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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Economic contribution of travel and tourism sector at $5.8tn, or 6% of global GDP in 2021

Figures released by the World Travel & Tourism Council (WTTC) show that the contribution of the Travel and Tourism (T&T) sector to global gross domestic product (GDP) reached $5.8 trillion (tn) in 2021, constituting an increase of $1.04tn from $4.78tn in 2020, and relative to $9.63tn in 2019. The T&T sector contributed 6.1% to global GDP in 2021 compared to 5.3% of GDP in 2020 and 10.3% of GDP in 2019. Further, the contribution of the T&T sector in North America stood at $1.5tn and contributed 5.8% to GDP in 2021, followed by Europe with $1.45tn (6.2% of GDP), North East Asia with $1.1tn (4.3% of GDP), Latin America with $213.4bn (6.1% of GDP), South Asia with $204.6bn (5.2% of GDP), the Middle East with $188.5bn (5.1% of GDP), South East Asia with $143.2bn (4.3% of GDP), Africa with $119.2bn (4.4% of GDP), Oceania with $108.5bn (5.5% of GDP), and the Caribbean with $39.3bn (9.1% of GDP). In addition, the contribution of the T&T sector to GDP in South Asia increased by 37.7% in 2021, followed by the Caribbean (+36.6%), Europe (+28%), Latin America (+26.5%), Africa (+23.5%), North America (+22.3%), North East Asia (+16.7%), the Middle East (+16%), and South East Asia (+3.8%). In contrast, the contribution of the T&T sector to GDP in Oceania declined by 4.5% last year.

Source: World Travel & Tourism Council

UAE

Earnings of Abu Dhabi firms up 68%, profits of Dubai firms up 31% in first quarter of 2022

The net income of 68 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED21.9bn, or $5.9bn, in the first quarter of 2022, constituting an increase of 68.3% from AED13bn, or $3.6bn, in the same quarter of 2021. Listed banks generated net profits of $2.8bn and accounted for 46.4% of the total earnings of publicly-listed firms in the covered quarter. Telecommunications firms followed with $886m (14.8%), then industrial companies with $716.2m (12%), utilities firms with $537m (9%), energy companies with $411.4m (6.9%), basic materials firms with $357m (6%), real estate companies with $185.4m (3.1%), consumer discretionary firms with $87m (1.5%), consumer staples companies with $26.5m (0.4%), and healthcare firms with $4.9m (0.1%). In parallel, the cumulative net income of 51 companies listed on the Dubai Financial Market that published their financials totaled AED11.7bn, or $3.2bn, in the first quarter of 2022, constituting an increase of 30.7% from AED9bn or $2.4bn in the same quarter of 2021. Listed banks generated profits of $1.5bn, or 48% of net earnings in the covered quarter. Real estate & construction firms followed with $886m or 28% of the total, then telecommunications firms with $285m (9%), industrial companies with $148.5m (4.7%), transportation firms with $134.8m (4.2%), insurers with $89.5m (2.8%), investment & financial services firms with $63.5m (2%), services providers with $32.6m (1%), and consumer staples firms with $10.7m (0.3%).

Source: KAMCO

MENA

FDI in Arab world up 43% to $52.4bn in 2021, equivalent to 1.9% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investments (FDI) in 17 Arab economies totaled $52.4bn in 2021, constituting an increase of 42.7% from $36.8bn in 2020. The UAE was the largest recipient of FDI in the region with $20.7bn, or 39.4% of total FDI in Arab countries last year, followed by Saudi Arabia with $19.3bn (36.8%), Egypt with $5.1bn (9.8%), Oman with $3.6bn (6.9%), and Morocco with $2.15bn (4.1%) as the top five destinations for FDI inflows. Also, Iraq, Qatar and Kuwait posted negative flows of $2.9bn, $2.4bn and $141.7m, respectively, in 2021. In parallel, FDI in Saudi Arabia surged by 257.2% last year, followed by flows to Palestine (+221%), Bahrain (+73%), Morocco (+51.7%), Oman (+26.5%), Djibouti (+5.4%), the UAE (+3.9%), and Tunisia (+1.2%). In contrast, inflows to Mauritania fell by 97.6% in 2021, followed by inflows to Lebanon (-79%), Qatar (-55%), Sudan (-35.5%), Algeria (-24%), Jordan (-18.2%), Egypt (-12.5%), and Iraq (-8.6%). Also, FDI flows to Kuwait shifted from inflows of $198.2m in 2020 to outflows of $141.7m last year. Further, FDI inflows to the 17 Arab countries were equivalent to 1.9% of their aggregate GDP in 2021 relative to 1.5% in 2020. FDI inflows to Qatar were equivalent to 10.7% of its GDP last year, followed by the UAE (5% of GDP), Djibouti (4.6% of GDP), Bahrain (4.5% of GDP), and Oman (4.3% of GDP). FDI in Arab economies accounted for 3.3% of global FDI flows and for 6.3% of FDI inflows to emerging markets in 2021.

