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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Outstanding sustainable debt securities at $4.2 trillion at end-June 2022

Figures released by the Institute of International Finance indicate that global outstanding sustainable debt reached $4.15 trillion (tn) at the end of June 2022, constituting increases of 22% in the first half of the year from $3.4tn at end-2021 and of 80% from $2.3tn at the end of March 2021. Sustainable debt securities issued by developed markets amounted to $2.9tn at the end of June 2022 and accounted for 72% of the total, followed by emerging markets sustainable debt with $578bn (14%), as well as sustainable debt securities issued by supranational institutions with $465bn (11.2%) and by offshore financial centers with $119bn (2.9%). In addition, the aggregate amount of outstanding sustainable bonds was $2.8tn at end-June 2022, or 68.8% of global sustainable debt securities, while loans extended to green and sustainability-linked projects reached $1.3tn (31.2% of the total). The distribution of sustainable bonds shows that green bonds amounted to $1.6tn at the end of June 2022 and represented 54.4% of the total, followed by sustainability bonds with $504bn (17.7%), social bonds with $461bn (16.2%), sustainability-linked bonds with $164bn (5.7%), green asset-backed securities with $88bn (3.1%), and green municipal bonds with $83bn (3%). Further, sustainability-linked loans reached $840bn, or 65% of the total, while green loans amounted to $453bn (35% of the total).

Source: Institute of International Finance

Exports of medical products up 14% to $1.3 trillion in 2021

Figures released by the World Trade Organization show that the global exports of medical products reached $1.32 trillion (tn) in 2021, constituting increases of 13.6% from $1.16tn in 2020 and of 32% from $999.6bn in 2019. Exports of medicines totaled $738.2bn and accounted for 56% of the aggregate exports of medical products in 2021, followed by the exports of medical supplies with $238.2bn (18%), personal protective products with $181.3bn (13.7%), and medical equipment with $162.8bn (12.3%). Also, global imports of medical products stood at $1.33tn last year, representing increases of 11.3% from $1.2tn in 2020 and of 29.7% from $1.03tn in 2019. Imports of medicines reached $742bn and accounted for 55.6% of the aggregate imports of medical products last year, followed by the imports of medical supplies with $247.8bn (18.6%), personal protective products with $177.2bn (13.3%), and medical equipment with $166.4bn (12.5%). Further, exports of medicines increased by 22% in 2021, followed by the exports of medical supplies (+16.2%), and medical equipment (+7.8%), while the exports of personal protective products decreased by 10.2%. Also, the imports of medical supplies rose by 21% last year, followed by the imports of medicine (+18.6%) and of medical equipment (+5.6%), while the imports of personal protective products decreased by 15.5%. On a regional basis, the trade surplus in medical goods in Europe increased by 15.7% in 2021, while the trade deficit in medical goods in North America and in Asia declined by 8.2% and 0.7%, respectively, and decreased by 6.8% in other regions last year.

Source: World Trade Organization, Byblos Research

EMERGING MARKETS

Venture capital funding up 56% in first half of 2022

Figures released by online platform Magnitt show that venture capital (VC) funding in the Middle East, Africa, Türkiye and Pakistan reached $5.1bn in the first half of 2022, constituting an increase of 56.2% from $3.3bn in the same period last year and compared to $4.1bn in the second half of 2021. VC investments in Africa totaled $2bn in the covered period, followed by VC funding in the MENA region with $1.8bn, in Türkiye with $1.4bn, and in Pakistan with $249m. Further, the number of VC deals in the covered regions totaled 754 in the first half of 2022, compared to 719 investments in the same period last year and 824 transactions in the second half of 2021. There were 387 VC deals in Africa in the covered period, followed by 300 transactions in the MENA region, 135 investments in Türkiye, and 35 deals in Pakistan. In parallel, VC investments in fintech firms amounted to $1.7bn and accounted for 32.8% of aggregate VC investments in the first half of 2022, followed by investments in transport & logistics companies with $1bn (20.1%), e-commerce firms with $501m (9.8%), gaming companies with $369m (7.2%), and firms in the agriculture sector with $265m (5.2%). Also, there were 210 investments in the fintech sector, or 28% of the aggregate number of deals in the first half of 2022, followed by e-commerce companies with 81 transactions (10.7%), transport & logistics firms with 80 deals (10.6%), enterprise software companies with 62 investments (8.2%), and firms in the healthcare sector with 41 deals (5.4%).

