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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Greenfield FDI in tourism sector at $178bn in 2017-2021 period

Figures released by fDi Markets show that global greenfield foreign direct investments (FDI) in the tourism sector amounted to $178.2bn between 2017 and 2021. The distribution of these investments indicates that they totaled $22.1bn in 2017, $70.8bn in 2018, $59.3bn in 2019, $16.4bn in 2020, and $9.5bn in 2021. Further, the Asia-Pacific region attracted $65.8bn in greenfield FDI in tourism and accounted for 37% of the total in the 2017-21 period, followed by Europe with $52.7bn (29.6%), then Latin America & the Caribbean with $27.7bn (15.5%), the Middle East & Africa region with $22.2bn (12.5%), and North America with $9.8bn (5.5%). Also, there were 2,232 greenfield FDI projects in tourism between 2017 and 2021 worldwide. Europe was the recipient of 909 projects in the covered period and accounted for 40.7% of the total, followed by the Asia-Pacific region with 529 projects (23.7%), Latin America & the Caribbean with 328 projects (14.7%), the Middle East & Africa region with 278 projects (12.5%), and North America with 188 projects (8.4%). In parallel, greenfield FDI in tourism led to the creation of more than 381,000 jobs between 2017 and 2021. The distribution of new jobs shows that the Asia-Pacific region generated more than 114,000 jobs between 2017 and 2021 and accounted for 30% of the total, followed by the creation of 99,800 jobs in Europe (26.2%), 99,000 jobs in Latin America & the Caribbean (26%), 45,400 in the Middle East & Africa region (12%), and 22,300 in North America (6%).

Source: fDi Markets, Byblos Research

MENA

Country risk level recedes in second quarter of 2022

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world decreased in the second quarter of 2022, as the average country risk score of 18 Arab economies was 42.41 points relative to 41.72 points in the second quarter of 2021. A higher score represents a lower country risk level. Qatar had the 25th lowest country risk level globally and the lowest in the region, followed by the UAE (30th), Saudi Arabia (34th), Kuwait (35th), and Bahrain (45th) as the five Arab countries with the lowest risk levels in the region. In contrast, Libya (154th), Sudan (156th), Lebanon (170th), Yemen (171st) and Syria (173rd) posted the highest risk levels in the Arab world. In parallel, the Arab region's risk level was higher than the global risk level (48.2 points), as well as higher than the risk levels of North America (64.9 points), Europe & Central Asia (59.5 points), East Asia & Pacific (51.6 points), and Latin America & the Caribbean (46.5 points); while it was lower than the risk levels of South Asia (37.4 points) and Sub-Saharan Africa (37 points). Qatar ranked in first place regionally on the Economic Assessment and Access to International Capital Markets categories, the UAE came first among Arab countries on the Political Assessment and Structural Assessment indicator factors, and Kuwait ranked in first place on the Debt Indicators category.

Source: Euromoney Group, Byblos Research

GCC

Fixed income issuance down 57% to $47bn in first eight months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $46.9bn in the first eight months of the year, constituting a decrease of 57.3% from $109.9bn in the same period of 2021. Fixed income issuance in the covered period consisted of $16.3bn in sovereign sukuk, or 34.8% of the total, followed by $12.8bn in corporate bonds (27.3%), $9.8bn in corporate sukuk (21%), and $8bn in sovereign bonds (17%). Further, aggregate bonds and sukuk issued by sovereigns in the GCC amounted to $24.3bn in the covered period, or 51.8% of fixed income output in the region; while issuance by GCC corporates reached $22.6bn, or 48.2% 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, $4bn in July, and $2bn in August 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, $2.9bn in July, and $0.5bn in August 2022. Further, sovereign proceeds in August 2022 consisted of $2bn in bonds issued by firms in Qatar. In parallel, corporate issuance in the covered month included $170m in bonds issued by firms in Saudi Arabia, $32m issued by companies based in the UAE, and $30m issued by firms in Qatar.

