped by 23.2%, the profts of telecommunication firms regressed by 14.3%, and the net income of the banking sector decreased by 13.7%, in the first nine months on 2021. Also, the losses of investment firms declined by 51.6% in the covered period.

Source: Rabee Securities, Iraq Stock Exchange

POLITICAL RISK OVERVIEW - December 2021

ALGERIA

The National Election Authority announced that the ruling party, the National Liberation Front (FLN), won the local and regional elections that took place on November 27, 2021, but lost its absolute majority in most municipal councils that it previously controlled. Further, the selection of mayors is still pending in several municipalities due to alleged tensions between local politicians and security forces, which had presented their own candidates in the municipal elections. In parallel, the Arab League advised all its members to adopt the map of Morocco that includes the disputed Western Sahara territory at all official events, which prompted Algiers' indignation.

ARMENIA

Armenian officials met with their Azerbaijani counterparts in an effort to renew diplomatic engagement between the two countries, by facilitating the release of prisoners and easing tensions. The President of the European Council, Charles Michel, who hosted discussions with Armenian Prime Minister Nikol Pashinyan and Ilham Aliyev, his Azerbaijani counterpart, announced the readiness of the European Union to offer technical assistance for border delimitation and demarcation, and praised the agreement that aims to restore communication channels between the two countries' defense ministers and to agree on "further tangible steps" ahead of the planned launch of negotiations on the delimitation and demarcation of disputed territories. In parallel, Armenia and Turkey announced that they will mutually appoint special envoys to discuss the necessary steps to normalize relations between the two countries, and Armenia lifted a ban on Turkish imports that it had in place since October 2020.

EGYPT

The President Abdel Fattah el-Sisi ratified a new law that gives authorities special powers to regulate procedures and measures to fight the spread of the COVID-19 pandemic. Civil society activists accused authorities of seeking an alternative to the state of emergency, which the president lifted in October 2021. The Minister of Foreign Affairs of Egypt met with Gulf Cooperation Council (GCC) representatives in Saudi Arabia to discuss issues related to the Grand Ethiopian Renaissance Dam. The GCC officials expressed support for Egypt's water security concerns.

ETHIOPIA

Tigray forces announced their complete withdrawal from the neighboring Afar and Amhara regions back into the State of Tigray, and called for a ceasefire. Also, the federal government said that the National Defense Forces halted their offensive against Tigray forces and would refrain from advancing further into the Tigray region. In parallel, Human Rights Watch and Amnesty International jointly accused pro-government forces of "mass detentions, killings and forced expulsions of ethnic Tigrayans". In response, the United Nations Human Rights Council voted to establish an independent investigation into the alleged abuses by all parties in the northern Ethiopia conflict since November 2020.

IRAN

Diplomats involved in talks that aim at reviving the Joint Comprehensive Plan of Action expressed disappointment at Iran's latest proposals, which led to the suspension of the seventh round of talks between Iran and the representatives of China, France, Germany, Russia, and the United Kingdom, and urged Tehran to come back with realistic proposals. Further, on December 15, 2021, the International Atomic Energy Agency agreed with Iran's atomic energy organization to install new surveillance cameras at the Karaj centrifuge production facility to replace those that were removed in early 2021. In parallel, the United States sanctioned 13 Iranian persons and entities for human rights abuses. Also, Iran launched a rocket into space that failed to reach orbit, which was in breach of UN Security Council Resolution 2231.

IRAQ

The Federal Supreme Court ratified the final results of the parliamentary elections that took place in October 2021, after rejecting fraud allegations submitted by the leader of the Fateh Alliance who requested the annulment of the results. Meanwhile, Shiite parties continued negotiations over the formation of a new government. In parallel, the Islamic State terrorist group intensified its attacks on the Kurdish Peshmerga forces along the border between the Kurdistan region and the surrounding territories. National Security Advisor Qasim al Araji announced the end of the combat mission of the U.S.-aligned Coalition Forces ahead of the end-2021 deadline for the withdrawal of coalition troops from Iraq. Also, the U.S.-led coalition announced the start of a new "advise, assist and enable mission" that consists of 2,500 U.S. troops across the country.

