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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Foreign direct investments up 77% to $1.65 trillion in 2021

The United Nations Conference on Trade & Development (UNCTAD) indicated that global foreign direct investments (FDI) totaled $1.65 trillion (tn) in 2021, constituting a surge of 77% from $929bn in 2020 and a rise of 11.8% from $1.47tn in 2019. It attributed the increase in global FDI mainly to the rebound in global economic activity, as well as to strong investor confidence in infrastructure sectors supported by favorable long-term financing conditions and overseas investment programs. It said that FDI in developing economies stood at $870bn and grew by 30% from $669bn in 2020, while FDI in developed economies reached $777bn and jumped by 199% from $260bn in 2020. It pointed out that FDI inflows to Least Developed Countries stood at $28bn in 2021, up by 19% from $24bn in 2020. Also, it noted that inflows to Asia reached $696bn or 42.3% of total FDI inflows in 2021, followed by inflows to North America with $383bn (23.3%), Europe with $305bn (18.5%), Latin America & the Caribbean with $147bn (9%), Africa with $97bn (6%), and Oceania with $18bn (1.1%). In parallel, it noted that FDI flows to Europe jumped by 1,450% in 2021, followed by flows to Africa (+147%), North America (+120%), Latin America (+75%), and Asia (+18%); while FDI flows to Oceania decreased by 22% last year.

Source: UNCTAD

Mergers and acquisitions deals up 18% to $4.5 trillion in 2021

Figures issued by information provider PitchBook Data indicate that global mergers and acquisitions (M&A) activity totaled $4,465.7bn in 2021, constituting an increase of 38.7% from $3,220bn in 2020; while the number of M&A transactions reached 30,434 last year and rose by 18% from 25,820 deals in 2020. Further, 50% of the value of M&A activity in 2021 were cash deals, 30% were securities offering from the acquirers' common stock, and 20% were a combination of cash and stocks. Also, corporate M&A deals totaled 18,917 and accounted for 62.2% of total M&A transactions in 2021, while Private Equity M&As stood at 11,517 deals (37.8%). In parallel, the distribution of transactions shows that M&A deals in the business product & services segment reached $1.26bn and accounted for 28.3% of the aggregate deal value in 2021. The information technology sector followed with $896.5bn (20.1%), then the consumer products & services segment with $799.7bn (18%), the healthcare sector with $593m (13.3%), the financial services with $448.7m (10%), the energy sector with $262.4m (6%), and the material sector with $201.7bn (4.5%). Also, there were 10,783 deals in the business product & services segment or 35.4% of the aggregate number of deals in 2021, followed by the information technology sector with 6,453 transactions (21.2%), consumer products & services with 5,682 deals (18.7%), the healthcare sector with 3,182 transactions (10.5%), financial services with 2,288 deals (7.5%), the material sector with 1,056 transactions (3.5%) and the energy sector with 990 deals (3.3%).

Source: PitchBook Data

EMERGING MARKETS

Nearly 30% of rated sovereigns have investment-grade rating

S&P Global Ratings indicated that it downgraded 18 emerging market (EM) sovereigns in the Europe, Middle East and Africa region (EMEA) from the onset of the COVID-19 pandemic in March 2020 until the end of 2021, while it affirmed the ratings of 36 other sovereigns and did not upgrade any EM sovereign. It noted that 31 of the sovereigns that it rates in the EMEA region were in the 'B' category or lower at the end of 2021 and accounted for 57.4% of total rated sovereigns, followed by 16 investment-grade sovereigns in the 'BBB-' category or above (29.6%), and seven sovereigns in the 'B+' to 'BB+' range (13%). It said that the average sovereign credit rating declined from about 'BB+' at the end of 2010 to 'BB-' at end-2021, while the average sovereign rating, weighted by GDP, declined from about 'BBB' to 'BB+' over the same period of time. On a regional level, it downgraded 11 sovereigns in Sab-Saharan Africa (SSA) and six in the Middle East & North Africa (MENA) region, while it affirmed the ratings of the sovereigns that it rates in the Commonwealth of Independent States (CIS) and in the Central & Eastern Europe (CEE) regions. In parallel, it pointed out that 44 sovereigns in the EMEA region carried a 'stable' outlook on their ratings at the end of 2021, followed by six with a 'negative' outlook, and four with a 'positive' outlook. It added that two sovereigns in each of the CIS, MENA and SSA regions had a 'negative' outlook on their ratings, while two sovereigns in the CIS and one in each of the MENA and SSA regions carried a 'positive' outlook on their ratings at end-2021.