Source: KAMCO

UAE

Earnings of Abu Dhabi firms up 69%, profits of Dubai firms up 7% in first half of 2022

The net income of 67 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED49.4bn, or $13.5bn, in the first half of 2022, constituting an increase of 69% from AED29.4bn, or $7.9bn, in the same period of 2021. Listed banks generated net profits of $5.2bn and accounted for 38.6% of the total earnings of publicly-listed firms in the covered period. Industrial firms followed with $2.2bn (16%), then telecommunications companies with $1.8bn (13.4%), basic materials firms with $1.6bn (12.1%), utilities companies with $1.2bn (8.7%), energy firms followed with $915.4m (6.8%), real estate companies with $402.4m (3%), companies in the discretionary consumers goods segment with $145.7m (1.1%), consumer staples firms with $37.2m (0.3%), and health care providers with $7.8m (0.06%). In parallel, the cumulative net income of 51 companies listed on the Dubai Financial Market that published their financials totaled AED25.6bn, or $6.9bn, in the first half of 2022, constituting an increase of 6.6% from AED23.9bn or $6.5bn in the same period of 2021. Listed banks generated net profits of $3.4bn, or 49% of net earnings in the covered period. Real estate & construction firms followed with $1.9bn or 27% of the total, then transportation companies with $241.8m (12.7%), consumer staples firms with $878.7m (12.6%), telecommunications companies with $167.3m (2.4%), insurers with $138.6m (2%), industrial companies with $100.7m (1.4%), services providers with $83.4m (1.2%), and investment & financial services firms with $69m (1%).

Source: KAMCO

POLITICAL RISK OVERVIEW - August 2022

ALGERIA

The government announced that there will be "no peace with Morocco" due to the latter's "occupation" of Western Sahara, despite the Moroccan King's call for Algeria to engage in dialogue to restore "normal relations" with Rabat. In parallel, amid tense relations with European countries over the conflict in Ukraine, President Abdelmadjid Tebboune suggested that Algeria could apply to join the BRICS bloc of emerging economies. Further, French President Emmanuel Macron visited Algeria for the first time since 2017 and met with President Tebboune in an attempt to mend strained relations. The two leaders signed a joint declaration that calls for a "new and irreversible dynamic" in the bilateral relationship.

ARMENIA

Deadly clashes erupted between Armenian and Azerbaijani forces in the disputed Nagorno-Karabakh province in early August, as Baku launched a military operation in the region in response to the assassination of a soldier in the Azerbaijani town of Lachin during a fire exchange. Further, the prime ministers of Armenia and Azerbaijan met on August 30, 2022 in Moscow to discuss issues related to transport, communication and delimitation of the international borders. Also, the President of the European Council hosted on August 31 a trilateral meeting in Brussels with the leaders of the two countries who agreed to accelerate "substantive work" towards a peace treaty. In parallel, Armenia's political opposition announced the return of opposition members to Parliament in September after they boycotted sessions since April.

ETHIOPIA

Clashes broke out between federal and Tigray forces near Tigray's border in the Amhara region, which ended a five-month ceasefire. The two sides blamed each other for the renewed violence that escalated rapidly. The federal government said that Tigrayan forces expanded the fight to different fronts, especially near the border with Sudan. Meanwhile, the United Nations announced that it suspended aid deliveries to the Tigray region due to the ongoing fighting. Further, peace talks between the federal and Tigray governments stalled amid the disagreement about whether the African Union Envoy or Kenya's government should mediate the talks. Also, Tigray's authorities demanded the return of Amhara-controlled Western Tigray to Tigrayan administration and the resumption of basic services before negotiations take place. In parallel, Prime Minister Abiy Ahmed announced the successful completion of the third filling of the Grand Ethiopian Renaissance Dam on the Blue Nile River.

