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NEWS HEADLINES

WORLD

Digital advertising spending to reach $602.3bn in 2022

Figures released by research firm Insider Intelligence indicate that global digital advertising spending reached $521bn in 2021, constituting an increase of 36.8% from $380.8bn in 2020. It expected global spending on digital advertising to surge by 15.6% to $602.3bn in 2022, to expand by 13% to $681.4bn in 2023, to rise by 11% to $756.5bn in 2024, to grow by 8.4% to $820.2bn in 2025, and to increase by 6.8% to 876bn in 2026. Further, it pointed out that expenditures on global digital advertising accounted for 63.6% of total media advertising spending in 2021. It projected expenditures on global digital advertising to account for 66.4% of aggregate advertising spending in 2022, to reach 69% of such expenditures in 2023, to increase to 70.8% of total media advertising spending in 2024, to accelerate to 72.4% of media advertising expenditures in 2025, and to account for 73.6% of such spending in 2026. On a country basis, it forecast global digital advertising spending in Argentina to jump by 64% in 2022, followed by Columbia (+44%), Peru (+36%), Chile (+35%), Brazil (+34%), Mexico (+29%), India (+24.2%), the United States (+17.8%), France (+17.5%), and Germany (+17%) as the fastest growing markets for digital advertising.

Source: Insider Intelligence

Corporate debt of $11.63 trillion maturing in 2022-27 period

S&P Global Ratings indicated that $11.63 trillion (tn) in corporate debt worldwide will mature between July 2022 and 2027. It noted that $786.2bn in corporate debt is due in the second half of 2022, $1.95tn in 2023, $2.2tn in 2024, $2.4tn in 2025, $2.37tn in 2026, and $1.12tn in 2027. It pointed out that the U.S. has $5.4tn in maturing debt between July 2022 and 2027, or 46.5% of the total, followed by Europe with $4.3bn (37%), and other countries with $1.9tn (16.5%). Further, investment-grade corporate debt that matures between July 2022 and 2027 totals $8.6tn or 74% of maturing corporate debt, while speculative-grade corporate bonds due in the covered period amount to $3.03tn (26%). In parallel, it noted that financial corporate debt that matures between July 2022 and 2027 stands at $4.4tn and accounts for 37.8% of the debt that is due during the covered period, while non-financial corporate bonds total $7.2tn (62.2%). It added that maturing corporate debt in the utilities sector reaches $744.5bn and accounts for 10.3% of non-financial corporate debt that is due between July 2022 and 2027, followed by the debt of consumer products companies with $704.6bn and of the healthcare sector with $699bn (9.7% each), media and entertainment firms with $654.2bn (9%), the telecommunications sector with $630.5bn and high tech firms with $627bn (8.7% each), the automotive sector with $553bn (7.6%), and the oil and gas industry with $465.6bn (6.4%).

Source: S&P Global Ratings, Byblos Research

MENA

Stock markets up 5% in first seven months of 2022

Arab stock markets increased by 4.6% and Gulf Cooperation Council equity markets grew by 7.7% in the first seven months of 2022, relative to increases of 19.5% and 23%, respectively, in the same period of 2021. In comparison, global stocks regressed by 15.8% and emerging market equities decreased by 18.3% in the first seven months of 2021. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 254.2% in the first seven months of 2022, the Amman Stock Exchange improved by 23%, the Damascus Securities Exchange advanced by 22.3%, the Qatar Stock Exchange gained 15%, the Abu Dhabi Securities Exchange increased by 13.8%, and the Muscat Securities Market and the Tunis Bourse expanded by 9.7% each. In addition, the Khartoum Stock Exchange yielded 9.3%, the Saudi Stock Exchange appreciated by 8.1%, the Bahrain Bourse advanced by 6%, the Palestine Exchange improved by 4.8%, the Dubai Financial Market gained 4.4%, and the Boursa Kuwait grew by 1.4% in the covered period. In contrast, activity on the Egyptian Exchange dropped by 20.8% in the first seven months of 2022 and the Casablanca Stock Exchange declined by 11.5%. Further, activity on the Iraq Stock Exchange was nearly unchanged in the first seven months of 2022.