Source: S&P Global Ratings

MENA

Corruption perception varies across region

Global anti-corruption advocacy association Transparency International, ranked the UAE in 24th place among 180 countries worldwide and in first place among 19 Arab countries on its Corruption Perception Index for 2021. Qatar followed in 31st place, then Saudi Arabia (52nd), Oman (56th) and Jordan (58th) as the five countries perceived to have the lowest level of graft in the Arab region. In parallel, Iraq (157th), Sudan (164th), Libya (172nd), Yemen (174th) and Syria (178th) were perceived as the most corrupt Arab countries. The organization uses data sources from independent institutions specializing in governance and business climate analysis. The rankings are based on scores that range from zero to 100, with lower scores reflecting economies with a higher perception of corruption. The Arab countries' average score stood at 36.4 points in the 2021 index, unchanged from the 2020 index, and came higher than the average score of Eastern Europe & Central Asia (36 points) and Sub-Saharan Africa (33 points); but it was lower than the average scores of the European Union & Western Europe (66 points), Asia Pacific (45 points), and the Americas (43 points). Further, the rankings of seven Arab countries improved, those of eight economies deteriorated and the rankings of four Arab state were unchanged from the previous year; while the scores of five Arab countries increased, those of seven economies regressed, and the scores of seven countries remained the same from the 2020 index.

Source: Transparency International, Byblos Research

OUTLOOK

EMERGING MARKETS

Impact of global interest rates increase to vary across emerging economies

S&P Global Ratings considered that most emerging markets (EMs) will tighten monetary policy through an orderly adjustment process, in response to the expected rise in U.S. interest rates. It said that much of the repricing of EM interest rates and exchange rates has started last year, and that EM central banks have strengthened their monetary policy response during previous tightening cycles. However, it cautioned that several EMs would be vulnerable to a faster-than-expected increase in U.S. rates, and to experience periods of relatively high exchange rate and interest rate volatility, with possible negative implications on economic activity.

In parallel, the agency indicated that most EM countries have better external positions than during previous U.S. tightening cycles. As such, it expected these countries to be better positioned than their counterparts to withstand potential capital outflows as a result of higher interest rates globally. Also, it noted that many EM economies have currently worse fiscal metrics than during previous tightening cycles. It said that authorities in EM countries have provided unprecedented support to help their economies recover from the COVID-19 pandemic, which has significantly raised their public debt levels. But it pointed out that the share of the public debt in foreign currency has declined in most EM economies in recent years, which mitigates in part the impact of higher U.S. interest rates on debt servicing costs.

Further, S&P noted that higher U.S. rates will have a lower impact on EM countries with strong external and fiscal positions, while economies with elevated external financing needs will be more vulnerable to tighter monetary policy. Also, it anticipated that the impact of higher U.S. interest rates on the economic performance of EM countries will depend on several other factors, such as the policy response of governments and central banks in EM countries.

Source: S&P Global Ratings

EGYPT

Growth to accelerate to 5.5% in FY2021/22, challenges remain

Deutsche Bank indicated that the Egyptian economy is recovering from the fallout of the COVID-19 outbreak, and projected real GDP growth to accelerate from 3.3% in the fiscal year that ended in June 2021 to 5.5% in FY2021/22. It attributed the economic recovery to the ongoing public investments in the country's transportation system, as well as to the pickup of activity in the information & communications technology and telecommunications sectors. It also expected that the recovery in the tourism sector and the increase in private demand and in exports would support activity in the coming quarters. Further, it considered that there are uncertainties about the inflation rate in the near term, given the sustained supply-side disruptions, and anticipated rising energy and commodity prices to fuel price pressures amid the rapid spread of the Omicron variant. As such, it forecast the inflation rate to rise from 5.2% in FY2020/21 to 7% in at FY2021/22, but to remain within the government's target range of 5% to 9% in the near term.

