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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Female empowerment varies across Arab world

The World Bank ranked the UAE in 77th place globally and in first place in the Arab world on its Women, Business and the Law Index for 2022. Saudi Arabia followed in 95th place, then Morocco (117th), Djibouti (139th), and Bahrain (148th), as the five highest ranked Arab economies where legislation empowers women the most. In contrast, Kuwait (185th), Qatar and Sudan (185th each), Yemen (189th), and the West Bank & Gaza (190th) are the five lowest ranked Arab countries in the survey. The index assesses how a country's legislation influences the equality of opportunities for women during different phases of their working lives and how this, in turn, affects female participation in the labor force. The index is an unweighted average of eight indicators that are Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets and Pension. The Arab region's average score stood at 50.9 points and increased from 49.4 points in the previous survey, but it remained significantly lower than the global average score of 76.6 points. The region's average score shows that legislation in Arab countries provides women with nearly 51% of the legal rights provided to men on the eight indicators. In addition, the UAE's legislation extends to women 82.5% of the legal rights that it gives men, followed by Saudi Arabia (80%), Morocco (75.6%), Djibouti (68%), and Bahrain (65%). In comparison, Belgium, Canada, Denmark, France, Greece, Iceland, Ireland, Latvia, Luxembourg, Portugal, and Spain are the only countries in the world that provide females with 100% of the legal rights that males have.

Source: World Bank, Byblos Research

Level of Internet freedoms varies across region

In its annual survey of Internet freedoms in 70 countries for 2021, non-profit organization Freedom House ranked Tunisia in 25th place globally and in first place among 11 Arab countries, followed by Morocco (35th), Lebanon (38th), Libya (42nd), and Jordan (45th) as the Arab countries with the highest level of Internet freedom. In contrast, Sudan (54th), Bahrain (57th), the UAE (61st), Egypt (63rd), and Saudi Arabia (65th) were the lowest ranked Arab countries. The survey measures the level of Internet and digital media freedoms across countries, and tracks any improvement or deterioration in Internet freedom conditions in each jurisdiction. It focuses on the transmission and exchange of news and other politically relevant communication, as well as on the protection of users' rights to privacy and freedom from legal and extralegal repercussions arising from their online activities. Further, It classifies each country's level of Internet freedom as "Free", "Partly Free", or "Not Free" based on each country's Freedom Rating. As such, Iraq, Jordan, Lebanon, Libya and Tunisia came in the "Partly Free" category, while Bahrain, Egypt, Saudi Arabia, Sudan and the UAE were classified in the "Not Free" category in the 2021 survey. The rankings of all Arab countries deteriorated from the 2020 survey; while the scores of three countries improved, those of six economies deteriorated, and the score of one country was unchanged from the previous survey.

Source: Freedom House, Byblos Research

GCC

Fixed income issuance down 60% to $14bn in first two months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $14.2bn in the first two months of 2022, constituting a decrease of 60% from $35.4bn in the same period of 2021. Fixed income issuance in the covered period consisted of $4.9bn in corporate bonds, or 34.5% of the total, followed by $4.5bn in corporate sukuk (31.7%), $4.3bn in sovereign sukuk (30.3%), and $0.5bn in sovereign bonds (3.5%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $9.4bn in the covered period, or 66.2% of fixed income issuance in the region; while aggregate issuance by GCC sovereigns reached $4.8bn, or 33.8% of the total. GCC sovereigns issued $4.8bn in bonds and sukuk in January 2022 and did not issue bonds in February 2022. In parallel, companies in the GCC issued $6.7bn in bonds and sukuk in January and $2.7bn in February of this year. Further, corporate issuance in February 2022 included $1.3bn in sukuk issued by firms in Saudi Arabia, $750m in sukuk and $392.7m in bonds issued by companies based in the UAE.

Source: KAMCO

QATAR

Venture capital funding up 92% to QR69m in 2021

Figures released by online platform Magnitt shows that venture capital (VC) funding in Qatar reached a record high of QR69m in 2021, or the equivalent of $19m, constituting a jump of 92% from QR36m ($9.9m) in 2020. VC investments in Qatar totaled QR17m in 2019, QR30m in 2018, and QR42m in 2017. Further, there were 24 VC deals in 2021, representing a decrease of 22.6% from 31 investments in 2020, and relative to 16 deals in 2019, 21 transactions in 2018, and 27 deals in 2017. In parallel, VC investments in transports and logistics companies amounted to QR18m and accounted for 26% of aggregate VC investments in Qatar in 2021, followed by fintech firms with QR12.8m (19%), companies in the food & beverage sector with QR11m (16%), home and services firms with QR5m (7%), retail companies with QR2m (3%), e-commerce firms with QR1.2m and social entrepreneurship and educational technology companies with QR1m each (2% each). Also, there were eight investments in the fintech sector, or 33.3% of the aggregate number of deals in 2021, followed by three deals in sports and fitness firms (12.5%), and two transactions each in e-commerce and enterprise software companies (8.3% each); while other sectors attracted the remaining nine deals (37.5% of the total).

