700 ISSUES+
Issue 724 | July 14, 2022

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading up 9% to $1,494bn in first quarter of 2022

Trading in emerging markets debt instruments reached $1,494bn in the first quarter of 2022, constituting increases of 9% from $1,372bn in the same quarter of 2021 and of 30% from $1,150bn in the fourth quarter of 2021. Turnover in local-currency instruments reached $914bn in the covered period, up by 16% from $787bn in the first quarter of 2021, and accounted for 61% of the debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $578bn in the first quarter of the year and regressed by 1% from $585bn in the same quarter of 2021. The volume of traded sovereign Eurobonds reached $372bn and accounted for 64% of total Eurobonds traded in the first quarter of 2022, relative to $218bn and a share of 37% in the same quarter of 2021. Also, the volume of traded corporate Eurobonds reached $204bn, or 35% of total Eurobonds traded. In addition, turnover in warrants and options stood at $836m, while loan assignments amounted to $104m in the first quarter of 2022. The most frequently-traded instruments in the first quarter of 2022 were Mexican fixed income assets with a turnover of $250bn, or 17% of the total, followed by securities from Brazil with $191bn (13%), and instruments from China with $181bn (12%). Other frequently-traded instruments consisted of fixed income securities from South Africa at $63bn (4.2%) and from India at $57bn (3.8%).

Source: EMTA

GCC

Fixed income issuance down 56% to $38bn in first half of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $37.5bn in the first half of the year, constituting a decrease of 56.2% from $85.7bn in the same period of 2021. Fixed income issuance in the covered period consisted of $16.3bn in sovereign sukuk, or 43.5% of the total, followed by $10.9bn in corporate bonds (29%), $8.3bn in corporate sukuk (22%), and $2bn in sovereign bonds (5.3%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $19.2bn in the covered period, or 51.2% of fixed income output in the region; while issuance by GCC sovereigns reached $18.3bn, or 48.8% of the total. GCC sovereigns issued $4.8bn in bonds and sukuk in January, $10.2bn in March, $1bn in April, $0.8bn in May, and $1.5bn in June 2022. In parallel, companies in the GCC issued $6.7bn in bonds and sukuk in January, $2.7bn in February, $5.3bn in March, $2.2bn in April, $0.8bn in May, and $1.5bn in June of this year. Further, sovereign proceeds in June 2022 consisted of $1.45bn in sukuk issued by firms in Saudi Arabia. In parallel, corporate issuance in the covered month included $619.4m in bonds issued by firms in the UAE, $60m issued by companies based in Saudi Arabia, and $350m in sukuk issued by firms in the UAE.

Source: KAMCO

MENA

Stock markets down 1% in first half of 2022

Arab stock markets declined by 1% and Gulf Cooperation Council equity markets grew by 1.7% in the first half of 2022, relative to increases of 18% and 21.4%, respectively, in the same period of 2021. In comparison, global stocks regressed by 21% and emerging market equities decreased by 17.3% in the first half of 2021. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 253.2% in the first half of 2022, the Damascus Securities Exchange improved by 20.3%, the Amman Stock Exchange advanced by 17%, the Abu Dhabi Securities Exchange gained 10.4%, the Palestine Exchange yielded 9.6%, and the Khartoum Stock Exchange increased by 9%. In addition, the Tunis Bourse expanded by 6.3%, the Qatar Stock Exchange grew by 5%, the Bahrain Bourse improved by 2.4%, the Saudi Stock Exchange gained 2.1%, and the Dubai Financial Market and the Iraq Stock Exchange appreciated by 0.9% each in the covered period. In contrast, activity on the Egyptian Exchange dropped by 22.8% in the first half of 2022, the Casablanca Stock Exchange decreased by 10%, the Boursa Kuwait declined by 3.5%, and the Muscat Securities Market regressed by 0.2%.

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

Country risk level recedes in first quarter of 2022

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world decreased in the first quarter of 2022, as the average country risk score of 18 Arab economies was 42.45 points relative to 41.43 points in the first quarter of 2021. A higher score represents a lower country risk level. Qatar had the 27th lowest country risk level globally and the lowest in the region, followed by the UAE (29th), Saudi Arabia (39th), Kuwait (41st), and Bahrain (48th) as the five Arab countries with the lowest risk levels in the region. In contrast, Libya (152nd), Sudan (156th), Lebanon (170th), Yemen (171st) and Syria (173rd) posted the highest risk levels in the Arab world. In parallel, the Arab region's risk level was higher than the global risk level (48.4 points), as well as higher than the risk levels of North America (66 points), Europe & Central Asia (60.2 points), East Asia & Pacific (52.1 points), and Latin America & the Caribbean (46.6 points); while it was lower than the risk levels of South Asia (37.9 points) and Sub-Saharan Africa (36.9 points). Qatar ranked in first place regionally on the Economic Assessment and Access to International Capital Markets categories, the UAE came first among Arab countries on the Political Assessment and Structural Assessment indicator factors, and Kuwait ranked in first place on the Debt Indicators category.

