700 ISSUES+
Issue 713 | April 8, 2022

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# COUNTRY RISK WEEKLY BULLETIN

# NEWS HEADLINES

## WORLD

### Sovereigns to borrow $10.7 trillion from commercial sources in 2022

S&P Global Ratings projected the aggregate long-term sovereign borrowing from commercial sources by rated countries at $10.7 trillion (tn) in 2022, constituting a decrease of 13.7% from $12.4tn in 2021. It expected the Group of Seven (G7) countries that consist of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States to borrow $7.7tn and to account for 61.6% of total commercial long-term borrowing in 2022, followed by the Americas with $4.8tn (38.3%), the Asia-Pacific region with $3.8tn (30.6%), developed countries in Europe, the Middle East & Africa (EMEA) region with $1.6tn (13%), and emerging economies in the EMEA region with $539.6bn (4.3%). It said that $7.3tn, or about 68.5% of total sovereign borrowing, will refinance maturing long-term debt, which would result in net borrowing requirements of $3.4tn in 2022. In parallel, S&P forecast the total sovereign commercial debt stock of rated countries to reach $66.5tn at the end of 2022, which would consist of $7.6tn in short-term debt and $59tn in medium- and long-term debt. The G7 countries would account for 70% of the commercial debt stock at the end of 2022, followed by the Americas (41%), the Asia-Pacific region (31%), developed countries in EMEA (22.8%), and emerging economies in EMEA (5%). Further, the agency forecast gross long-term sovereign commercial borrowing to be equivalent to 10.9% of the aggregate GDP of all rated economies in 2022 relative to 13.4% of GDP in 2021, and projected the total commercial debt stock to be equivalent to 67.7% of aggregate GDP at the end of 2022.

*Source: S&P Global Ratings*

### Insurers' losses from natural catastrophes and man-made disasters up 20% to $119bn in 2021

Global reinsurer Swiss Re estimated the global economic losses from natural catastrophes and man-made disasters at $280bn in 2021, constituting an increase of 29% from $217bn in 2020, and compared to annual average losses of $204bn in the past 10 years. Economic losses include insured and uninsured catastrophe losses. Losses from natural catastrophes reached $270bn and represented 96.4% of overall losses in 2021, while those from man-made disasters reached $10bn and accounted for 3.6% of the total last year. Economic losses in North America amounted to $148.4bn and were equivalent to 0.6% of global GDP, followed by Europe with $59.1bn (0.24% of GDP), Asia with $58.5bn (0.16% of GDP), Latin America & the Caribbean (LAC) with $5.6bn (0.11% of GDP), Oceania & Australia with $4.5bn (0.24% of GDP), and Africa with $3.7bn (0.14% of GDP). In parallel, the losses of insurers from natural catastrophes and man-made disasters reached $119bn in 2021, up by 20.2% from $99bn in 2020, and accounted for 42.5% of total economic losses last year. Losses of insurers from natural catastrophes stood at $111bn, or 93.3% of insured losses in 2021, while those from man-made disasters reached $8bn (6.7%). The losses of insurers in North America reached $81.2bn in 2021, or 68.4% of the total, followed by losses in Europe with $22.1bn (18.6%), Asia with $9.6bn (8.1%), Africa and Oceania & Australia with $2.3bn each (2% each), and LAC with $0.9bn (0.8%).

*Source: Swiss Re*

## EMERGING MARKETS

### M&A activity down 31% to $198bn in first quarter of 2022

Figures released by Refinitiv indicate that merger and acquisition (M&A) activity in emerging markets totaled $198bn in the first quarter of 2022, constituting a decrease of 31% from nearly $287bn in the same period of 2021. It added that there were 3,614 deals in the covered period, down by 20% from nearly 4,518 transactions in the first quarter of the previous year. Further, M&A activity in the high technology sector amounted to $37.2bn in the first quarter of 2022 and accounted for 18.8% of the total, followed by M&As in the financial sector with $36bn (18%), the industrial sector with $24bn (12%), the energy & power sector with $20.8bn (10.5%), and the real estate sector with $16.3bn (8.2%), while M&A activity in other sectors totaled $63.7bn (32.2%). Also, there were 722 deals in the high technology sector or 20% of the aggregate number of transactions in the first quarter of 2022, followed by the industrial sector with 459 deals (13%), the financial sector with 448 transactions (12%), the energy & power sector with 306 deals (8%), and the real estate sector with 236 transactions (7%), while there were 1,443 deals in other sectors that accounted for 40% of the aggregate number of M&A transactions.