Source: UNCTAD, IIF, IMF, Byblos Research

Region's workplace trends lag other parts of the world

A survey conducted by opinion polling and consulting firm Gallup on the global workplace shows that 15% of surveyed employees in the Middle East & North Africa (MENA) region indicated that they are "engaged" at their work, compared to 21% of employees in Sub-Sahara Africa (SSA), 17% in East Asia, and 14% in Europe who said that they are engaged at their work. Further, the survey revealed that 28% of respondents in MENA countries said that it is a good time currently to find a job in the region relative to 46% of respondents in SSA, 44% in Europe, and 27% in East Asia who consider that it is a good time to find work at present. Also, 19% of surveyed employees in the MENA region noted that they generate enough income to live comfortably, compared to 42% of respondents in Europe, 15% in East Asia, and 10% in SSA who said that their salary allows them to live comfortably. In addition, 26% of the survey's participants in the MENA region indicated that they are willing to relocate for a job in the next 12 months, relative to 40% of respondents in SSA, 17% in East Asia, and 14% in Europe who aim to relocate in the short term. It said that 41% of participants from Morocco are willing to relocate for work purposes in the next 12 months, followed by 36% in Saudi Arabia, and 35% in Bahrain. The survey's results are based on telephone and face-to-face interviews with approximately 1,000 adults per country that the firm conducted in 17 countries in the MENA region between January 2021 and March 2022.

Source: Gallup

OUTLOOK

WORLD

Economic growth to decelerate to 3% in 2022, outlook subject to substantial uncertainties

The Organization for Economic Cooperation and Development (OECD) projected global real GDP growth to decelerate from 5.8% in 2021 to 3% in 2022, which is about 1.5 percentage points weaker than its December 2021 projection for 2022. It attributed its downward revision to recessions in Russia and Ukraine, and to weaker-than-expected growth in most economies around the world, especially in Europe. It forecast real GDP growth to decelerate to 2.8% in 2023 as it incorporated in its forecast an embargo on oil and coal imports from Russia. Also, it expected economic activity in the Group of 20 economies to expand by 2.9% in 2022 and 2.8% next year, while it projected real GDP growth in OECD countries to decelerate from 2.7% this year to 1.6% in 2023. Further, it considered that growth prospects in emerging market (EM) economies reflect a balance between the positive impact for some commodity-producing economies, mainly the major oil-exporting economies other than Russia, and the negative effects in the major commodity-importing countries.

In parallel, the OECD considered that risks to the global growth outlook tilted to the downside. It said that the impact of the war in Ukraine may be even greater-than-anticipated, and could materialize through an abrupt interruption of flows of gas from Russia to Europe, further increases in commodity prices, or steeper disruptions to global supply chains. It noted that inflationary pressures could also prove to be stronger-than-expected, while sharp increases in policy interest rates could lead to lower-than-projected growth rates. It also anticipated that tighter global financial conditions could exacerbate vulnerabilities from high public debt levels and elevated asset prices worldwide. Further, it noted that the Russian invasion of Ukraine has further tightened financial market conditions for commodity-importing economies and heightened concerns about EM vulnerabilities to more limited and expensive financing. It anticipated higher commodity prices to exacerbate challenges from pre-existing inflationary pressures and to weigh further on fiscal and current account balances in commodity-importing in EMs. It also considered that EM economies remain vulnerable to capital outflows from faster and more extensive increases in policy rates in advanced economies.
Source: OECD