Source: Euromoney Group, Byblos Research

POLITICAL RISK OVERVIEW - June 2022

ALGERIA

Relations with Spain continued to deteriorate over the Western Sahara issue, as the Spanish Prime Minister confirmed his country's support for Morocco's autonomy plan for Western Sahara. In response, Algiers announced the suspension of the 2002 Treaty of Good Neighborliness and Cooperation with Madrid and cut off bilateral trade relations. The Spanish government expressed "regret" at the decision, while the High Representative of the European Union for Foreign Affairs and Security Policy warned that the suspension of bilateral trade might violate the partnership agreement between Algeria and the EU and lead to "retaliatory measures". In parallel, the energy ministers of Algeria, Niger and Nigeria met to revive talks about the trans-Saharan pipeline project that would link Nigeria to Europe through Algeria and Niger.

ARMENIA

The Deputy Prime Minister of Armenia met with his Azerbaijani and Russian counterparts on June 3, 2022 in Moscow and announced that they are willing to continue their efforts to implement the agreements about the resumption of transport links between Armenia and Azerbaijan. Further, Armenia's radical opposition groups decided to end their daily demonstrations after failing to gain popular support, as they aimed to unseat Prime Minister Nikol Pashinyan and prevent a possible peace agreement between Armenia and Azerbaijan. However, opposition parties said that they would switch to weekly demonstrations and try to attract more followers.

EGYPT

Preparations for a national dialogue made progress, as authorities appointed the Chairman of the State Information Service Diaa Rashwan as general coordinator of the dialogue. The decision sparked controversy among opposition forces, as the Civil Democratic Movement, a coalition of seven political parties, denounced the appointment and deemed it will not lead to a fair and effective dialogue. Still, Mr. Rashwan held consultations with political, economic and social figures with the aim to launch a formal dialogue in July. In parallel, the Russian Minister of Industry and Trade announced that Cairo and Moscow agreed to use their respective national currencies for future bilateral trade transactions, which will allow the two countries to bypass the obstacles created by recent sanctions on Russia.

ETHIOPIA

After almost six months without major confrontation between federal and Tigrayan forces, the president of Tigray announced that his government is ready to hold talks with federal authorities. The federal government responded by establishing a seven-member committee chaired by the deputy prime minister to hold peace talks. In parallel, the United Nations declared that 1,200 trucks carrying aid arrived in the Tigray region, but that more than 13 million individuals are still in need of food assistance in northern Ethiopia. Further, ethnic violence escalated in the Oromia region and resulted in hundreds of dead civilians.

IRAN

The International Atomic Energy Agency passed on June 8, 2022 a resolution that censured Iran for its refusal to provide adequate explanations about traces of uranium found at three undeclared nuclear sites. In response, the Iranian government condemned the censure, adopted measures to ramp up nuclear activity, and removed 27 cameras that monitor various aspects of its nuclear activities under the provisions of the Joint Comprehensive Plan of Action. In parallel, the United States imposed sanctions on Chinese and Emirati companies on June 16, 2022, as well as on a network of Iranian petrochemical producers, accusing them of helping to "evade sanctions" by supporting the sale of Iran's petrochemical products abroad.

IRAQ

The Speaker of Parliament Mohamed al-Halbousi accepted on June 12, 2022 the resignation of 73 lawmakers from Shiite cleric Muqtada al-Sadr's alliance amid a prolonged political impasse over the formation of the country's new government. Cleric al-Sadr announced that he would withdraw from the political process, citing his unwillingness to be involved with "corrupt" politicians. Parliament held an emergency session on June 23 to replace the members who resigned. A total of 64 new members took the constitutional oath to join the parliament, strengthening the power of Iran-backed factions in the assembly, while the remaining nine substitutes refrained from attending the meeting.

LIBYA

The Sirte-based House of Representatives (HoR) passed on June 15, 2022 Prime Minister Fathi Bashagha's proposed government budget, while the Tripoli-based Government of National Unity immediately rejected the budget. Further, the United Nations' Special Envoy of the Secretary-General for Yemen said that the UN would continue to recognize the Tripoli-based PM Abdul Hamid Dbeibeh as the legitimate PM until new elections are held. Also, delegates of the HoR and the Tripoli-based High State Council met in Cairo and failed to reach an agreement on the constitutional basis for the upcoming elections.