IRAN

Talks between Iran, the United States and other signatories of the Joint Comprehensive Plan of Action resumed in Vienna to revive the 2015 nuclear deal, but prospects for reaching a final agreement remained uncertain. Further, the United States imposed sanctions on six companies engaged in selling Iranian oil and petrochemical products to East Asian. In parallel, the Atomic Energy Organization of Iran started the injection of gas into hundreds of centrifuge machines at nuclear facilities as an act of defiance following the imposition of the new sanctions. In addition, the U.S. Department of Justice charged a member of the Islamic Revolutionary Guard Corps with an attempted plot to murder the former U.S. National Security Advisor John Bolton.

IRAQ

Thousands of protestors against Shiite cleric Muqtada al-Sadr demonstrated outside the Green Zone in Baghdad, after supporters of cleric al-Sadr stormed the parliament in late July. Cleric al-Sadr called for his supporters to continue their sit-in outside the parliament, demanded the country's Supreme Judicial Council to dissolve the legislative body, and asked for constitutional amendments and early elections. Also, the Shiite Coordination Framework, an umbrella of Iraqi Shiite parties, began to protest outside the Green Zone on August 12, calling for a new government formation and the resumption of the parliament's meetings. In addition, Cleric al-Sadr retired from political life, leaving his supporters to demonstrate without guidance.

LIBYA

Prime Minister-designate Fathi Bashagha called on interim PM Abdul Hamid Dbeibeh to step down and hand over power to avoid violence. Further, PM Dbeibeh asked the head of the Tripoli-based consultative High State Council and the speaker of the House of Representatives (HoR) to approve the constitutional framework for elections. Also, fighting erupted across Tripoli on August 26 and 27, 2022, as forces aligned with the Tobruk-based HoR failed to take control of the capital and oust the Tripoli-based government of interim PM Dbeibeh. In parallel, the Central Bank of Libya disbursed LD8.5bn to the National Oil Corporation as part of the financial arrangement of LD15bn concluded in April.

SUDAN

Members of civil society organizations disagreed on how to proceed after the head of the Sovereign Council General Abdel Fattah al-Burhan announced that the army will step aside from its rule to make way for a civilian government. Meanwhile, the al-Burhan-backed Sudan People's Call initiative held a conference that gathered political figures affiliated with the former ruling National Congress Party, as well as Egyptian, Saudi and African Union diplomats. Participants recommended the establishment of a Supreme Military Council that would assume full authority, with a Cabinet of technocrats that would assume executive duties. However, the political coalitions Forces for Freedom and Change and the Resistance Committees, which are leading the anti-coup protests in Sudan, boycotted the event. In parallel, General al-Burhan announced a major reshuffling of the country's military leadership. Also, tensions increased with Addis Ababa amid the renewed Tigray conflict in Ethiopia, as Ethiopian forces claimed to have downed a plane from Sudan carrying weapons to Tigray forces. As a result, the Ethiopian ambassador to Sudan said Khartoum had "violated Ethiopian airspace", which prompted the Sudanese foreign ministry to summon the ambassador.

TUNISIA

After the Administrative Court in Tunisia dismissed all three appeals against the results of the constitutional referendum that was held on July 25, the electoral commission announced the final results, saying that 31% of the electorate participated in the referendum and that 94.6% of them voted for a new constitution. President Kais Saïed ratified the new constitution, which expands presidential powers, and pledged to establish a constitutional court and to issue a new electoral law ahead of legislative elections set for December. The National Salvation Front rejected the new constitution and reiterated its call for a "rescue government" to lead the country into early presidential and legislative elections.

