

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Greenfield FDI in solar power and wind energy at \$138bn in 2020-22 period

Figures released by fDi Intelligence show that global greenfield foreign direct investments (FDI) in solar power projects amounted to nearly \$73bn between January 2020 and March 2022. Western Europe attracted \$18bn in FDI in solar power projects and accounted for 24.6% of the total in the covered period, followed by the Asia-Pacific region with \$15.9bn (21.8%), then North America with \$14bn (19.2%), Latin America & the Caribbean with \$12.3bn (16.8%), Africa with \$4.8bn (6.6%), Emerging Europe with \$4.3bn (5.9%), and the Middle East region with \$3.8bn (5.2%). Also, Western Europe was the largest source of FDI in solar power projects with \$40.4bn, or 56% of the total between January 2020 and March 2022, followed by the Asia-Pacific region with \$14.9bn (20%), North Africa with \$11bn (15%), the Middle East region with \$4.2bn (6%), and Emerging Europe with \$2.2bn (3%). In parallel, global greenfield FDI in wind energy projects amounted to \$65.3bn between January 2020 and March 2022. Western Europe attracted \$37.5bn in FDI in wind energy projects and accounted for 57.5% of the total during the covered period, followed by North America with \$7.9bn (12%), then Latin America & the Caribbean with \$7.4bn (11.3%), the Asia-Pacific region with \$6.6bn (10%), Emerging Europe with \$4.4bn (6.7%), and Africa with \$1.4bn (2%). Also, Western Europe was the largest source of FDI in wind energy projects with \$55.5bn, or 85% of the total, followed by North Africa with \$5.5bn (8.4%), Asia-Pacific with \$3.3bn (5%), and the Middle East with \$1bn (1.5%).

Source: fDi Intelligence, Byblos Research

IRAQ

Profits of listed firms up 73% to \$115m in first quarter of 2022

The cumulative unaudited pre-tax profits of 69 out of 132 companies listed on the Iraq Stock Exchange totaled IQD170.3bn in the first quarter of 2022, constituting an increase of 74.4% from IQD97.6bn in the same quarter of 2021. In US dollar terms, the profits of the listed companies reached \$115.4m in the first quarter of the year and grew by 73% from \$66.7m in the first quarter of 2021. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,464 per US dollar in the first quarter of 2021 to IQD1,476 per dollar in the same period of 2022. Listed banks generated \$57m in profits in the first quarter of 2022, followed with telecommunications companies with \$49m, industrial firms with \$4.7m, companies in the hotels & tourism sector with \$2.8m, services providers with \$0.85m, and insurers with \$0.71m; while investment companies posted losses of \$0.05m in the covered quarter. Further, the net income of the banking sector surged by 912.5% year-on-year in the first quarter of 2022, followed by the earnings of services providers (+209%), then the profits of companies in the hotels & tourism sector (+2.3%) and of telecommunications firms (+1.6%). In contrast, the net income of insurers dropped by 78% and the earnings of industrial companies dipped by 28.4%. Also, listed firms in the agricultural sector shifted from losses of \$20.2m in the first quarter of 2021 to net profits of \$0.2m in the first quarter of 2022.

Source: Rabee Securities, Iraq Stock Exchange, Byblos Research

MENA

Stock markets up 9% in first five months of 2022

Arab stock markets increased by 8.7% and Gulf Cooperation Council equity markets grew by 12% in the first five months of 2022, relative to increases of 16.2% and 18.2%, respectively, in the same period of 2021. In comparison, global stocks regressed by 13.7% and emerging market equities decreased by 12.4% in the first five months of 2022. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 280% in the first five months of 2022, the Abu Dhabi Securities Exchange improved by 18.8%, the Amman Stock Exchange yielded 16.7%, the Saudi Stock Exchange advanced by 14.5%, the Damascus Securities Exchange gained 13.8%, the Qatar Stock Exchange grew by 11%, and the Khartoum Stock Exchange increased by 8.8%. In addition, the Bahrain Bourse expanded by 7%, the Palestine Exchange yielded 6%, the Dubai Financial Market and the Tunis Bourse advanced by 4.7% each, the Bursa Kuwait grew by 4.3%, and the Iraq Stock Exchange improved by 0.8% in the covered period. In contrast, activity on the Egyptian Exchange dropped by 15.1% in the first five months of 2022, the Casablanca Stock Exchange decreased by 7.6%, and the Muscat Securities Market regressed by 0.3%.

