700 ISSUES+
Issue 729 | September 8, 2022
BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Investment banking fees down 31% to $57bn in first half of 2022

Global investment banking fees totaled $56.7bn in the first half of 2022, constituting a decrease of 31% from $82.6bn in the same period last year, and relative to $63.8bn in the first half of 2020. The financial sector accounted for $18.2bn or 32% of investment banking fees in the first half of 2022, followed by government & government agencies with $6.4bn (11.2%), the industrial sector with $5.2bn (9.1%), the energy & power sector with $5bn (8.8%), and the high technology segment with $4.7bn (8.3%). On a regional basis, the Americas accounted for 48.5% of total fees generated in the covered period, followed by the Asia-Pacific region (29.6%), and Europe, the Middle East & Africa region (22%). In parallel, fees from equity capital markets totaled $6.5bn in the first half of the year, down by 72% from $23.4bn in the same period of 2021, with fees from initial public offerings (IPOs) reaching $3.1bn in the covered period and representing 48% of total fees from equity capital markets. In parallel, merger & acquisition advisory fees regressed by 6% to $18.53bn in the covered period, fees from debt capital markets retreated by 26% to $18.46bn, and syndicated lending fees declined by 9% to $13.3bn.

Source: Refinitiv

GCC

Corporate earnings up 64% to $143bn in first half of 2022

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $142.7bn in the first half of 2022, constituting a surge of 64.4% from $86.8bn in the first half of 2021, and an increase of 34.5% from $106bn in the second half of 2021. Listed companies in Saudi Arabia generated $109.3bn in profits, or 76.6% of total corporate earnings in the GCC in the first half of 2022, followed by listed firms in Abu Dhabi with $12.9bn (9%), Qatar with $7.5bn (5.3%), Dubai with $6.4bn (4.5%), Kuwait with $3.8bn (2.7%), Bahrain with $1.8bn (1.3%), and Oman with $0.9bn (0.6%). Further, the earnings of listed companies in Saudi Arabia jumped by 71.6% in the first half of 2022 from the same period last year, followed by the earnings of listed firms in Abu Dhabi (+55.4%), Bahrain (+50%), Dubai (+48.8%), Qatar (+33.9%), Kuwait (+26.7%), and Oman (+12.5%). Also, the earnings of listed firms in the GCC energy sector reached $85.7bn and accounted for 60% of total corporate earnings in the first half of 2022, followed by the profits of listed banks with $21.8bn (15.3%), companies in the materials sector with $11.9bn (8.3%), telecommunication firms with $4.4bn (3.1%), utilities companies with $4.3bn (3%), capital goods firms with $3.8bn (2.7%), real estate companies with $2.9bn (2%), other firms in the financial sector with $2.4bn (1.7%), food and beverage companies with $1.7bn (1.2%), transportation firms with $0.9bn (0.6%), and others companies with $1.4bn (1%). Also, the income of firms in the energy sector surged by $39.3bn in the first half of 2022, followed by the profits of the banking sector (+$5.1bn), the earnings of companies in the materials sector (+$3.9bn), and the income of capital goods firms (+$2.1bn).

Source: KAMCO, Byblos Research

MENA

Stock markets up 5% in first eight months of 2022

Arab stock markets increased by 5% and Gulf Cooperation Council equity markets grew by 8.5% in the first eight months of 2022, relative to increases of 24% and 27.2%, respectively, in the same period of 2021. In comparison, global stocks regressed by 19% and emerging market equities decreased by 17.5% in the first eight months of 2021. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 193% in the first eight months of 2022, the Damascus Securities Exchange improved by 27.8%, the Amman Stock Exchange advanced by 20.2%, the Abu Dhabi Securities Exchange gained 16.3%, the Qatar Stock Exchange increased by 15.5%, the Tunis Bourse expanded by 15%, and the Muscat Securities Market grew by 11%. In addition, the Khartoum Stock Exchange yielded 9.5%, the Saudi Stock Exchange appreciated by 9%, the Dubai Financial Market advanced by 7.7%, the Bahrain Bourse improved by 6.7%, the Palestine Exchange gained 4%, the Iraq Stock Exchange expanded by 3%, and the Boursa Kuwait grew by 0.6% in the covered period. In contrast, activity on the Egyptian Exchange dropped by 16.3% and the Casablanca Stock Exchange declined by 9.2% in the first eight months of 2022.