MENA

Economic activity to accelerate to 5.3% in 2022, fastest growth rate in a decade

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to accelerate from 3.4% in 2021 to 5.3% in 2022, relative to a growth forecast of 4.4% in January 2022. It attributed the better-than-expected growth projection to rising oil revenues, structural reforms in some economies, and to the receding effects of the COVID-19 pandemic. It expected growth in the MENA region in 2022 to reach its fastest rate in a decade, but considered that the rebound in economic activity could have been stronger had it not been for the detrimental impact of Russia's invasion of Ukraine on oil-importing economies. It forecast real GDP growth in MENA countries to slow down to 3.6% in 2023 and 3.2% in 2024, as activity in the services sector normalizes and authorities withdraw policy support.

In addition, it expected real GDP growth in the MENA region's oil-exporting countries to accelerate from 3.1% in 2021 to a peak of 5.6% in 2022, supported by higher oil revenues and elevated vaccination rates in the economies of the Gulf Cooperation Council. Also, it projected economic activity in MENA oil-importing countries to grow by 4.1% in 2022 and 4.4% in 2023.

In parallel, the World Bank considered that risks to the outlook for MENA economies are mainly tilted to the downside and include steeper-than-anticipated increases in food prices, additional financial and oil market volatility, faster-than-expected tightening of global financing conditions, as well as growing social tensions. It also anticipated that the war in Ukraine could potentially further disrupt the travel and tourism sectors, which would weigh on several tourism-dependent economies in the region.
Source: World Bank

SYRIA

Economic activity to contract by 2.6% in 2022, outlook subject to significant risks

The World Bank projected real GDP in Syria to shrink by 2.6% in 2022 following a contraction of 2.1% in 2021, driven by the impact of the conflict in the country on the economy, the fallout of the COVID-19 pandemic, Russia's invasion of Ukraine, and the prolonged turmoil in Lebanon and Turkey that may lead to a decline in remittance flows to Syria. Also, it forecast the inflation rate at 51% in 2022 due to the depreciation of the Syrian pound against the US dollar, persistent food and fuel shortages, and the reduction of subsidies on food and fuel prices.

In parallel, it projected the fiscal deficit to widen from 6.8% of GDP in 2021 to 7.7% of GDP in 2022. It estimated that nearly 45% of public expenditures are related to food and energy and noted that higher commodity prices would raise fiscal spending significantly. It expected the authorities' efforts to tighten fiscal policy to partially offset the increase in expenditures, while it anticipated fiscal revenues to decline in 2022 due to reduced earnings from state-owned entities and potential tax cuts. Further, it expected the current account deficit to widen from 4% of GDP in 2021 to 5% of GDP 2022, given that export receipts will likely remain low due to sanctions-related restrictions and the recently announced export ban on agricultural products to meet domestic demand. Also, it expected the import bill to increase due to the rise in global commodity prices. As such, it forecast the trade deficit at 20% of GDP in 2022, which would be offset by net current transfers. It considered that the persistent twin deficits would drain foreign currency reserves and lead to a further depreciation of the Syrian pound.

Also, the World Bank considered that Syria's outlook is subject to significant downside risks. It said that risks include renewed outbreaks of the coronavirus, given limited COVID-19 surveillance, the vulnerability to disruptions in the commodity market given the country's high reliance on wheat imports from Russia, the decline in humanitarian assistance as a result of the war in Ukraine, as well as the economic stagnation and deterioration of public services that may lead to increased social unrest. But it pointed out that upside risks can emerge from Syria's improved trade relations with its Arab neighbors, which could facilitate trade, investments, and humanitarian operations in the country.
Source: World Bank