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

Liberal democracy level varies across region

Varieties of Democracy, an independent research institute based at the University of Gothenburg in Sweden, ranked Tunisia in 74th place among 179 countries globally and in first place among 21 Arab economies on its Liberal Democracy Index for 2021. Lebanon followed in 103rd place, then Kuwait (106th), Jordan (110th), and Morocco (115th) as the Arab countries with the most developed liberal democratic systems in the region. The index captures the liberal and electoral aspects of democracy based on 470 indicators that are grouped in five indices that are the Electoral Democracy, the Liberal Component, the Egalitarian Component, the Participatory Component, and the Deliberative Component. A country's overall score ranges from zero to one, with a higher score reflecting a more developed liberal democratic system. In addition, it classifies countries within four electoral systems that are Liberal Democracy, Electoral Democracy, Electoral Autocracy, and Closed Autocracy. As such, it classified eight Arab economies in the Electoral Autocracy regime and 13 Arab jurisdictions in the Closed Autocracy system. The Arab region's average score stood at 0.15 points in the 2021 index compared to 0.17 points in the 2020 survey and came lower than the global average score of 0.39 points. The rankings of 14 Arab countries improved from the previous survey and those of six economies deteriorated from 2020, while the ranking of one country was unchanged year-on-year. In parallel, the scores of two countries improved year-on-year and those of 11 economies regressed, while the scores of eight Arab jurisdictions were unchanged from the 2020 survey.

Source: Varieties of Democracy, Byblos Research

OUTLOOK

EMERGING MARKETS

Net private capital inflows to drop by 42% to \$972 billion in 2022

The Institute of International Finance projected non-resident capital inflows to emerging markets (EMs) at \$972 billion in 2022, constituting a drop of 42% from \$1.68 trillion in 2021. It attributed the substantial drop in capital inflows to EMs to the uncertain economic outlook worldwide and to the heightened risk of a possible global recession. In addition, it forecast foreign direct investments (FDI) in EMs at \$693bn this year, representing a decline of 11.5% from \$783bn in 2021, while it expected other investments in EMs, mainly banking-related flows, at \$281bn in 2022, down by 50% from \$562bn last year. Also, it anticipated portfolio investments to shift from inflows of \$334bn in 2021 to outflows of \$1bn in 2022. Further, it projected resident capital outflows from EMs to regress from \$1.52 trillion last year to \$1.49 trillion in 2022, due to an 8.2% increase in other investments, mainly banking-related flows, that would be more than offset by a 14% decline in FDI outflows from the EM region and a 6.2% decrease in outward portfolio investments. As such, it forecast net capital flows to EMs to shift from inflows of \$168bn in 2021 to outflows of \$528bn in 2022.

In parallel, it projected non-resident capital inflows to EMs ex-China to decline by 36.2% to \$645bn in 2022. It forecast FDI in EMs ex-China to contract by 23% to \$346bn this year, while it expected portfolio inflows to EMs ex-China to drop by 49.7% to \$79bn in 2022. Also, it anticipated other investments in EMs ex-China, mainly banking-related flows, to decline by 45.4% to \$221bn this year. Further, it projected resident capital outflows from EMs ex-China to increase by 9.3% to \$963bn in 2022, due to a 68.7% jump in other investments, mainly banking-related outflows, that would be partly offset by a 21.2% decline in portfolio investment outflows and a 20.6% decrease in FDI outflows from EMs ex-China. As a result, it forecast net capital flows to EMs ex-China to shift from inflows of \$130bn in 2021 to outflows of \$315bn in 2022.