*Source: Refinitiv*

## MENA

### Stock markets up 14% in first quarter of 2022

Arab stock markets increased by 14% and Gulf Cooperation Council equity markets grew by 16.8% in the first quarter of 2022, relative to increases of 9.7% and 11.2%, respectively, in the same period of 2021. In comparison, global stocks regressed by 6% and emerging market equities decreased by 7% in the first quarter of 2022. Activity on the Abu Dhabi Securities Exchange rose by 17.2% in the first quarter of 2022, the Qatar Stock Exchange improved by 16.4%, the Saudi Stock Exchange yielded 16%, the Bahrain Bourse advanced by 15.4%, the Damascus Securities Exchange grew by 11.3%, the Dubai Financial Market appreciated by 10.3%, and the Khartoum Stock Exchange gained 9%. In addition, the Boursa Kuwait yielded 7.8%, the Iraq Stock Exchange increased by 7%, the Amman Stock Exchange expanded by 5.2%, the Beirut Stock Exchange advanced by 3.2%, the Muscat Securities Market improved by 1.8%, and the Palestine Exchange and the Tunis Bourse grew by 1% each in the covered period. In contrast, activity on the Egyptian Exchange declined by 6% in the first quarter of 2022 and the Casablanca Stock Exchange regressed by 4%.

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

# POLITICAL RISK OVERVIEW - March 2022

## ALGERIA

Algiers recalled its ambassador to Spain over Madrid's recent change of policy on the Western Sahara issue, as the Spanish Prime Minister Pedro Sánchez publicly supported the Moroccan plan for Western Sahara's autonomy, and announced that the government will review all agreements with Spain. In parallel, Algeria abstained from voting on the United Nations General Assembly's resolution that condemned the Russian invasion of Ukraine and that urged Moscow to withdraw its troops. The U.S. Deputy Secretary of State met with Algerian President Abdelmadjid Tebboune and discussed U.S. investments in the Algerian gas sector and possible U.S. sanctions against Algeria in case the latter continues to buy Russian weapons. The U.S. administration urged Algeria to reconsider its ties with Moscow and to improve relations with Morocco.

## ARMENIA

The Armenian parliament elected on March 3, 2022, Vahagn Khachaturyan as President of the Republic of Armenia for a seven-year term. The new president was sworn in on March 13 at a special session of the parliament that was boycotted by two opposition parties. During the inauguration, President Khachaturyan underscored the need for unity, confidence, and stability in order to build a new country in times of changing geopolitical developments. In addition, Prime Minister Nikol Pashinyan reiterated his request to his Azerbaijani counterpart to resume negotiations with Azerbaijan over the disputed Nagorno-Karabakh province. In parallel, the Armenian Minister of Foreign Affairs met with his Turkish counterpart in Antalya, and reaffirmed the two countries' commitment to establish diplomatic relations without preconditions, which could lead to the reopening of their borders to trade.

## EGYPT

The government banned the exports of key staple items for three months, imposed a price cap on unsubsidized bread and announced new incentives for domestic wheat producers to increase supply, amid the disruption of wheat imports as a result of the Russian invasion of Ukraine. Further, the Group of Seven ambassadors to Cairo jointly called on Egyptian President Abdel Fattah el-Sisi to vote in favor of the United Nations' resolution that condemns Russia's invasion of Ukraine and authorities complied with the request. Still, President el-Sisi and Russian President Vladimir Putin had a phone call to discuss bilateral cooperation, as Cairo signals that it is not ready to cut ties with Moscow.

## ETHIOPIA

The Ethiopian air force conducted two drone attacks near the Bahre-Negash resort and the airport in Shire city in the North Western Zone of the Tigray State. The federal government declared an "indefinite humanitarian truce effective immediately", with the aim to help facilitate the free flow of humanitarian aid to the Tigray State. Tigrayan authorities pledged to respect the ceasefire if the aid is speedily delivered to the region. In parallel, violence escalated in several other regions of the country.

## IRAN

Iran and the International Atomic Energy Agency agreed on a three-month plan that will resolve the long-stalled issue of radioactive materials found at undeclared territories in the country, which would be beneficial to reviving the 2015 Joint Comprehensive Plan of Action (JCPOA). Also, talks paused between Iran on one side, and China, France, Germany, Russia, and the United Kingdom on the other side on reviving the JCPOA, after Moscow demanded guarantees that Russian trade with Iran would not be affected by the Ukraine-related sanctions.

## IRAQ

On March 30, 2022, Iraqi legislators failed for the third time to elect a new President of the Republic due to the lack of a quorum. The Shiite Coordination Framework boycotted the last session, due to absence of an agreement on the government's formation with the Tripartite Alliance that includes the Sadrist Movement, the Sunni Sovereignty Alliance and the Kurdistan Democratic Party (KDP). In parallel, hundreds of protesters who support Iran-aligned groups attacked the headquarters of the KDP in Baghdad, after a former KDP parliamentary candidate criticized the top Shiite authority in the country. As a result, the KDP suspended its political activities in Baghdad.