SAUDI ARABIA

Insurance sector faces moderately low industry risks

S&P Global Ratings assessed the insurance industry and country risk level of the property & casualty (P/C) and health insurance sector in Saudi Arabia as "intermediate". It noted that the its assessment is derived from a "moderately high" country risk level amid elevated economic and geopolitical risks and "moderately low" industry risk for the domestic P/C and health insurance sector. The agency said that its risk scale ranges from "very low" to "intermediate", "moderate" and "very high". It noted that the P/C and health sector in the Kingdom is supported by relatively low product risks, high regulatory and operational barriers to entry, and relatively strict regulations. But it pointed out that the insurance sector reported net losses of SAR47m, or the equivalent of $12.5m in 2021, driven by losses related to motor insurance coverage. It said that losses in the motor insurance market increased by 82.5% in 2021 relative to a rise of 66.6% in 2020 due to intense price competition, higher claims, as well as to the increase in the value-added tax rate from 5% to 15%, which led to a reduction in the profitability of the sector. In parallel, S&P indicated that gross written premiums (GWP) reached SAR42bn, or $11.2bn, in 2021 and grew by 8.4% from the previous year. It expected GWP to increase by 5% to 10% annually in the 2022-23 period, supported by the implementation of mandatory medical coverage to pilgrims, property insurance, the increase in premium rates for the commercial sector, as well as by efforts to reduce the number of uninsured cars. It pointed out that healthcare insurance accounted for 60% of GWP last year, followed by P/C lines with 36% of the total, and protection and saving insurance with 4% of total GWP.

Source: S&P Global Ratings

JORDAN

Agencies assess sovereign ratings strengths

Capital Intelligence Ratings affirmed Jordan's long-term foreign and local currency ratings at 'B+', which are four notches below investment grade. It also maintained the 'stable' outlook on the long-term ratings, and affirmed the country's short-term foreign and local currency ratings at 'B'. It said that the affirmation of the ratings and outlook balances the ongoing credit challenges associated with the country's fiscal and external vulnerabilities, with the availability of substantial financial assistance from external donors, mainly from the International Monetary Fund and the U.S. Also, it indicated that the ratings are supported by increasing foreign exchange reserves at the Central Bank of Jordan, the relative soundness of the banking system, and improving economic growth prospects. It pointed out that the ratings are mainly constrained by the elevated public debt level, moderately weak public finances, regional instability risks, and significant socioeconomic challenges. In parallel, Moody's Investors Service indicated that Jordan's 'B1' rating is supported by the government's commitment to structural economic reforms and medium term fiscal adjustments, as well as by the country's access to domestic funding sources. It noted that the government's very high debt burden, low economic growth rates, high unemployment rate and social pressures, and a volatile regional geopolitical environment, are weighing on the sovereign rating.

Source: Capital Intelligence Ratings, Moody's Investors Service

ANGOLA

Economic propsects supported by favorable trends

S&P Global Ratings projected Angola's real GDP to grow by 2.3% in 2022 and by 2.5% in 2023 relative to an expansion of 0.7% in 2021, mainly due to higher oil and metals prices that would encourage investments in the country and that would help reduce the country's external imbalances, support the local currency, and boost economic activity. But it considered that the pandemic and longstanding declines in oil production continue to weigh on the country's economic performance. Further, it indicated that the government's debt level dropped from nearly 130% of GDP in 2020 to an estimated 75% of GDP in 2021, due to the appreciation of the Angolan kwanza by 18% in 2021, as well as to the substantial expansion of nominal GDP and the rise in oil export revenues. It said that the risks to Angola's debt repayments have receded amid the improvement in its debt metrics, the authorities' track record of fiscal prudence, and a more supportive external environment. It expected that the ongoing fiscal reforms and the slower depreciation of the exchange rate to gradually reduce the government's debt level to 64% of GDP by 2025. Also, it said that the government faces an elevated external debt-servicing burden through 2025, as external interest and principal payments will average more than $6bn annually, or about 6% of GDP, during the 2023-25 period. But it noted that the government's restructuring of its bilateral debt with Chinese lenders and with member countries of the Group of 20 economies creates fiscal space to service its commercial debt over the 2020-22 period. Further, it indicated that the authorities' reforms program, higher oil prices, and debt relief from several major creditors are reducing Angola's immediate liquidity risks.