Source: *Institute of International Finance*

PAKISTAN

External sector to face increasing vulnerabilities

The Institute of International Finance (IIF) indicated that the delay in reviving Pakistan's \$6bn program with the International Monetary Fund (IMF), domestic political instability and the lack of progress on deeper structural reforms, have raised concerns that the country is at risk of defaulting on its foreign debt. It forecast Pakistan's external debt stock to exceed \$11bn in the fiscal year that ends in June 2023, and stressed that reaching a funded program with the IMF is necessary to ensure that the country can meet its external debt obligations. It noted that the IMF is urging authorities to lift fuel subsidies, which would unlock \$1bn in funding, support Pakistan's foreign currency reserves, and improve investor confidence. It expected that Pakistan will reach an agreement with the IMF before the end of FY2021/22, and that the government will agree to gradually lift fuel subsidies given the urgency of the country's funding needs. But it pointed out that authorities should also focus on improving public revenue mobilization in the medium term.

In parallel, the IIF projected the current account deficit to peak at 4.3% of GDP in FY2021/22, driven mainly by an increase in the cost of fuel imports and of payments for external services, which would be partly offset by an expansion in agricultural exports and record high remittance inflows. It expected the current account deficit to moderate to 3.7% of GDP in FY2022/23 in case oil prices and imports decrease. Still, it pointed out that, despite a narrowing current account deficit, Pakistan will continue to face external funding pressures as debt amortization will remain elevated in coming years. Further, it forecast the external debt level at 37% of GDP at the end of June 2022, and expected it to remain at this level in the medium term. It added that stress tests have shown that the external debt level is vulnerable to a significant depreciation of the Pakistani rupee, and that a sudden 30% depreciation could cause the external debt level to rise to about 76% of GDP. As such, it noted that a steep depreciation of the currency could undermine the country's ability to service its external debt.

Source: *Institute of International Finance*

QATAR

Positive medium term economic outlook supported by energy prices and reforms

The National Bank of Kuwait (NBK) projected Qatar's real GDP growth to accelerate from 1.5% in 2021 to 3.7% in 2022, mainly due to stronger non-hydrocarbon activity supported by the 2022 FIFA World Cup that could attract about 1.5 million visitors towards the end of this year. It expected real oil GDP to grow by 0.7% in 2022 following a contraction of 0.3% last year, amid the easing of oil production cuts under the OPEC+ agreement. It also anticipated activity in the non-oil sector to expand by 5.5% this year following a growth rate of 2.7% in 2021, amid a boost to the travel, hospitality, logistics and business support sectors. It forecast real GDP growth at 2.6% in 2023, with real oil and non-oil GDP expanding by 0.2% and 4%, respectively, next year. It considered that the positive medium-term outlook is supported by the government's ambitious National Vision 2030 plan of large infrastructure investments in strategic sectors such as manufacturing, finance and tourism, as well as further LNG expansion. It considered that downside risks to the outlook include volatility in the energy market, further COVID-19 outbreaks, tighter global financial conditions, as well as heightened regional geopolitical tensions.

In parallel, NBK expected that higher energy prices will benefit Qatar's public finances. As such, it projected the fiscal surplus to increase from 0.2% of GDP in 2021 to 12.8% of GDP in 2022 and 7.8% of GDP in 2023. It noted that authorities announced a moderately expansionary budget for this year, but that they intend to commit to fiscal restraint in the medium term. Also, it expected that actual public revenues for this year will be substantially higher than the budget's forecast, as authorities assumed a conservative oil price of \$55 per barrel for 2022. Also, it expected strong sovereign debt issuance to moderate in 2022, amid lower deficit financing needs and a rising interest rate environment. As a result, it forecast the public debt level to decline from 55.4% of GDP at the end of 2021 to 47% of GDP at end-2022 and 45.5% of GDP at the end of 2023. Still, it anticipated Qatar to continue to issue debt substantially over the medium term in order to finance the country's gas expansion plans.