## LIBYA

Former Libyan Interior Minister Fathi Bashagha was sworn in on March 3, 2022 as the country's new prime minister at the House of Representatives in Tobruk. But the Tripoli-based interim PM Abdul Hamid Dbeibeh condemned the "fraudulent vote" and refused to cede power. In addition, the United Nations warned the Security Council that the political polarization in Libya may lead to instability and could again divide the country's institutions. The PM-designate Fathi Bashagha banned the implementation of any decrees or instructions issued by the Dbeibeh-led Government of National Unity and accused the latter of seizing power and occupying the headquarters of public institutions in Tripoli.

## SUDAN

Thousands of demonstrators protested against soaring prices and poor living conditions in Khartoum and across country, which prompted clashes with the police and left nearly 200 persons injured. The U.S. Department of the Treasury imposed sanctions on Sudan's Central Reserve Police, as it accused the latter of using excessive force against peaceful protesters demonstrating against last October's military coup. In parallel, the African Union and the United Nations Integrated Transition Assistance Mission in Sudan announced a joint initiative with the regional trade bloc Intergovernmental Authority on Development to help safeguard the democratic transition in the country. The United Nations warned that the number of Sudanese that are facing acute hunger is likely to double to 18 million persons by September 2022 due to the economic crisis, conflict and poor harvests.

## TUNISIA

The political crisis escalated in Tunisia, as President Kais Saïed issued a decree on March 30, 2022 that dissolved the parliament. The president's decision came after the members of Parliament approved a bill against the president's exceptional measures and defied President Saïed in an online plenary session. In parallel, the president appointed on March 7 a new High Judicial Council to replace the previous council that he dissolved in February. In addition, thousands of demonstrators protested in the capital Tunis on March 13, 2022 to call for early legislative elections.

## YEMEN

The United Nations' Special Envoy of the Secretary-General for Yemen initiated on March 7, 2022 consultations with Yemeni political parties, excluding Huthi rebels, in Amman to focus on identifying the immediate and long-term political, security and economic priorities for the country. Also, the Gulf Cooperation Council countries proposed multiparty talks in Riyadh with the Huthi rebels, who said that they would welcome talks only in a neutral country as part of an initiative aimed at backing UN-led peace efforts. In addition, the Huthi rebels announced on March 26 a three-day ceasefire following cross-border attacks on Saudi Arabia. Also, the latter announced on March 29 that they would halt military operations, as the U.S. called for a truce during the month of Ramadan.

*Source: International Crisis Group, Newswires*

# OUTLOOK

## EMERGING MARKETS

### Growth to average 4.2% in 2022-24 period, risks to outlook on the downside

S&P Global Ratings projected real GDP growth in emerging markets (EMs) at 4% in 2022, as well as at 4.3% and 4.4% in 2023 and 2024, respectively. It considered that the recent surge in global commodity prices, including the prices of fertilizer, oil and wheat, as a result of the conflict in Ukraine, is the most important indirect channel that could affect the near-term growth prospects of EM economies. It anticipated that agricultural commodity prices will potentially rise further in the coming months, and expected several EM governments to try to shield households from the impact of higher food and energy costs. However, it indicated that fiscal space in many EM economies is more limited after two years of COVID-19-related budgetary support.

It projected real GDP in Emerging Asia to grow by 5.6% in 2022 and by 5.2% in 2023, for economic growth in Latin America to accelerate from 1.7% this year to 2.1% in 2023, and for real GDP in Emerging Europe, the Middle East & Africa region to contract by 1.3% in 2022 and to grow by 1.8% next year. Also, it forecast economic activity in EMs excluding China to expand by 3.3% in 2022 and by 3.7% in 2023.

S&P anticipated overall financing conditions in EMs to tighten in the near term amid rising inflation rates regionally and globally. In turn, it expected tighter financial conditions to hinder economic activity in EMs, as a result of the increase in borrowing costs for households and businesses. Further, it considered that a protracted Russia-Ukraine conflict constitutes a key downside risk for EM economies, as it would lead to higher-than-expected commodity prices for a longer timeframe. Also, it anticipated that a faster-than-anticipated monetary tightening from the U.S. Federal Reserve, and negative investor sentiment from the war in Ukraine, could lead to capital outflows from EMs and result in pressures on the latters' exchange rates.

*Source: S&P Global Ratings*

## SAUDI ARABIA

### Higher energy prices favor growth outlook

Bank of America (BofA) projected Saudi Arabia's real GDP growth to accelerate from 1.8% in 2021 to 7% in 2022 and to reach 2.7% in 2023, supported by the surge in global oil prices and by the mega projects that the Public Investment Fund (PIF) is implementing. It added that the authorities' medium-term fiscal adjustment relies on the strength of Saudi Aramco's balance sheet through sustained high transfers of dividends to the sovereign and to the PIF. It projected the assets of the PIF to reach $500bn by 2028, but considered that the Kingdom's ambitious investment plans may still require more funding.