In parallel, it anticipated public spending to stay elevated in FY2021/22, given the government's strategy to improve infrastructure and boost investments. It projected the fiscal deficit at 7.1% of GDP in the current fiscal year and to narrow to 6.5% of GDP in FY2022/23, amid higher growth prospects and a lower public debt burden. It added that the government aims to reduce the public debt level to less than 90% of GDP by the end of June 2022 and to 82.5% of GDP by end-2025, supported by tax reforms and primary fiscal surpluses. Further, it expected that the ongoing recovery in the tourism sector, the rebound in remittance inflows, the improvement in Suez Canal receipts, as well as higher net energy exports, to support Egypt's external balance. As such, it projected the current account deficit to narrow form 4.6% of GDP in FY2020/21 to 4.1% of GDP in FY2021/22. However, it anticipated that further supply disruptions from the pandemic, higher global commodity and energy prices, lower tourism receipts from possible travel restrictions, as well as an increase in imports, would weigh on the country's external balance.

Source: Deutsche Bank

PAKISTAN

Economy to grow by 4% in FY2021/22, downside risks significant

The International Monetary Fund indicated that the Pakistani economy started to strongly recover from the fallout of the COVID-19 outbreak in the summer of 2020, supported by the authorities' effective economic and financial policy efforts. It projected real GDP growth at 4% in the fiscal year that ends in June 2022, nearly unchanged from a growth rate of 3.9% in FY2020/21. It considered that the outlook is subject to downside risks that include renewed episodes of the pandemic, tighter global financial conditions, a rise in geopolitical tensions, as well as delayed implementation of structural reforms. It encouraged authorities to step up efforts to boost economic productivity, increase investments, and support private sector development, as well as to address the challenges that climate change imposes on the economy, in order to improve the medium term outlook.

In parallel, the IMF indicated the authorities took important measures to strengthen fiscal policy and to put public finances on a sounder footing. It projected the fiscal deficit to narrow from 7.1% of GDP in FY2020/21 to 6.9% of GDP in FY2021/22, and forecast the public debt level to decline from 83.6% of GDP at end-June 2021 to 82% of GDP at end-2022. It expected that the authorities' management of expenditures and their mobilization of revenues will create space for spending on infrastructure and social protection. It anticipated that broader reforms in tax administration and public financial and debt management would further improve the fiscal framework. Also, it called on authorities to advance reforms in the electricity sector in order to restore the sector's financial viability and address adverse spillovers on the budget, the financial sector, and on the real economy.

Further, it projected Pakistan's current account deficit to widen from 0.6% of GDP in FY2020/21 to 4% in FY2021/22, and forecast foreign currency reserves to rise form $17.3bn at the end of June 2021 to $21.2bn at end-2022. It expected that a market-determined exchange rate and a prudent macroeconomic policy mix will help narrow the current account deficit, rebuild foreign currency reserves and ease external pressures over the medium term.

Source: Deutsche Bank

KUWAIT

Sovereign ratings downgraded on prolonged impasse over debt law

Fitch Ratings downgraded Kuwait's long-term local and foreign currency issuer default rating from 'AA' to 'AA-', and revised the outlook on the ratings from 'negative' to 'stable'. It attributed the downgrade of the ratings to ongoing political constraints on decision-making that have delayed reforms to address the economy's heavy dependence on the oil sector, as well as to the generous subsidies and facilities that the state provides to the large public sector. It also pointed out that authorities have not stepped up efforts to implement fiscal adjustments in order to mitigate the volatility in global oil prices, and considered that the outlook for reforms is weak. Still, the agency expected that the government and Parliament will agree on a debt law in 2022, despite the uncertainties about reaching an agreement. It forecast the public debt level to rise from 10% of GDP currently to about 50% of GDP over the medium term, following the approval of the debt law. It added that the government would still be able to meet its financing obligations even without the approval of the debt law, and cautioned that higher oil exports receipts have relieved some immediate pressure on public finances and could slow down the authorities' decision-making process. In parallel, Fitch indicated that it could downgrade the ratings in case the General Reserve Fund is depleted in the absence of a new debt law or if authorities do not pass legislation permitting access to the Future Generations Fund, and/or if the country's fiscal and external balances significantly deteriorate.