SUDAN

The UN mission in Sudan, the African Union and the Intergovernmental Authority on Development facilitated direct talks between the ruling military and civilian opposition groups, but the main pro-democracy alliance, Forces for Freedom and Change Central Council (FFC-CC), boycotted the meeting. The U.S. and Saudi Arabia organized the first informal meeting between the FFC-CC and the military since the October 2021 coup, but the FFC-CC said that a formal dialogue would be contingent on the military staying out of politics. As a result, the second round of informal talks was indefinitely postponed as discussions reached an impasse. Fighting erupted in the disputed al-Fashaga zone bordering Ethiopia. Khartoum accused Ethiopian forces of abducting and executing seven Sudanese soldiers and one civilian after abducting them, but Ethiopian authorities denied Sudan's accusations. As a result, Sudan said it was recalling its ambassador from Ethiopia and summoned the Ethiopian ambassador to Sudan.

TUNISIA

Political tensions continued to run high, as President Kais Saïed revoked 57 judges on various charges, including disrupting investigations into terrorism cases and corruption. In parallel, President Saïed formed a "consultative commission" to draft a new constitution and intends to put it to a referendum on July 25, 2022. As a result, various political parties organized protests against the constitutional referendum and announced that they will boycott the plebiscite. Further, the president published the draft constitution on June 30, 2022 after the head of the constitution's drafting committee submitted it for approval.

YEMEN

The Yemeni government and the Huthi rebels extended on June 2, 2022 the truce agreement, which had been in effect since April 2, for two months. The ceasefire stopped cross-border attacks between the Saudi-led coalition and Huthi rebels, and significantly slowed ground fighting. In parallel, tensions within the recently formed Presidential Leadership Council escalated, as the head of the Southern Transitional Council (STC) wants the STC's military forces and the Security Belt Forces to remain independent, following the government's decision in May to unify all anti-Huthi factions.

Source: International Crisis Group, Newswires

OUTLOOK

JORDAN

Global conditions to increase external financing needs

The International Monetary Fund (IMF) indicated that Jordan's economic recovery has continued amid an uncertain external environment. But, it considered that the elevated unemployment rate, higher global commodity prices and tighter global financial conditions represent significant challenges to the country's outlook. It projected real GDP growth at 2.4% in 2022 and 2.7% in 2023. It stressed that the authorities' near-term policies should focus on maintaining macro-fiscal stability, on protecting the most vulnerable segments of society, and on advancing structural reforms to boost growth and jobs.

In parallel, it noted that the authorities have stepped up efforts to broaden the tax base, reduce tax evasion and close tax loopholes. As such, it projected the fiscal deficit, excluding grants, to narrow from 7.1% of GDP in 2021 to 5.2% of GDP in 2022 and forecast it to reach 5.3% of GDP in 2023. It urged authorities to implement a more gradual fiscal consolidation to support the recovery and to maintain the sustainability of the public debt level, which it forecast at about 114% of GDP in the 2022-23 period. It stressed the need to replace costly fuel subsidies with targeted support to protect vulnerable households, given the government's limited fiscal space. Also, it welcomed the ongoing efforts to increase transparency and efficiency in public spending and at state-owned enterprises. In addition, it emphasized the importance of improving the financial viability of the electricity and water sectors, including by limiting the accumulation of arrears and closely monitoring contingent liabilities.

Further, the IMF projected the current account deficit at 6.7% of GDP in 2022 and 4.8% of GDP in 2023, but noted that it will remain wider-than-expected as a result of higher fuel import prices and tighter global financial conditions, which will increase external financing needs. It forecast foreign currency reserves at \$16bn in the 2022-23 period and considered that additional donor support will be critical to help advance the authorities' reform agenda and meet the government's higher external funding needs.
Source: International Monetary Fund

QATAR

Favorable outlook driven by economic recovery and public finance surpluses

The International Monetary Fund (IMF) projected Qatar's real GDP growth at 3.4% in 2022 and 2.5% in 2023, mainly due to sustained growth in the non-hydrocarbon sector, the rebound in domestic demand, favorable hydrocarbon prices, and the 2022 FIFA World Cup. It forecast real hydrocarbon GDP to expand by 2.3% in 2022 and by 1.9% in 2023, and anticipated non-hydrocarbon real GDP growth at 4.1% in 2022 and 2.8% in 2023.