Source: *National Bank of Kuwait*



ECONOMY & TRADE

MENA

Food prices shock affecting region's economies

S&P Global Ratings considered that that Egypt, Jordan, Lebanon, Morocco and Tunisia are the most affected countries in the Middle East & North Africa (MENA) region from the surge in global commodity prices amid Russia's invasion of Ukraine. It indicated that the five economies depend significantly on the imports of food and energy, and source a large part of their cereal supply from Russia and Ukraine. It expected the continued increase in global food prices to put significant pressure on domestic food prices, as Egypt, Jordan, Lebanon and Tunisia are net food importers. Also, it said that food subsidy programs in the five countries could partly mitigate the impact of rising prices, but it noted that exchange rates risks and disruptions to local supply chains could affect the dynamics of domestic food prices. It indicated that rising food prices will generate inflationary pressures on the five economies, given that the weight of the food basket in the consumer price index is 37.5% in Morocco, 35.9% in Egypt, 26.5% in Jordan, 26.2% in Tunisia, and 20% in Lebanon. In addition, it said that elevated food prices in the MENA region affect significantly the real income of households, as the latter spend a large share of their income on food. Further, it pointed out that a sharp increase in food prices may lead to food shortages, given the higher risks of food insecurity in the MENA region compared to developed economies, which could trigger social tensions.

Source: S&P Global Ratings

EGYPT

Outlook on ratings revised to 'negative' on weakening capacity to absorb external shocks

Moody's Investors Service affirmed Egypt's long-term local and foreign currency issuer ratings at 'B2' and changed the outlook on the ratings from 'stable' to 'negative'. It attributed the outlook revision to the increasing risks to the sovereign's capacity to absorb external shocks amid a significant decline of foreign currency reserves that would constrain the government's ability to meet upcoming external debt service payments. Also, it anticipated that tightening global financing conditions would increase the risk of weaker capital flows that would weigh on the country's external position, despite significant financial commitments pledged by Gulf Cooperation Council countries and the prospect of a new program with the International Monetary Fund. It added that higher interest rates would exacerbate liquidity risks and debt affordability challenges. However, the agency said that the ratings are supported by the government's pro-active crisis response, a track record of economic and fiscal reform implementation over the past six years, a broad domestic funding base that helps weather tightening financing conditions, as well as the country's strong economic prospects and the potential to attract foreign direct investments. Further, it indicated that it could downgrade the ratings in case a deterioration in the balance of payments dynamics further erodes foreign currency reserves, the monetary system posts a sustained negative net foreign asset position, the country's weak debt affordability deteriorates significantly, policy effectiveness erodes, and/or social and political risks increase. It added that it is unlikely to upgrade the ratings in the near term, given the 'negative' outlook on the ratings.

Source: Moody's Investors Service

IRAQ

Non-oil real GDP growth to average 12.5% in 2021-22 period

The Ministry of Finance of Iraq indicated that prudent financial management and the rise in oil export receipts amid elevated oil prices increased the ministry's deposits at the Central Bank of Iraq (CBI) and provided flexibility to step up public spending in case of a drop in oil prices and to protect citizens from high food prices. Also, it said that activity in the non-oil sector improved since October 2020, supported by a more accommodative fiscal stance and high liquidity injection that helped weather the impact of the COVID-19 pandemic on the economy. It added that the activity of small- and medium-sized enterprises has recovered to its pre-pandemic level. As such, it estimated that non-oil real GDP growth at about 20% in 2021 and projected it at nearly 5% in 2022. In parallel, it forecast the inflation rate in Iraq at about 7% in 2022, which is lower than the inflation rates in emerging economies and in oil exporting countries, due to the devaluation of the Iraqi dinar against the US dollar, and despite the impact of the war in Ukraine on global commodity prices. It added that the devaluation of the currency led to financial stability and improved confidence to invest in the country. Further, it said that the government rescheduled all of its domestic debt to medium and long-term maturities, in order to alleviate the debt-servicing burden on the Treasury. In addition, it projected the CBI's foreign currency reserves to exceed \$90bn by the end of 2022 amid the ongoing recovery in oil prices.