Source: Magnitt, Byblos Research

POLITICAL RISK OVERVIEW - February 2022

ALGERIA

The National Liberation Front ruling party won the indirect elections for the Council of the Nation that took place on February 5, 2022. Further, President Abdelmadjid Tebboune dismissed two of his closest advisors, confirming rumors that they were vying for power around the president. Also, authorities arrested activists during the month and accused them of spreading false news. In addition, President Tebboune froze taxes on some consumer food products, citing the need to save the people from malnourishment linked to higher prices and food shortages. In parallel, authorities reopened Algeria's airspace to French military planes after a four-month closure, as diplomatic tensions with France receded.

ARMENIA

Armenia and Azerbaijan continued diplomatic engagement amid a decrease in the number of skirmishes between their armed forces. Prime Minister Nikol Pashinyan, Azerbaijani President Ilham Aliyev, French President Emmanuel Macron and the President of the European Council Charles Michel held a video conference on February 4, 2022 to exchange views on the solution to the existing humanitarian problems, the reduction of tensions on the Armenian-Azerbaijani border, the demarcation of disputed territories, as well as access of international organizations to the Nagorno-Karabakh province. In parallel, the special envoys of Armenia and Turkey met in Vienna on February 24, 2022 and reiterated their countries' commitment to normalize relations without any preconditions.

ETHIOPIA

The United Nations' Deputy Secretary-General Amina Mohammed completed a five-day visit to Ethiopia and said that the country is in a "much better place" to resolve the Tigray conflict. Mrs. Mohammed stressed the UN Secretary-General's call for a cessation of hostilities and for a path to peace in Ethiopia. Further, on February 15, 2022, the federal government lifted the state of emergency that it imposed in November 2021 as part of efforts to end the deadly war in the Tigray region.

IRAN

The U.S. Department of State waived sanctions on Iran's civilian nuclear program on February 4, 2022 in a technical step necessary to revive the 2015 Joint Comprehensive Plan of Action (JCPOA). The waivers allow foreign countries and companies to carry out non-proliferation work at Iran's nuclear power station without triggering U.S. sanctions. After the resumption of the eighth round of talks between Iran and world powers, Iran asked for a U.S. guarantee to not reimpose sanctions in the future. Also, after weeks of intensive talks, Iran's lead negotiator on the JCPOA said that world powers are close to revive the 2015 Iran nuclear deal. In parallel, South Korean officials held consultations with Iranian counterparts about Iran's frozen assets of $7bn in South Korea, which would be released when negotiators in Vienna reach an agreement to revive the JCPOA.

IRAQ

The Iraqi Parliament convened but did not elect a new president for the country, as it lacked the quorum to hold the session. The Kurdish Democratic Party, Sunni parties and the Sadrist Movement led by Shiite cleric Moqtada al-Sadr boycotted the parliamentary session, as the Federal Supreme Court of Iraq decided to suspend the candidacy of politician Hoshyar Zebari after a lawsuit filed against him over corruption charges. In parallel, on February 15, 2022, the Federal Supreme Court deemed an oil and gas law regulating the oil industry in Iraqi Kurdistan to be unconstitutional and asked Kurdish authorities to hand over their crude oil supplies. Turkey launched in early February a new military campaign against Kurdish militants in northern Iraq, constituting the most significant escalation of airstrikes since August 2021.

LIBYA

The Tobruk-based House of Representatives (HOR) appointed on February 10, 2022 former Minister of Internal Affairs Fathi Bashagha as Prime Minister-designate and tasked him to form a new government by late February. The HOR postponed national elections in order to agree on a new political roadmap to draft a new constitution. Further, PM Abdul Hamid Dbeibeh rejected the HOR's decision to appoint a new premier to head the country's transitional government and vowed to remain in his post until national elections are held. PM Dbeibeh announced on February 21, 2022 a multi-track plan that leads to parliamentary elections in June and to presidential election after the formation of a new parliament. On February 28, the HOR postponed the vote of confidence in Bashagha's proposed government, citing the need for more consultations on the Cabinet's line up.