In parallel, it indicated that the budgeted fiscal surplus for 2022 reflects the authorities' sustained consolidation efforts in recent years, as well as the surge in oil prices. It projected the fiscal breakeven oil price at about $70 per barrel (p/b) this year, down from $113 p/b in 2014. Also, it forecast the fiscal balance to shift from a marginal deficit of 0.2% of GDP in 2021 to surpluses of 12.2% of GDP in 2022 and 7.8% of GDP in 2023. In addition, it projected the public debt level to decline from 26.7% of GDP at the end of 2021 to 18.5% of GDP at the end of 2022 and to reach 17.4% of GDP by the end of 2023. It considered that the authorities' fiscal stance remains relatively prudent despite overspending in 2021, and expected that the rebound in oil prices will reduce the government's external financing needs. However, it anticipated that a possible reduction of Saudi Aramco's dividend distribution to the sovereign and the planned central government spending over the 2021-30 period will expose the Kingdom's public finances to the volatility of oil prices in case of a looser fiscal discipline. It considered that the authorities would need to step up fiscal adjustment efforts in case oil prices decline in the medium term.

Further, BofA projected the current account surplus to increase from 6.7% of GDP in 2021 to 20.3% of GDP in 2022 and to reach 16.2% of GDP in 2023 on the back of higher oil export receipts, and forecast international reserves at the Saudi Central Bank at $584bn at the end of 2022 and at $683bn by end-2023.

*Source: Bank of America*

## AFRICA

### Impact of higher commodity prices on external balances to outweigh tighter financial conditions

Goldman Sachs considered that the surge in global commodity prices, as well as the increase in global interest rates and the tighter financial conditions will have implications on the balance of payments of countries in Sub-Saharan Africa (SSA). It expected the terms of trade of the region to improve, on average, as a result of the rise in commodity prices, which will support the external balances of SSA economies, while it anticipated tighter global financing conditions to trigger capital outflows from emerging markets and upward pressure on domestic interest rates.

Also, it indicated that the impact of a rise in commodity prices is a lot more significant on SSA economies than the effect of an increase in global interest rates. It noted that most of the region's domestic financial markets have limited foreign investors' participation and are not deeply integrated in global markets, have a large share of concessional debt in their public debt that limits the pass-through effect from higher global interest rates to their debt servicing costs, and have "light" upcoming debt redemption schedules.

In parallel, Goldman Sachs said that the regional variations in the exposure of SSA countries to commodity prices and interest rates is significant. It anticipated the terms of trade of net oil-importing economies, such as Kenya, to deteriorate; while it expected the significant decline in the volumes of crude oils export of large oil producers, such as Angola and Nigeria, to partly offset the benefits from higher commodity prices. Also, it said that Ghana has a relatively high sensitivity to global interest rates, due to the relative integration of its capital markets with global financial markets, to the sizeable foreign participation in its domestic debt market, a smaller share than SSA peers of concessional debt, and more acute than peers fiscal pressures, given that the country has the highest debt service burden among SSA economies. As such, it expected SSA countries to benefit, on average, from the current positive terms of trade dynamics, with limited risks from tightening global financial conditions, which implies contained pressure on the exchange rates of the region's economies.

*Source: Goldman Sachs*

## GCC

### Agencies take rating actions on sovereigns

S&P Global Ratings upgraded Oman's long-term foreign and local currency sovereign credit ratings from 'B+' to 'BB-', three notches below investment grade, and revised the outlook on the long-term ratings from 'positive' to 'stable'. It indicated that the ratings upgrade reflects ongoing reforms, higher oil prices, as well as the government's elevated liquid assets. Also, it expected countries in the Gulf Cooperation Council (GCC) to provide timely support to Oman in case of need. It considered that the outlook balances the significant improvement in the government's balance sheet in the next three years against higher medium-term fiscal pressure. It forecast Oman's fiscal position to shift from a fiscal deficit of 2.2% of GDP in 2021 to a surplus of 5.7% of GDP in 2022, due to high revenues from the hydrocarbon sector. It estimated the public debt level to decline from 63% of GDP in 2021 to 50% of GDP in 2022, given that the government will repay a portion of its dues from the Petroleum Reserve Fund. Also, it expected the country's short-term external debt to decrease to 36.5% and 31.2% of such receipts in 2022 and 2023, respectively. In parallel, Fitch Ratings affirmed Bahrain's long-term foreign currency issuer default rating (IDR) at 'B+', with a 'stable' outlook on the rating. It indicated that the IDR is underpinned by strong financial support from GCC peers, high level of economic development and a robust macroeconomic outlook. But it pointed out that the country's weak public finances, high dependence of public revenues on oil receipts, and low foreign currency reserves are weighing on the rating