Source: The Ministry of Finance of Iraq

BAHRAIN

Real GDP growth to average 3% annually in medium term

The International Monetary Fund (IMF) considered that Bahrain implemented a commendable policy response to the COVID-19 pandemic, which successfully mitigated the health and socio-economic impacts of the virus outbreak. It indicated that economic activity is gradually recovering from the pandemic, supported by the successful vaccination campaign, the renewed fiscal reform momentum and the rebound in oil prices, which reduced Bahrain's fiscal and external vulnerabilities. As such, it noted that real GDP grew by 2.2% in 2021 due to an expansion of 2.8% in non-hydrocarbon GDP, driven by the stronger performance of the non-hydrocarbon manufacturing sector, and of the retail trade and hospitality sectors. Also, it pointed out that the fiscal deficit narrowed to 11.1% of GDP in 2021 from 17.9% of GDP in 2020, and that the current account balance shifted from a deficit of 9.3% of GDP in 2020 to a surplus of 6.7% of GDP in 2021. Further, it projected economic growth to accelerate to 3.4% in 2022 and to stabilize at 3% annually over the medium term, and forecast non-oil real GDP to increase by 4%, driven by stronger manufacturing and the gradual recovery of the Bahrain economy. In parallel, the IMF indicated that the authorities' commitment to implement the reforms under the Fiscal Balance Program would help narrow the fiscal deficit and shrink the public debt level, which will lead to the increase of foreign currency reserves and solidify the exchange rate peg.

Source: International Monetary Fund



BANKING

JORDAN

Private sector lending up 3% in first quarter of 2022

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD61.5bn, or \$86.8bn, at the end of March 2022, constituting increases of 0.8% in the first quarter of the year and of 10.3% from end-March 2021. Claims on the resident private sector grew by 3% from end-2021 to JD28.4bn and credit to the non-resident private sector expanded by 1.7% to JD700m, leading to an expansion of 3% in overall private sector credit facilities in the first quarter of 2022. Lending to the resident private sector accounted for 46% of total assets at end-March 2022 compared to 48% a year earlier. In parallel, resident private sector deposits reached JD31.5bn at end-March 2022 and increased by 1.7% from JD30.9bn at the end of 2021, and by 7.8% from JD29.2bn at end-March 2021; while non-resident private sector deposits stood at JD5.3bn, up by 1% in the first quarter of the year and by 8% from the end of March 2021. The government's deposits totaled JD1bn and those of public non-financial institutions reached JD282.4m at end-March 2022, while claims on the public sector accounted for 23.6% of total assets compared to 23.8% a year earlier. Also, the banks' reserves at the Central Bank of Jordan totaled JD7.1bn, or \$10.07bn, at the end of March 2022, as they declined by 2.3% from end-2021 and grew by 21.3% from a year earlier; while capital accounts and allowances stood at JD9.1bn, or \$12.9bn, and increased by 1% in the first quarter of 2022. Deposits at foreign banks reached JD3.8bn, or \$5.4bn, at end-March 2022, and decreased by 13.6% in the first quarter of 2022; while the sector's foreign liabilities totaled \$14.6bn and regressed by 2.1% from the end of 2021.

Source: Central Bank of Jordan

NIGERIA

Banking sector facing global risks transmission

Fitch Ratings considered that the operating environment of Nigerian banks could deteriorate in the 2022-23 period, as adverse global economic conditions affect the local economy. It said that the Central Bank of Nigeria (CBN) raised its benchmark rate by 150 basis points to 13% on May 24, 2022, and expected a further increase in interest rates amid accelerating inflation and tighter global financial conditions. It anticipated that high inflation rates and a potential slowdown in economic activity in the country would put pressure on the ability of borrowers to repay their loans, which would affect the banks' asset quality. However, it said that rising interest rates should support the banks' net interest margins, which have been affected by low rates in recent years. Further, it considered that the sharp rise in oil prices in 2022 will mitigate the economic impact from global risks. As such, it did not expect the Nigerian banking sector to experience a material shock, given that higher oil prices limit the pressure on the banks' asset quality. It pointed out that Nigerian banks have significant loans to companies in the oil and gas sector, which would translate in a low non-performing loans ratio as a result of elevated oil prices. In parallel, it indicated that high oil prices should support economic growth prospects and the CBN's foreign-currency reserves. But it noted that low oil production, the high import costs of refined products, and the government's ongoing energy subsidies, will limit the benefits of elevated oil prices.