Source: Fitch Ratings

UAE

New corporate income tax to go into effect in second half of 2023

Bank of America indicated that the United Arab Emirates' (UAE) plan to introduce a new corporate income tax starting in the second half of 2023 would increase fiscal revenues by AED28bn, or $7.8bn, and reduce non-oil real GDP growth by 0.4 percentage point in 2023. It considered the decision to be a further step towards the diversification of the economy and the country's willingness to reduce its reliance on the oil sector. It pointed out that the expected tax receipts will represent 5.3% of consolidated public revenues and anticipated that the federal government will retain a share of the tax inflows. It noted that the additional tax receipts would support in part the fiscal balance of the Emirate of Dubai, in line with its budget targets for 2024, and the public finances of the Emirate of Sharjah, given that the latter remains at risk of a ratings downgrade to non-investment grade status. Further, it said that the new tax rate will be 9% on firms with taxable income above AED375,000 for the financial years starting on or after June 1, 2023. It noted that companies involved in the hydrocarbon sector will remain subject to emirate-level corporate taxation rather than to the new tax regime. It added that large multinational firms that have revenues in excess of AED3.15bn per year may face different corporate income tax rates in the context of the global minimum effective tax rate, while businesses in free-zone areas will be exempt from the new tax. Also, it considered that the corporate income tax is likely to weigh on the income of companies in the UAE and hamper the recovery of many sectors that have been affected by the pandemic, despite their strong recovery since the second half of 2021.

Source: Bank of America

ETHIOPIA

Sovereign ratings affirmed, reflect risk of default

Fitch Ratings affirmed Ethiopia's short- and long-term local and foreign currency issuer default rating at 'C' and 'CCC', respectively. It indicated that the ratings reflect the risk of a default that may result from the government's participation in the Group of 20 "Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative" (G20 CF), given that the country's engagement with the G20 CF will impose comparable treatment for official and private creditors. It indicated that Ethiopia's G20 CF process has stalled, and that the delay could be due in part to disagreements among Ethiopia's bilateral creditors and to the country's ongoing civil conflict. Further, the agency said that the ratings reflect the low level of foreign currency reserves, increasing gross external financing needs, and delays in securing additional sources of external financing. It anticipated that a wider current account deficit will increase the country's gross external financing requirements over the next two years. Still, it expected the privatization of government assets to provide Ethiopia with an additional $1bn to $1.5bn in external receipts, in case the process is not delayed. In parallel, Fitch indicated that it could downgrade the ratings in case engagement in the G20 CF leads to comparable treatment for private sector creditors, which is consistent with a default under Fitch's criteria; and/or if external financing gaps emerge and foreign currency reserves decline, which would increase the risk of default irrespective of the G20 CF. However, it noted that it would upgrade the ratings in case the G20 CF does not lead to a sovereign default on debt owed to private creditors, and/or if the current account narrows and foreign currency reserves increase.