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

GCC

Fixed income issuance down 57% to $44bn in first seven months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $44.4bn in the first seven months of the year, constituting a decrease of 57.2% from $103.8bn in the same period of 2021. Fixed income issuance in the covered period consisted of $16.3bn in sovereign sukuk, or 36.7% of the total, followed by $12.3bn in corporate bonds (27.7%), $9.8bn in corporate sukuk (22 %), and $6bn in sovereign bonds (13.5%). Further, aggregate bonds and sukuk issued by sovereigns in the GCC amounted to $22.3bn in the covered period, or 50.2% of fixed income output in the region; while issuance by GCC corporates reached $22.1bn, or 49.8% 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, $1.5bn in June, and $4bn in July 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, $1.5bn in June, and $2.9bn in July 2022. Further, sovereign proceeds in July 2022 consisted of $3bn in bonds issued by firms in the UAE, and $1.03bn issued by companies based in Bahrain. In parallel, corporate issuance in the covered month included $1.4bn in sukuk issued by firms in Saudi Arabia, $49.2m issued by companies based in Qatar, $763.7m in bonds issued by firms in the UAE, $400m issued by companies in Qatar, and $29.6m issued by firms based in Saudi Arabia.

Source: KAMCO

POLITICAL RISK OVERVIEW - July 2022

ALGERIA

Parliament approved a new investment law that removes some bureaucratic obstacles to foreign investments and reinforces guarantees for investors as part of President Abdelmadjid Tebboune's plan to relaunch and diversify the economy away from the oil and gas sector. In parallel, the Association of Banks and Financial Institutions decided to end trade finance restrictions with Madrid that it imposed following the announcement on June 9, 2022 of the suspension of bilateral trade relations between Algeria and Spain, amid the diplomatic crisis about Spanish support of the Moroccan autonomy plan for Western Sahara. However, the Algerian authorities denied the lifting of any trade restrictions.

ARMENIA

The situation on the border between Armenia and Azerbaijan remained calm during July ahead of a new European Union-mediated summit between the two countries that is scheduled for August, despite occasional shootings between Azerbaijan's Kalbajar district and Armenia's Gegharkunik province. Further, the Armenian Minister of Foreign Affairs met with his Azerbaijani counterpart in the Georgian capital Tbilisi on July 16, 2022 as part of reconfirming their readiness for continued diplomatic engagement. Also, the special envoys of Armenia and Turkey met in Vienna on July 1 and agreed to open their common borders for third-country nationals and to begin direct cargo flights.

EGYPT

During the first meeting of the general secretariat for the national dialogue, the participants agreed to start a dialogue between all political and social forces, as well as to exclude possible constitutional amendments from the discussions. The largest opposition coalition, the Civil Democratic Movement, was divided over its participation in the national dialogue, with one wing calling for the latter's boycott until authorities respond to some key demands, mainly the release of political prisoners. In parallel, U.S. President Joe Biden met for the first time with President Abdel Fattah el-Sisi, and addressed the issue of human rights, among others.

ETHIOPIA

The federal and Tigray governments took further steps toward peace talks, as a seven-member negotiating committee met for the first time. The Tigray leadership announced the creation of a negotiating team, and reiterated its refusal to negotiate over the Amhara-controlled Western Tigray, as it considered that the area should be returned to Tigrayan control. In response, the federal government said that it was ready to negotiate "without preconditions". In parallel, after renewed violence in the disputed al-Fashaga borderlands, Prime Minister Abiy Ahmad and the head of Sudan's Sovereign Council General Abdel Fattah al-Burhan met in Kenya and agreed to establish a joint committee to resolve the dispute. Further, media outlets reported that Ethiopia started its third filling of the Grand Ethiopian Renaissance Dam on the Blue Nile River, which could reignite tensions between Addis Ababa, Cairo and Sudan.

IRAN

Efforts to revive the Joint Comprehensive Plan of Action remained stalled in July, as Iran and the United States appeared unwilling to overcome the remaining obstacles, which include Iran's implementation of the International Atomic Energy Agency's safeguards, the possibility of sanctions relief, and the U.S. guarantees about its commitment to the 2015 nuclear agreement. Also, the National Iranian Oil Company and Russia's Gazprom signed a $40bn memorandum of understanding that includes the development of infrastructure for oil and gas fields, as well as other scientific cooperation. In parallel, the U.S. Department of State sanctioned seven entities and vessels linked to Iran's oil exports.