LIBYA

Libya's High National Electoral Commission postponed for one month the first round of the presidential elections that was scheduled to take place on December 24, 2021 amid disputes over the eligibility of candidates, the electoral timetable and the scope of the future president's powers. It said that its electoral centers were subjected to armed robbery and voter card theft. Also, the House of Representatives' Election Committee recommended laying out a new, realistic and applicable roadmap for the presidential elections, rather than fixing new dates. In parallel, the Secretary-General of the United Nations António Guterres appointed Ms. Stephanie Williams as the UN's new Special Advisor on Libya, following the resignation of UN Envoy Ján Kubiš.

SUDAN

Prime Minister Abdalla Hamdok replaced most deputy ministers in the caretaker government, as well as all acting state governors who were appointed by the military since the October 2021 coup. Also, discussions about the formation of a new government stalled in December, as PM Hamdok has been struggling to form a technocratic cabinet as stipulated by the agreement with the military. In parallel, several mass protests took place in the capital city of Khartoum and other cities across the country, and were met with government crackdown. Further, the U.S. Foreign Affairs Committee in the House of Representatives adopted the Sudan Democracy Act that authorizes targeted sanctions against individuals who are perceived as undermining the democratic transition in the country.

TUNISIA

The Tunisian General Labour Union called for early parliamentary elections in the country due to President Kais Saïed's reluctance to announce a plan for political reforms. In parallel, President Saïed extended the suspension of Parliament for at least one year, while all political parties expressed their opposition to his decision. The president announced that a constitutional referendum will take place on July 25, 2022. Thousands of protesters demonstrated against the president in the capital Tunis on the anniversary of the revolution that sparked the Arab uprisings in 2011, reflecting growing opposition to his seizure of power.

TURKEY

Turkish security units continued their campaign to arrest individuals for their affiliation to the Islamic State terrorist group. Further, President Recep El Tayep Erdoğan appointed a new Minister of Treasury and Finance following the resignation of his predecessor after the Turkish lira lost more than 40% of its value against the US dollar. Authorities announced that they are pursuing a new economic model based on lower interest rates, with the aim to boost production, jobs, exports and growth. President Erdoğan announced that depositors in local currency would be compensated for possible losses from the devaluation of the lira.

Source: International Crisis Group, Newswires

OUTLOOK

MENA

Economic activity to accelerate to 4.4% in 2022, downside risks persist

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to accelerate from 3.1% in 2021 to 4.4% in 2022, and to slow down to 3.4% in 2023. It attributed the rebound in economic activity in 2022 in part to smaller oil production cuts and to the acceleration of the rollouts of the coronavirus vaccines across the region. However, it said that the global prevalence of the virus has continued to impede the return of tourism activity to pre-pandemic levels, which is an important driver of growth and diversification plans in the region. As such, it anticipated that the region's GDP growth in 2023 will remain about 5% below its growth potential.

In parallel, it expected the MENA region's oil-exporting countries to benefit from higher oil prices, rising oil production, record-high natural gas prices, mainly in countries of the Gulf Cooperation Council (GCC). As such, it projected real GDP in MENA oil-exporting economies to grow by 4.4% in 2022 and 3% in 2023, with activity in GCC countries expanding by 4.7% and 3% in 2022 and 2023, respectively, based on an average oil price of $74 per barrel (p/b) in 2022. Also, it projected economic activity in MENA oil-importing countries to grow by 4.6% in 2022 and 4.7% in 2023, supported by higher external demand from major trading partners and the expected gradual improvement in the tourism sector.

Further, it considered that risks to the outlook are mainly tilted to the downside. It expected that further COVID-19 outbreaks and variants of the virus, the volatility in global oil prices, social unrest, elevated public debt levels in some economies, as well as regional conflicts, to undermine the region's economic activity in the near term. It also anticipated delays in structural reforms or in transitioning away from fossil fuels, as well as governance setbacks, to further constrain growth prospects in MENA countries.