Source: S&P Global Ratings

NIGERIA

Economy to grow by 3.4% in 2022

The International Monetary Fund projected Nigeria's real GDP growth at 3.4% in 2022, supported by a rebound in economic activity across all sectors, except for the oil sector due to continued security and technical challenges in oil production. But it indicated that the inflation rate remains high, as it reached 17.7% in May 2022, which led to a renewed surge in food prices that was exacerbated by the war in Ukraine. In parallel, it forecast the fiscal deficit at 6.1% of GDP in 2022, driven by ongoing energy subsidies and limited tax revenue collection. Also, it said that the current account deficit narrowed significantly in 2021, supported by the decline in imports and higher oil export receipts. However, it noted that the impact of the improvement in the trade balance on the foreign exchange rate in the parallel market has been limited. As such, it forecast gross foreign currency reserves to decline from $41.5bn in September 2021 to $38.6bn at end-May 2022, despite the contribution of the IMF's Special Drawing Rights and Eurobond issuance to reserves last year. Also, the IMF considered that downside risks to the near term outlook include the deterioration in security conditions, a low rate of the COVID-19 vaccination, and higher global interest rates in advanced economies. In contrast, it said that upside risks include the recovery in the private sector, higher oil production at the Dangote refinery, and the implementation of the government's Strategic Revenue Growth Initiative that would spur growth and development.

Source: International Monetary Fund

BANKING

GCC

Banks' profits up 30% to $11bn in first quarter of 2022

Figures released by financial services firm KAMCO indicate that listed banks in the six Gulf Cooperation Council (GCC) countries posted aggregate net profits of $10.9bn in the first quarter of 2022, constituting increases of 25% from $8.7bn from the previous quarter and of 29.8% from $8.4bn in the first quarter of 2021. It attributed the increase in earnings in the first quarter of the year mainly to a decline of $0.9bn, or of 23.7%, in loan-loss provisions from the fourth quarter of 2021, with provisions totaling $2.9bn at end-March 2022. It added that the aggregate revenues of banks reached $23.8bn in the first quarter of 2022, representing an increase of 13.3% from $21bn in the same quarter of 2021 due to higher net interest and non-interest income. Further, it indicated that the aggregate assets of GCC banks stood at $2.8 trillion (tn) at the end of March 2022, as they increased by 1.7% in the first quarter of the year and grew by 10.2% from end-March 2021. In addition, it said that the banks' aggregate net loans reached $1.68tn at the end of March 2022 and expanded by 10.5% from a year earlier, while customer deposits amounted to $2.1tn and grew by 10% from the end of March 2021. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 80.5% at the end of March 2022 compared to 80.2% a year earlier, due to lending growth that outpaced the increase in deposits in the first quarter of 2022. It noted that the ratio reached its highest level since the first quarter of 2020.

Source: KAMCO

KUWAIT

Agencies take rating actions on banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of the National Bank of Kuwait (NBK) at 'A+' and the IDRs of Al Ahli Bank of Kuwait (ABK), Industrial Bank of Kuwait (IBK) and Kuwait Finance House (KFH) at 'A', with a 'stable' outlook. It also it maintained the Viability Rating (VR) of NBK at 'a-' and the VRs of ABK and KFH at 'bb+'. It indicated that the banks' IDRs are driven by the high probability of support from the Kuwaiti authorities to all domestic banks in case of need. It said that the VRs balance the banks' adequate capitalization, against high loan concentration risks and the banks' exposure to riskier markets. It pointed out that NBK and KFH benefit from strong funding and liquidity buffers, while the VRs of ABK and KFH reflect their recovering profitability. It added that the rating of IBK takes into account its high capital ratios and its significant exposure to government securities. In parallel, Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Burgan Bank, Commercial Bank of Kuwait (CBK), Gulf Bank and ABK at 'A+' and the rating of Kamco Investment Company at 'BBB'. It also affirmed the Bank Standalone Ratings (BSRs) of Gulf Bank at 'a-' and the BSRs of Burgan Bank, CBK and ABK at 'bbb+', and maintained the 'stable' outlook on the ratings and the BSRs. It indicated that the ratings of Burgan Bank, CBK, Gulf Bank and ABK are underpinned by sound asset quality and comfortable liquidity metrics. It said that the ratings of Burgan Bank, CBK and ABK reflect their sound capitalization, while the high concentrations in customer deposits and loans constrain the rating of Gulf Bank.