IRAQ

The Shiite Coordination Framework failed to form the two-thirds bloc in parliament that is needed to elect a new Iraqi president, following the resignation of 73 lawmakers from Shiite cleric Muqtada al-Sadr's alliance in June. Further, supporters of Muqtada al-Sadr gathered in Baghdad and stormed the parliament on July 15, where clashes erupted between the protestors and security forces and resulted in 125 injuries. In parallel, tensions escalated between federal authorities and the Kurdistan Regional Government (KRG) over oil production and exports from Kurdistan, as the Karkh Commercial Court in Baghdad invalidated contracts between the KRG and foreign firms, after the Ministry of Oil filed a judicial complaint against seven international oil companies operating in Kurdistan that were submitting projects that did not comply with the court's and the ministry's guidelines.

LIBYA

Hundreds of demonstrators protested in early July against the political stalemate and the deteriorating living conditions in several cities across the country and set fire to the House of Representatives building in Tobruk. Further, clashes erupted between rival parties in Tripoli, leaving at least 16 individuals dead. In parallel, the government of Prime Minister Abdul Hamid Dbeibeh appointed a new Chairman of the National Oil Corporation who lifted the *force majeure* conditions that were announced in April at several oil facilities, allowing the resumption of oil production and exports.

SUDAN

The chairman of the Sovereign Council, General Abdel Fattah al-Burhan, announced the military's withdrawal from negotiations with civilian parties and called on civilian groups to form a transitional government. Also, General Burhan declared plans to establish a "Supreme Council of the Armed Forces", consisting of the army and the paramilitary Rapid Support Forces, in order to succeed the Sovereign Council. Civilian opposition groups denounced the move as an attempt to entrench military power. In parallel, thousands demonstrated against the military in the capital Khartoum. Further, Sudan reopened the Gallabat border crossing, which is a key trading route with Ethiopia.

TUNISIA

Nearly 94% of voters in the referendum that was held in July 25 endorsed the new constitution, which allows the president to appoint a government without the approval of Parliament. President Kais Saïed visited Algeria for two days in an attempt to ease tensions between the two countries after Algerian President Abdelmadjid Tebboune made a series of statements that were deemed hostile to Tunisia. Following the trip, Algiers reopened the common border after a two-year closure and announced that it would supply Tunisia with more electricity.

YEMEN

The United Nations worked to extend for six months the truce between the Hadi government and Huthi rebels after its expiration on August 2, 2022, and stressed the importance of opening roads around the city of Taïz. Further, the UN's Special Envoy of the Secretary-General for Yemen noted that the Huthis had rejected the UN proposal focusing on the gradual opening of roads in Taïz. In addition, Huthi rebels and the military representatives of the Government of Yemen agreed to establish a joint operations room to coordinate military efforts. In parallel, the UN Security Council renewed for one additional year the mandate of the UN mission to support the ceasefire agreement in Hodeida. Also, the head of the Presidential Leadership Council replaced four ministers in the Cabinet, amid optimism about the extension of the UN armistice.

Source: International Crisis Group, Newswires

WORLD

Cryptocurrencies pose destabilizing threats to developing economies

The United Nations Conference on Trade and Development (UNCTAD) considered that cryptocurrencies have become a new channel for illicit financial flows and undermine revenue mobilization in developing economies. It considered that these currencies are problematic, even if they do not lead to criminal activity, as they enable tax evasion through offshore flows and present difficulties in identifying the ownership of these currencies. As such, it noted that cryptocurrencies erode the tax base and undermine the capital controls of developing countries, which constitute challenges for economies that seek to mobilize financial resources. It added that these currencies share all the characteristics of traditional tax havens, but noted that international transfers of cryptocurrencies do not rely on banks or related legal and accounting services. Instead, it said that cryptocurrency transactions are often channeled through unregulated crypto exchanges, which allows individuals and companies to bypass the authorities' efforts to address offshore tax evasion.

In addition, it indicated that most developing countries do not have tax regulations for cryptocurrencies, especially about the legal status of these private digital currencies. It pointed out that, even in countries where related tax regulations exist, their effectiveness is not guaranteed as the lack of a universally-agreed approach to cryptocurrency tax treatments creates a patchwork system that is prone to regulatory arbitrage. It added that users of cryptocurrencies have little or no incentive to report their holdings due to the lack of a related tax reporting system, and suggested that regulating the service providers of these currencies could contribute to improving tax reporting. Further, it expected that, in cases of political or macroeconomic instability, households could potentially use cryptocurrencies as a hedge against exchange rate and inflation risks and, in turn, as a channel for capital flight. As such, it considered that the decentralized, borderless and fictitious nature of cryptocurrencies pose challenges to the effectiveness of capital controls and to the governments' policy response to external and fiscal pressures.