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

Arab economies trail most EM regions on environmental, social and governance indicators

Global investment bank Goldman Sachs ranked the United Arab Emirates in 16th place among 76 emerging markets (EMs) and in first place among 11 Arab countries on its EM Sovereign ESG Index for 2022. Qatar followed in 38th place, then Morocco (46th), Kuwait (50th) and Oman (55th) as the five Arab countries with the best performance on the index. The index consists of 27 variables that cover environmental, social and governance (ESG) indicators. It rates the ESG indicators of each country on a scale from zero to 10, with a score of 10 reflecting the best performance. The overall score of a country is an equally-weighted average of the three scores on each category. The Arab region's average score stood at 6.04 points and came below the EM average score of 6.58 points. The average score of Gulf Cooperation Council (GCC) countries was 6.67 points, while the average of non-GCC Arab countries stood at 5.65 points. Also, the Arab region's average score was higher than the average score of Africa (5.7 points); while it was lower than the average score of Emerging Europe (7.1 points), Latin America (6.9 points), and Emerging Asia (6.6 points). According to Goldman Sachs, rating agencies have been increasingly taking into account ESG factors when conducting rating reviews and when taking actions on sovereigns. As such, higher ESG scores tend to be favorable to sovereign ratings.

Source: Goldman Sachs, Byblos Research

Emerging Markets

Cryptocurrencies pose risks to developing economies

The United Nations Conference on Trade and Development (UNCTAD) indicated that cryptocurrencies have become prevalent in developing economies, which entails considerable risks for national monetary sovereignty, policy space and macroeconomic stability in these countries. First, it anticipated that the use of these currencies may lead to financial instability risks in developing economies and provides a new channel for illicit financial flows. Second, it expected the use of cryptocurrencies to undermine the effectiveness of capital controls, which is an essential instrument for developing countries to curb the buildup of macroeconomic and financial vulnerabilities, as well as to increase policy space. Third, it considered that cryptocurrencies could become a widespread means of payment and could unofficially replace national currencies, which would jeopardize the monetary sovereignty of countries.

In parallel, it noted that the cryptocurrency ecosystem is outside the jurisdiction of individual countries, which makes regulating these currencies challenging. As a result, it stressed that key regulatory responses to mitigate the global risks posed by cryptocurrencies need to come from developed countries, where most cryptocurrency providers have their headquarters. First, it encouraged authorities to require the mandatory registration of crypto-exchanges and digital wallets, to charge entry fees for the usage of crypto-exchanges and digital wallets and/or imposing taxes on cryptocurrency trading, and to prohibit regulated financial institutions from holding stablecoins and cryptocurrencies or offering related products to clients. Second, it highlighted the need to restrict or prohibit the advertisement of crypto-exchanges and digital wallets in public spaces and on social media, and added that this is an urgent need for consumer protection in countries with low levels of financial literacy. Third, it suggested the establishment of a safe, reliable and affordable public payment system to serve as a public good, such as a central bank digital currency.
Source: UNCTAD

EGYPT

Potential IMF support to help meet elevated financing needs and strengthen investor confidence

The Institute of International Finance (IIF) considered that the growth outlook for the Egyptian economy is uncertain due to structural bottlenecks and a less favorable global environment as a result of tighter financial conditions and the spillovers from Russia's war on Ukraine. It projected real GDP growth to decelerate from 5.4% in FY2021/22 to 4.4% in FY2022/23 and to average 4.8% annually in the medium term. It noted that the authorities are seeking renewed assistance from the International Monetary Fund (IMF) as the country faces protracted balance of payments needs, and expected that a potential IMF financial support would help Egypt meet its elevated financing needs and strengthen investor confidence in the economy. Further, it considered that authorities need to further tighten monetary policy in order to curb domestic demand and reduce inflationary pressures. It noted that monetary policy faces a trade-off between reducing debt servicing payments on domestic debt on one hand, and keeping inflationary expectations anchored and attracting adequate non-resident capital flows on the other hand. As such, it expected the Central Bank of Egypt to ease the monetary stance most likely in the second half of 2023, once the inflation rate declines to less than 9% and demand pressures remain contained.