Source: World Bank

GCC

Region's gross financing needs at less than $22bn in 2022

Goldman Sachs expected that the recovery in global oil prices over the past few months will support the outlook the public finances of Gulf Cooperation Council (GCC) economies, and reduce the new issuance of debt in the region. It projected fiscal balances to significantly improve in GCC countries, and for the region as a whole to run a budget surplus. It also expected the aggregate gross borrowing requirements of GCC sovereigns to decline from an annual average of nearly $120bn in the 2019-21 period to less than $22bn in 2022, in case global oil prices average $76 per barrel (p/b) this year. It anticipated that Saudi Arabia will borrow about $30bn, the largest gross borrowing needs in the region, followed by Kuwait and Bahrain. It expected that the lower borrowing requirements for the region will result in lower external debt issuance, with Saudi Arabia sourcing most of its borrowing needs domestically, while Kuwait has yet to enact a debt law to authorize any further issuance. Also, it projected GCC countries to run a balanced budget in the next three years compared to an aggregate deficit of over 6% of GDP in the past three years, in case oil prices average $67 p/b in 2023. Further, it forecast the region to post an aggregate fiscal surplus of nearly 2% of GDP per year on average in the next three years, in case oil prices average $85 p/b next year.

In parallel, it considered that the GCC region's fiscal outlook is subject to downside risks that consist of lower oil prices and fiscal slippages. It estimated that a decline of oil prices to $68 p/b and flat oil production across the region in 2022 would result in a 20% decrease in aggregate oil revenues and to a sharp rise in GCC borrowing requirements this year. Also, it forecast that a 5% increase in the region's spending would lead to aggregate borrowing requirements of $48bn in 2022. Further, it anticipated that off-budget spending or borrowing by GCC governments could weigh on the region's public finances, as it would require state owned enterprises to raise fresh financing independently of the government.

Source: Goldman Sachs

JORDAN

Economic growth to average 2.9% in 2022-23

The International Monetary Fund projected real GDP growth in Jordan to accelerate from 2% in 2021 to 2.7% in 2022 and 3.1% in 2023, supported mainly by higher domestic demand. It noted that the economy is recovering from the shock of the COVID-19 outbreak, as authorities have responded to the health and economic challenges in a decisive and timely manner, with prudent macroeconomic management and progress on structural reforms.

In parallel, it indicated that authorities are committed to undertake a gradual fiscal consolidation in 2022, such as closing tax loopholes, strengthening tax compliance and improving the efficiency of public spending, in order to mitigate fiscal risks, as well as to safeguard debt sustainability and continued market access. As such, it projected the fiscal deficit to narrow from 6.2% of GDP in 2022 to 4.6% of GDP in 2023, and for the public debt level to decline from 114.7% of GDP at the end of 2022 to 113.6% of GDP at end-2023. It expected further fiscal reforms to narrow the fiscal deficit and reduce the public debt level in the medium term. Also, it forecast gross public financing needs to peak at 19.3% of GDP in 2022, and to decline to between 13% of GDP and 16% of GDP in the medium term. In addition, it projected the current account deficit to narrow from 4.7% of GDP in 2022 to 3.3% of GDP in 2023, supported by higher exports, as well as by the expected recovery in tourism receipts and remittance inflows. Also, it forecast gross international reserves at about $15.9bn in the 2022-23 period and to reach $17bn by end-2024.

Further, the IMF indicated that the outlook is subject to downside risks that include new COVID variants, weaker fiscal consolidation efforts, the tightening of global financial conditions, and challenging social conditions. Also, it anticipated that contingent liabilities from state-owned enterprises and costs related to public and private partnerships could weigh on public finances and put pressure on the sustainability of the public debt. As such, it stressed the importance of initiating growth-friendly fiscal consolidation once the pandemic abates, of accelerating structural reforms to protect the economic recovery and boost potential growth, and of mitigating losses from the broader public sector.

Source: International Monetary Fund

TUNISIA

External financing risks to remain elevated

Moody's Investors Service anticipated that liquidity risks in Tunisia will remain high in 2022 due to elevated financing needs. It considered that the government's budget for 2022 includes limited steps towards the structural and fiscal reforms that are crucial to unlocking support from the IMF and other official creditors. Further, it expected a slow rebound in economic activity due to weak tourism receipts and limited public investments, and forecast real GDP growth at 2.5% in 2022. Also, it expected the country to face large fiscal and external imbalances, as well as very tight domestic and external funding conditions. It projected external borrowing to cover 63% of the Treasury's financing needs in 2022, in case authorities succeed in reaching a deal with the IMF. It added that any bilateral support in the absence of a program with the IMF will lead to the accumulation of arrears and to an acceleration in the drawdown of foreign currency reserves. However, it indicated that authorities have not stepped up efforts on structural reforms in the 2022 budget and considered that such limited progress will weigh on negotiations with official and bilateral lenders. It said that the reforms should include lowering the large public sector wage bill, containing energy subsidies and reducing the role of state-owned enterprises (SOEs) in the economy. It noted that significant contingent liabilities from SOEs pose risks to the trajectory of the public debt, as the government-guaranteed debt of SOEs was equivalent to about 15% of GDP in 2020. Also, it indicated that the country's weakening governance increases the uncertainty about the government's capacity to implement reforms.