In parallel, the UNCTAD stressed the urgency of international cooperation about cryptocurrency tax treatments given the global and fictitious nature of these currencies, as well as of regulation and information sharing, and of redesigning capital controls.
Source: UNCTAD

GCC

Diversifying non-oil revenues remains key challenge across region

Goldman Sachs indicated that higher global oil prices are improving the fiscal balances of the countries of the Gulf Cooperation Council (GCC), but added that there are still uncertainties about the extent to which governments in the region have reduced their fiscal vulnerability to potential future declines in oil prices. It considered that GCC authorities should step up efforts to reduce recurring public expenditures, such as spending on public services, social spending including subsidies, and the public-sector wage bill that absorbs between 30% and 50% of total public spending across the region. It considered that cutting public investments is relatively easy to achieve, but could affect long-term growth. Still, it did not expect GCC governments to further reduce capital expenditures, which is currently near historical lows.

In addition, it stressed that increasing non-oil revenues would be key to bolstering the fiscal resilience of GCC economies. It pointed out that all GCC countries have phased in the value-added tax in recent years, and that a significant proportion of non-oil receipts originates from non-tax sources, such as profits from state-owned enterprises. Still, it noted that the tax base represents a relatively small portion of non-oil revenues and remains much lower in the GCC region than in other comparably developed economies. As such, it noted that widening the tax base remains a key challenge across the region.

Further, it anticipated government borrowing to slow significantly in the medium term amid higher oil prices, and forecast the public debt level of GCC countries to steadily decline, supported by the expansion of nominal GDP across the region.
Source: Goldman Sachs

SAUDI ARABIA

Real GDP to grow by 7.6% in 2022, fastest pace in past 10 years

The International Monetary Fund expected Saudi Arabia to be one of the world's fastest-growing economies in 2022, supported by comprehensive pro-business reforms and the sharp rise in global oil prices. It forecast real GDP growth at 7.6% in 2022, which would constitute the Kingdom's fastest economic expansion in nearly a decade. Also, it projected the inflation rate to remain contained at an average of 2.8% this year despite higher prices of imported commodities, as the Saudi Central Bank increases its policy rate in line with the U.S. Federal Reserve.

In parallel, it expected that higher non-oil revenues and oil export receipts will substantially strengthen the Kingdom's public finances and its external position. It also projected reserve buffers to remain ample. Still, it urged authorities to control public spending despite higher oil export receipts, and noted that there is space for more targeted social spending. It called on authorities to improve the tax policy and revenue administration to increase non-oil tax receipts, in order to support fiscal consolidation measures. In addition, it encouraged authorities to manage oil revenues in a sustainable way to avoid pro-cyclical public spending, to promote fiscal sustainability, and to prevent a return to previous oil-driven cycles. Also, it anticipated that ongoing efforts to strengthen social safety nets through targeted schemes would protect the vulnerable segments of the population from higher energy bills.

Further, the IMF pointed out that Saudi authorities are significantly stepping up efforts to improve the business environment, to attract foreign investments and to promote private-sector employment. It noted that these initiatives, combined with governance and labor market reforms, have made it easier to do business in the Kingdom, increased the number of industrial facilities, and raised female participation in the labor force. It considered that the' sustained implementation of policies under the Vision 2030 plan will help diversify and liberalize the economy and pave the way to more stable growth in the long terms.
Source: International Monetary Fund