In parallel, it projected the fiscal deficit to narrow from 6.9% of GDP in FY2021/22 to 6.1% of GDP in FY2022/23, and for the public debt level to decline from 93.3% of GDP at the end of June 2022 to 88.3% of GDP by end-June 2023. In addition, it expected the current account deficit to narrow from 4.2% of GDP in FY2021/22 to 3.3% of GDP in FY2022/23, mainly due to higher exports of gas and to the surge in the global prices of natural gas. It also forecast gross foreign currency reserves to increase from \$31.5bn at end-June 2022 to \$35.6bn by end-2023. It anticipated Egypt to face external funding pressures as debt amortization remains high in coming years, despite the projected gradual narrowing of the current account deficit and the further increase in FDI inflows. It estimated that authorities need additional funding that is equivalent to 1.5% of GDP to 2% of GDP in each of the next three fiscal years in order to raise gross official reserves from \$31.5bn at end-June 2022 to \$50.7bn by end-June 2025, and expected that the upcoming agreement with the IMF could fill this funding gap. It considered that authorities should step up efforts to increase exchange rate flexibility and to implement deeper reforms, in order to reach an agreement with the IMF.
Source: Institute of International Finance

PAKISTAN

Economy to grow by 3.5% in FY2022/23, downside risks significant

The International Monetary Fund projected Pakistan's real GDP growth to decelerate from 6% in FY2021/22 to 3.5% in FY2022/23 amid tighter macroeconomic policies and a challenging external environment, following two years of above-trend growth. It expected the pass-through of higher global energy prices to dampen economic activity, and for fiscal consolidation and the decline in the purchasing power of households to significantly weigh on domestic demand. It anticipated real GDP growth to average 5% annually in the medium term, in case authorities maintain their momentum of reform implementation.

In parallel, the IMF projected the public debt level to decrease by nearly seven percentage points to 72.1% of GDP at the end of June 2023, in case authorities step up their tight fiscal stance and as inflation erodes the value of the debt denominated in local currency. It also expected the public debt level to decline to 60.7% of GDP and for the external debt level to reach 25% of GDP by the end of June 2027, supported by the planned fiscal adjustment and robust growth levels. Further, it projected the current account deficit to narrow from 4.7% of GDP in FY2021/22 to 2.5% in each of FY2022/23 and FY2023/24 and to remain at this level in the medium term. As a result, it forecast foreign currency reserves to rise from \$16.2bn at end-June 2023 to \$22.5bn by end-2027.

The IMF considered that the outlook is subject to significant downside risks that include higher global commodity prices from Russia's war on Ukraine, tighter global financial conditions, pressures on the exchange rate, weaker medium-term growth, contingent liabilities from state-owned enterprises, as well as heightened domestic political uncertainties.
Source: International Monetary Fund

ARMENIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Armenia's long-term local and foreign currency issuer default ratings (IDRs) at 'B+, with a 'stable' outlook on the ratings. It also affirmed Armenia's short-term IDRs at 'B' and the Country Ceiling at 'BB-'. It indicated that the ratings reflect the country's high per-capita income, robust governance and business environment indicators relative to peers, a solid macroeconomic and fiscal policy framework, as well as the authorities' credible commitment to reforms that is underpinned by support from the International Monetary Fund. However, it noted that the ratings are constrained by an elevated share of foreign-currency denominated public debt, a relatively weak external balance, and geopolitical risks. In parallel, the agency said that it could downgrade the sovereign ratings in case the country's external position deteriorates, if the emergence of external financing pressures leads to a sharp decline in foreign currency reserves and/or a rise in the debt-servicing cost on the country's external debt, in case a deterioration in public finances results in a higher public debt level over the medium term, and/or if spillovers from Russia or renewed hostilities in the Nagorno-Karabakh province negatively impact growth. However, it noted that it would upgrade the ratings if the public debt level declined in the medium term, in case of a sustained improvement in the country's external position and lower net eternal debt levels, and/or if geopolitical risks recede.