Source: Fitch Ratings, Capital Intelligence Ratings

IRAQ

Agencies take rating actions on banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Trade Bank of Iraq (TBI) at 'B-' and the IDR of Iraq's Region Trade Bank for Investment and Finance (RTB) at 'CCC+'. It revised the outlook on the long-term ratings of TBI from 'negative' to 'stable' following its similar action on the sovereign's outlook. It also affirmed the Viability Rating of RTB at 'ccc+', which reflects the bank's conservative risk appetite, and high capital and liquidity ratios. It said that the IDR of the bank balances its standalone strength, against a weak operating environment, limited franchise, unstable business model, a volatile and concentrated customer deposit base, and weak profitability. Further, Capital Intelligence Ratings (CI) affirmed the long- and short-term foreign currency rating of the International Development Bank for Investment and Finance (IDB) at 'B-' and 'B', respectively. It also affirmed the Bank Standalone Rating (BSR) at 'b-' and maintained the 'stable' outlook on the long-term rating and on the BSR. It noted that the majority of the bank's liquidity is deployed in non-remunerative accounts at the Central Bank of Iraq and may render IDB's balance sheet vulnerable to a sovereign credit event. In parallel, Moody's Investors Service withdrew the credit ratings, the Baseline Credit Assessments and the Counterparty Risk Assessments of Al-Anssari Islamic Investment and Finance Bank, the Iraqi Middle East Investment Bank, and Al-Qabidh Islamic Bank for Finance and Investment due to business reasons.

Source: Fitch Ratings, CI, Moody's Investors Service

PAKISTAN

Outlook on banks' ratings revised to 'negative'

Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings of Habib Bank, National Bank of Pakistan, United Bank Limited, MCB Bank and Allied Bank at 'B3'. Also, it revised the outlook on the banks' long-term ratings from 'stable' to 'negative' following its similar action on the sovereign ratings. Further, it indicated that the affirmation of the five Pakistani banks' ratings reflects their stable deposit base, good funding profiles and adequate liquidity. It said that banks hold nearly 12% of their assets in cash and interbank placements and invest 45% of their assets in government securities. It noted that Pakistani banks benefit from a resilient profitability, as the sector's return on assets stood at 1% in 2021, while growing financial inclusion and other government initiatives are boosting lending opportunities. It pointed out that high asset risks, given the vulnerable operating and macroeconomic conditions, are weighing on the banks' ratings, as the non-performing loans ratio reached 7.9% in 2021. It added that the banks' modest capital buffers constrain their ratings, given that the sector's equity-to-assets ratio stood at 6.3% last year. Also, it attributed the 'negative' outlook to the rated banks' sizable holdings of sovereign debt securities that are equivalent to between five and eight times their shareholders' equity, which links their creditworthiness to that of the government, as well as to the risk of a further weakening in the government's capacity to support the banks in case of need. Moreover, the agency indicated that it could downgrade the ratings if the banks' financial metrics deteriorate or if the government's capacity to extend financial support to banks declines.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $105 p/b in 2022

ICE Brent crude oil front-month prices have been volatile in June 2022, trading at between $116.3 per barrel (p/b) and $123.6 p/b, due to several factors that are affecting investors' outlook for the global oil market. Oil prices have been mainly supported by global tight supply and the anticipated increase in consumption during the summer season. Further, oil prices reached $118.5 p/b on June 15, 2022 and declined by 2.2% from the previous day, as the U.S. Federal Reserve raised its interest rates by 75 basis points, which could have an impact on global economic growth and could affect oil demand in the near term. In parallel, the International Energy Agency indicated that the slowdown in global oil demand and a rise in world oil supply through the end of the year would help rebalance the global oil markets. Also, it said that higher oil prices and a weaker economic outlook continue to weigh on the demand for oil in 2022, but it considered that the rebound in activity in China would boost oil demand in 2023. As such, it forecast global oil demand to expand by 2.2 million barrels per day (b/d) to 101.6 million b/d in 2023. It expected non-OPEC+ producers to increase their output by 1.9 million b/d in 2022 and 1.8 million b/d in 2023, as oil production from OPEC+ may drop next year, due to sanctions on Russian oil and limited production capacity from producers outside the Middle East. Further, Fitch Ratings revised upward its oil price forecast due to trade flows disruptions, the redirection of Russian oil to other markets such as China and India, as well as higher post-pandemic oil demand. It projected oil prices to average $105 p/b in 2022 and $85 p/b in 2023.