GCC

Agencies take rating actions on sovereigns

Fitch Ratings upgraded Oman's long-term foreign and local currency issuer default ratings from 'BB-' to 'BB', and affirmed the 'stable' outlook on the ratings. It attributed the upgrade to the improvement of the country's fiscal metrics, the easing of external financing pressures, and to the authorities' ongoing effort to reform public finances. It added that the government has met its external financing requirement for 2022 and has reduced the size of its maturities to $1.7bn in 2023. It noted that Oman's funding position is more comfortable relative to recent years, but that medium-term funding requirements are sizeable with sovereign external maturities averaging $3.5bn in the 2024-26 period, and external debt payments by state-owned enterprises at an annual average of $2.2bn in the 2022-24 period. In parallel, Capital Intelligence Ratings (CI) affirmed Qatar's short- and long-term foreign and local currency sovereign ratings at 'A1+' and 'AA-', respectively, with a 'stable' outlook on the long-term ratings. It attributed the affirmation to the country's strong external position and the substantial assets of the Qatar Investment Authority, large hydrocarbon revenues, a high level of expenditure flexibility, and low domestic political risks. But it noted that the ratings are constrained by the government's large contingent liabilities, the economy's limited diversification, and elevated geopolitical risks. Further, CI affirmed Kuwait's short- and long-term foreign and local currency sovereign ratings at 'A1' and 'A+', respectively, with a 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by the ample financial assets of the Future Generations Fund, the country's large net external creditor position, the low level of public debt and high level of hydrocarbon reserves.

Source: Fitch Ratings, Capital Intelligence Ratings

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Angola's short- and long-term sovereign credit ratings at 'B/B-', and maintained the 'stable' outlook on the long-term ratings. It expected that higher global oil prices and the appreciation of the Angolan kwanza will support the economic recovery in the country and improve debt metrics in the near term. However, it anticipated that rising global food and refined fuel prices will drive inflationary pressures, but will result in moderate current account surpluses starting in 2022. It considered that the ratings are constrained by the government's elevated external debt-servicing burden through 2025, and gross external financing needs that are equivalent to 103.5% of current account receipts plus usable reserves annually in the 2022-25 period. Further, it indicated that the 'stable' outlook balances the country's elevated external funding needs and financing risks in the next 12 months against expectations of stabilizing public debt levels during the 2022-25 period. In parallel, it noted that it could downgrade the ratings in case authorities face difficulties in accessing external funding, which could limit the country's ability to service its external commercial debt; and/or if a decline in oil prices or production weighs on the fiscal and external balances. In contrast, it said that it would upgrade the ratings if the authorities' economic and fiscal reforms support a sustained recovery in the non-oil economy, reduce debt-serving costs, and increase foreign currency reserves beyond the agency's projections.

Source: S&P Global Ratings

GHANA

Agencies downgrade sovereign ratings

S&P Global Ratings downgraded Ghana's short- and long-term foreign and local currency sovereign credit ratings from 'B/B-' to 'C/CCC+', and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the downgrade to the country's fiscal and external imbalances in light of the government's elevated financing needs and limited access to external capital markets. It indicated that the outlook revision reflects Ghana's reduced fiscal, monetary, and reserve buffers in the face of multiple external shocks, as well as intensifying domestic fiscal and financing challenges. However, it considered that an International Monetary Fund-supported program could shrink the public sector's gross refinancing requirements from 18% of GDP in 2022 to 10% of GDP in 2023, and reduce the public debt level from 80.7% of GDP in 2022 to between 60% of GDP and 70% of GDP in the next five years, by targeting a cash deficit ceiling, a primary fiscal adjustment, and pro-growth reforms. It estimated the country's useable reserves at slightly over $4bn by end-2022, which only covers the non-residents' holdings of cedi-denominated government bonds. In parallel, Fitch Ratings downgraded Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'B-' to 'CCC', which is seven notches below investment grade. It also downgraded the short-term local and foreign currency IDRs from 'B' to 'C', while it maintained the Country Ceiling at 'B-'. It attributed the downgrades to the deterioration of Ghana's public finances, which has contributed to a prolonged lack of access to the Eurobond markets, and to a significant decline in external liquidity. It added that international reserves will fall to two months of current external payments by the end of 2022 in the absence of new sources of external financing.

Source: S&P Global Ratings, Fitch Ratings

TUNISIA

Official creditors still willing to provide support following constitutional referendum

Fitch Ratings expected Tunisia to secure a deal with the International Monetary Fund (IMF) in the second half of 2022, as it considered that official creditors are still willing to support the country following the referendum that approved a new constitution. But it pointed out that a potential deal will require the prior implementation of some significant measures, which carries execution risks as a result of disagreements between the government and the Tunisian General Labor Union. As such, it anticipated that strong social opposition could delay an agreement with the IMF or reduce the government's ability to keep the reform program on track. In parallel, the agency expected Tunisian authorities to implement a front-loaded reforms program that aims to rebalance public spending rather than reduce expenditures, which would lead to the disbursement of substantial official creditor funding. It anticipated that, without such funding, Tunisia's foreign currency reserves will gradually erode and the Tunisian dinar will depreciate, which would increase debt serving costs on the foreign currency-denominated share of the public debt. It considered that Tunisia may require a Paris Club debt treatment before becoming eligible for additional IMF funding, with implications for private-sector creditors in the absence of credible reforms.