Source: Fitch Ratings

SAUDI ARABIA

Banks to benefit from higher interest rates and oil prices

Goldman Sachs indicated that the aggregate profits of Saudi banks after "zakat" totaled SAR13.5bn, or \$3.6bn, in the first quarter of 2022, constituting an increase of 27.8% from SAR10.6bn (\$2.8bn) in the same quarter of 2021. It attributed the rise of the earnings of Saudi banks mainly to a 15% growth in lending in the first quarter of 2022 from the same quarter in 2021 and to the improvement in their cost of risk. Also, it expected a small widening of the banks' net interest margins in the 2022-24 period due to tighter liquidity in interbank lending and a high loans-to-deposits ratio that would raise the cost of funding, as well as to pressures on asset yields, despite further increases in interest rates. In parallel, it indicated that Saudi banks will continue to benefit from higher interest rates and oil prices. First, it expected that the banks will benefit from the U.S. Federal Reserve's increase in interest rates by 300 basis points, as it forecast the banks' earnings to rise by 50% in 2022 from 2021. Second, it said that elevated oil prices will lead to rapid credit growth, as higher oil prices have historically coincided with a pick-up in spending on government-led projects, as well as with improving consumer and business confidence, which also drives higher credit demand. Third, it indicated that higher oil prices should lead to the improvement in the banks' asset quality amid the recovery in economic activity and higher liquidity. In addition, it considered that unexpected capital gains from higher interest rates could unlock additional capacity for banks to invest in digitization and improve their operational efficiency.

Source: Goldman Sachs

TUNISIA

Banks' asset quality to face additional pressure

Fitch Ratings indicated that the asset quality of Tunisian banks weakened in 2021 and anticipated a further deterioration in 2022, as higher interest and inflation rates put pressure on the debt-servicing capacity of borrowers, in addition to the expiration of Tunisia's pandemic-related loan deferral program in December 2021. It pointed out that the average impaired loans ratio for the largest banks was 13.8% at the end of June 2021 relative to 13% at end-2020, and considered that the increase in impaired loans would have a more significant effect on asset quality metrics due to the slowdown in lending growth. It expected non-performing loans to rise in 2022 and anticipated that pressures on small- and medium-sized enterprises and on corporate cash flow will lead to higher default rates, mainly in sectors that are affected the most by the impact of the COVID-19 pandemic on the economy. It added that the increase in household indebtedness will exacerbate the vulnerabilities of the banking sector. It considered that weaker asset quality could negatively affect the banks' capital, as pre-impairment profits provide a limited buffer against higher loan impairment charges. It added that risks to the operating environment and high single-name concentrations are weighing on the banks' capital ratios. In parallel, it noted that the Central Bank of Tunisia raised its key interest rate by 75 basis points to 7% on May 17, 2022 to combat high inflation. It said that higher rates will contribute to a widening of the net interest margins of Tunisian banks, as well as to increases in funding costs and lending rates.

Source: Fitch Ratings



ENERGY / COMMODITIES

Oil prices to average \$99 p/b in second quarter of 2022

ICE Brent crude oil front-month prices averaged \$102.4 per barrel (p/b) in the first five months of 2022, constituting a surge of 61.5% from \$63.4 p/b in the same period last year, mainly due to global supply disruptions and rising geopolitical risks as a result of Russia's invasion of Ukraine. Also, the European Union's decision to ban 90% of its imports of Russian crude oil by the end of 2022 and the lifting of lockdown measures in Shanghai supported the rise in oil prices at the end of May 2022. However, oil prices declined by 5.3% on June 1, 2022 from the previous day, due to expectations that Saudi Arabia will step up oil production to offset the drop in Russia's output as a result of the Western ban. In parallel, Citi Research considered that the declining demand for oil will more than offset the tight market supply amid Russia's invasion of Ukraine, in case of the coordinated release of 300 million barrels this year from the strategic reserves in the U.S. and in member countries of the International Energy Agency, higher non-OPEC+ supply, and a successful nuclear deal with Iran. As such, it expected oil prices under this scenario to moderate in the near term, driven by ample supply and lower demand, despite disruption risks. Further, Standard Chartered Bank expected Russia's oil output to remain depressed for years, as oil buyers decline to purchase Russian oil amid international sanctions and major countries cut off access to insurance markets for tankers carrying Russian crude. In addition, Citi Research projected oil prices to average \$99 p/b in the second quarter, \$87 p/b in the third quarter, and \$73 p/b in the fourth quarter of 2022.