SUDAN

The chairman of the Sovereign Council Abdel Fattah al-Burhan ordered various armed groups to leave the towns of the Darfur region and to make place for a new hybrid defense force made up of government and rebel troops that signed the landmark peace agreement in August 2020. In parallel, Sudan's leading pro-democracy group accused the United Nations of failing to safeguard the country's transition to democracy. The Sudanese groups that demonstrated against the military coup in October 2021 published a political charter that sets out key demands aiming to unify civilian parties. The charter lays out a two-year transition period under a prime minister appointed by the signatories of the document who would also serve as the head of state and military commander-in-chief until a transitional legislature ratifies a new constitution.

TUNISIA

On February 12, 2022, President Kais Saïed dissolved the High Judicial Council by decree, accusing it of being biased, corrupt and of working for special interests, and replaced it with an interim Supreme Judicial Council. In response, the Association of Tunisian Judges called on February 9, 2022 to protest against the president's move amid growing fears of a return to authoritarian rule. Further, President Saïed extended the country's state of emergency until the end of 2022. In parallel, President Saïed said that he will outlaw foreign funding for civil society organizations in order to stop foreign interference in the country.

TURKEY

Turkish security units continued their operations in the country against cells of the Islamic State (IS) terrorist group and detained more than 85 individuals for their affiliation to IS. Further, the detention of businessman and human rights advocate Osman Kavala remained a point of contention with Western allies, as the Committee of Ministers of the 47-nation Council of Europe referred the Kavala case to the European Court of Human Rights, which will determine whether Turkey is violating the European Convention on Human Rights by not releasing Kavala. In parallel, tensions persisted between Turkey and Greece in the eastern Mediterranean, as Ankara called on Greece to demilitarize islands in the Aegean sea that are close to Turkey's mainland.

YEMEN

The U.S. Department of the Treasury sanctioned on February 23, 2022 members of an international network that is allegedly financing Huthi rebels. In parallel, the UN Special Envoy of the Secretary-General for Yemen announced the development of a new framework with Yemeni parties for an inclusive political process. Also, the UN Security Council decided to renew for one year the arms embargo on Yemen, as well as the travel ban and asset freeze against those threatening peace in the country.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Higher oil prices to support external and fiscal buffers of hydrocarbon exporters in near term

Moody's Investors Service indicated that the Organization of Petroleum Exporting Countries Plus (OPEC+) alliance declined to accelerate its previously agreed schedule of gradual oil production increases, despite soaring global oil prices following Russia's invasion of Ukraine. As such, it noted that the price of oil jumped to more than $100 per barrel in early March, amid tight balances and supply uncertainties in the oil market, as well as rising geopolitical risks and sanctions on Russian entities. As such, it considered that the absence of additional oil output from the OPEC+ alliance increases upside risks to oil price assumptions.

The agency expected that higher oil prices will increase public revenues and export receipts of hydrocarbon-exporting sovereigns, which would allow the latter to repair their balance sheets and rebuild fiscal and external buffers that eroded during 2020. However, it anticipated that the credit profiles of most oil and gas exporters will remain constrained by the sovereigns' very high vulnerability to future declines in oil demand and prices, as well as by the longer-term economic and financial risks stemming from the global commitment to transitioning towards lower-carbon energy sources. Also, it did not expect elevated oil prices to be sustained for a protracted period of time because of the limited ability of economies globally to absorb higher oil prices without facing an economic slowdown. It anticipated that the consequent decline in global oil demand could catalyze and accelerate the reversal in oil prices.

Further, it considered that persistently high oil and gas prices could fast track the substitution to alternative energy sources, which would accelerate the global carbon transition and lead to a structural decline in hydrocarbon demand and prices. However, it noted that the precise nature and speed of the transition remain uncertain. It expected the carbon transition to expose all hydrocarbon-exporting sovereigns to long-term credit risks, especially those that have the heaviest economic, fiscal and external sector reliance on the hydrocarbon sector. As such, it considered that higher oil prices in the near term offer fiscal space for governments to implement structural reforms and an opportunity to direct public sector resources towards projects that could transform over the next two decades the economic models of the sovereigns that heavily rely on the hydrocarbon sector.

Source: Moody's Investors Service

EMERGING MARKETS

Higher oil prices could reduce nominal GDP by 1% to 3.6% in 2022

S&P Global Ratings projected the nominal GDP of 10 oil importing economies in emerging markets (EM) to decrease by 0.3% to 1.2% in 2022, in case oil prices rise by 20% to an average of $85 per barrel (p/b) this year, and to contract by 0.7% to 2.4% this year in a scenario where energy prices increase by 40% and average $100 p/b in 2022. Further, it estimated that nominal GDP could shrink by 1% to 3.6% in 2022 in the 10 economies, in case oil prices rise by 60% to $115 p/b this year. It assessed the impact of higher global oil prices on the nominal GDP of Argentina, Chile, China, India, Mexico, the Philippines, Poland, South Africa, Thailand and Turkey. It noted that its scenarios do not take into account "demand destruction", or the decline in the demand for oil as a result of higher oil prices. Also, it assumes that the OPEC+ alliance or other oil producers will not increase their production in response to the crisis.