Source: Moody's Investors Service

SAUDI ARABIA

Outlook on sovereign ratings revised to 'stable'

Capital Intelligence Ratings affirmed at 'A+/A1' Saudi Arabia's long- and short-term foreign and local currency ratings, and revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the outlook revision to improved prospects for the country's public finances as a result of the strong rebound in global oil prices, to the implementation of fiscal consolidation measures, as well as to the agency's expectation that oil production volumes will expand significantly in 2022. It indicated that the ratings are supported by large, yet declining, fiscal and external buffers, as well as by the recovery of non-oil economic activity, significant oil reserves, and a sound banking sector. However, it pointed out that the ratings are constrained by the government's high reliance on hydrocarbon revenues, elevated geopolitical risks, and a moderate-to-high level of policy risk. It forecast the government's budget deficit to narrow from 11.2% in 2020 to 2.3% of GDP in 2021 and 1.2% in 2022, driven by the strong growth in hydrocarbon revenues. It also projected the gross external debt level to reach 35.6% of GDP at end-2022. It added that Saudi Arabia's current external debt repayment capacity benefits from the Saudi Central Bank's large external assets. It noted that it could revise the outlook to 'positive' if the government embarks on further fiscal and structural reforms to reduce its reliance on hydrocarbon exports, and if geopolitical tensions decline. In parallel, it noted that it could downgrade the ratings if geopolitical risks escalate or if public and external finances deteriorate.

Source: Capital Intelligence Ratings

EGYPT

Improvement in investment climate to reduce external vulnerabilities

Goldman Sachs indicated that Egypt's large external financing requirements constitute a source of concern for investors, given the backdrop of tightening global financial conditions. Still, it did not consider that the overvaluation of the Egyptian pound by about 15% is driving the country's external imbalances. Also, it did not expect that a devaluation of the pound would realign the current account, as the latter's volatility has been predominantly driven by developments in the tourism sector and by the evolution of the flows of workers' remittances, both of which are largely unaffected by movements in the exchange rate. It also anticipated that a significant devaluation of the currency would result in economic costs, such as higher inflation rates, a rise in the dollarization rate in the banking sector, and near-term portfolio outflows. Still, it considered that Egypt's external position is unsustainable, and that the authorities' near-term priority should be to address these imbalances. It added that the wide trade deficit exposes the country to the risk of volatile tourism and remittance inflows, and makes it dependent on short-term debt financing. It attributed this trend to a weak business environment that has hampered private sector investments. As such, it expected that an improvement in the investment climate would help reduce external vulnerabilities by facilitating investments in export-oriented sectors and allowing Egyptian exports to move up the value chain, as well as increase inward foreign direct investments and reduce Egypt's dependence on short-term debt.

Source: Goldman Sachs

ANGOLA

Fiscal and external balances to post surpluses in 2022

Bank of America expected real GDP growth in Angola to turn positive in 2022, and to constitute the first expansion of economic activity in the country since 2017. It said that authorities have stepped up their efforts in the implementation of reforms and that the government has put together growth-enhancing structural reforms in the oil sector that would help to reduce the decline in oil production and improve the collection of non-oil revenues. It noted that 40% of Angola's public revenues originate from the oil sector, and estimated that the country's fiscal breakeven oil price is about $70 per barrel (p/b). As a result, it forecast the fiscal and current account balances to post surpluses in 2022, in case global oil prices average $85 p/b this year. It also projected the public debt level to decline, driven by the expected improvement in economic growth, fiscal surpluses, as well as the authorities' sustained prudent fiscal stance. However, it anticipated Angola's external financing requirements at $5bn in 2022, and expected the authorities to fund these needs from market and non-market debt issuances. In parallel, it considered that the upcoming general elections in August 2022 and the expiration of the program with the International Monetary Fund at the end-2021 to constitute potential risks to external financing. It expected that the Angolan government will engage in another program with the IMF following the August 2022 elections. Still, it estimated that authorities could face manageable fiscal slippages prior to the elections, which would not significantly weigh on public finances.