Source: Magnitt, Byblos Research

IRAQ

Profits of listed firms up 43% to $122m in first quarter of 2022

The cumulative unaudited pre-tax profits of 76 out of 132 companies listed on the Iraq Stock Exchange totaled IQD179.6bn in the first quarter of 2022, constituting an increase of 44% from IQD125bn in the same quarter of 2021. In US dollar terms, the profits of the listed companies reached $121.7m in the first quarter of the year and grew by 42.7% from $85.3m 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 $59.4m in profits in the first quarter of 2022 and accounted for 48.8% of the total, followed with telecommunications companies with $53.1m (43.6%), industrial firms with $4.8m (4%), companies in the hotels & tourism sector with $2.8m (2.3%), services providers with $0.85m (0.7%), and insurers with $0.7m (0.6%); while investment companies posted losses of $0.05m in the covered quarter. Further, the net income of the banking sector surged by 729% in the first quarter of 2022 from the same period last year, followed by the earnings of services providers (+209%) and the profits of companies in the hotels & tourism sector (+2.3%). In contrast, the net income of insurers dropped by 78%, followed by the earnings of industrial companies (-29.5%), and the profits of telecommunications firms (-18.6%). 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: Iraq Stock Exchange, Byblos Research

OUTLOOK

WORLD

Economic outlook facing severe downside risks

The International Monetary Fund projected global real GDP to expand by 3.2% in 2022 and to moderate to 2.9% in 2023, constituting downward revisions from its April forecast of 0.4 and 0.7 percentage points for 2022 and 2023, respectively. It attributed the lower forecasts to spillovers from Russia' invasion of Ukraine, lower growth in China, India and the United States, and tightening global financial conditions along with expectations of steeper interest rate hikes by major central banks. It projected real GDP in advanced economies to grow by 2.5% in this year and 1.4% next year, and forecast economic activity in emerging markets & developing economies to expand by 3.6% this year and 3.9% in 2023.

The IMF projected real GDP in Emerging & Developing Asia to grow by 4.6% in 2022 relative to a previous forecast of 5.4% for this year. Also, it expected economic activity in the Middle East & North Africa to expand by 4.9% in 2022 and by 3.4% in 2023, while it projected real GDP growth in Sub-Saharan Africa at 3.8% in 2022 and 4% in 2023. Also, it forecast economic activity in Latin America & the Caribbean to expand by 3% this year and by 2% in 2023. Further, it anticipated the real GDP of Emerging & Developing Europe to retreat by 1.4% in 2022, mainly due to a contraction of 6% in Russia, and to expand by 0.9% next year.

The Fund considered that risks to global prospects are tilted to the downside. It anticipated that the war in Ukraine could lead to a sudden stop of European gas imports from Russia, and that authorities worldwide will face mounting difficulties in reducing inflation rates if inflation expectations continue to increase. Also, it anticipated that tighter global financial conditions would lead to higher debt servicing costs and could induce debt distress in emerging market and developing economies; and for an increase in geopolitical tensions to weigh on global trade.

Source: International Monetary Fund

ALGERIA

Favorable outlook on rising oil prices and stronger gas demand

BNP Paribas considered that Algeria's outlook has improved following the twin shocks of the sharp drop in oil prices and the COVID-19 outbreak, as the country is benefiting from the elevated global oil price environment and the strong demand for gas in Europe. It projected real GDP growth at 3.4% in 2022 and 2.5% in 2023, relative to previous forecasts of 2.5% and 2% for 2022 and 2023, respectively. It attributed its upward revisions to the planned rise in public expenditures and the rebound in investments in the energy sector. It expected real GDP growth to slightly exceed the pre-coronavirus average growth rate of 2.1% during the 2015-19 period, but to remain below the average growth rate of 4.2% of other hydrocarbon producers in the Middle East & North Africa (MENA) region in the 2022-23 period. Further, it anticipated the inflation rate to rise from an average of 7.2% in 2021 to 8.6% in 2022 and 8% in 2023, due mainly to the country's structural reliance on imports, the significant weight of food in the consumer basket, the weak Algerian dinar, as well as supply disruptions and the rise in international commodity prices due to the conflict in war on Ukraine.