Source: Moody's Investors Service, Refinitiv, Byblos Research

OPEC's oil basket price up 8% in May 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $113.87 per barrel (p/b) in May 2022, constituting an increase of 7.8% from $105.64 p/b in April 2022. Kuwait Export was $116.82 p/b, followed by Saudi Arabia's Arab Light at $116.44 p/b, and Iran Heavy at $115.48 p/b. All prices in the OPEC basket posted monthly increases of between $4.67 p/b and $9.54 p/b in May 2022.

Source: OPEC

MENA's crude oil exports to increase by 18% in 2022

The International Monetary Fund anticipated crude oil exports from the Middle East & North Africa region to reach 20.52 million barrels per day (b/d) in 2022, which would constitute an increase of 17.5% from 17.47 million b/d in 2021. The GCC countries' oil exports would account for 69.3% of the region's oil exports this year. On a country basis, it projected Saudi Arabia's crude oil exports at 7.9 million b/d this year, or 38.4% of the region's oil exports, followed by Iraq at 3.9 million b/d (18.9%), and the UAE at 2.7 million b/d (12.9%).

Source: International Monetary Fund, Byblos Research

OPEC oil output nearly unchanged in May 2022

The members of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, produced 28.51 million barrels of oil per day (b/d) on average in May 2022, nearly unchanged from 28.68 million b/d in April 2022. Saudi Arabia produced 10.4 million b/d, or 36.6% of OPEC's total output, followed by Iraq with 4.4 million b/d (15.5%), the UAE with 3.1 million b/d (10.7%), Kuwait with 2.7 million b/d (9.4%), and Iran with 2.5 million b/d (8.9%).

Source: OPEC

Base Metals: Copper prices to average $9,925 per ton in second quarter of 2022

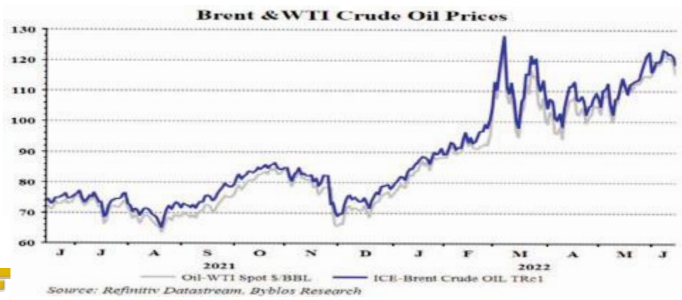
LME copper cash prices averaged $9,867.7 per ton in the year-to-June 15, 2022 period, constituting an increase of 8.8% from an average of $9,065.6 a ton in the same period of 2021. Supply disruptions and expectations of robust demand drove the surge in prices, amid the anticipated stronger global economic recovery. Also, copper prices declined to $9,224.5 a ton on June 15, 2022 from an all-time high of $11,299.5 per ton on October 18, 2021. The decline in prices was due to the tightening of global monetary policy and the renewed lockdown measures in China, which have limited the prospects of a recovery in copper demand. In parallel, Citi Research projected global demand for refined copper to reach 25.2 million tons in 2022, up by 2% from 24.7 million tons in 2021. Further, it expected the production of global refined copper to grow by 2.6% from 24.45 million tons in 2021 to 25.1 million tons in 2022, with mine production representing 86.5% of the total. As such, it forecast the deficit in the copper market to narrow from 248,000 tons in 2021 to 128,000 tons in 2022. Also, it revised downwards its forecast for copper prices from $12,000 per ton to $11,000 a ton for the next three months, due mainly to the ongoing lockdowns in China. Further, Standard Chartered Bank projected copper prices to average $9,925 per ton in the second quarter, $9,750 a ton in the third quarter, and $9,600 per ton in the fourth quarter of 2022.