In parallel, the agency expected domestic retail gasoline prices to rise by an average of 40% in 2022 in case global oil prices remain at about $100 p/b for the rest of the year, which will result in higher inflation rates in EMs. It added that Russia is a key global producer of some commodities, such as palladium and nickel, which could negatively affect industrial production supply chains and producer prices in EMs. Still, it did not expect inflation rates to surge in EM economies, as global food prices do not affect food prices in EMs, given that the increase of food prices in EMs tends to be driven by domestic factors like adverse weather or diseases.

Further, S&P indicated that EM governments may choose to increase social spending, reduce energy taxes, or put in place energy subsidies to offset the impact of higher commodity prices on inflation rates, purchasing power and growth, which could result in the deterioration of fiscal dynamics in these economies.

Source: S&P Global Ratings

SAUDI ARABIA

Rise in oil prices to yield additional revenues of $100bn in next three years

Goldman Sachs expected the surge in global oil prices to result in a record-high level of public revenues for Saudi Arabia in 2022 and forecast the fiscal surplus at 10% of GDP this year, amid the authorities' fiscal reforms that have strengthened the government's non-oil revenues in recent years. Also, it projected the Kingdom to accumulate nearly $100bn in "surplus" revenues over the next three years, based on expectations that the forward global prices of oil will average $90 per barrel (p/b) in the same timeframe. In addition, it expected the current account surplus to exceed 18% of GDP in 2022, its highest level since 2013, as it projected oil prices to average $95 p/b this year. It expected the improvement in the external balance to boost foreign currency reserves at the Saudi Central Bank, and to stabilize at about 80% the ratio of foreign currency reserves-to-money supply M2, which has been in steady decline since 2014.

In parallel, it considered that higher oil prices will significantly contribute to non-oil growth in Saudi Arabia in the near to medium terms. It noted that the budget for 2022 targets a decline in spending, but expected that higher oil revenues will result in some fiscal slippage and raised its spending projections for the medium term. It forecast public expenditures to increase by an additional four percentage points of GDP on average per year in the next three years, which would provide a substantial boost to growth prospects. Also, it expected that a potential reduction in the value-added tax rate, higher off balance sheet spending, mainly through the Public Investment Fund, and an improvement in domestic liquidity conditions will support activity in the non-hydrocarbon sector in the near to medium terms. As such, it projected real GDP growth at 12.3% in 2022, up from a previous forecast of 11.4% for the year. It also, expected economic activity to expand by 3.7% and 2.9% in 2023 and 2024, respectively.

Source: Goldman Sachs

ECONOMY & TRADE

KUWAIT

Real GDP growth projected at 7% in 2022

The National Bank of Kuwait projected Kuwait's real GDP to grow by 7% in 2022 following an expansion of 0.9% in 2021, as it forecast activity in the non-hydrocarbon sector to expand by 3.8% this year, supported by stronger activity in the real estate and construction sectors, as well as by robust consumer demand and the government's expansionary fiscal stance in line with Vision 2035. Also, it anticipated real hydrocarbon GDP to expand by 9.8% in 2022 relative to a contraction of 1% last year, in case of smaller oil production cuts under the OPEC+ agreement. Further, it expected the inflation rate to moderate from an average of 3.4% in 2021 to about 3% in 2022, supported by favorable base effects and in case of slower consumer spending growth. In parallel, it projected the fiscal deficit to narrow from 9% of GDP in the fiscal year that ended in March 2021 to 1.8% of GDP in FY2021/22, due mainly to the surge in oil receipts and the rebound in oil production, and forecast the debt level at 6.2% of GDP at the end of March 2022. It noted that higher oil prices have eased deficit-financing pressures, but anticipated the financing of the fiscal deficit to be challenging for authorities in the long term in the absence of parliamentary approval for the debt law. Further, it projected the current account surplus to increase from 26.1% of GDP in 2021 to 28.6% of GDP in 2022 despite lower investment income, supported by higher export receipts and a deceleration of remittance outflows.