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

Saudi Arabia's oil exports receipts up 123% in March 2022

Total oil exports from Saudi Arabia amounted to 8.7 million barrels per day (b/d) in March 2022, representing a decline of 3.1% from 9 million b/d in February 2022 and an increase of 6.6% from 8.2 million b/d in March 2021. Further, oil export receipts reached \$30.4bn in March 2022, up by 35.7% from \$22.4bn in February 2022 and by 123% from \$13.6bn in March 2021.

Source: JODI, General Authority for Statistics, Byblos Research

MENA's natural gas exports to decline by 4.3% in 2022

The International Monetary Fund projected natural gas exports from the Middle East & North Africa region to average 4.93 million barrels of oil equivalent per day (boe/d) in 2022, constituting a decrease of 4.3% from 5.15 million boe/d in 2021. On a country basis, it estimated Qatar's natural gas exports at 2.62 million boe/d in 2022, equivalent to 53% of the region's gas exports, followed by Algeria with 0.95 million boe/d (19.3%), the UAE with 0.5 million boe/d (10.1%), and Oman with 0.25 million boe/d (5.1%).

Source: International Monetary Fund, Byblos Research

Iraq's oil exports at \$11.4bn in April 2022

Preliminary figures show that the exports of crude oil from Iraq totaled 102.3 million barrels in May 2022 and grew by 0.9% from 101.4 million barrels in April 2022. They averaged 3.3 million barrels per day (b/d) in May compared to 3.4 million b/d in April. Oil exports from the central and southern fields amounted to 98.9 million barrels in May, while shipments from the Kirkuk fields totaled 3.2 million barrels. Oil export receipts stood at \$11.4bn in May, up by 7.8% from \$10.6bn in April 2022.

Source: Iraq Ministry of Oil, Byblos Research

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

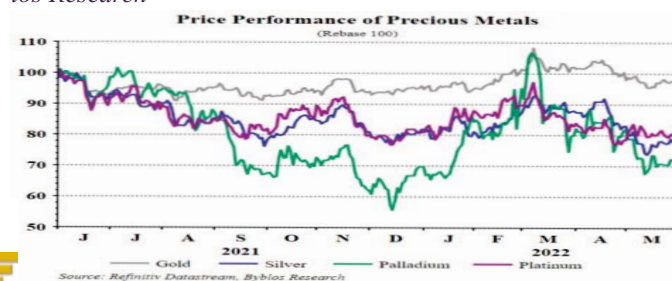
The LME cash price of aluminum averaged \$3,163.5 per ton in the first five months of 2022, constituting a surge of 43.3% from an average of \$2,207 a ton in the same period last year. The rise in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as well 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 \$2,698.2 per ton on June 1, 2022 amid a slowdown in economic activity in China, the world's largest consumer of the metal, due to the implementation of COVID-19-related restrictions. In parallel, Citi Research projected the refined supply of aluminum at 68.4 million tons in 2022 relative to 67.4 million tons in 2021, and forecast refined demand for the metal at 69.7 million tons this year compared to 68.4 million tons in 2021. Further, it expected the tight supply conditions in the global aluminum market to start easing in 2022 and revised its forecast for the deficit in the aluminum market from 2.3 million tons to 1.3 million tons this year. It expected the deficit to turn into a small surplus of 20,000 tons in 2023, in case of weaker Russian demand and an increase in supply from China. Also, Standard Chartered Bank 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: Citi Research, Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Palladium prices to average \$2,200 per ounce in second quarter of 2022

The prices of palladium averaged \$2,271.6 per troy ounce in the first five months of 2022, constituting a decline of 11.7% from an average of \$2,573.8 an ounce in the same period last year. Also, prices decreased from an all-time high of \$3,015 per troy ounce on March 7, 2022 following Russian's military invasion of Ukraine, to \$2,014 per troy ounce on June 1 of this year due to global chip shortages, and to the substitution of palladium to platinum in catalytic converters. In parallel, Citi Research anticipated the supply of refined palladium at 7.2 million ounces in 2022 relative to 6.9 million ounces in 2021. Also, it forecast demand for the metal at 10.2 million ounces this year compared to 9.8 million ounces in 2021. Further, it projected palladium prices to be highly volatile in the short term due to geopolitical tensions. But it expected palladium prices to average \$1,000 per ounce in the long term, driven by a shift in the palladium market from a small deficit to a sizable surplus amid the loss in autocatalyst demand due to the substitution of palladium to platinum in the production of electrical vehicles batteries. Moreover, Standard Chartered Bank forecast palladium prices to average \$2,200 per ounce in the second quarter, \$2,100 an ounce in the third quarter, and \$2,250 per ounce in the fourth quarter of 2022.