Source: Bank of America

GCC

Increase in policy rates to support banks' earnings

S&P Global Ratings indicated that the aggregate non-performing loans ratio of the top 45 banks in the Gulf Cooperation Council (GCC) countries increased from 3.1% at the end of 2019 to 3.7% at end-September 2021. It expected the banks' asset quality to deteriorate only slightly in the near term, as the authorities' regulatory forbearance measures have helped prevent a more significant increase in NPLs and gave the corporate sector the necessary time to recover from the coronavirus pandemic. It said that the NPLs' coverage ratio of the 45 banks declined from 165% at end-2018 to 148% at end-September 2021. Further, it considered that a decision by GCC central banks to increase interest rates by 100 basis points in 2022 will support the earnings of commercial banks. However, it noted that external funding might become scarce and more costly in case of tightening global financial conditions, which would negatively impact the banks' asset quality indicators. It did not expect a major slowdown in credit growth following the increase in policy rates, as it noted that the banks' lending is largely dependent on government spending and on oil prices. Also, it indicated that the aggregate net profit margin of the 45 GCC banks remained stable at 2.4% in 2020 and 2021 due to cost efficiency measures, with an average cost-to-income ratio of 38.4% at end-September 2021. In parallel, it pointed out that the capitalization of the top 45 GCC banks will continue to support their creditworthiness in 2022, as banks increased their Tier One Capital ratios in 2020 and 2021 to benefit from supportive market conditions. In addition, it said that deposits at GCC banks were stable in the 2020-21 period, despite the impact of the COVID-19 pandemic on the economy, as banks are mainly funded by domestic deposits. It added that public sector deposits account for 15% to 30% of the total deposits, which supports the funding profiles of GCC banks, except for Bahrain.

Source: S&P Global Ratings

SAUDI ARABIA

Outlook on ratings of eight banks revised to 'stable'

Capital Intelligence Ratings affirmed at 'A+' the long-term foreign currency ratings (FCRs) of Al Rajhi Banking and Investment Corporation (ARB), Riyad Bank (RB), Saudi National Bank (SNB), and Banque Saudi Fransi (BSF). Also, it maintained at 'A' the FCRs of the Saudi British Bank (SABB) and Arab National Bank (ANB), and at 'A-' the ratings on the Saudi Investment Bank (SAIB) and Bank Al Jazira (BAJ). In addition, it affirmed the Bank Standalone Ratings (BSRs) of ARB and SNB at 'a', the BSRs of RB, SABB, BSF and ANB at 'bbb+', and the ratings of SAIB and BAJ at 'bbb'. Also, the agency revised the outlook on the eight banks' ratings from 'negative' to 'stable'. It said that the outlook revision follows its similar action on the sovereign ratings. It added that these factors have benefited the macroeconomic climate in the Kingdom, which, in turn, led to the recovery of the banking system's operating environment. Further, it indicated that the ratings are underpinned by the banks' solid financial metrics, including their sound asset quality and credit loss absorption capacity, their strong liquidity profiles and capitalization, as well as their robust funding. Also, it expected the risk profile of banks to remain sound in the near term.

Source: Capital Intelligence Ratings

ARMENIA

Capital adequacy ratio at 17%, liquid assets at 32% of total assets at end-September 2021