*Source: S&P Global Ratings, Fitch Ratings*

## ARMENIA

### Sovereign ratings affirmed, Outlook 'negative'

Moody's Investors Service affirmed the long-term local and foreign currency issuer ratings of Armenia at 'Ba3', and revised the outlook from 'stable' to 'negative' on the long-term ratings. Also, it maintained the local and foreign currency country ceilings at 'Baa2' and 'Ba1', respectively. It attributed the affirmation of the ratings to Armenia's institutions and governance strength that will support its economic resilience, and that will mitigate the impact of external shocks on its credit profile. Further, it added that the ratings are constrained by geopolitical risks, which weigh on domestic consumption and investments, and on the country's fiscal strength. In parallel, it said that the outlook revision reflects its expectations that the country's real GDP growth will decelerate to 1.8% in 2022 and to 3% in 2023 compared to previous forecasts of 5% and 5.5%, respectively, following Russia's invasion of Ukraine, given the economic links between Armenia and Russia. It expected remittance inflows from Russia to regress by 20% to 30% in 2022 due to the economic contraction in Russia and to the depreciation of the ruble. It considered that a decline in export receipts and remittance flows will affect the income of Armenian households and their private consumption, which, in turn, will weigh on the country's economic activity. In addition, it considered that a depreciation of the Armenian dram will increase the government's debt burden, as about 70% of the public debt is denominated in foreign currency. But it noted that Armenia's debt structure, which includes bilateral and multilateral loans with low interest payments and long-term maturities, supports the country's debt affordability and reduces the government's liquidity risk.

*Source: Moody's Investors Service*

## KUWAIT

### Real GDP to pick up to 8.2% in 2022 on higher oil prices and improving non-oil activity

The International Monetary Fund projected Kuwait's real GDP growth to accelerate from 1.3% in 2021 to 8.2% in 2022. It forecast real non-oil GDP to grow by 3.5% in 2022 compared to a growth rate of 3.4% in 2021, as domestic activity gradually recovers and in case the global environment improves. Also, it expected real oil GDP to shift from a contraction of 0.3% in 2021 to a growth rate of 12% in 2022. It projected oil revenues to rise by 33.5% in 2022 and expected receipts from the non-hydrocarbon sector to increase by 15% due to the rebound in confidence and the continuation of the government's reform measures. In parallel, it forecast the fiscal balance to shift from a deficit of 16.6% of GDP in the fiscal year that ended in March 2021 to a surplus of 3.7% of GDP in FY2021/22, driven by higher oil receipts and cuts in public spending. In addition, the IMF called on Kuwaiti authorities to implement fiscal consolidation measures in order to reinforce fiscal sustainability and rebuild buffers. It encouraged authorities to introduce a value-added tax rate of 5%, expand corporate taxes to cover domestic firms, implement a property tax, phase out subsidies, and reform the public-sector wage bill to boost revenues. It indicated that the ongoing political deadlock between the government and the parliament has hampered reforms and increased macroeconomic vulnerabilities. As such, it stressed the importance of passing the new public debt law to enhance fiscal credibility, reduce fiscal risks, and improve the capacity to manage adverse shocks. Further, it forecast the current account surplus to increase from 16.1% of GDP in 2021 to 23% of GDP in 2022, supported by higher oil export receipts. It considered that downside risks to the growth outlook include volatility in oil prices, and delays in fiscal and structural reforms.

*Source: International Monetary Fund*

## GHANA

### Higher oil prices to support external balance

Bank of America expected Ghana's external balance to improve in 2022 due to the surge in global oil prices. It estimated that the current account deficit would narrow to less than 3% of GDP this year at oil prices that exceed $100 per barrel (p/b). It projected oil imports to increase by the equivalent of 1.3% of GDP and oil export receipts to rise by 2% of GDP, in case oil prices average $110 p/b in 2022. As such, it anticipated that the country's oil trade balance would improve by 0.7% of GDP this year, given that Ghana is a net oil exporter. Also, it forecast the current account deficit at 3.2% of GDP in case oil prices average $95 p/b in 2022, at 2.9% of GDP if oil prices average $110 p/b this year, and at 2.6% of GDP in case oil prices average $120 p/b in 2022. In parallel, it indicated that an oil price of $110 p/b would result in a marginal improvement of 0.2% of GDP in the country's fiscal balance, given that oil receipts account for less than 10% of the government's revenues. Further, it indicated that foreign currency reserves at the Central Bank of Ghana reached $9.7bn in early 2022 due to debt issuances and emergency disbursements from the International Monetary Fund, which will not be the case in 2022. As such, it anticipated a depletion of foreign currency reserves in the near term in the absence of market access or an IMF-supported program.