Source: Fitch Ratings

JORDAN

Private sector lending up 5.5% in first half of 2022

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD62.5bn, or $88.2bn, at the end of June 2022, constituting increases of 2.4% in the first half of the year and of 7.5% from end-June 2021. Claims on the resident private sector grew by 5.8% from the end of 2021 to JD29.1bn and credit to the non-resident private sector declined by 7.6% to JD635.8m, leading to an expansion of 5.5% in overall private sector credit facilities in the first half of 2022. Lending to the resident private sector accounted for 46.6% of total assets at end-June 2022, nearly unchanged from a year earlier. In parallel, resident private sector deposits reached JD32bn at end-June 2022 and increased by 3.3% from JD31bn at the end of 2021 and by 7.8% from JD29.7bn at end-June 2021; while non-resident private sector deposits stood at JD5.4bn, up by 3% in the first half of the year and by 7.5% from the end of June 2021. Also, the government's deposits totaled JD1bn and those of public non-financial institutions reached JD284m at end-June 2022, while claims on the public sector accounted for 24% of total assets compared to 23.4% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD6.9bn, or $9.7bn, at the end of June 2022 and declined by 5.7% from end-2021; while capital accounts and allowances stood at JD9.1bn, or $12.9bn, and increased by 0.8% in the first half of 2022. Also, deposits at foreign banks reached JD3.85bn, or $5.4bn, at end-June 2022, and decreased by 13.5% in the first half of 2022; while the sector's foreign liabilities stood at $14.9bn at end-June 2022.

Source: Central Bank of Jordan

ARMENIA

Banking sector assessment maintained

S&P Global Ratings maintained Armenia's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with economic and industry risk scores of '8' for each. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 8' include Costa Rica, Georgia, Honduras, Jamaica, Jordan, and Paraguay. It indicated that Armenia's economic risk score reflects an "intermediate risk" in its economic imbalances, "very high risk" in its economic resilience, and "extremely high" credit risks in the economy. It projected the banks' non-performing loans ratio to rise from 3.7% at end-2021 to between 4.5% and 5.5% in the next two years, as the repayment capacity of borrowers who have business relations with Russia could be affected. Also, it anticipated the cost of risk at 1.5% to 2% in the 2022-23 period, which could affect the banks' profitability. In parallel, it said that the banking sector's industry score reflects the country's "high risk" in its competitive dynamics, as well as "very high risk" in its institutional framework and system-wide funding. It expected the Armenian banking sector to remain stable in the near term, as the banks' exposure to Russia and Ukraine is limited. Also, it anticipated the de-dollarization of deposits to continue in the near term, but forecast a small increase in deposits from non-residents and from Russians who moved to Armenia in 2022. It indicated that the trend for the banking sector's economic risk is 'negative', while the trend of the sector's industry risk is 'stable'.

Source: S&P Global Ratings

EGYPT

Currency devaluation unlikely in near term

Deutsche Bank expected the Egyptian pound to be supported in the near term by the narrowing of the current account deficit, competitive real interest rates, and contained roll-over risks due to expectations of a recovery in foreign demand for Egyptian securities, as well as by financial support from the International Monetary Fund and from Gulf Cooperation Council (GCC) countries. However, it considered that increased uncertainties about tighter monetary policy by the Central Bank of Egypt (CBE) and elevated inflationary pressures, as well as more aggressive tightening by other central banks in emerging markets, have eroded some of the relative attractiveness of Egyptian securities. It added that investor demand for Egyptian securities is weak and that a large share of issued securities have very short maturities. It did not expect foreign demand for Egyptian securities to increase in the near term, which suggests that portfolio investors require significantly higher bond yields to re-engage in Egypt's local markets. Also, it noted that support from GCC countries has materialized and that authorities are negotiating a deal with the IMF. It expected that the timing and conditions of any IMF-supported agreement will be critical, and that the CBE's decision to raise interest rates will be crucial for the volatility of the exchange rate. Further, it expected that an IMF-supported agreement would be contingent on additional flexibility of the exchange rate.