Further, the IMF anticipated the fiscal surplus at 5.4% of GDP this year and 8.5% of GDP in 2023, and expected the public debt level to decline from 58.4% of GDP at the end of 2021 to 36.2% of GDP by end-2027, as authorities step up efforts to improve the management of the central government's debt. Also, it anticipated the current account balance to post surpluses of 20% of GDP in 2022 and 15.1% of GDP in 2023, driven by a widening trade surplus amid high hydrocarbon receipts. It considered that the expansion of the production capacity of the North Field Liquefied Natural Gas would strengthen the fiscal and external balances in the medium term. In addition, it projected official foreign currency reserves to increase from \$42.2bn at end-2021 to \$70.7bn at end-2022 and \$82.9bn at end-2023.

In parallel, the IMF stressed the importance of maintaining fiscal discipline in the near term amid elevated hydrocarbon prices. It indicated that favorable cyclical conditions in the country provide an opportunity to embark on growth-friendly medium-term fiscal consolidation by diversifying non-hydrocarbon receipts, by enhancing the efficiency of current expenditures through public employment and subsidies reforms, and by reorienting public investments to promote diversification and growth. But it noted that downside risks to the outlook include a more protracted COVID-19 pandemic, volatility in the oil market, tighter global financial conditions, and worsening geopolitical tensions.
Source: International Monetary Fund

ANGOLA

Growth outlook contingent on reforms in non-hydrocarbon sectors

BNP Paribas expected that the economic recovery in Angola will continue in the coming months and projected real GDP growth at 3% in 2022 and 3.2% in 2023, its highest levels since 2014, supported by elevated global oil prices and the resumption of national production of hydrocarbons. Still, it noted that the Angolan economy is prone to significant vulnerabilities and that the authorities should pursue reforms by taking advantage of the current favorable macroeconomic environment in order to reduce the economy's dependence on the oil sector. Also, it expressed concerns about the government's ability to accelerate the reforms in progress that would resolve permanently the country's vulnerabilities, as it considered that the reforms that the authorities implemented since 2018 to reduce the economy's sensitivity to changes in oil prices are still insufficient. It suggested that reducing the pro-cyclical nature of economic activity will require authorities to increase investments in the less volatile non-hydrocarbon sectors. It noted, however, that the country is struggling to attract foreign investments, and that these flows are concentrated in the hydrocarbon sector and reflect the repatriation of revenues from oil companies.

In parallel, it indicated that the improved outlook for Angola is helping to ease pressures on the country's external financing needs and debt sustainability. It projected the fiscal balance to post surpluses of 1.2% of GDP in 2022 and 0.8% of GDP in 2023. It said that the public debt level declined from 136.8% of GDP at end-2020 to 86.3% of GDP at end-2021, and forecast it to decrease to 57.3% of GDP by end-2023, supported by the authorities' debt relief and reprofiling initiatives. It added that the decline in the public debt level is contingent on the appreciation of the exchange rate, given that 80% of the public debt stock is denominated in foreign currency. Also, it anticipated that debt-servicing costs will continue to weigh on public finances and projected them to absorb about 50% of public revenues in the medium term. Further, it forecast the current account surplus at 3.6% of GDP in 2022 and 1.9% of GDP in 2023, and for foreign currency reserves to average about \$10.45bn per year in the 2022-23 period.
Source: BNP Paribas

BAHRAIN

Real GDP growth to average 3% in medium term

The International Monetary Fund (IMF) indicated that economic activity in Bahrain is gradually recovering from the fallout of the COVID-19 pandemic, supported by the successful vaccination campaign and the renewed fiscal reforms momentum that reduced the country's fiscal and external vulnerabilities, amid the increase of the value-added tax rate to 10% and the rebound in oil prices. As such, it projected economic growth to accelerate from 2.2% in 2021 to 3.4% in 2022 and to stabilize at 3% annually over the medium term, while it forecast non-oil real GDP to increase by 4% in 2022, driven by the gradual recovery of the Bahraini economy. In addition, it projected the current account balance to post surpluses of 11.1% of GDP in 2022 and 7.5% of GDP in 2023, and forecast the government's gross debt level to decline from 129% of GDP in 2021 to 116% of GDP in 2022 and 118% of GDP in 2023. It considered that the country needs an ambitious fiscal adjustment plan to put the public debt on a downward path, and to take advantage of the current favorable macroeconomic and financing conditions by incorporating fiscal measures in the upcoming 2023-24 Budget Law. Also, it encouraged the authorities to strengthen their macro-fiscal framework, reduce their reliance on oil revenues, and increase fiscal transparency. It said that monetary policy should continue to follow the U.S. Federal Reserve's tightening cycle to curb capital outflow pressures. It noted that the phasing out of foreign currency overdrafts at the Central Bank of Bahrain, along with the fiscal adjustment, would help solidify the exchange rate peg and support access to external financing.