*Source: Bank of America*

## GCC

### Banks' profits up 40% to $35bn in 2021

Figures released by financial services firm KAMCO indicate that listed banks in the Gulf Cooperation Council (GCC) countries posted aggregate net profits of $35bn in 2021, constituting an increase of 40% from $25bn in 2020, and representing the second highest profits level of the sector since 2011. It added that the GCC banks posted aggregate net earnings of $8.3bn in the first quarter, $8.4bn in the second quarter, $9.6bn in the third quarter, and $8.7bn in the fourth quarter of 2021. It noted that the aggregate profits of GCC listed banks surged by 56.6% in the first quarter, by 1.2% in the second quarter, by 14.3% in the third quarter of the year relative to the same quarters in 2020, but they declined by 9.4% in the fourth quarter of 2021. It attributed the decline to a 36.2% drop in the profits of Qatari banks in the fourth quarter of 2021, in addition to relatively smaller decreases in the net earnings of banks in Oman, Saudi Arabia and the UAE. It noted that the rise in profits in 2021 is mainly due to the increase in the GCC banks' revenues, as well as to a decline of $5.5bn, or of 27%, in their loan-loss provisions. It pointed out that the banks' aggregate revenues reached $90bn in 2021 and grew by 7% from the preceding year, driven by increases of 17.6% in non-interest income and of 2.3% in net interest income. Further, it indicated that the aggregate assets of GCC banks stood at $2.7 trillion (tn) at the end of 2021 and expanded by 1.5% from the end of 2020. In addition, it said that the banks' aggregate net loans reached $1.63tn at end-2021 and grew by 6.7% from a year earlier, while customer deposits amounted to $2.04tn and rose by 7% from the end of 2020. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 79.9% at end-2021 compared to 80.1% a year earlier.

*Source: KAMCO*

## PAKISTAN

### Islamabad improves AML/CFT measures

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Pakistan has implemented 26 of the 27 measures of its 2018 AML/CFT action plan and encouraged authorities to address the one remaining CFT-related item by continuing to demonstrate the effective implementation of targeted financial sanctions against all designated terrorists and against parties acting for or on their behalf. It said that Pakistan showed further commitment in June 2021 to abide by the recommended actions in the Mutual Evaluation Report by adopting a new action plan focused on combating money laundering. Further, it stated that, since June 2021, authorities have taken steps towards improving the country's AML/CFT measures and completed six of the seven action items before the expiration of deadlines, by nominating additional individuals and entities for designation at the UN Security Council about targeted financial sanctions related to terrorism and terrorism financing, and by confiscating proceeds of crime in line with Pakistan's risk profile. Moreover, the FATF called on authorities to continue to work on addressing the one remaining item in its action plan by demonstrating a positive and sustained trend of pursuing complex ML investigations and prosecutions.

*Source: Financial Action Task Force*

## ANGOLA

### Tight monetary policy and improved external liquidity support exchange rate

Standard Chartered Bank indicated that the Angolan kwanza strengthened from AOA656 per US dollar in June 2021 to less than AOA448 per dollar in March 2022, constituting the best-performing currency globally so far in 2022. It noted that tight monetary policy and improved external liquidity on higher oil prices supported the strengthening of the kwanza. It added that the differential between the exchange rate of the US dollar on the parallel market and the official exchange rate of the kwanza has recently narrowed amid a decline in demand for foreign currency. Also, it pointed out that confidence in the flexibility of the exchange rate will be crucial to attracting foreign investors to the domestic market. In this context, it projected the official exchange rate of the kwanza to trade at AOA385 per dollar in the second quarter of 2022 and at AOA380 per dollar in the third quarter of the year. It noted that the appreciation of the kwanza will be key to controlling the inflation rate in the near term. However, it expected the kwanza to depreciate starting in the fourth quarter of the year due to higher external debt servicing, lower foreign currency reserves, and limited sales of foreign currency by the Banco Nacional de Angola. It added that elevated external debt servicing and increased debt repayments to China limit the accumulation of foreign currency reserves.

*Source: Standard Chartered Bank*

## OMAN

### Agencies affirm ratings on six banks, outlook revised to 'stable'

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Bank Muscat (BM), the National Bank of Oman (NBO), Oman Arab Bank (OAB), and Ahli Bank Oman (ABO) at 'BB', and maintained the long-term National Scale Rating of Alizz Islamic Bank at 'omAA'. It affirmed at 'bb' the Bank Standalone Ratings of BM, NBO, OAB, and ABO. It also revised the outlook on all the ratings from 'negative' to 'stable'. It attributed the outlook revision to the ongoing strengthening of the country's fiscal and external balances, as well as to the improving government debt metrics that are largely driven by the impact of higher hydrocarbon prices. It noted that the 'stable' outlook on the ratings of BM, NBO, OAB, and Alizz Islamic Bank reflects the expectation of the agency that the banks will maintain their sound financial metrics. Further, the agency indicated that the banks' ratings benefit from a moderate probability of government support in case of need. It stated that the ratings of BM, NBO, OAB, and ABO are supported by their sound asset quality and the improving macroeconomic environment due to higher oil prices, while the ratings of BM, OAB and ABO are underpinned by their strong capital positions. It added that the elevated customer concentrations in funding and lending are weighing on the ratings. In parallel, Fitch Ratings affirmed the long-term Issuer Default Ratings of HSBC Bank Oman (HBON) and NBO at 'BB' and 'BB-', respectively. It also revised the outlook on the ratings from 'negative' to 'stable', in line with the outlook on the sovereign ratings. Further, it said that the Viability Ratings of HBON and NBO reflect the banks' adequate franchise and business model, sound capitalization, and stable funding.