Source: National Bank of Kuwait

RUSSIA

Agencies downgrade ratings on expectations of sovereign default

S&P Global Ratings downgraded Russia's short and long-term foreign and local currency sovereign credit ratings from 'B/BB+' and 'A-3/'BBB-', respectively, to 'C/CCC-'. It said that the long-term currency ratings are nine notches below investment grade. It also revised from 'BBB-' to 'CCC-' the country's transfer and convertibility assessment. It attributed the downgrades to the capital control measures that authorities imposed to shield the Russian ruble from the impact of severe economic sanctions and to preserve the remaining useable foreign currency reserve buffers. It pointed out that the available foreign currency reserves have declined by about 50%, which has significantly weakened Russia's external liquidity. It also said that the sanctions imposed restrictions that deny or significantly diminish the Russian banking system's access to the global financial system, markets, and infrastructure. In parallel, Fitch Ratings downgraded Russia's long-term local and foreign currency issuer default ratings from 'B+' and 'B', respectively, to 'C', or nine notches below investment grade. The agency attributed the downgrades to its expectations that a sovereign default is imminent, and to significant concerns about the country's willingness to service its debt obligations. It also downgraded Russia's Country Ceiling from 'B' to 'B-', as it anticipated the recent imposition of capital controls to impede the transfer and convertibility of foreign currency. In addition, Moody's Investors Service downgraded Russia's long-term local- and foreign-currency issuer, as well as the country's senior unsecured local- and foreign-currency debt ratings, from 'B3' to 'Ca', or 10 notches below investment grade, with a 'negative' outlook.

Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service

NIGERIA

Extending subsidies is credit negative for sovereign

Moody's Investors Service indicated that the Nigerian authorities' decision to postpone the lifting of subsidies on imported fuel is credit negative for the sovereign, because the costly subsidies are a key driver of the country's significantly wide fiscal deficits and have accelerated the deterioration in the government's public finances. It added that the announcement also reflects Nigeria's weak institutions and the authorities' limited capacity to implement ambitious reforms. It estimated that the cost of oil subsidies, which are foregone public revenues, reached 1.6% of GDP and nearly 25% of public receipts in 2021, while government revenues stood at only 6.8% of GDP last year. Also, it noted that oil receipts have historically absorbed more than 50% of Nigeria's annual public revenues, but pointed out that the rising cost of subsidies is increasingly limiting the recovery of public receipts amid higher global oil prices. It considered that forgoing revenues is detrimental to Nigeria's public finances and fiscal consolidation efforts. As such, it anticipated that the government's balance sheet will remain exposed to the volatility in oil prices. In parallel, the agency expected that the lifting of oil subsidies will improve Nigeria's' fiscal position, but anticipated that it will result in higher inflation rates and weigh on the purchasing power of the most vulnerable segments of the population. As such, it expected that authorities will eventually lift oil subsidies very gradually. It anticipated that higher oil production at the Dangote refinery starting in 2023 will help the gradual transition to phasing out the subsidies, given that the project will drastically reduce imports of refined petroleum products.

Source: Moody's Investors Service

MOROCCO

Growth to decelerate to 3% in 2022

The International Monetary Fund (IMF) expected the economic recovery in Morocco to moderate in 2022. It projected real GDP growth to decelerate from 6.3% in 2021 to 3.1% in 2022, as the successful vaccination campaign contains the health impact of the Omicron wave, and in case agricultural output normalizes, the tourism sector recovers slowly, and if the authorities' fiscal and monetary policies stances remain accommodative. It anticipated that private consumption will be the main driver of growth, and private-sector investments to rebound more slowly. It expected that greater-than-anticipated inflationary pressures from persistent supply-demand mismatches and rising commodity prices could force a faster tightening of monetary policy globally, which could weigh on Morocco's trade balance. In parallel, the IMF projected the fiscal deficit to narrow from 6.8% of GDP in 2021 to 6.3% of GDP in 2022, in line with the authorities' target in the 2022 budget and in case of higher tax revenues. It forecast the fiscal deficit to gradually narrow over the medium term, and for the public debt level to rise in the next few years before stabilizing at 80% of GDP by 2024. It anticipated fiscal slippages and/or the realization of contingent liabilities on the balance sheet of the government to raise the latter's gross financing needs. Further, it projected the current account deficit to widen from 3% of GDP in 2021 to 3.2% in 2022, despite the recovery in tourism receipts. It indicated that Morocco emerged from the coronavirus crisis with a strong international reserve position and forecast gross foreign currency reserves to rise from $35.4bn at the end of 2021 to 38.1bn at end-2022.