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

Precious Metals: Platinum prices to average $1,050 per ounce in second quarter of 2022

Platinum prices averaged $999.7 per troy ounce in the year-to-June 15 period, constituting a decrease of 15% from an average of $1,178.2 an ounce in the same period last year, due mainly to chip shortages in the automotive sector that have restrained the demand for the metal. Further, platinum prices regressed from a recent high of $1,151 per ounce on March 8, 2022 to $945 an ounce on June 15, 2022, driven by the expected slowdown in global economic growth, which put downward pressure on the metal's price. In parallel, Citi Research projected global demand for platinum to reach 7.6 million ounces in 2022 and to increase by 4.7% from 7.3 million ounces in 2021. Also, it forecast the global supply of platinum to decrease by 2.7% from 8.2 million ounces in 2021 to 7.9 million ounces in 2022, with mine output representing 75.5% of global refined platinum production in 2022. In addition, it expected platinum prices to be highly volatile in the short term due to geopolitical uncertainties. In addition, it anticipated platinum prices to increase in the long term, driven by the recovery autocatalyst demand due to the substitution of palladium to platinum in the production of electrical vehicles batteries. Moreover, it forecast platinum prices to average $1,050 per ounce in the second quarter, $1,075 an ounce in the third quarter, and $1,100 per ounce in the fourth quarter of 2022.

Source: Citi Research, 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								
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Stable	B- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Negative	B+ Stable	B+ Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa1 RfD**	CCC -	 -	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B- Stable	Caa1 Stable	B- Negative	- -	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Stable	BB- Stable	- -	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	Caa1 Stable	- -	- -	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Negative	BB+ Stable	- -	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B2 Stable	B Stable	- -	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Tunisia	- -	Caa1 Negative	CCC -	- -	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+ Stable	B2 Negative	B+ Stable	B+ Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Negative	A1 Stable	AA- Stable	A+ Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD -	C -	C -	- -	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB- Stable	Ba3 Negative	BB- Stable	BB Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Positive	A1 Stable	A Positive	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	- -	- -	- -	- -	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	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+ Stable	Ba3 Negative	B+ Stable	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 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	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B- Stable	B3 Negative	B- 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	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 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 -	- -	-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	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD	CCC -	- -	-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, 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	1.75	15-Jun-22	Raised 75bps	N/A
Eurozone	Refi Rate	0.00	09-Jun-22	No change	N/A
UK	Bank Rate	1.25	16-Jun-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	28-Apr-22	No change	17-Jun-22
Australia	Cash Rate	0.85	07-Jun-22	Raised 50bps	N/A
New Zealand	Cash Rate	2.00	25-May-22	Raised 50bps	13-Jul-22
Switzerland	SNB Policy Rate	-0.25	16-Jun-22	Cut 50bps	22-Sep-22
Canada	Overnight rate	1.50	01-Jun-22	Raised 50bps	13-Jul-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-May-22	No change	20-Jun-22
Hong Kong	Base Rate	1.75	16-Jun-22	Raised 50bps	N/A
Taiwan	Discount Rate	1.50	16-Jun-22	Raised 12.5bps	22-Sep-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	08-Jun-22	No change	10-Aug-22
India	Reverse Repo Rate	3.35	08-Apr-22	No change	N/A
UAE	Repo Rate	3.00	15-Jun-22	Raised 75bps	N/A
Saudi Arabia	Repo Rate	2.25	15-Jun-22	Raised 50bps	N/A
Egypt	Overnight Deposit	11.25	19-May-22	Raised 200bps	23-Jun-22
Jordan	CBJ Main Rate	3.75	16-Jun-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	13.25	15-Jun-22	Raised 50bps	N/A
Armenia	Refi Rate	9.25	14-Jun-22	No change	02-Aug-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	06-Jun-22	No change	25-Jul-22
Ukraine	Discount Rate	25.00	02-Jun-22	Raised 1500bps	21-Jul-22
Russia	Refi Rate	9.50	10-Jun-22	Cut 150bps	22-Jul-22

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