Source: International Monetary Fund

MOROCCO

Outlook on ratings revised to 'stable'

Moody's Investors Service affirmed Morocco's long-term issuer rating and senior unsecured ratings at 'Ba1'. Also, it revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the outlook revision to the recovery of the country's economic growth rate to pre-pandemic levels and to the implementation of the government's crisis management measures during the pandemic. It expected the authorities to be able to carry out fiscal consolidation that would stabilize the debt ratio and fiscal accounts, while maintaining social stability despite the elevated prices of food and energy. It anticipated the public debt level to stabilize at less than 80% of GDP in the next three years after it increased to 75% of GDP in 2021. In addition, it pointed out that the ratings reflect Morocco's economic resilience and the build-up of significant foreign currency reserves, which covered six months of imports at the end of 2021 and that have provided a buffer to absorb the impact of the global commodity price shock. However, it indicated that the ratings are constrained by an elevated public debt level, the government's exposure to contingent liabilities from the debt of state-owned enterprises (SOEs), and relatively subdued trend growth. In parallel, it said that it could upgrade the ratings in case the public debt level declines sustainably and growth in the non-agricultural sector improves. In contrast, it noted that it could downgrade the ratings in case the fiscal deficit widens and the public debt level increases, or if contingent liabilities from SOEs or from the banking sector materialize.

Source: Moody's Investors Service

PAKISTAN

Challenging environment poses risks to fiscal targets

Standard Chartered Bank considered that the target fiscal deficit of the Pakistani government is challenging, due to a backdrop of elevated oil and food prices and a shortfall in non-tax revenues, and despite an expected further pick-up in nominal economic growth. It said that authorities are planning to narrow the fiscal deficit from 7.1% of GDP in the fiscal year that ended in June 2022 to 4.9% of GDP in FY2022/23, by shifting the primary balance from a deficit of 2.4% of GDP in FY2021/22 to a surplus of 0.2% of GDP in FY2022/23. In addition, it forecast the current account deficit at 3.5% of GDP in FY2022/23 and anticipated a wider deficit in case of persistently elevated global oil prices, slowing remittance growth, and lower external demand amid the global economic slowdown. In parallel, it expected the projected increase of 20% in nominal GDP as a result of rebasing to help reduce the public debt level, despite the depreciation of the Pakistani rupee. It forecast the public debt level to decline from 79% of GDP at end-June 2022 to 75% of GDP at end-June 2023. Also, it considered that the revival of the $6bn program with the International Monetary Fund will be crucial to stabilize foreign currency reserves, given the country's large external financing needs for FY2022/23, as authorities are planning to raise external commercial funding from the Eurobond and loan markets. In parallel, JPMorgan Chase & Co. said that the government's budget for FY2022/23 includes new measures that aim to broaden the tax base, and projected debt servicing costs to account for 41.5% of expenditures in the near term.

Source: Standard Chartered Bank, JPMorgan Chase & Co.

GHANA

Deal with IMF would be credit positive for sovereign

Moody's Investors Service indicated that Ghanaian authorities have initiated talks with the International Monetary Fund (IMF) about a financial support package, following surging inflation rates and the significant depreciation of the Ghanaian cedi. It considered that an IMF-supported program could act as a fiscal policy anchor that will help strengthen creditor confidence, contain the current rise in the government's borrowing costs, and attract larger and cheaper sources of borrowing. It noted that interest rates on the debt denominated in local currency, which is the government's predominant source of funding, has been rising steadily since the beginning of 2022 amid the authorities' tighter monetary stance. It said that authorities are aiming to narrow the fiscal deficit from 11.4% of GDP in 2021 to 7.4% of GDP in 2022 and to 5.5% of GDP in 2023. However, it projected the fiscal deficit at between 10% of GDP and 11% of GDP this year, and considered that elevated debt-servicing costs are Ghana's primary fiscal challenge, given that interest payments absorbed nearly 50% of public revenues last year. Still, it anticipated that it will take time for the government to build a meaningful track record to meet the IMF's fiscal targets that would lead to a sustainable reduction in its borrowing costs. It also expected that several of these targets will be difficult to achieve, as the IMF's Debt Sustainability Analysis has already classified Ghana in July 2021 as a country with a high risk of debt distress.