The International Monetary Fund indicated that Armenian banks are well-capitalized and liquid due to the regulatory measures that the Central bank of Armenia (CBA) implemented to preserve the stability of the financial sector, due to the impact of the COVID-19 pandemic on the economy and the country's severe recession in 2020. It said that the sector's capital adequacy ratio stood at 17.2% at the end of September 2021, well above the minimum regulatory requirement of 12%. It pointed out that the banks' liquid assets represented 31.7% of total assets at end-September 2021, up from 25.6% at end-2020, while they were equivalent to 120% of short-term liabilities at end-September 2021 compared to 109% at end-2020. In parallel, it stated that the banks' profitability continues to be weak due mainly to the recognition of credit losses of AMD428.8bn at end-September 2021. Further, it noted that the banking sector's non-performing loans (NPLs) ratio declined from its peak of 7.4% at end-February 2021 to 5.1% at end-September 2021, while provisions covered 84% of NPLs at end-September 2021 relative to 45% at end-2020. It said that the CBA has encouraged a voluntary and prudent restructuring of loans. Also, it indicated that the growth in the banks' lending decelerated to 6.7% at-end September 2021, as banks responded to rising risks by tightening lending standards. In addition, it said that the dollarization rates of deposits and loans declined from 52.5% and 50%, respectively, at end-January 2020 to 51% and 47%, respectively, at end-September 2021.

Source: International Monetary Fund

NIGERIA

Banks well-positioned to manage risks from drop in oil prices

Moody's Investors Service indicated that the Nigerian banking system's 'very weak+' macro profile balances the difficult operating environment for banks in the country, weak institutional capacity and delays in structural reforms, against Nigeria's strong long-term growth prospects, the development of the non-oil sector, and the country's increasingly deep and diversified domestic capital markets. It anticipated that asset quality at Nigerian banks will remain volatile in the near term, due mainly to loan concentrations and large volumes of restructured loans. It noted that loans denominated in foreign currency represented 34% of total loans at the end of March 2021, and that the banks are highly exposed to the oil and gas industry, where borrowers are vulnerable to oil price volatility. However, it pointed out that Nigerian banks are currently better placed to manage the risks from a sharp drop in oil prices, as the banking system has made significant investments in risk management frameworks over the past five years. It added that banks are cutting back on foreign-currency lending, thereby reducing currency mismatches on their balance sheets. In parallel, the agency said that Nigerian banks benefit from sound liquidity buffers, and indicated that the sector's loans-to-deposits ratio was low at about 61% at the end of March 2021. It estimated that the system's reported liquidity ratio stood at over 40% at the end of 2021, which exceeds the regulatory requirement of 30%.

Source: Moody's Investors Service

Oil prices to average $75 p/b in 2022

ICE Brent crude oil front-month prices reached $85 per barrel (p/b) on January 13, 2022, their highest level in two months, constituting an increase of 9.2% from $77.8 p/b at the end of 2021. The rise in prices was due mainly to easing concerns about the impact of the Omicron variant of the coronavirus on global demand for oil, as well as to expectations of a strong economic recovery. Further, Standard Chartered Bank anticipated a significant surplus in the oil market in the first half of 2022 relative to a more balanced market in the second half of the year, as it expected oil production to decline in the second half of 2022. In parallel, the U.S. Energy Information Administration (EIA) forecast oil production from OPEC countries to rise from an average of 26.3 million b/d in 2021 to an average of 28.8 million b/d in 2022. Further, it indicated that members of the OPEC+ coalition will adjust production targets in response to changes in global oil demand, but noted that the path of oil demand in the coming months remains uncertain. However, the EIA forecast global oil production to outpace global oil consumption in 2022. In parallel, it projected oil prices to average $78.63 p/b in the first quarter of 2022, $75.65 p/b in the second quarter, $74.67 p/b in the third quarter, and $708 p/b in the fourth quarter of 2022. It also forecast oil prices to average $74.95 p/b in 2022.

Source: EIA, Standard Chartered Bank, Refinitiv, Byblos Research

ME&A's oil demand to expand by 5% in 2021

The Organization of Petroleum Exporting Countries (OPEC) estimated that the consumption of crude oil in the Middle East & Africa averaged 12.26 million barrels per day (b/d) in 2021, which constitutes a rise of 5.4% from 11.63 million b/d in 2020. The region's demand for oil represented 23.5% of demand in non-OECD countries and 12.7% of global consumption in 2021.

Source: OPEC

Iraq's oil exports receipts at $7.4bn in December 2021

Preliminary figures show that the exports of crude oil from Iraq totaled 101.6million barrels in December 2021 and increased by 3.4% from 98.2 million barrels in November 2021. They averaged 3.3 million barrels per day (b/d) in December, unchanged from the previous month. Oil exports from the central and southern fields amounted to 98.6 million barrels in December, while shipments from the Kirkuk fields totaled 2.7 million barrels. Oil receipts stood at $7.4bn in December, down by 3.2% from $7.6bn in November 2021.