Source: International Monetary Fund

BANKING

IRAQ

Central Bank identifies strategic projects underway

The Central Bank of Iraq (CBI) identified several strategic projects in progress to support and develop the Iraqi banking sector. First, it said that it will insure deposit accounts for up to IQD150m. Second, it stated that it is implementing salary domiciliation, as it will transfer the salaries of four million public sector employees to bank accounts. Third, it said that it is licensing 17 payment service providers to initiate and organize electronic payments and tax collection, and it is implementing the National Switch system to ease retail electronic payments. Fourth, it noted that financial institutions are applying corporate governance according to the guide issued by the CBI in collaboration with the International Finance Corporation. Fifth, it indicated that it is developing banking supervision in line with Basel II and Basel III recommendations, as well as with the International Financial Reporting Standards, and the recommendations of the Accounting and Auditing Organization for Islamic Financial Institutions. Sixth, it noted that it is launching a credit bureau to cover financial institutions and billing agencies in the country. Seventh, it stated that it will secure IQD6 trillion to fund agricultural, industrial, real estate and housing projects, as well as small- and medium-sized enterprises to support economic growth, and it will introduce financial leasing activity. Eighth, it aims to reduce the number of exchanges from 2,000 to less than 1,000 companies through mergers, in order to improve compliance practices and efficient supervision. Ninth, it indicated that it implemented a platform to organize and supervise the issuance of letters of guarantees and facilitate their validation. In addition, it considered that the country and Iraqi-based financial institutions are fully compliant with the rules of the Financial Action Task Force for anti-money laundering and combating the financing of terrorism.

Source: Central Bank of Iraq

EGYPT

Capital adequacy ratio at 19.3%, NPLs ratio at 3.6% at end-September 2021

Figures issued by the Central Bank of Egypt (CBE) indicate that the banking sector's capital adequacy ratio stood at 19.3% at the end of September 2021 compared to 19% at the end of March and June 2021, and to 19.5% at the end of 2020. It added that banks' Tier One Capital ratio was 17.1% at the end of September 2021, unchanged from end-2020, while the sector's common equity-to-risk weighted assets ratio stood at 13.1% at end-September 2021, up by 0.5 percentage points from 12.6% at end-2020. It noted that banks' financial leverage was 6.7% at end-September 2021, regressing from 7.3% at end-2020. In addition, it said that the non-performing loans ratio (NPLs) at banks reached 3.6% of total loans at the end of September 2021, unchanged from the end of 2020. It added that banks' loan-loss provisions decreased from 96% of NPLs at end-2020 to 94% of NPLs at end-June and 92.8% of NPLs at end-September 2021. In addition, it indicated that loans extended to the private sectors accounted for 58.2% of lending to customers at the end of September 2021, down from 60% at the end of 2020.

Source: Central Bank of Egypt

UAE

Higher non-interest income and lower provisioning drive rise in profits of top banks in 2021

S&P Global Ratings expected banks in the United Arab Emirates to benefit from the U.S. Federal Reserve's upcoming increase in interest rates, which would trigger a similar response by the Central Bank of the UAE. It anticipated lending to accelerate in 2022 despite the expected increase in interest rates, due to the recovery in economic activity in the country. Also, it forecast a further increase in problem loans once authorities lift forbearance measures, but anticipated the deterioration in asset quality to remain manageable due to the improvement in the business environment. It considered that a rise in interest rates would marginally increase the cost of risk at banks amid the formation of new non-performing loans. Further, it projected the banks' profitability to improve in the near term and to reach pre-pandemic levels by 2023, supported by the expected increase in rates. It indicated that the banks' capital buffers will remain robust, as some banks have raised additional capital in the form of Tier One instruments in past years in order to benefit from the prevailing rates at the time. It estimated that banks will start paying dividends at pre-pandemic levels in 2022 as profitability improves. Also, it noted that the funding structure at UAE banks benefits from a strong core-customer deposit base and limited reliance on external funding. It expected the cost of funding to rise, as some deposits will migrate to interest-bearing products in a higher interest rate environment. In addition, it said that banks had ample liquidity on their balance sheet at the end of 2021, driven by the injection of liquidity of AED50bn from the UAE Central Bank and by the relaxation of regulatory liquidity ratios in the 2020-2021 period.