Source: Moody's Investors Service

WORLD

Crypto-assets are threat to financial stability

The Financial Stability Board (FSB) indicated that the evolution of crypto-assets represents a threat to global financial stability in the absence of adequate regulations, due to their rising market size, their structural vulnerabilities, and their increasing interconnectedness with the traditional financial system. It anticipated large losses from crypto-assets trades and the materialization of risks as a result of investors' misconduct to transmit risks to other parts of the crypto-asset ecosystem, and for crypto-assets to have spillover effects on crucial parts of traditional finance. It considered that crypto-assets must be subject to effective regulations and oversight that would adequately address the risks these assets pose at the domestic and international levels. Further, it indicated that the FSB is collaborating with national financial authorities and international standard-setting bodies to develop a common understanding of the wide spectrum of crypto-assets, as well as to implement regulatory and supervisory policies in order to minimize the risk of fragmentation and regulatory arbitrage. It said that the cross-border cooperation includes the assessment of existing applicable standards and the identification of potential gaps with a view to provide information for possible adaptations of existing standards. It added that the FSB and the involved parties are working on the development of new standards or implementing guidance to address new types of risks that may not be adequately captured by the existing regulatory frameworks, in order to align them with best international practices.

Source: Financial Stability Board

UAE

Agency affirms ratings on five banks

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of First Abu Dhabi Bank (FAB) at 'AA-' and of Mashreqbank at 'A', as well as those of Commercial Bank of Dubai (CBD) and Sharjah Islamic Bank (SIB) at 'A-', and the rating of United Arab Bank (UAB) at 'BBB'. In addition, the agency affirmed the Bank Standalone Rating (BSR) of FAB at 'a-', the ratings of Mashreqbank and CBD at 'bbb', the BSR of SIB at 'bbb-', and the rating of UAB at 'bb+'. It also maintained the 'stable' outlook on all the ratings of FAB, Mashreqbank, CBD and SIB, while it revised the outlook on the ratings of UAB from 'negative' to 'stable'. It indicated that the ratings of the five banks benefit from a high probability of government support in case of need, as well as from adequate capital ratios and comfortable liquidity metrics. Also, it stated that the five banks face credit challenges as a result of the impact of the COVID-19 pandemic and the war in Ukraine on the economy. Further, it attributed the outlook revision on the ratings of UAB to the positive changes in the bank's financial fundamentals. It pointed out that FAB's large market size, strong customer franchise, and diversified business base underpin the bank's ratings. It noted that the ratings of Mashreqbank reflect its improving profitability due to robust business growth, strong non-interest income and good cost efficiencies. Also, it said that the ratings of CBD balance the bank's good business franchise and its adequate profitability, against low loan loss provisions, moderately high NPL ratio and elevated customer concentrations in loans and deposits. It pointed out that the ratings of SIB benefit from satisfactory provisioning.

Source: Capital Intelligence Ratings

TUNISIA

Difficult operating environment drives negative outlook on banking sector

Moody's Investors Service indicated that the outlook on the Tunisian banking sector is 'negative' due to the ongoing political and economic turmoil that is affecting the country's investment climate and credit profile. It said that Tunisian banks are heavily exposed to government securities, which also carry a 'negative' outlook. It noted that inflationary pressures and the potential depreciation of the local currency would exacerbate the banks' problem loans, increase liquidity shortages and erode their profitability, if the authorities do not reach an agreement with the International Monetary Fund on a third bailout for the country. Further, it said that the elevated oil import bill, high inflation rate, reduced tourism receipts and weakened export demand are weighing on the capacity of borrowers to repay their loans. It forecast the banks' non-performing loans ratio at 12% to 13% in 2022, due to the slowdown in lending and the lifting of forbearance measures. In addition, it said that the sector's Tier One capital ratio was a modest 10.8% of risk-weighted assets in 2020 and 2021, in light of high volumes of problem loans. It indicated that the adoption of the International Financial Reporting Standards IFRS 9 in 2023, and the weak provisioning for problem loans, will further reduce the banks' capital positions in the coming 12 to 18 months. Also, it pointed out that the banks' liquid assets declined from 21.3% of tangible assets in 2020 to 18.4% of such assets in 2021, and considered that Tunisia's fragile economic recovery from the COVID-19 pandemic, persistent fiscal and current account deficits, and the inability to access international capital markets will weigh on the banks' solvency and liquidity.