Source: Fitch Ratings

DEM REP CONGO

Sovereign ratings upgraded on moderating external imbalances

S&P Global ratings upgraded the Democratic Republic of the Congo's (DRC's) short- and long-term foreign and local currency sovereign credit ratings from 'C' and 'CCC+' to 'B' and 'B-', respectively, and revised the outlook on the long-term ratings from 'positive' to 'stable'. It attributed its rating action to the country's moderating external imbalances, as foreign currency reserves increased from less than $800m at the end of 2020 to an estimated $3.5bn at end-2021, supported by higher global prices for copper and cobalt, as well as by financing from the International Monetary Fund. Further, the agency expected the government's planned structural reforms and the recently approved program with the IMF to boost the country's economic performance. As such, it forecast real GDP growth to average nearly 6.5% annually during the 2022-25 period compared to an expansion of 4% annually over the past five years. Still, it considered that the economy's heavy reliance on the mining sector constrains the DRC's sovereign ratings, as it exposes the economy to the volatility of commodity prices. In parallel, S&P indicated that it could downgrade the ratings in case of significant political instability, if the domestic security situation deteriorates, and/or in case of a protracted negative shock to commodity prices, given the economy's substantial reliance on the mining sector.

Source: S&P Global Ratings

BANKING

WORLD

Countries representing 90% of global GDP exploring Central Bank Digital Currencies

U.S.-based think tank The Atlantic Council indicated that 90 countries around the world, representing over 90% of global GDP, were exploring a Central Bank Digital Currency (CBDC) as at the end of 2021, compared to 35 countries in May 2020. It said a CBDC is the digital form of a country's fiat currency that is also a claim on the central bank. It noted that, instead of printing money, the central bank issues electronic coins or accounts that are backed by the full faith and credit of the government. It stated that nine countries, or 10% of the total, had fully launched a digital currency by the end of 2021, with the Bahamas being the first nation to reach wide distribution and Nigeria the latest country to launch a CBDC, the first outside the Caribbean. It added that 16% of countries, including China, South Korea and Sweden, are at the pilot stage of a CBDC, 17% of countries are at the development stage, 9% are currently inactive, and 2% canceled their project. It noted that the U.S. Federal Reserve is trailing the European Central Bank, the Bank of Japan and the Bank of England, among the four largest central banks in the world, in terms of developing a CBDC, as the U.S. central bank has not committed to a digital currency test project. It considered that CBDCs were largely a theoretical concept before the outbreak of the COVID-19 pandemic. But it noted that, with the need to distribute unprecedented monetary and fiscal stimulus around the world, combined with the rise of cryptocurrencies, central banks have realized the need to be proactive in terms of digital money.

Source: The Atlantic Council

SAUDI ARABIA

Banks to benefit from higher oil prices and rising interest rates

Goldman Sachs indicated that loans at banks in Saudi Arabia increased by 16% in 2021, driven by a surge of 40% in mortgage lending, a rise of 16% in consumer loans and an uptick of 8% in corporate lending. It noted that lending grew by 2.5% in the fourth quarter of 2021 from the preceding quarter, due to an increase in lending to the finance sector by 8%, to the agriculture sector by 5%, and to the commerce, public and utilities segments by 4% each. It also said that short- and medium-term loans grew by 0.6% and 3.3% in December 2021, respectively, while long-term loans contracted by 0.4%. It estimated the recovery in corporate loans in December 2021 to support the growth in short-term lending. Further, it pointed out that deposits rose by 8% in 2021 and by 1.6% in December 2021. Also, it said that the loans-to-deposits ratio at Saudi banks regressed by 6.2 percentage points from 97.9% in 2020 to 91.7% in 2021. In parallel, it indicated that the aggregate profits of Saudi banks before "zakat" and taxes totaled SAR53.87bn, or $14.36bn in 2021, constituting an increase of 39.2% from SAR38.7bn ($10.32bn) in 2020. Further, it expected the earnings of Saudi banks to rise in the near term as it projected corporate lending growth to benefit from new projects and a pick up in economic activity amid higher global oil prices. It also anticipated the growth of mortgages and of consumer credit to remain robust and to be the key driver of lending growth in the near to medium terms, and estimated that the upcoming increase in global interest rates will benefit Saudi banks.