Source: S&P Global Ratings

BAHRAIN

Banks to benefit from rise in interest rates

S&P Global Ratings expected banks in Bahrain to benefit from the U.S. Federal Reserve's upcoming increase in interest rates, as it will lead in turn the Central Bank of Bahrain (CBB) to raise rates given the peg of the Bahraini dinar to the US dollar. It forecast a small increase in lending in 2022, driven by demand from the retail sector, but anticipated a slowdown in credit growth in the second half of the year due to a material rise in interest rates. Further, it expected the deterioration in the banks' asset quality to remain contained due to the recovery in economic activity. However, it indicated that fiscal consolidation measures, including a rise in the value-added tax rate starting on January 1, 2022, and the rationalization of social subsidies, will put pressure on retail borrowers' debt-repayment capacity. It expected the banks' cost of risk to increase when the CBB lifts support measures in June 2022, as banks are required to book additional provisions against exposures to companies in vulnerable sectors. Further, it projected the banks' profitability to keep improving in the near term and to reach pre-pandemic levels by 2023, supported by higher interest rates. It estimated that an increase in interest rates by 100 basis points would lead to a rise of 7.5% in the banks' net income. It noted that Bahraini banks benefit from strong capital positions, with a total capital adequacy ratio of nearly 18% in 2021. Also, it considered that banks will start paying dividends at pre-pandemic levels in 2022 as profitability improves.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $116 p/b in second quarter of 2022

ICE Brent crude oil front-month prices reached $128 per barrel (p/b) on March 8, 2022, their highest level since May 20, 2008, constituting an increase of 30.7% from $97.9 p/b following Russia's invasion of Ukraine on February 24, 2022, and a surge of 62% from $77.8 p/b at the end of 2021. The jump in oil prices is driven by rising geopolitical risks following Russia's invasion of Ukraine, as well as by prospects for a full embargo on Russian oil exports. Further, oil prices decreased to $111.4 p/b on March 9, 2022, a drop of 13.2% from the preceding day, driven by indications of possible progress by the U.S. in encouraging more oil production from other countries. In parallel, the U.S. Energy Information Administration (EIA) said that sanctions on Russia created significant market uncertainties about the potential for oil supply disruptions, against the backdrop of low oil inventories. In addition, Barclays Capital expected that oil prices could reach $200 p/b if most of the Russian sea-borne crude oil is disrupted due to the threat of secondary sanctions. Also, it indicated that if Kuwait, Saudi Arabia, and the UAE agree to increase their output by two million barrels per day (b/d) to 2.5 million b/d, it will help alleviate the sharp surge in prices in case of a material disruption in Russian supplies. It added that if there is a de-escalation in tensions between Russia and Ukraine, with a potential ceasefire and an indication of an agreement over contentious issues, prices could decline quickly to nearly $92 p/b in 2022. Further, the EIA projected Brent oil price to average $101.1 p/b in the first quarter, $116 p/b in the second quarter, $107 p/b in the third quarter and $97 p/b in the fourth quarter of 2022. As such, it forecast oil prices to average $105.2 p/b in 2022.

Source: EIA, Barclays Capital, Refinitiv, Byblos Research

Russia's crude oil production at 10.5 million b/d in 2021

The Oxford Institute for Energy Studies shows that Russia's crude oil production averaged 10.5 million barrels per day (b/d) in 2021, which represent 14% of global production. It indicated that Russia's oil exports averaged 4.27 million b/d last year, with exports to Europe reaching nearly 2.6 million b/d and accounting for 60% of total Russian oil exports, followed by Asia with 1.5 million b/d (35%), and North and Latin America with 0.2 million b/d (0.5%); while exports to the rest of the world accounted for the remaining 4.5%.

Source: The Oxford Institute for Energy Studies

Kuwait's oil exports up 7% in November 2021

Total oil exports from Kuwait reached 2.5 million barrels per day (b/d) in November 2021, constituting an increase of 7.1% from 2.36 million b/d in October and a rise of 15% from 2.2 million b/d in November 2020.

Source: JODI, Byblos Research

Algeria's oil exports down 34% in November 2021

Total oil exports from Algeria amounted to 557,000 barrels per day (b/d) in November 2021, constituting a decrease of 34.1% from 845,000 b/d in October and a rise of 0.72% from 553,000 b/d in November 2020.