Source: Moody's Investors Service

DEM REP CONGO

Banking sector facing vulnerabilities

The International Monetary Fund (IMF) considered that the banking sector in the Democratic Republic of Congo is vulnerable to poor credit quality reporting, risks associated with the highly dollarized financial system, the potential loss of correspondent banking relationships, and linkages to foreign parent companies. It said that banks are undercapitalized and unprofitable, as only eight out of 15 banks satisfy the minimum capital requirements. It noted that the sector's capital adequacy ratio stood at 12.1% at the end of 2021, down from 14% at end-2020, while its Tier One capital ratio was 10% at end-2021 compared to 11.6% at end-2020. Also, it indicated that the non-performing loans ratio regressed from 8.8% at end-2020 to 6.3% at end-2021 due to the implementation of regulatory forbearance measures and to the ongoing suspension of the reclassification of loans. Further, it pointed out that the sector's liquidity coverage ratio stood at 254.7% at the end of 2021 compared to 220.5% at end-2020, amid the high accumulation of the banks' assets abroad. In parallel, it considered that the elevated dollarization rate at banks could lead to an increase in systemic risks, given that 85% of deposits and 96% of bank loans were denominated in US dollars at the end of 2021. As such, the IMF called on authorities to reduce the dollarization rate in the economy in order to increase the independence and efficiency of monetary policy and to improve the resilience of the financial system.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices at $101 p/b in second half of 2022

ICE Brent crude oil front-month prices reached $99.6 per barrel (p/b) on July 13, 2022, representing a decline of 19.4% from a recent high of $123.6 p/b on June 8, 2022. Fears of a global economic slowdown amid the tightening of global monetary policy to mitigate surging inflation rates drove the decline in oil prices. Also, lockdowns to contain the spread of the COVID-19 in China put downward pressure on oil prices, given that the country is the leading oil importer in the world and the second largest consumer of oil after the United States. In parallel, JPMorgan Chase & Co. indicated that underinvestment in the oil fields of certain OPEC members is constraining the increase in production and in oil supply, while demand for oil remains resilient in emerging economies mainly. It noted that low spare capacity should limit OPEC's ability to significantly increase production from current levels, even if OPEC members review their production quotas after the current agreement expires. In addition, the U.S. Energy Information Administration said that energy demand might decrease in the coming months due to the impact of COVID-19 restrictions on oil consumption in China and given the potential further increase in oil prices, high inflation rates, and slowing economic activity worldwide. It considered that heightened geopolitical risks and questions about the ability of OPEC+ members to meet their higher production targets raise uncertainties about the outlook for oil supply. Further, it projected oil prices to average $101 p/b in the second half of 2022 and $94 p/b in 2023.

Source: JPMorgan Chase & Co., Energy Information Administration, Refinitiv, Byblos Research

Iraq's oil exports at $11.5bn in June 2022

Preliminary figures show that the exports of crude oil from Iraq totaled 101.2 million barrels in June 2022 and decreased by 1.1% from 102.3 million barrels in May 2022. They averaged 3.4 million barrels per day (b/d) in June compared to 3.3 million b/d in May 2022. Oil exports from the central and southern fields amounted to 98 million barrels in June, while shipments from the Kirkuk fields totaled 3 million barrels. Oil export receipts stood at $11.5bn in June compared to $11.4bn in May 2022.

Source: Iraq Ministry of Oil, Byblos Research

OPEC's oil basket price up 3% in June 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $117.72 per barrel (p/b) in June 2022, constituting an increase of 3.4% from $113.87 p/b in May 2022. Algeria's Sahara blend price was $128.31 p/b, followed by Equatorial Guinea's Zafiro at $127.1 p/b, and Angola's Girassol at $127.03 p/b. All prices in the OPEC basket posted monthly increases of between $0.37 p/b and $13.08 p/b in June 2022.

Source: OPEC

Angola's oil export receipts down 25% to $1.5bn in June 2022

Oil exports from Angola reached 37.2 million barrels in June 2022, constituting increases of 3.4 million barrels (+10.1%) from May 2022 and of 3.8 million barrels (+11.3%) from the same month in 2021. The country's oil export receipts totaled KZ643.25bn, or $1.5bn, in June 2022 and regressed by 25.1% from KZ858.4bn, or $2.1bn in May 2022. They increased by 12.3% from KZ573bn ($881m) in June 2021.