In parallel, it projected the fiscal deficit at between 3% of GDP and 4% of GDP in the 2022-23 period despite the rise in hydrocarbon revenues, mainly due to the acceleration of the public investments program, the heavy cost of social transfers, as well as the freezing of the planned tax increases and of new levies. Also, it forecast the public debt level at about 60% of GDP in the 2022-23 period relative to 9% of GDP at the end of 2014. But it noted that the structure of the debt is favorable, as Banque d'Algérie and local banks carry the entire public debt, and because the debt has long-term maturities and very low debt servicing due to successive direct and indirect debt monetization programs. However, it considered that this financing strategy is not sustainable in case of wider fiscal deficits. Further, it projected the current account balance to post surpluses of between 2% of GDP and 3% of GDP in the 2022-23 period, in case oil prices do not decline. It expected foreign currency reserves to increase from $46bn currently to $60bn at the end of 2023, compared to a peak of nearly $200bn at the end of 2013.

Source: BNP Paribas

EGYPT

External financing scenarios point to challenging outlook

Goldman Sachs anticipated Egypt's gross external financing requirements to reach $26bn annually in the coming three fiscal years, under a baseline scenario. It considered that there are uncertainties about additional financial support from Gulf Cooperation Council (GCC) countries, the extent of re-engagement of foreign investors in the local market and subsequent portfolio inflows, as well as the issuance of Egyptian Eurobonds at reasonable rates.

It outlined four scenarios that Egypt is facing about its external sources of financing. In its first scenario, it assumes that Egypt does not receive any additional funding from GCC countries via investments, that portfolio inflows do not materialize, and that market access remains entirely shut. It assigned a 1% likelihood that this scenario would occur. In its second scenario, it assumes that Egypt will receive $5bn in new funding from GCC economies in FY2023/24 and FY2024/25, and assigned a 10% probability for this option. In a third scenario, it assumes the resumption of portfolio inflows and for the latter to reach $15bn over the next three years, in addition to new funding from GCC countries, and considered that this scenario has a 50% likelihood of materializing. In its fourth scenario, it assumes that Egypt receives additional GCC funding, portfolio inflows resume, the country is able to access international capital markets starting in FY2023/24, and for gross Eurobond issuance to reach $10bn over the next three years. It considered that this scenario has a 39% probability of taking place.

As such, it forecast Egypt's cumulative external funding gap to reach $27.5bn in the next three years, in case the first scenario materializes. It anticipated the gap to narrow to $17.5bn in the scenario where GCC partners provide new funds, and to $2.5bn if portfolio inflows resume. Also, it expected Egypt to post an external funding surplus of $7.5bn in case the full market access scenario takes place.

Source: Goldman Sachs

GCC

Agencies take rating actions on sovereigns

S&P Global Ratings affirmed Kuwait's long- and short-term foreign- and local-currency sovereign credit ratings at 'A+/A-1', and revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the outlook revision to the favorable oil price and domestic energy production prospects in the next two years, as well as to its expectations that Kuwait will implement additional fiscal financing mechanisms, which could include enacting a new debt law that would allow the government to diversify its sources of fiscal financing. Further, the agency indicated that it could upgrade Kuwait's ratings if the government successfully implements a comprehensive structural reforms package in order to improve fiscal financing mechanisms, diversify the economy and reduce the non-oil deficit. In contrast, it noted that it could downgrade the ratings in case of the absence of comprehensive financing arrangements in the next two to three years and/or if authorities do not enact legislation that allows borrowing from the Future Generations Fund for budgetary and debt repayment needs. In parallel, Capital Intelligence Ratings affirmed the UAE's long-term local and foreign currency ratings at 'AA-', and its short-term ratings at 'A1+', with a 'stable' outlook on the ratings. It indicated that the ratings are supported by robust consolidated fiscal and external positions, as well as by the agency's expectation that the Emirate of Abu Dhabi would be willing to provide financial assistance to federal institutions in case of financial distress. It added that the affirmation of the ratings reflects the stable domestic political environment in the UAE, the country's high GDP per capita, and the government's continued efforts to diversify the economy and improve the consolidated budget structure.