Source: Fitch Ratings

UAE

Gross written premiums to increase by 5% to $12.4bn in 2022

S&P Global Ratings projected non-life gross written premium for insurers based in the United Arab Emirates (UAE) to increase from about $11.8bn in 2021 to $12.4bn in 2022 and $12.8bn in 2023. It attributed the rise in premiums to the expected higher population growth in the country and a real GDP growth rate of 5% in 2022 that is supported by ongoing infrastructure spending. However, it noted that the easing of lockdown measures in the UAE and the resumption of non-essential medical services following the fallout of the COVID-19 outbreak have resulted in an increase in the frequency of insurance claims in 2021, and expected this trend to continue in 2022. It added that the rates on motor insurance have declined by up to 50% in recent years. As a result of these trends, it anticipated insurers in the UAE to post a weaker operating performance with a net combined ratio of between 92% and 93% in 2022 compared to around 91% in 2021. Still, it expected the insurance firms to benefit from higher investment returns on cash and deposits due to the increase in global interest rates, given that the UAE dirham is pegged to the US dollar. However, it said that UAE-based insurers are exposed to capital market volatility, given that they allocate about 50% of their investments, on average, to high-risk assets, such as equities and real estate. In parallel, the agency expected the increase in non-life gross written premium for UAE-based insurers to support their profitability in the near term. In addition, it noted that the insurers are very well capitalized, with substantial excess capital above their capital needs. It anticipated such strong capital metrics to distort the sector's return on equity, which it projected at about 8% in 2022.

Source: S&P Global Ratings

GHANA

IMF-supported program is key to restoring investor confidence

Standard Chartered Bank indicated that Ghana has implemented significant reforms under its previous program with the International Monetary Fund (IMF). But it pointed out the COVID-19 outbreak and Russia's invasion of Ukraine have exacerbated the country's fiscal and external vulnerabilities, which has led rating agencies to downgrade its long-term foreign currency ratings in early August 2022. Also, it noted that the Ghanaian cedi has come under significant pressure and that the inflation rate surged to 31.7% annually in July 2022. It added that, as a result, the Bank of Ghana raised its policy rate by 850 basis points since the start of November 2021 and announced plans to increase its reserves requirement ratio from 12% currently to 15% by November 2022. In parallel, it said that the COVID-19 pandemic contributed to double-digit fiscal deficits, and that the government's debt servicing cost is increasing. However, it noted that the government has stated its intention to narrow the fiscal deficit to 5% of GDP and to post a corresponding positive primary balance by 2024. It considered that a new IMF-supported program will be key to restore investor confidence, as well as to improve Ghana's outlook and its ability to avoid a debt crisis. Still, it anticipated that authorities will face difficulties in issuing domestic debt, which could require a faster pace of fiscal consolidation. It added that it is still uncertain if the authorities will restructure the public debt, and expected Ghana to be more dependent on concessional sources of financing in the near term.

Source: Standard Chartered Bank

TÜRKIYE

External finances remain under pressure

Fitch Ratings indicated that Tükiye's external finances continue to be under pressure due to the widening of the current account deficit, an unconventional economic policy mix, and the policy rate cuts by the Central Bank of the Republic of Türkiye (CBRT) despite a tough external environment and increasing inflation rates. It pointed out that the current account deficit widened from $13.6bn in 2021 to $32.4bn in the first half of 2022, driven by a rise in energy imports that totaled $40.5bn in the covered period and elevated non-energy imports. It added that the 12-month trade deficit ending in June 2022 reached $57bn and anticipated it to widen further in the event of higher energy prices and weaker demand from the European Union, Türkiye's largest export market. It noted that the CBRT's expansionary monetary policy has exacerbated external imbalances and that a pick-up in credit growth has contributed to a wider current account deficit, amid the depreciation of the Turkish lira against the US dollar and rising inflation rates and international financing costs. In addition, it indicated that revenues from the tourism sector reached $11.9bn in the first half of 2022 and grew by more than 10% from the same period of 2019, and that external debt rollover remains resilient. However, it anticipated external finances to remain challenging, and that the government intends to focus on maintaining high growth rates despite the deteriorating macroeconomic stability and external environment.