Source: Ministry of Finance of Angola

Base Metals: Zinc prices to average $3,680 per ton in third quarter of 2022

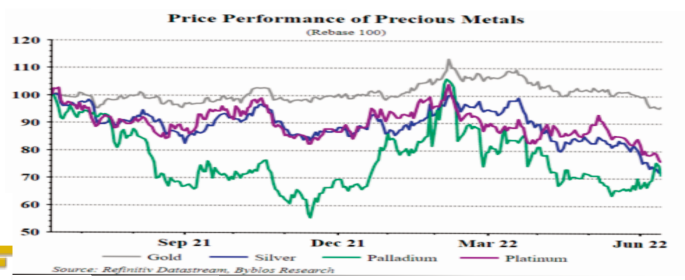
The LME cash prices of zinc averaged $3,784 per ton in the year-to-July 13, 2022 period, constituting a surge of 33.3% from an average of $2,838 a ton in the same period of 2021, driven by speculations that major smelters in China are reducing output due to power shortages. Further, prices regressed from an all-time high of $4,563.1 per ton on April 19 2022 following Russian's military invasion of Ukraine, to $3,039 per ton on July 13, 2022. In parallel, the latest figures released by the International Lead and Zinc Study Group (ILZSG) show that global demand for refined zinc was 4.55 million tons in the first four months of 2022, constituting a marginal decline of 0.2% from 4.56 million tons in the same period of 2021, due to the decrease in demand for the metal from China, France, India, Japan and Ukraine, which was largely offset by higher demand in Italy, the Republic of Korea and Turkey. Also, global zinc mine production was 4.1 million tons in the first four months of 2022, representing an increase of 0.9% from 4 million tons in the same period of 2021, due to increases in mining activity in Australia, China, India, Kazakhstan, Mexico, Turkey and the United States, which were partially offset by lower production in Brazil, Burkina Faso, Ireland, and Peru. In addition, mine output accounted for 90% of global refined zinc production in the first four months of 2022. In parallel, Standard Chartered Bank projected zinc prices to average $3,680 per ton in the third quarter and $3,600 a ton in the fourth quarter of 2022.

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

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

Gold prices averaged $1,868 per troy ounce in the year-to-July 13, 2022 period, constituting an increase of 3.5% from an average of $1,805.3 an ounce in the same period last year, driven mainly by accelerating inflation rates globally and Russia's military invasion of Ukraine, which reinforced the appeal of the metal as a safe haven amid the escalation of geopolitical tensions. Further, prices regressed from a high of $2,056 per ounce on March 8, 2022 to $1,745 an ounce on July 13, 2022, due to a stronger US dollar and higher U.S. bond yields. In parallel, the World Gold Council indicated that expectations of faster rate hikes worldwide are weighing on gold prices. However, it said that renewed investor demand for the safe-haven asset, given the declines in global equity markets and prolonged elevated inflation rates globally, is putting upward pressure on gold prices. Also, it expected the global demand for gold to decrease in the second half of the year, amid the slowdown in global economic growth. Moreover, Standard Chartered Bank forecast gold prices to average $1,850 an ounce in the third quarter and $1,750 per ounce in the fourth quarter of 2022.

Source: World Gold Council, Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
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 Positive	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 Stable	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				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								
Asia												
Armenia	B+	Ba3	B+	B+								
	Stable	Negative	Stable	Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-								
	Stable	Stable	Stable	-	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-								
	Stable	Negative	Negative	-	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-								
	Stable	Positive	Stable	-	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B-	B3	B-	-								
	Stable	Negative	Stable	-	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Stable	Stable	Stable	-	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-								
	Negative	Negative	Negative	-	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-								
	CWN***	Negative	-	-	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+	B2	B+	B+								
	Negative	Negative	Negative	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-								
	CWN	RfD	-	-	-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	27-Jul-22
Eurozone	Refi Rate	0.00	09-Jun-22	No change	21-Jul-22
UK	Bank Rate	1.25	16-Jun-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	17-Jun-22	No change	21-Jul-22
Australia	Cash Rate	1.35	05-Jul-22	Raised 50bps	N/A
New Zealand	Cash Rate	2.50	13-Jul-22	Raised 50bps	05-Oct-22
Switzerland	SNB Policy Rate	-0.25	16-Jun-22	Cut 50bps	22-Sep-22
Canada	Overnight rate	2.50	13-Jul-22	Raised 100bps	07-Sep-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-Jun-22	No change	20-Jul-22
Hong Kong	Base Rate	2.00	16-Jun-22	Raised 75bps	N/A
Taiwan	Discount Rate	1.50	16-Jun-22	Raised 12.5bps	22-Sep-22
South Korea	Base Rate	2.25	14-Jul-22	Raised 50bps	25-Aug-22
Malaysia	O/N Policy Rate	2.25	06-Jul-22	Raised 25bps	08-Sep-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	23-Jun-22	No change	18-Aug-22
Jordan	CBJ Main Rate	3.75	16-Jun-22	Raised 50bps	N/A
Turkey	Repo Rate	14.00	23-Jun-22	No change	21-Jul-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	27-Jul-22
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	7.75	23-Jun-22	Raised 75bps	11-Aug-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	4.75	06-Jul-22	Raised 100bps	05-Aug-22
Bulgaria	Base Interest	0.00	27-Jun-22	No change	27-Jul-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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON
Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ
Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA
Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM
Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM
Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE
Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

NIGERIA
Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE
Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293