Source: S&P Global Ratings, Capital Intelligence Ratings

IRAQ

Decline in public debt level is positive for sovereign creditworthiness

Fitch Ratings expected the Iraqi government's public debt level to decline from 66% of GDP in 2021 to 47% of GDP in 2022, as elevated oil production and high prices boost government revenues. It considered that the decline in the public debt level also reflects the limited public spending as a result of the prevailing political tensions in the country and the authorities' inability to form a new government and approve a budget for 2022. It said that a new budget is likely to include an increase in public spending in light of the country's pressing social and economic development needs, but it pointed out that the rise of the government's expenditures would slow down the reduction of the public debt level. Also, it anticipated that the nominal value of the public debt would decline in 2022 in case the government pays its debt to the Central Bank of Iraq, as the latter's claims on the government was equivalent to about 13% of GDP in 2021. Moreover, it considered that the decrease in the public debt level would be positive for the sovereign's creditworthiness. Further, it projected a fiscal surplus of 17% of GDP in 2022 and assumed an increase in public expenditures equivalent to 6% of GDP, in line with the emergency funding of $17bn for food and energy subsidies and salaries that the authorities approved on June 6, 2022. In parallel, it said that the political outlook remains volatile and expected elevated political risks and weak governance to continue to weigh on Iraq's sovereign ratings.

Source: Fitch Ratings

PAKISTAN

Outlook on sovereign ratings revised to 'negative'

S&P Global Ratings affirmed at 'B/B-' Pakistan's short and long-term sovereign credit ratings, and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to the growing risks to Pakistan's external liquidity position over in the next 12 months amid an increasingly difficult economic landscape. It anticipated the country's external position to worsen against a backdrop of higher commodity prices, tighter global financial conditions, and a weakening rupee. It noted that the Pakistani government has significant external debt and liquidity needs, a wide fiscal deficit and an elevated public debt level. Further, the agency said that it may downgrade the ratings in case the country's external position continues to deteriorate, if financial support from bilateral and multilateral partners rapidly erodes, and/or in case the authorities can no longer service Pakistan's external debt obligations. In parallel, Fitch Ratings affirmed Pakistan's long-term foreign and local currency Issuer Default Ratingss at 'B-', and revised the outlook from 'stable' to 'negative' on the long-term ratings. It attributed the outlook revision to the deterioration in the country's external liquidity position and financing conditions since the beginning of 2022. However, it expected that external funding conditions and liquidity will improve in case authorities reach an agreement with the International Monetary Fund. Further, the agency said that it could downgrade Pakistan's ratings in case of a lack of improvement in external liquidity and funding conditions, and/or if authorities reverse fiscal consolidation measures, which would undermine the performance of the IMF-supported program.

Source: S&P Global Ratings, Fitch Ratings

TUNISIA

Economy facing challenging near-term outlook

The International Monetary Fund indicated that the Tunisian authorities are making important progress on their economic reform agenda to maintain macroeconomic stability, support inclusive growth, strengthen social safety nets, improve tax equity, and contain current public expenditures. It stated that the Tunisian economy is suffering from the economic impact of the war in Ukraine following the fallout of the COVID-19 pandemic, which has put pressure on the economy's underlying structural weaknesses. It considered that the near-term outlook is challenging, as it anticipated economic growth to decelerate, the fiscal and external deficits to widen due to higher global and food prices, and for the public debt level to increase. As such, it called on authorities to implement urgent measures to reduce macroeconomic imbalances, to shore up stability, and to promote job creation. It indicated that the cutbacks in public expenditures would require the reduction of the civil service's wage bill in the coming years and the gradual phasing out of energy subsidies. It stressed the importance of promoting tax equity by integrating the informal sector into the tax system and ensuring stronger contributions from liberal professions. It said that the ongoing efforts to strengthen and expand the coverage of social safety nets will be critical to offset the impact of higher prices on goods following the lifting of subsidies. Further, it noted that the Central Bank of Tunisia has tightened monetary policy to protect the purchasing power of the Tunisians amid high and accelerating inflation rates.