Source: Fitch Ratings

SAUDI ARABIA

Capital adequacy ratio at 20%, NPLs ratio at 2% at end-2021

The International Monetary Fund indicated that Saudi Arabia's banking system is resilient, that banks are liquid and well capitalized, and that risks to the financial system are low. It noted that the sector's capital adequacy ratio stood at 19.9% at end-2021 relative to 20.3% at end-2020, and that the sector's liquidity is adequate with the banks' aggregate liquid assets equivalent to 24.7% of total assets and to 41.3% of short-term liabilities at end-2021. It added that credit to the private sector expanded by 15.4% in 2021, mainly driven by mortgages and lending to small- and medium-sized enterprises. Also, it noted that the expiration of the loan deferral program at the end of March 2022 did not lead to a material rise in non-performing loans (NPLs) as initially anticipated, but stressed that tighter prudential requirements and a regulatory framework that is in line with best international practices would mitigate such risks. It pointed out that the banks' NPLs ratio regressed from 2.2% at end-2020 to 1.9% at end-2021, and that provisions covered 134.4% of aggregate loans at end-2021 relative to 131% a year earlier. Further, it noted that the profits of Saudi banks surged by 39.2% in 2021, as net interest margins recovered following a decline during the COVID-19 pandemic. It pointed out that the banks' pre-tax return on assets reached 1.8% in 2021 relative to 1.5% in 2020, while their return on equity stood at 10.8% last year compared to 8.6% in 2020.

Source: International Monetary Fund

MOROCCO

Agency takes rating actions on five banks

Capital Intelligence Ratings (CI) affirmed the long- and short-term foreign currency ratings of Bank of Africa (BOA), formerly known as BMCE Bank of Africa, and Banque Centrale Populaire (BCP) at 'BB+' and 'B', respectively. Also, the agency affirmed at 'BBB-' and 'A3' the long- and short-term foreign currency ratings of Credit du Maroc (CM), Banque Marocaine pour le Commerce et l'Industrie (BMCI), and Société Générale Marocaine de Banques (SGMA). Further, it revised the outlook on the long-term ratings of CM from 'stable' to 'negative', and maintained a 'stable' outlook on the ratings of the four other banks. It indicated that the ratings reflect the adequate operating profits and good franchises of BOA, BCP, BMCI and SGMA, but it noted that their high level of non-performing loans is weighing on their ratings. In addition, it stated that the adequate capital position of SGMA and BMCI support the banks' 'BBB-' rating, but it noted that the high level of loans-to-deposits ratio constrains the ratings. It added that SGMA's ratings are underpinned by its solid profitability and elevated loan-loss provisioning, while BMCI's ratings are driven by its satisfactory credit-loss absorption capacity. Also, it stated that BCP's and BOA's ratings are supported by their stable revenue base, an adequate loan loss coverage, and their very strong franchise in Morocco. Moreover, it said that the ratings of of the two banks are constrained by the banks' weak capital position, as well as by their high risk profile amid a significant exposure to low-rated African countries. It pointed out that it revised the outlook on the long term foreign currency rating of CM due to the sale of France's Crédit Agricole of its majority stake in the bank.