Source: Iraq Ministry of Oil, Byblos Research

Saudi Arabia's oil exports receipts up 123% to $22bn in October

Total oil exports from Saudi Arabia amounted to 8.3 million barrels per day (b/d) in October 2021, constituting an increase of 5.4% from 7.8 million b/d in September and a rise of 12% from 7.4 million b/d in October 2020. Further, oil export receipts reached $21.9bn in October 2021, increasing by 18.8% from $18.5bn in September 2021 and surging by 123% from $9.8bn in October 2020.

Source: JODI, General Authority for Statistics

Base Metals: Aluminum prices to average $2,705 per ton in first quarter of 2022

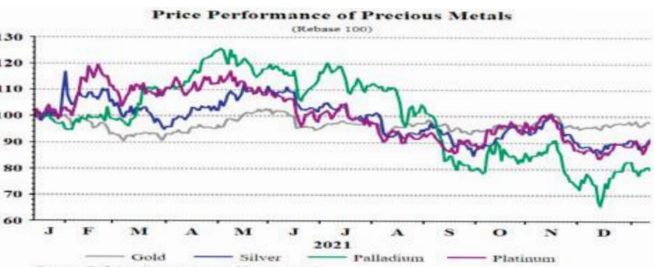
The LME cash price of aluminum averaged $2,476.2 per ton in 2021, constituting a surge of 45.2% from an average of $1,705.3 a ton in 2020. Prices averaged $2,093.8 per ton in the first quarter of 2021, then grew to $2,396 a ton in the second quarter, rose to $2,646 per ton in the third quarter, and increased to $2,756 a ton in the fourth quarter. The continuous rise in prices in 2021 was mainly due to strong demand for the metal, decreasing LME-registered inventories, and improved prospects of a global economic recovery, as well as to concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry. Further, aluminum prices regressed from $3,149 per ton on October 15, 2021, their highest level in 13 years, to $2,940 per ton on January 13, 2022. The decline in prices was driven by the slowdown in global economic activity due to the spread of the Omicron variant that put downward pressure on the metal's price. In parallel, Standard Chartered Bank indicated that the surge in energy prices forced large industrial firms in Europe to cut the production of aluminum. It projected aluminum prices to average $2,705 per ton in the first quarter, $2,720 a ton in the second quarter, $2,660 per ton in the third quarter, and $2,675 a ton in the fourth quarter of 2022. As such, it forecast aluminum prices to average $2,690 per ton in 2022.

Source: Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $1,060 per ounce in first quarter of 2022

Platinum prices averaged $1,089.5 per troy ounce in 2021, constituting an increase of 23.3% from an average of $883.5 an ounce in 2020. The metal's price averaged $1,159 per ounce in the first quarter, $1,181 an ounce in the second quarter, $1,023.2 per ounce in the third quarter, and $998.3 an ounce in the fourth quarter of 2021. The increase in prices in the second quarter was mainly due to a weaker US dollar, higher inflation rates, and declining real interest rates globally that drove the rise in the metal's price and reinforced the appeal of platinum as a hedge against inflationary pressures. Further, platinum prices regressed from a six-year high of $1,294 per ounce on February 19, 2021, to $976 an ounce on January 13, 2022. The decline in platinum prices in the second half of 2021 was mainly driven by chip shortages that have restrained the demand for the metal. In parallel, Standard Chartered Bank expected that high platinum inventory release in China could weigh on the metal's price in 2022. Further, it forecast platinum prices to average $1,060 per ounce in the first quarter of 2022, $1,080 an ounce in the second quarter, $1,175 per ounce in the third quarter, and $1,200 an ounce in the fourth quarter of 2022. As such, it projected platinum prices to average $1,129 per ounce in 2022.

Source: Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating												
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	CCC+	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	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+ 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	14-Jan-22	Raised 25bps	24--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	9.25	16-Dec-21	No change	04-Feb-22
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	26-Jan-22
Nigeria	Monetary Policy Rate	11.50	23-Nov-21	No change	25-Jan-22
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

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