Source: JODI, Byblos Research

Base Metals: Aluminum prices to average $4,500 per ton in second quarter of 2022

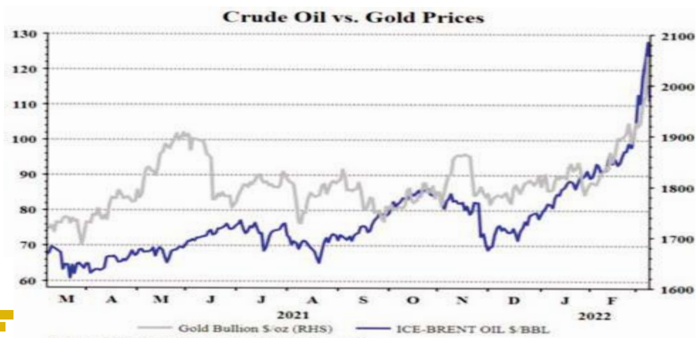
The LME cash price of aluminum averaged $3,189 per ton in the year-to-March 9, 2022 period, constituting a surge of 55% from an average of $2,058 a ton in the same period last year. The rise in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as well as by concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry. Further, prices reached an all-time high of $3,877.5 per ton on March 4 of this year due to supply disruptions from Russia, which is a major producer of the metal. In parallel, Bank of America (BofA) indicated that global trade restrictions to Russian exports, mainly through payments, are weighing on the metal's price, and added that Russia produces 6% of global aluminum output but exports 84% of its production. It added that restrictions of Russian commodity exports that could force importers to purchase raw material from other countries pose upside risks to the metal's price. Also, BofA forecast aluminum prices to average $3,505 per ton in the first quarter, $4,500 a ton in the second quarter, $5,000 per ton in the third quarter, and $4,500 a ton in the fourth quarter of 2022.

Source: Bank of America, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,950 per ounce in second quarter of 2022

Gold prices averaged $1,855.4 per troy ounce in the year-to-March 9, 2022 period, constituting an increase of 2% from an average of $1,820.8 an ounce in the same period of 2021 due to accelerating inflation rates, which led to higher investment demand for gold, given that investment in the metal is considered to be a hedge against inflation. Further, prices reached an all-time high of $2,056.1 per ounce on March 8 of this year, driven by Russian's military invasion of Ukraine, which reinforced the appeal of the metal as a safe haven amid the escalation of geopolitical tensions. In parallel, Standard Chartered Bank indicated that the exclusion of Russian banks from the SWIFT international payments system might affect the supply of gold, given that Russia is the world's third largest producer of the meta, with 7% of global gold output. It said that inflows into gold-backed exchange traded funds (ETF) exceeded 12 tons at the end of February, after a surge in ETF interests following Russia's invasion of Ukraine. In addition, Bank of America noted that geopolitical risks pose upward pressures on gold prices. It projected gold prices to average $1,900 per troy ounce in the first quarter, $1,950 an ounce in the second quarter, $2,000 per ounce in the third quarter, and $2,100 per troy ounce in the fourth quarter of 2022.

Source: Standard Chartered Bank, Bank of America, 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	B-	B3	B-	-	CCC								
	Stable	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-	Caa1	B-	-	BB-								
	Stable	Stable	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	B-	Caa1	-	-	CCC								
Congo	Stable	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	Stable	-	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	Stable	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	C CWN***	Ca Negative	C -	- -	BBB- Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+ Negative	B2 Negative	B+ Negative	B+ Stable	B- Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD	CCC -	- -	B- Stable	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
***Review for Downgrade*
**** CreditWatch with negative implications*
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	10-Feb-22	No change	14-Apr-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-Mar-22	No change	N/A
New Zealand	Cash Rate	1.00	23-Feb-22	Raised 25bps	03-May-22
Switzerland	SNB Policy Rate	-0.75	16-Dec-21	No change	24-Mar-22
Canada	Overnight rate	0.25	02-Mar-22	Raised 25bps	13-Apr-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	21-Feb-22	No change	21-Mar-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	24-Feb-22	No change	14-Apr-22
Malaysia	O/N Policy Rate	1.75	03-Mar-22	No change	11-Apr-22
Thailand	1D Repo	0.50	09-Feb-22	No change	30-Mar-22
India	Reverse repo Rate	3.35	09-Feb-22	No change	N/A
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	03-Feb-22	No change	24-Mar-22
Jordan	CBJ Main Rate	2.50	01-Sep-21	Cut 100bps	N/A
Turkey	Repo Rate	14.00	17-Feb-22	No change	17-Mar-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	29-Mar-22
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	28-Mar-22
Mexico	Target Rate	6.00	10-Feb-22	Raised 50bps	24-Mar-22
Brazil	Selic Rate	10.75	02-Feb-22	Raised 150bps	16-Mar-22
Armenia	Refi Rate	8.00	01-Feb-22	Raised 25bps	15-Mar-22
Romania	Policy Rate	2.50	09-Feb-22	Raised 50bps	05-Apr-22
Bulgaria	Base Interest	0.00	25-Feb-22	No change	25-Mar-22
Kazakhstan	Repo Rate	9.75	09-Mar-22	No change	25-Apr-22
Ukraine	Discount Rate	10.00	03-Mar-22	Raised 100bps	14-Apr-22
Russia	Refi Rate	20.00	28-Feb-22	Raised 1,050bps	18-Mar-22

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