YEMEN

The Hadi government and Huthi rebels agreed for the second time to extend the UN-mediated truce for two months starting on August 2, 2022. Further, Huthi rebels asked for the disbursement of salaries to public sector employees in Huthi-controlled areas, but the government refused to pay the salaries before Huthis reopen roads in Taiz city. Negotiations on the reopening of roads in the city of Taiz remained deadlocked despite rounds of talks between the government and Huthi rebels in recent months in Amman. In parallel, deadly clashes in Shebwa governorate among rival anti-Huthi factions, which highlighted the lack of unity of Yemen's Presidential Leadership Council, threaten the latter's ability to present a common front against the Huthis.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Frontier markets and other lower-rated sovereigns to face external financing risks

Moody's Investors Service indicated that tighter monetary conditions worldwide and growing macroeconomic headwinds globally are creating challenges for emerging markets (EMs). It said that Russia's invasion of Ukraine and China's zero-COVID policy have accelerated supply chain shocks, increased the volatility of commodity markets, and exacerbated already elevated inflation rates. However, it expected that the recent easing of global energy and commodity prices may slow down the rise of inflation rates in the second half of the year and prevent a more severe tightening of financial conditions. It projected the inflation rate to exceed 6% in more than 50% of EM economies in 2022, compared to about 20% of EMs prior to the pandemic, and forecast the average inflation rate to exceed 20% in some EM countries.

In parallel, the agency considered that the impact of the upcoming U.S. interest rate hikes on financial conditions in EM economies will be less severe than it was in the first half of 2022, given that market expectations have incorporated the impact of upcoming monetary tightening in the rest of the year. It considered that there is space for further policy tightening in EM economies in case of need, given that real interest rates are still negative in some EMs, which would help mitigate capital outflows and depreciation pressures on exchange rates.

Further, Moody's anticipated that frontier markets and other lower-rated sovereigns will face external financing risks as a result of the current macroeconomic environment. It also considered that lower-rated sovereigns are facing more severe liquidity risks due to the prevailing market conditions, and that sovereigns with large upcoming external debt maturities or that have higher import bills, are likely to drawdown their foreign currency reserves and risk elevated balance-of-payments crises.

Source: Moody's Investors Service

EGYPT

IMF program with strong multilateral and bilateral support needed to bridge funding gap

Bank of America (BofA) expected that Egypt will soon reach an agreement with the International Monetary Fund (IMF) over a funded program following several months of negotiations. It added that authorities have hinted to the possibility of accelerating the pace of foreign currency adjustment, and potentially shifting to a managed floating exchange rate regime as part of the IMF-supported program. It stressed that the size of the potential IMF's three-year Extended Fund Facility (EFF) should be sufficiently large to restore investor confidence and market access, as well as to reduce the issuance of Eurobonds. But it considered that authorities would still need to implement decisive reforms, as it anticipated the country to remain vulnerable to global shocks and to volatile underlying economic dynamics.

However, BofA anticipated Egypt's external funding requirements to remain elevated due to the sizeable external maturity redemption schedule over the coming years. It forecast gross external funding needs at $58bn in FY2022/23, $55.4bn in FY2023/24 and $57.7bn in FY2024/25. It noted that the elevated external funding requirements reflect the classification of the $13bn that Gulf Council Cooperation countries deposited at the Central Bank of Egypt (CBE) this year as short-term external debt, as well as the recent widening of the current account deficit. It estimated the net usage of resources from the IMF at $3.9bn in the next three fiscal years, in case authorities agree on a $15bn three-year EFF. Also, it expected that support from the IMF, from international financial institutions and from GCC countries could allow the Egyptian government to gradually reduce its borrowing requirements from international capital markets from $7bn to less than $5bn in the next three fiscal years. In addition, it anticipated portfolio inflows to recover gradually, while it expected foreign direct investments to pick up to $10bn annually in the next three fiscal years due to the privatization program and strategic sales, which would improve the CBE's net foreign currency reserves and NFAs position. As such, it expected gross foreign currency reserves at the CBE to rise by $15bn in the next three fiscal years, in case all of the financing from the multiple sources materialize.