Source: Goldman Sachs

NIGERIA

Outlook on banking sector revised to stable on pickup in economic activity

Moody's Investors Service revised the outlook on Nigeria's banking sector from 'negative' to 'stable'. It attributed the outlook revision to expectations of stronger economic activity in the country in the coming 18 months, which will boost the banks' business volumes and earnings and will help protect the loans portfolio from further deterioration in asset quality. It also noted that the 'stable' outlook takes into account the government's high probability of providing support to Nigerian banks in case of need. It expected the non-performing loans ratio to stabilize at 5% to 7% in the near term, as it anticipated debt repayments from companies in the hydrocarbon sector to pick up due to high oil prices, with loans to the oil sector accounting for 26% of total loans. It indicated that the banks' heavy exposure to foreign currency loans will weigh on their asset quality, given that foreign currency loans expose borrowers to foreign exchange volatility. It added that asset quality risks could arise when authorities lift forbearance measures, but expected sound loans quality at banks to mitigate unexpected loan losses. In parallel, it considered that the banks' solid capital buffers and the ongoing implementation of Basel III capital standards will improve the banks' capital ratios and risk management. It expected high revenues from increased yields on government bonds and a slowdown in provisioning to support the banks' profitability. Further, it noted that the proportion of liquid assets to tangible assets of rated banks stood at 50% at end-June 2021, which constitutes ample liquidity buffers.

Source: Moody's Investors Service

MOROCCO

Banking sector has negative outlook

Moody's Investors Service indicated that the 'negative' outlook on Morocco's banking sector reflects the government's reduced capacity to provide support to local banks in case of need. It considered that the re-imposition of some social restrictions in response to rising cases of the Omicron variant since late 2021 will weigh on the repayment capacity of borrowers, mainly from the tourism and trade sectors. It noted that the Moroccan banks' high credit concentrations in Sub-Saharan African countries, and the authorities' withdrawal of regulatory forbearance measures, will contribute to the deterioration in their asset quality. It added that the banks' sophisticated risk management and the benefits of the monetary union in francophone West Africa will help reduce risks for banks from non-performing loans (NPLs) in those markets. It pointed out that loan-loss reserves stood at 96% of the rated banks' NPLs in June 2021, which will help them mitigate the risk arising from a small increase in problem loans. It added that the net loans-to-deposits ratio reached 84% in June 2021, which shows that Moroccan banks do not rely on market funding to finance their lending. In parallel, it forecast the banks' tangible common equity to risk weighted assets ratio at 7.5% to 8% in the near term, compared to a ratio of 13.4% for other rated banks in the Middle East and North Africa region. It expected the banks' profitability to be stable in the near term, driven by adequate net interest income from lending activity. Further, it indicated that a solid, low-cost and diversified domestic deposit base will support the banks' funding position.

Source: Moody's Investors Service

Oil prices to average $77 p/b in first quarter of 2022

ICE Brent crude oil front-month prices averaged $85.6 per barrel (p/b) in January 2022, constituting an increase of 14.4% from an average of $74.8 p/b in December 2021 and a surge of 35.5% from $55.2 p/b in January 2021. The rise in prices was mainly driven by strong global demand for oil and by supply disruptions. Also, oil prices averaged $91.21 on January 31, 2022, amid growing concerns about increased geopolitical tensions in Eastern Europe between Russia and the United States. Further, in its meeting held on February 2, 2022, the OPEC+ coalition agreed to raise oil output by 400,000 barrels per day (b/d) in March 2022 as part of the process of unwinding supply cuts of 10 million b/d that they implemented in April 2020, given that oil prices are trading at near record highs. The OPEC+ coalition has faced pressure from the U.S. and India, the world's biggest consumers of oil, to increase oil production in order to reduce prices and help the global economy to recover from the impact of the COVID-19 pandemic. Moreover, the OPEC+ Joint Technical Committee forecast global oil demand at 4.2 million b/d in 2022 and expected the oil production surplus at 1.3 million b/d this year. In parallel, Goldman Sachs considered that additional releases from the U.S. Strategic Petroleum Reserve, potential progress of the negotiations on the Iran nuclear deal, and a buildup in inventories could lead to oil price volatility in the near term. Further, Standard Chartered Bank projected oil prices to average $77 p/b in the first quarter and $68 p/b in the second quarter of 2022.