Source: Deutsche Bank

KUWAIT

Earnings of seven banks up 45% to $1.6bn in first half of 2022

Regional investment bank EFG Hermes indicated that the aggregate net income of the National Bank of Kuwait, Kuwait Finance House, Burgan Bank, Gulf Bank, Boubyan Bank, Kuwait International Bank, and Warba Bank, reached KD481.6m, or $1.6bn, in the first half of 2022, constituting an increase of 45% from the same period last year. It attributed the surge in the banks' profits mainly to the solid growth in revenues and a steep decline in provisioning costs. It said that the aggregate net interest margin (NIM) of the seven banks narrowed by four basis points (bps) year-on-year in the covered period, and did not expect the NIM to increase in the second half of 2022, mainly due to rising interest rates and strong competition among banks to expand their market share in retail loans. Further, it stated that the aggregate cost of risk of the covered banks declined by 32 bps in the first half of 2022 from the same period of the preceding year relative to a decrease of 130 bps in the same period of 2021, as the Central Bank of Kuwait has become less stringent on precautionary provisioning requirements. It indicated that the seven banks' non-performing loans ratio was 1.5% in the first half of 2022 and that banks in Kuwait continue to have provisioning levels that are above the requirements of international accounting standard IFRS 9. In parallel, it pointed out that the increase in consumer and business confidence amid higher oil prices have led to stronger credit demand, despite subdued project activity. As such, it expected the seven banks' lending to grow by single digits in the remainder of 2022, as it considered that a pick-up in awarded project in the second half of the year after the formation of a new Cabinet represents an upside risk to credit growth.

Source: EFG Hermes

Oil prices at $105.8 p/b in third quarter of 2022

ICE Brent crude oil front-month prices reached $92.3 per barrel (p/b) on August 16, 2022, constituting a decline of 16% from $110 p/b at the end of July, driven by fears of a global recession that could reduce demand for oil. Also, progress on talks to revive the Joint Comprehensive Plan of Action put downward pressure on oil prices, as oil supply could rise if Iran and the United States accept an offer from the European Union that would remove sanctions on Iranian oil exports. Further, in its meeting held on August 3, 2022, the OPEC+ coalition decided to increase oil output for OPEC and non-OPEC participating countries by 0.1 million barrels per day for the month of September 2022. In parallel, Goldman Sachs indicated that Brent prices have declined by 25% since early June, due to low trading volumes and worries about a global recession, China's zero-COVID-19 policy, and releases from the U.S. Strategic Petroleum Reserve. However, it expected the oil market to remain in deficit in the near term. In addition, the U.S. Energy Information Administration considered that there is a high level of uncertainty about energy prices in the near term, driven by Russia's full-scale invasion of Ukraine, the impact of sanctions on Russia's oil production, the production decisions of OPEC+ members, the rate of increase of U.S. oil and natural gas production, and other contributing factors. Also, it pointed out that slower global economic activity could result in lower-than-expected energy consumption worldwide. Further, it projected oil prices to average $105.8 p/b in the third quarter and $98.3 p/b in the fourth quarter of 2022.

Source: Goldman Sachs, Energy Information Administration, Refinitiv, Byblos Research

OPEC's oil basket price down 8% in July 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $108.55 per barrel (p/b) in July 2022, constituting a decrease of 7.8% from $117.72 p/b in June 2022. Angola’s Girassol price was $119.15 p/b, followed by Nigeria's Bonny Light at $117.58 p/b, and Equatorial Guinea's Zafiro at $116.6 p/b. All prices in the OPEC basket posted monthly decreases of between $7.53 p/b and $12.48 p/b in July 2022.

Source: OPEC

Middle East demand for gold jewelry up 21% in first half of 2022

Demand for gold jewelry in the Middle East totaled 94.9 tons in the first half of 2022, constituting an increase of 21% from 78.4 tons in the same period of 2021 and accounted for 8.5% of global jewelry demand. Demand for gold jewelry in the UAE reached 25.7 tons in the covered period, representing 27% of the region's demand. Saudi Arabia followed with 18.5 tons (19.4%), then Egypt with 15.5 tons (16.3%), Iran with 15.8 tons (16.6%), and Kuwait with 6.9 tons (7.2%).