Source: Capital Intelligence Ratings

EGYPT

Gradual currency devaluation could delay deal with IMF

Moody's Investors Service indicated that the recent change in the Central Bank of Egypt's (CBE) leadership reflects a shift in policy amid mounting credit risks from the continued drawdown of foreign currency reserves and increasing balance of payments risks. It added that the appointment of the new governor, who has close ties with Gulf Cooperation Council (GCC) countries, coincides with Egypt's increasing financial exposure to GCC states. Also, it noted that large inflows from the GCC region have mitigated the impact of short-term portfolio outflows since the Egyptian pound's devaluation in November 2016. In parallel, the agency said that the authorities' objective is to attract $10bn in FDI inflows annually over the next four years, and that they have announced plans to convert part of the GCC deposits at the CBE into equity stakes in Egyptian companies, which will be key to reducing the sovereign's external vulnerabilities. It indicated that foreign currency reserves are currently insufficient to cover external debt service payments, which increases the sovereign's vulnerability to a sudden lack of funding. It also anticipated that the persistence of the high risk premia in global capital markets will increase rollover risks for maturing Egyptian Eurobonds starting in July 2023. Further, Moody's expected the authorities to opt for a gradual devaluation of the pound as opposed to a sharp adjustment, in case the pledged investments by GCC economies and other investors materialize over the next few months. But it expected that an exchange rate policy that is too rigid could further delay the agreement on a new IMF-supported program and postpone the country's return to global capital markets.

Source: Moody's Investors Service

OMAN

Agency takes rating actions on six banks

Fitch Ratings upgraded the long-term Issuer Default Rating (IDR) of HSBC Bank Oman (HBON) from 'BB' to 'BB+', as well as the rating of Bank Muscat from 'BB-' to 'BB'; while it affirmed the IDRs of Bank Dhofar and National Bank of Oman (NBO) at 'BB-', and the ratings of Sohar International Bank (SIB) and Ahli Bank (ABO) at 'B+'. It also maintained the 'stable' outlook on the IDRs of the six banks. The agency indicated that the rating actions follow its recent upgrade of Oman's sovereign ratings, and that the 'stable' outlook on the banks' IDRs mirrors the outlook on the sovereign rating. It added that the banks' IDRs reflect the authorities' ability to provide support to banks. In parallel, Fitch upgraded the Viability Rating (VR) of Bank Muscat from 'bb-' to 'bb', while it affirmed at 'bb-' the VRs of Bank Dhofar, NBO, HBO, and at 'b+' the VRs of SIB and ABO. It said that the affirmation of the five banks' VRs reflects the agency's view that the improved operating environment does not have a sufficient impact on the banks' intrinsic credit profile in order to upgrade the ratings. It pointed out that the VRs of Bank Dhofar, NBO, SIB and ABO reflect the banks' weak asset quality and profitability metrics, while the VR of Bank Muscat considers the bank's resilient asset quality, sound profitability and capitalization, as well as its stable funding and good liquidity. It added that the ratings of Bank Dhofar, NBO, SIB and ABO are constrained by the high concentration of the banks' loan book and deposit base.

Source: Fitch Ratings

Oil prices at $90.3 p/b in third quarter of 2022

ICE Brent crude oil front-month prices rose by 24% between the end of December 2021 and the end of August of this year, while they surged by 55.3% in the first eight months of 2022 from the same period last year. However, prices reached $88 per barrel (p/b) on September 7, 2022, down by 8.8% from a week earlier and constituting their lowest level since January 25 of this year. The decline in oil prices is mainly due to fears about a global economic recession, a slowing Chinese economy, and to the recent cut in policy rates in China. Further, in its latest meeting on September 3, the OPEC+ coalition decided to cut oil production targets by 100,000 barrels per day starting in October, and noted that the previous upward adjustment to the production level was only for the month of September. It attributed its decision to lower global oil prices, weaker demand for oil from China, as well as to the ongoing negotiations about the Joint Comprehensive Plan of Action that could result in higher Iranian oil exports. In parallel, the U.S. Energy Information Administration (EIA) indicated that the possibility of supply disruptions in the oil market, as well as a slower-than-expected increase in crude oil production, could lead to higher oil prices in the near term. It also considered that less robust global economic activity could result in a slowdown of energy consumption and to lower prices in the near term. As such, the EIA projected oil prices to average $90.32 p/b in the third quarter and $89 p/b in the fourth quarter of 2022. It also forecast prices to decline from an average of $98.07 p/b in 2022 to an average of $90.91 p/b in 2023.
Source: U.S. EIA, Refinitiv, Byblos Research