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

Saudi Arabia's oil exports receipts up 113% to $21.7bn in November

Total oil exports from Saudi Arabia amounted to 8.5 million barrels per day (b/d) in November 2021, constituting an increase of 3% from 8.3 million b/d in October and a rise of 14.6% from 7.4 million b/d in November 2020. Further, oil export receipts reached $21.7bn in November 2021, decreasing by 1.3% from $22bn in October 2021 and surging by 112.8% from $10.2bn in November 2020.

Source: JODI, General Authority for Statistics

Middle East's jewelry demand up 32% in fourth quarter of 2021

Demand for jewelry in the Middle East totaled 43.3 tons in the fourth quarter of 2021, constituting a rise of 31.7% from 32.9 tons in the same period of 2020 and accounted for 6.7% of global jewelry demand. Demand for jewelry in the UAE reached 10 tons in the covered period, representing 23% of the region's demand. Saudi Arabia followed with 9.4 tons (21.6%), then Iran with 7.1 tons (16.3%), Egypt with 6.8 tons (15.7%), and Kuwait with 3 tons (6.8%).

Source: World Gold Council, Byblos Research

Iraq's oil exports receipts at $8.3bn in January 2022

Preliminary figures show that the exports of crude oil from Iraq totaled 99.3 million barrels in January 2022 and decreased by 2.3% from 101.6 million barrels in December 2021. They averaged 3.2 million barrels per day (b/d) in January, compared to 3.3 million b/d in the previous month. Oil exports from the central and southern fields amounted to 96.4 million barrels in January, while shipments from the Kirkuk fields totaled 2.5 million barrels. Oil receipts stood at $8.3bn in January, up by 12% from $7.4bn in December 2021.

Source: Iraq Ministry of Oil, Byblos Research

Base Metals: Nickel prices to reach $20,475 per ton in first quarter 2022

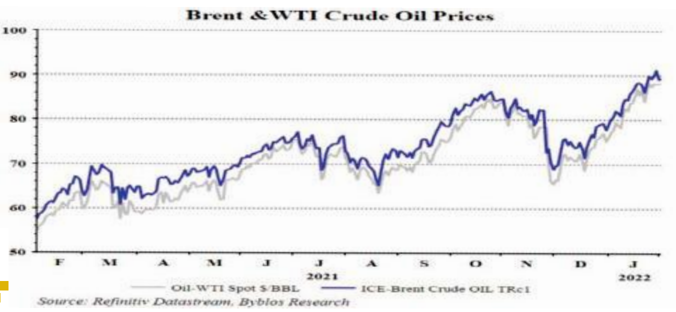
The LME cash prices of nickel averaged $18,459.4 per ton in 2021, constituting a surge of 33.7% from an average of $13,804.4 a ton in 2020. Prices averaged $17,544.7 per ton in the first quarter and declined to $17,354 a ton in the second quarter of 2021, as Chinese regulators threatened to take measures against speculators who are manipulating the market and against hoarders of the metal. In contrast, nickel prices increased to an average of $19,111 per ton in the third quarter and rose to $19,784 per ton in the fourth quarter. Also, prices peaked at $24,320 per ton on January 3, 2022, their highest level since May 13, 2014. The rise in prices was mainly driven by expectations of lower nickel inventories and by higher demand for the metal, mainly from producers of stainless steel that consume large quantities of nickel, and from the electric vehicles (EV) sector for the production of EV batteries. Also, increased buying of metals as a hedge against the global rise in inflation contributed to the increase in nickel prices. Further, Standard Chartered Bank forecast nickel prices to average $21,000 per ton in each of the first and second quarter, $20,200 per ton in the third quarter, and $19,700 per ton in the fourth quarter of 2022. As such, it projected nickel prices to average $20,475 per ton in 2022.