*Source: Capital Intelligence Ratings, Fitch Ratings*

## Oil prices to average $130 p/b in second quarter of 2022

ICE Brent crude oil front-month prices reached $101.1 per barrel (p/b) on April 6, 2022, constituting a decrease of 21% from a recent high of $128 p/b on March 8, 2022. The significant drop in oil prices is mainly driven by concerns that new COVID-19 cases, mainly in China, could weigh on the demand for oil. Also, the announcement of the United States and member countries of the International Energy Agency (IEA) that they will release oil from their reserves to offset the lost supply from Russia have weighed on oil prices, as investors considered the measure to be effective for a short period of time only. In parallel, the National Bank of Kuwait (NBK) indicated that low global oil stocks and persistent OPEC+ supply shortfalls should keep the oil market tight in 2022. It estimated that Russian oil production could lose between 0.5 million barrels per day (b/d) to 3 million b/d, due to financial sanctions and self-imposed embargoes on Russian energy by major Western oil companies. It noted that, following Russia's military invasion of Ukraine, the spike in energy and commodity prices worldwide, amid already high global inflation rates, pose downside risks to the growth in oil demand. Further, the IEA pointed out that global oil demand could decrease by 1.3 million b/d between the second and the fourth quarter of 2022, leaving demand at 99.7 million b/d, which is lower than pre-pandemic levels. In addition, NBK said that the supply shortfall from Russia and OPEC+ will likely exceed any weakness in oil demand, which will keep oil prices elevated. Further, Bank of America projected oil prices to average $130 p/b in the second quarter, $110 p/b in the third quarter, and $100 p/b in the fourth quarter of 2022.
*Source: National Bank of Kuwait, Bank of America, Refinitiv, Byblos Research*

## Iraq's oil exports at $11.07bn in February 2022

Preliminary figures show that the exports of crude oil from Iraq totaled 100.6 million barrels in March 2022 and increased by 8.4% from 92.8 million barrels in February 2022. They averaged 3.2 million barrels per day (b/d) in March, compared to 3.3 million barrels b/d in the previous month. Oil exports from the central and southern fields amounted to 99.1 million barrels in March, while shipments from the Kirkuk fields totaled 1.4 million barrels. Oil receipts stood at $11.07bn in March, up by 30.2% from $8.5bn in February 2022.
*Source: Iraq Ministry of Oil, Byblos Research*

## Non-OPEC ME&A's oil production nearly unchanged in 2022

The Organization of Petroleum Exporting Countries (OPEC) projected the production of crude oil from non-OPEC producers in the Middle East & Africa (ME&A) region to average 4.6 million barrels per day (b/d) in 2022, nearly unchanged from 2021. The supply of oil from non-OPEC producers in the ME&A region would represent 13.8% of production in non-OECD countries and 6.9% of non-OPEC production this year.
*Source: OPEC*

## Algeria's crude oil production up 66% in January 2022

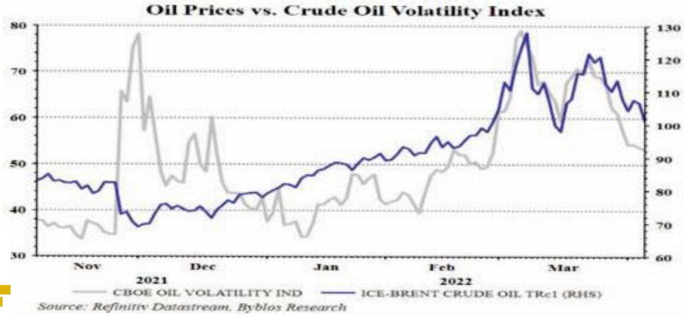
Crude oil production in Algeria amounted to 394,000 barrels per day (b/d) in January 2022, constituting an increase of 66.2% from 237,000 b/d in January 2021.
*Source: JODI, Byblos Research*