Source: World Gold Council, Byblos Research

OPEC oil output up 1% in July 2022

The members of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, produced 28.9 million barrels of oil per day (b/d) on average in July 2022, constituting an increase of 0.8% from 28.68 million b/d in June 2022. Saudi Arabia produced 10.7 million b/d, or 37% of OPEC's total output, followed by Iraq with 4.5 million b/d (15.6%), the UAE with 3.1 million b/d (10.8%), Kuwait with 2.8 million b/d (9.6%), and Iran with 2.6 million b/d (9%).

Source: OPEC

Base Metals: Aluminum prices to average $2,440 per ton in third quarter of 2022

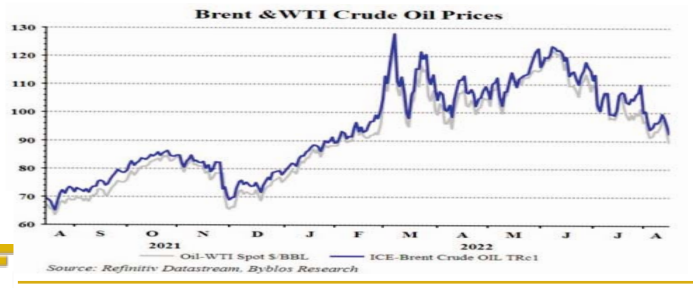
The LME cash price of aluminum averaged $2,935 per ton in the year-to-August 16, 2022 period, constituting a rise of 27.4% from an average of $2,303 a ton in the same period last year. The increase in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as well as by concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry. Further, prices decreased from an all-time high of $3,877.5 per ton on March 4 of this year to $2,388.3 per ton on August 16, 2022 amid a slowdown in economic activity in China, the world's largest consumer of the metal, due to the implementation of COVID-19-related restrictions, as well as to higher interest rates worldwide. In parallel, Citi Research projected the refined supply of aluminum at 69.2 million tons in 2022 relative to 67.2 million tons in 2021, and forecast refined demand for the metal at 69 million tons this year compared to 68.6 million tons in 2021. It expected aluminum prices at $2,700 per ton to $2,800 a ton in the second half of 2022, driven by higher demand from China and Europe, and by lower output, as smelters in Europe may halt their production due to elevated energy prices. Also, Standard Chartered Bank forecast aluminum prices to average $2,440 per ton in the third quarter and $2,690 a ton in the fourth quarter of 2022.

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

Precious Metals: Gold prices to average $1,730 per ounce in third quarter of 2022

Gold prices averaged $1,850.7 per troy ounce in the year-to-August 16, 2022 period, constituting an increase of 2.6% from an average of $1,803.6 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 $1,777.2 an ounce on August 16, 2022, due to a stronger US dollar and higher U.S. bond yields. In parallel, the World Gold Council indicated that global gold demand totaled 2,182.4 tons in the first half of 2022, and increased by 12% from 1,950.8 tons in the same period of 2021. It attributed the rise to a surge in investments in exchange-traded funds, as outflows shifted to inflows, and to an increase of 0.7% in demand from the technology sector, which were partly offset by a decrease of 19.4% in net purchases by central banks, by a drop of 11.8% in demand for bars & coins, and by a retreat of 0.5% in jewelry consumption. Also, global gold supply increased by 4.6% to 2,349.4 tons in the first half of 2022, with mine output representing 75.3% of the total. Further, Standard Chartered Bank forecast gold prices to average $1,730 an ounce in the third quarter and $1,700 per ounce in the fourth quarter of 2022.

Source: 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-	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	CCC+	Caa1	CCC	-								
	Negative	Stable	-	-	-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+	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-	-								
	Negative	Negative	Negative	-	-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	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	1.75	04-Aug-22	Raised 50bps	N/A
Japan	O/N Call Rate	-0.10	21-Jul-22	No change	22-Sep-22
Australia	Cash Rate	1.85	02-Aug-22	Raised 50bps	06-Sep-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	0.75	10-Aug-22	Raised 25bps	28-Sep-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	29-Jul-22	No change	N/A
Mexico	Target Rate	8.50	11-Aug-22	Raised 75bps	29-Sep-22
Brazil	Selic Rate	13.75	03-Aug-22	Raised 50bps	N/A
Armenia	Refi Rate	9.50	02-Aug-22	Raised 25bps	13-Sep-22
Romania	Policy Rate	5.50	05-Aug-22	Raised 75bps	N/A
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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