Source: International Monetary Fund

BANKING

WORLD

More than 71% of financial institutions have a 'stable' outlook on their ratings

Moody's Investors Service indicated that it took 250 rating actions on financial institutions (FIs) in the second quarter of 2022, constituting a decrease of 11% from 281 rating actions in the first quarter of 2022. It indicated that it affirmed the ratings of 161 FIs, or on 64% of rated FIs, in the covered quarter, and added that 115 FIs (71.4%) carried a 'stable' outlook, 32 FIs (20%) had a 'negative' outlook, 13 FIs carried a 'positive' outlook (8.1%), and one FI had its rating under review (0.6%). Further, it pointed out that it implemented 37 rating upgrades and 20 rating downgrades in the second quarter of 2022. It said that it upgraded 23 banks, or 62.2% of the upgraded FIs, followed by nine insurance companies (24.3%), and five finance and securities firms (13.5%). It noted that it downgraded 10 banks, or 50% of the downgraded FIs, followed by six finance and securities companies (30%), three insurers (15%), and one asset management firm (5%). Also, it stated that it assigned 14 new ratings on FIs, placed five FIs on review for potential upgrades, and placed four FIs on review for possible downgrades in the second quarter of 2022. On a regional basis, it pointed out that it took 107 rating actions in Europe, the Middle East & Africa (EMEA) region in the second quarter of 2022, which accounted for 44.4% of rated FIs globally, followed by 62 rating actions in the Asia-Pacific region (25.7%), 51 in North America (21.2%), and 21 in Latin America (8.7%). In parallel, it expected negative rating actions to increase in the third quarter of 2022 amid tighter global financial conditions.

Source: Moody's Investors Service

GCC

Saudi and UAE banks face different liquidity dynamics

Fitch Ratings considered that the injection by the Central Bank of Saudi Arabia (SAMA) of SAR50bn in Saudi banks in June will reduce their cost of funding in the near term. Also, it added that the cost of funding at UAE banks is contained and that they do not need liquidity injections, as the sector benefits from a comfortable loan-to-deposit ratio that stood at 91% at the end of February 2022, its lowest level in more than 10 years. It indicated that UAE banks can reprice their loans faster than Saudi banks when interest rates rise, as UAE banks have a higher proportion of floating-rate mortgages. However, it considered that competition among UAE banks and concerns about loan performance could limit the ability of banks to pass on the increases in UAE policy rates to borrowers. Further, it expected credit growth in Saudi Arabia to remain strong in 2022, given the high demand for mortgages and corporate credit, and considered that the rise in interest rates, along with the strong credit growth, could lead to higher Saudi interbank rates, which could put upward pressure on the banks' funding costs. Also, it considered that SAMA would need to inject further liquidity in Saudi banks if credit growth remains robust. In parallel, it expected elevated oil prices and rising global interest rates to improve the profitability of Saudi and UAE banks in the 2022-23 period. It forecast that a 200 basis points increase in interest rates would boost the operating profits of Saudi banks by 14% and those of UAE banks by 11%.

Source: Fitch Ratings

JORDAN

NPLs ratio to increase to 7% at end-2022

S&P Global Ratings maintained Jordan's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '8' and an industry risk score of '7'. The BICRA framework evaluates banking systems based on the economic and industry risks that they face, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's Group '8' include Armenia, Cyprus, Georgia and Greece. It indicated that the economic risk score reflects "extremely high risks" in Jordan's economic resilience, "very high" credit risks in the economy, and "intermediate risks" in the country's economic imbalances. It expected the sector's non-performing loans ratio to increase from 5% at end-2021 to between 6% and 7% at end-2022, due to the expiration of loan payment deferrals in December 2021, and to inflationary pressures and the tightening of global financing conditions. However, it considered that Jordanian banks have sufficient buffers to absorb the deterioration in asset quality. In parallel, S&P said that the industry risk score reflects the country's "high risks" in its institutional framework, competitive dynamics and system-wide funding. It considered that the banks' capitalization is adequate due to resilient capital adequacy ratios, and said that the ample and stable deposit base supports the funding structure of Jordanan banks. Further, it indicated that the lower lending volumes and higher cost of funding will weigh on the banks' credit spreads in the short term due to the maturity mismatch between assets and liabilities, which would weigh on the banks' net interest income. It noted that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