## Base Metals: Aluminum prices to average $3,450 per ton in second quarter of 2022

The LME cash price of aluminum averaged $3,254.7 per ton in the first quarter of 2022, constituting a surge of 55.4% from an average of $2,093.8 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 decreased from an all-time high of $3,877.5 per ton on March 4 of this year to $3,416.3 per ton on April 6, 2022 driven by a slowdown in economic activity in China due to the implementation of COVID-19-related restrictions in China, the world's largest consumer of the metal, as well as to prospects of further increases in U.S. interest rates, which raises concerns about a slowdown in global economic growth. In parallel, Standard Chartered Bank indicated that the potential for lower aluminum supply from Russia, a stronger US dollar, and the impact of the lockdown measures in China support the metal's price. Also, it said that Australia would be placing a ban on exporting raw materials to Russia's aluminum smelters, which will lead to aluminum production cuts in the near term. It noted that LME inventories reached 663.2 kilotons, their lowest level since December 2006. Also, it forecast aluminum prices to average $3,450 per ton in the second quarter, $3,325 per ton in the third quarter, and $3,180 a ton in the fourth quarter of 2022.
*Source: Standard Chartered Bank, Refinitiv, Byblos Research*

## Precious Metals: Gold prices to average $1,850 per ounce in second quarter of 2022

Gold prices averaged $1,880.3 per troy ounce in the year-to-April 6, 2022 period, constituting an increase of 5% from an average of $1,792.8 an ounce in the same period of 2021. The increase is attributed to accelerating inflation rates globally, which led to higher investment demand for gold, given that investing in the metal is considered to be a hedge against inflation. Also, Russia's military invasion of Ukraine, which reinforced the appeal of the metal as a safe haven amid the escalation of geopolitical tensions, drove the increase in the metal's price. Further, gold prices decreased from an all-time high of $2,056.1 per ounce on March 8 of this year to $1,928.9 per ounce on April 6, 2022 due to a stronger US dollar and higher U.S. bond yields. In parallel, Bank of America (BofA) indicated that geopolitical risks support gold prices. It added that expectations of further monetary policy tightening in the near term would put more downward pressure on gold prices. Also, Julius Baer indicated that physical demand for gold reached more than 185 tons since the start of Russia's invasion of Ukraine, while BofA forecast gold prices to average $1,850 an ounce in the second quarter, $1,900 per ounce in the third quarter, and $2,100 an ounce in the fourth quarter of 2022.
*Source: Bank of America, Julius Baer, Refinitiv, Byblos Research*



*Source: Refinitiv Datastream, 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 | 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 | CCC | - | B+ | | | | | | | | |
| | - | 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 | BB- | Ba3 | BB- | BB | BB- | | | | | | | | |
| | Stable | 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+ | | | | | | | | |
| | Positive | 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 | 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 Negative | 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 | 0.50 | 16-Mar-22 | Raised 25bps | N/A |
| Eurozone | Refi Rate | 0.00 | 10-Feb-22 | No change | 14-Apr-22 |
| UK | Bank Rate | 0.75 | 17-Mar-22 | Raised 25bps | N/A |
| Japan | O/N Call Rate | -0.10 | 18-Mar-22 | No change | 28-Apr-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 | 24-Mar-22 | No change | 16-June-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-Mar-22 | No change | 20-Apr-22 |
| Hong Kong | Base Rate | 0.86 | 15-Mar-20 | Cut 64bps | N/A |
| Taiwan | Discount Rate | 1.375 | 17-Mar-22 | Raised 25bps | 16-June-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 | 08-June-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 | 9.25 | 21-Mar-22 | Raised 100bps | 19-May-22 |
| Jordan | CBJ Main Rate | 2.75 | 17-Mar-22 | Raised 25bps | N/A |
| Turkey | Repo Rate | 14.00 | 17-Mar-22 | No change | 17-Apr-22 |
| South Africa | Repo Rate | 4.25 | 24-Mar-22 | Raised 25bps | 19-May-22 |
| Kenya | Central Bank Rate | 7.00 | 29-Mar-22 | No change | N/A |
| Nigeria | Monetary Policy Rate | 11.50 | 22-Mar-22 | No change | 23-May-22 |
| Ghana | Prime Rate | 17.00 | 28-Mar-22 | raised 250bps | 23-May-22 |
| Angola | Base Rate | 20.00 | 28-Jan-22 | No change | 31-Mar-22 |
| Mexico | Target Rate | 6.50 | 24-Mar-22 | Raised 50bps | 12-May-22 |
| Brazil | Selic Rate | 11.75 | 16-Mar-22 | Raised 100bps | N/A |
| Armenia | Refi Rate | 9.25 | 15-Mar-22 | Raised 125bps | 03-May-22 |
| Romania | Policy Rate | 3.00 | 05-Apr-22 | Raised 50bps | 10-May-22 |
| Bulgaria | Base Interest | 0.00 | 28-Mar-22 | No change | 29-Apr-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 | 18-Mar-22 | No change | 29-Apr-22 |

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