Source: Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,830 per ounce in first quarter of 2022

Gold prices averaged $1,816 per troy ounce in January 2022, constituting a decrease of 2.7% from an average of $1,867.3 an ounce in January 2021. Further, prices regressed from a high of $1,906 per ounce on May 31, 2021 to $1,809.2 an ounce on February 2, 2022. The decline in prices was due to expectations that the U.S. Federal Reserve could tighten its monetary policy earlier than expected. In parallel, global gold demand totaled 4,021.3 tons in 2021, down by 10% from 3,658.8 tons in 2020. The drop was due to a decrease in investments in exchange-traded funds, as inflows shifted to outflows, to a decline in jewelry consumption by 51.6%, and to a drop in demand for bars & coins by 31.2%, which was partly offset by a rise of 81.6% in net purchases by central banks and a pickup of 9.1% in demand from the technology sector. Jewelry consumption accounted for 52.8% of gold demand in 2021, followed by demand for bars & coins (29.4%), net purchases by central banks (11.5%), and demand from the technology sector (8.2%). Also, global gold supply decreased by a marginal 0.12% to 4,666.1 tons in 2021, with mine output representing 76.3% of the total. Further, Standard Chartered Bank expected the demand for gold to continue to decrease in 2022, driven by higher U.S. real bond yields and by global monetary policy tightening. Also, it forecast gold prices to average $1,830 per ounce in the first quarter and $1,780 an ounce in the second quarter of 2022.

Source: Source: World Gold Council, Standard Chartered Bank, 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+ Stable	B3 Stable	B- Stable	- -	CCC Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Stable	B+ Stable	B+ Stable	B+ Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa1 RfD***	CCC -	-	B+ Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B- Stable	B3 Negative	B- Negative	- -	BB- Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Stable	BB- Stable	- -	B+ Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	CCC Negative	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	Caa1 Stable	- -	- -	CCC Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Negative	BB+ Stable	- -	BBB Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B2 Stable	B Stable	- -	B- Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	CC Negative	-	-	-	-	-	-	-	-
Tunisia	- -	Caa1 Negative	B Negative	- -	B+ Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	B+ Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	B+ Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+ Stable	B2 Negative	B+ Stable	B+ Stable	B+ Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Negative	B- Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	CC+ Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	B+ Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Negative	A1 Stable	AA- Stable	A+ Stable	AA- 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+ Positive	Ba3 Negative	BB- Stable	BB Negative	BB- Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	A+ Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Stable	A1 Stable	A Negative	A+ Stable	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	C Stable	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	AA- 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	26-Jan-22	No change	N/A
Eurozone	Refi Rate	0.00	16-Dec-21	No change	03-Feb-22
UK	Bank Rate	0.5	02-Feb-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	18-Jan-22	No change	18-Mar-22
Australia	Cash Rate	0.10	01-Feb-22	No change	01-Mar-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	26-Jan-22	No change	02-Mar-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-Jan-22	Cut 10bps	21-Feb-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-Feb-22
Malaysia	O/N Policy Rate	1.75	20-Jan-22	No change	03-Mar-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	20-Jan-22	No change	17-Feb-22
South Africa	Repo Rate	4.00	27-Jan-22	Raised 25bps	24-Mar-22
Kenya	Central Bank Rate	7.00	26-Jan-22	No change	N/A
Nigeria	Monetary Policy Rate	11.50	25-Jan-22	No change	22-Mar-22
Ghana	Prime Rate	14.50	31-Jan-22	No change	28-Mar-22
Angola	Base Rate	20.00	28-Jan-22	No change	N/A
Mexico	Target Rate	5.50	16-Dec-21	Raised 50bps	10-Feb-22
Brazil	Selic Rate	10.75	02-Feb-22	Raised 150bps	N/A
Armenia	Refi Rate	8.00	01-Feb-22	Raised 25bps	15-Mar-22
Romania	Policy Rate	2.00	10-Jan-22	Raised 25bps	09-Feb-22
Bulgaria	Base Interest	0.00	28-Jan-22	No change	25-Feb-22
Kazakhstan	Repo Rate	9.75	24-Jan-22	Raised 50bps	09-Mar-22
Ukraine	Discount Rate	10.00	20-Jan-22	Raised 100bps	03-Mar-22
Russia	Refi Rate	8.50	17-Dec-21	Raised 100bps	11-Feb-22

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