TÜRKIYE

Agency downgrades ratings of 25 banks

Fitch Ratings downgraded the long-term foreign currency Issuer Default Ratings (IDRs) of 25 Turkish banks from 'B' to 'B-' and the long-term local currency IDRs from 'B+' to 'B', and maintained the 'negative' outlook on the long-term ratings. Further, it downgraded the viability ratings of 18 Turkish banks. It attributed its actions to its earlier downgrade of the sovereign ratings and to several other factors. First, it indicated that the deterioration in the operating environment has increased risks to the banks' standalone credit profiles. It said that risks to the banks' foreign-currency liquidity, asset quality and capitalization have also risen, despite the banks' currently reasonable financial metrics and strong profitability. It added that the sector's high level of foreign-currency lending is putting pressure on the banks' asset quality amid the depreciation of the Turkish lira. Also, it stated that Turkish banks are subject to refinancing and foreign-currency liquidity risks, given their reliance on external wholesale funding and the high dollarization rate of deposits. Second, it pointed out that the potential for a government intervention in the banking system amid elevated external risks would prevent banks from servicing their foreign-currency obligations. Third, it noted that it downgraded the IDRs of the banks due to the government's reduced ability to provide support in foreign-currency to the banks, in case of need, given its low level of foreign-currency reserves.

Source: Fitch Ratings

ENERGY / COMMODITIES

Gas prices to average $7.8 per million Btu in third quarter of 2022

The U.S. NYMEX natural gas Henry Hub prices reached $8.99 per million British thermal unit (Btu) on July 26, 2022, their highest level since July 2008, constituting a surge of 92.5% from $4.67 per million Btu on February 24, 2022 and a jump of 141% from $3.73 per million Btu at the end of 2021. The surge in prices is due mainly to supply disruptions as a result of Russia's invasion of Ukraine, to international sanctions on Russian energy exports, and to the European Union's (EU) commitment to phase out gas imports from Russia, its largest supplier. In parallel, the International Energy Agency indicated that the rise in gas prices is putting pressure on global demand and is causing gas users to switch from gas to coal and oil, while recent sharp cuts in Russian gas flows to Europe are raising concerns about gas supplies ahead of the winter. As such, it revised its forecast for global gas demand in the 2021-25 period from nearly 280 billion cubic meters (bcm) to a total of 140 bcm, and attributed its downward revision to weaker economic activity worldwide and to reduced switching from coal or oil to gas in the near to medium term. Also, it forecast the EU's imports of Russian gas to drop by 55% during the 2021-25 period. Moreover, the International Monetary Fund considered that the decline in Russia's natural gas supply to the EU is weighing on European economies and expected it to have a negative impact on the global economy in the near term. Further, Standard Chartered Bank projected natural gas prices to average $7.8 per million Btu in the third quarter and $6.7 per million Btu in the fourth quarter of 2022.

Source: International Energy Agency, Standard Chartered Bank, Refinitiv, IMF, Byblos Research

Global steel output down 7% in June 2022

Global steel production reached 158.1 million tons in June 2022, constituting a decrease of 6.7% from 169.5 million tons in May 2022 and a decline of 5.8% from 167.9 million tons in June 2021. Production in China totaled 90.7 million tons and accounted for 57.4% of global output in June 2022. India followed with 10 million tons, or 6.3% of the total, then Japan with 7.4 million tons (4.7%), the U.S. with 6.9 million tons (4.4%), South Korea with 5.6 million tons (3.5%), and Russia with 5 million tons (3.2%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to grow by 3% in 2022

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East and Africa to average 12.43 million barrels per day (b/d) in 2022, which would constitute an increase of 3.4% from 12 million b/d in 2021. The region's demand for oil would represent 23.1% of demand in non-OECD countries and 12.4% of global consumption this year.

Source: OPEC

Middle East accounts for 9% of world's oil consumption

BP indicated that the Middle East region's aggregate demand for oil reached 8.6 million barrels per day (b/d) in 2021 compared to 8.3 million barrels b/d in 2020, and represented 9.2% of the world's oil demand. Saudi Arabia's consumption totaled 3.5 million b/d, or 41.6% of the region's demand. Iran followed with 1.7 million b/d (19.6%), then the UAE with 0.9 million b/d (11%), Iraq with 0.7 million b/d (8.4%), Kuwait with 0.4 million b/d (5.2%), and Qatar with 0.3 million b/d (3.6%); while demand from other Middle Eastern countries reached 0.5 million b/d (5.8% of the total).