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



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	B+	-6.5	-	-	-	-	-10.8	1.1	
Angola	B-	B3	B-	-	CCC	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC	-	B+	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	Caa1	B-	-	BB-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-	B+	-4.1	43.2	-	-	14.3	-	-3.5	1.4
Libya	-	-	-	-	CCC	-	-	-	-	-	-	-	-
Dem Rep Congo	B-	Caa1	-	-	CCC	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-	BBB	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-	B-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	CC	-	-	-	-	-	-	-	-
Tunisia	-	Caa1	CCC	-	B+	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-	B+	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+	B2	B+	B+	B+	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B	B-	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-	CC+	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+	B+	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+	AA-	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	-	CCC	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB-	Ba3	BB-	BB	BB-	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-	A+	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+	A+	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	C	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-	AA-	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	CC	-	-	-	-	-	-	-	-



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								
Asia													
Armenia	B+ Stable	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	1.00	04-May-22	Raised 50bps	N/A
Eurozone	Refi Rate	0.00	14-Apr-22	No change	09-Jun-22
UK	Bank Rate	1.00	05-May-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	28-Apr-22	No change	17-Jun-22
Australia	Cash Rate	0.35	03-May-22	Raised 25bps	07-Jun-22
New Zealand	Cash Rate	2.00	25-May-22	Raised 50bps	13-Jul-22
Switzerland	SNB Policy Rate	-0.75	24-Mar-22	No change	16-Jun-22
Canada	Overnight rate	1.50	01-Jun-22	Raised 50bps	N/A
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-May-22	No change	20-Jun-22
Hong Kong	Base Rate	1.25	05-May-22	Raised 50bps	N/A
Taiwan	Discount Rate	1.375	17-Mar-22	Raised 25bps	16-Jun-22
South Korea	Base Rate	1.75	26-May-22	Raised 25bps	14-Jul-22
Malaysia	O/N Policy Rate	2.00	11-May-22	Raised 25bps	06-Jul-22
Thailand	1D Repo	0.50	09-Feb-22	No change	08-Jun-22
India	Reverse Repo Rate	3.35	08-Apr-22	No change	N/A
UAE	Repo Rate	2.25	04-May-22	Raised 50bps	N/A
Saudi Arabia	Repo Rate	1.75	04-May-22	Raised 50bps	N/A
Egypt	Overnight Deposit	11.25	19-May-22	Raised 200bps	23-Jun-22
Jordan	CBJ Main Rate	3.25	05-May-22	Raised 50bps	N/A
Turkey	Repo Rate	14.00	26-May-22	No change	23-Jun-22
South Africa	Repo Rate	4.75	19-May-22	Raised 50bps	21-Jul-22
Kenya	Central Bank Rate	7.50	30-May-22	Raised 50bps	N/A
Nigeria	Monetary Policy Rate	13.00	24-May-22	Raised 150bps	26-Jul-22
Ghana	Prime Rate	19.00	23-May-22	Raised 200bps	25-Jul-22
Angola	Base Rate	20.00	31-May-22	No change	29-Jul-22
Mexico	Target Rate	7.00	12-May-22	Raised 50bps	23-Jun-22
Brazil	Selic Rate	12.75	04-May-22	Raised 100bps	15-Jun-22
Armenia	Refi Rate	9.25	03-May-22	No change	14-Jun-22
Romania	Policy Rate	3.75	10-May-22	Raised 75bps	06-Jul-22
Bulgaria	Base Interest	0.00	27-May-22	No change	27-Jun-22
Kazakhstan	Repo Rate	14.00	25-Apr-22	Raised 50bps	06-Jun-22
Ukraine	Discount Rate	25.00	02-Jun-22	Raised 1500bps	21-Jul-22
Russia	Refi Rate	14.00	29-Apr-22	Cut 300bps	10-Jun-22



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