Iraq's oil exports receipt at $9.8bn in August 2022

Preliminary figures from the Iraq Ministry of Oil show that the exports of crude oil from Iraq totaled 101.9 million barrels in August 2022 and regressed by 0.5% from 102.4 million barrels in July 2022. They averaged 3.3 million barrels per day (b/d) in August . Oil exports from the central and southern fields amounted to 100.7 million barrels in August, while shipments from the Kirkuk fields totaled 1.2 million barrels. Oil export receipts stood at $9.8bn in August compared to $10.4bn in July 2022.
Source: Iraq Ministry of Oil, Byblos Research

Saudi Arabia's oil exports receipts up 94% in June 2022

Total oil exports from Saudi Arabia amounted to 8.8 million barrels per day (b/d) in June 2022, representing increases of 2.5% from 8.6 million b/d in May 2022 and of 20.1% from 7.3 million b/d in June 2021. Further, oil export receipts reached $31.4bn in June 2022, up by 1.3% from $31bn in May 2022 and up by 94.1% from $16.2bn in June 2021.
Source: JODI, General Authority for Statistics, Byblos Research

Gold demand in Middle East up 25% in first half of 2022

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 127.2 tons in the first half of 2022, constituting a rise of 24.6% from 102.1 tons in the same period of 2021. Gold demand in the region accounted for 9.5% of the global consumption of the precious metal in the first half of 2022. Consumer demand for gold in Iran reached 32.2 tons and represented 25.3% of the region's aggregate demand in the first half of the year, followed by the UAE with 29.7 tons (23.3%), Saudi Arabia with 23.9 tons (18.7%), Egypt with 17.2 tons (13.5%), and Kuwait with 8.9 tons (7%).
Source: World Gold Council, Byblos Research

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

The LME cash price of aluminum averaged $2,885 per ton in the year-to-September 7, 2022 period, constituting a rise of 23.6% from an average of $2,335 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 $2,224.5 per ton on September 7, 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 lockdowns, that has put downward pressure on the metal's price. In parallel, Citi Research projected the refined supply of aluminum at 69.2 million tons in 2022 relative to 67.3 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 $2,400 per ton for the coming three months, driven by higher demand from China and Europe, and by lower output, as smelters in China and Europe are reducing output due to power shortages and 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 projected at $1,700 per ounce at end of 2022

Gold prices averaged $1,840 per troy ounce in the year-to-September 7, 2022 period, constituting an increase of 2% from an average of $1,803.3 an ounce in the same period of 2021. The increase is attributed to 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 $1,704.6 an ounce on September 7, 2022 due to a stronger US dollar and higher U.S. bond yields. In parallel, ABN AMRO revised downward its projection for gold prices from $2,000 per ounce to $1,700 an ounce for the end of this year, as it expects higher U.S. nominal and real bond yields, as well as a further strengthening of the dollar, and to expectations of higher policy rate from the U.S Federal Reserve by early 2023. It anticipated speculative investors to liquidate substantial positions in gold-backed exchange-traded funds, which would also weigh on the price of the metal.
Source: ABN AMRO, Standard Chartered Bank, Refinitiv, Byblos Research

Price Performance of Precious Metals

Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	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 (%)
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 Congo	B-	Caa1	-	-								
	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
Türkiye	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	1.25	08-Sep-22	Raised 75bps	N/A
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	2.35	06-Sep-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	3.25	07-Sep-22	Raised 75bps	26-Oct-22
Emerging Markets					
China	One-year Loan Prime Rate	3.65	22-Aug-22	Cut 5bps	20-Sep-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	2.50	25-Aug-22	Raised 25bps	14-Oct-22
Malaysia	O/N Policy Rate	2.5	08-Sep-22	Raised 25bps	03-Nov-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	18-Aug-22	No change	22-Sep-22
Jordan	CBJ Main Rate	3.75	16-Jun-22	Raised 50bps	N/A
Türkiye	Repo Rate	13.00	18-Aug-22	Cut 100bps	22-Sep-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	25-Aug-22	No change	27-Oct-22
Kazakhstan	Repo Rate	14.50	05-Sep-22	No change	24-Oct-22
Ukraine	Discount Rate	25.00	08-Sep-22	No change	20-Oct-22
Russia	Refi Rate	8.00	22-Jul-22	Cut 150bps	16-Sep-22

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