Source: BP, Byblos Research

Base Metals: Copper prices to average $7,500 per ton in third quarter of 2022

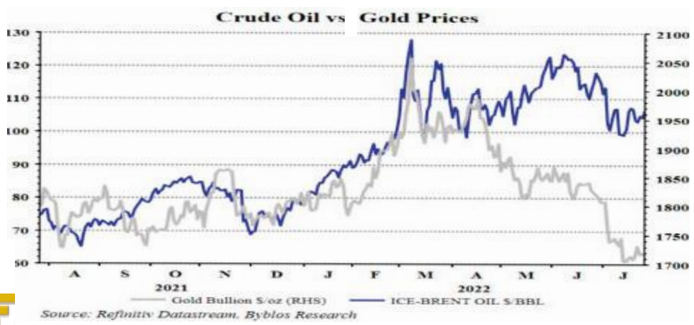
LME copper cash prices averaged $9,474 per ton in the year-to-July 27 period, constituting an increase of 3.8% from an average of $9,130 a ton in the same period of 2021. Supply disruptions and expectations of robust global demand drove the rise in prices. Also, copper prices declined to $7,627.3 per ton on July 27, 2022 from an all-time high of $11,299.5 a ton on October 18, 2021. The decline in prices was due to the tightening of global monetary policy, a stronger US dollar and the renewed lockdown measures in China amid a surge in the number of new coronavirus cases, which have limited the prospects of a recovery in copper demand. In parallel, the latest available figures from the International Copper Study Group show that global demand for refined copper was 10.5 million tons in the first five months of 2022, up by 2.2% from the same period of 2021, due to an increase of 2% in global demand for refined copper excluding China. Further, demand for the metal in China grew by 2.5% in the first five months of the year, despite a decrease of 5% in the imports of net refined copper. In parallel, global refined copper production reached 10.6 million tons in the first five months of 2022, constituting an increase of 2.9% from 10.2 million tons in the same period last year, as higher output from China and the Democratic Republic of the Congo was partially offset by lower production in Japan. In addition, Standard Chartered Bank projected copper prices to average $7,500 a ton in the third quarter, and $7,850 per ton in the fourth quarter of 2022.

Source: ICSG, Standard Chartered Bank, Refinitiv

Precious Metals: Palladium prices to average $2,050 per ounce in third quarter of 2022

The prices of palladium averaged $2,180.3 per troy ounce in the year-to-July 27 period, constituting a decline of 16.7% from an average of $2,616.3 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 $2,016 per troy ounce on July 27 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 6.8 million ounces in 2022 relative to 6.9 million ounces in 2021, and forecast demand for the metal at 10.1 million ounces this year compared to 9.8 million ounces in 2021. Further, 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 $2,050 an ounce in the third quarter, and $2,100 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								
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Stable	Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+								
	Stable	Negative	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC									
	Negative	RfD**	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	Caa1	B-	-								
	Stable	Stable	Negative	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-								
	-	Positive	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	Caa1	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-								
	Negative	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-								
	Stable	Stable	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa1	CCC	-								
	-	Negative	-	-	-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+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Stable	Negative	Stable	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-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Stable	Negative	Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	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-	Ba3	BB-	BB								
	Stable	Negative	Stable	Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-								
	Stable	Stable	Stable	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+								
	Positive	Stable	Positive	Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	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- Negative	B3 Negative	B- Negative	- -	-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	2.50	27-Jul-22	Raised 75bps	N/A
Eurozone	Refi Rate	0.50	21-Jul-22	Raised 50bps	08-Sep-22
UK	Bank Rate	1.25	16-Jun-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	21-Jul-22	No change	22-Sep-22
Australia	Cash Rate	1.35	05-Jul-22	Raised 50bps	02-Aug-22
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-Jul-22	No change	22-Aug-22
Hong Kong	Base Rate	2.75	28-Jul-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	3.75	22-Jul-22	Raised 75bps	N/A
Saudi Arabia	Repo Rate	3.00	22-Jul-22	Raised 75bps	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	21-Jul-22	No change	18-Aug-22
South Africa	Repo Rate	4.75	19-May-22	Raised 50bps	22-Sep-22
Kenya	Central Bank Rate	7.50	27-Jul-22	Raised 50bps	N/A
Nigeria	Monetary Policy Rate	14.00	19-Jul-22	Raised 100bps	27-Sep-22
Ghana	Prime Rate	19.00	25-Jul-22	No change	26-Sep-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	03-Aug-22
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-Jul-22	No change	25-Aug-22
Kazakhstan	Repo Rate	14.50	25-Jul-22	Raised 50bps	05-Sep-22
Ukraine	Discount Rate	25.00	21-Jul-22	No change	08-Sep-22
Russia	Refi Rate	8.00	22-Jul-22	Cut 150bps	16-Sep-22

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