Source: Bank of America

JORDAN

Structural reforms support long-term growth prospects

S&P Global Ratings projected Jordan's real GDP growth at 2.4% in 2022 and at an average of 2.8% annually in the 2023-25 period. It attributed the expected expansion in economic activity mainly to higher fertilizer exports and tourism receipts, as well as to the recovery in the manufacturing sector and to an increase in foreign direct investments. Still, it considered that there are risks to the economic outlook, which include the global economic slowdown that would weigh on external demand, elevated fuel prices, and the tightening in global and domestic monetary conditions. But it anticipated that higher global oil prices would improve the outlook of Gulf Cooperation Council countries, and result in higher tourism, remittance inflows and external support for Jordan. It expected structural reforms that aim to improve the economy's competitiveness, among other objectives, to support longer-term growth prospects. Further, it anticipated the average inflation rate to peak at 4.2% in 2022 as authorities phased out fuel subsidies in April of this year, and to gradually decline to 2.5% by 2025.

In parallel, S&P expected the fiscal deficit to narrow from 3.1% of GDP in 2021 to 1.8% of GDP in 2022, supported by strong surpluses achieved at the Social Security Corporation and by improved tax revenues despite higher public expenditures. Still, it anticipated that rising debt servicing costs will weigh on public spending amid tighter global and domestic monetary conditions in the coming years, and pointed out that one of the key domestic risks to the improvement in the fiscal metrics stems from ongoing problems at state-owned enterprises in the energy and water sectors. Also, it forecast the public debt level to decline from a peak of 92% of GDP at the end of 2021 to 89.2% of GDP at end-2022 and to reach 86.8% of GDP by end-2025. It did not expect Jordan to face imminent debt rollover or financing risks, despite the increasing proportion of public revenues that is earmarked for debt servicing, which it projected at 13.4% of GDP by 2025. Further, the agency projected the current account deficit at 6.5% of GDP in 2022 and 5% of GDP by 2025, and forecast foreign currency reserves to rise from $4.2bn at end-2022 to $4.7bn at end-2025.

Source: S&P Global Ratings

SAUDI ARABIA

Gross written premiums to increase by 5% to 10% in 2022

S&P Global Ratings projected insurers based in Saudi Arabia to generate gross written premiums (GWPs) from the non-life category of $12.2bn in 2022 and $13bn in 2023 compared to about $11bn in 2021. It attributed the rise in premiums to favorable economic conditions in the country due to higher oil prices and to the introduction of additional insurance coverage. Also, it projected GWPs to increase by about 5% to 10% in 2022. Further, it pointed out that macroeconomic risks and the intense competition among insurers are negatively affecting the property & casualty insurance segment in the Kingdom. Also, it expected the insurers' underwriting performance to remain under pressure this year, as it forecast the firms' net combined ratio, which is the ratio of incurred losses and expenses to earned premiums, at between 99% and 104% relative to 104% in 2021. However, it anticipated the insurers' investment income to improve and to support their earnings due to higher global interest rates. In addition, it noted that the investment risk of Saudi insurers is relatively low, given that most of their assets are held in term deposits or in money market instruments at highly rated banks. In parallel, Regional investment bank EFG Hermes indicated that the aggregate earnings of seven insurance firms in Saudi Arabia declined by 7% in the second quarter of 2022 from the same period last year, as losses from motor-focused insurers more than offset the double-digit contraction in losses of four insurers. But, it pointed out that GWPs increased by 27% in the covered period, driven mainly by a surge of 31% in the medical sector's GWPs due to the increase in premium rates and a rise in the insured population amid the pick-up in employment.

Source: S&P Global Ratings, EFG Hermes

PAKISTAN

IMF agreement is credit positive for sovereign

Moody's Investors Service stated that Pakistan completed the combined seventh and eighth reviews of the country's Extended Fund Facility (EFF) with the International Monetary Fund (IMF), as the latter announced an extension and increase in its loan program for Pakistan. It said that the EFF review completion allows the immediate disbursement of $1.1bn to Pakistan, bringing total disbursements to $3.9bn since the program's inception in 2019. Also, the agency noted that IMF financing and the additional support from bilateral partners will ease pressure on the country's declining foreign currency reserves, which currently cover less than two months of imports. Further, it expected Pakistan to require about $38bn in external financing for the fiscal year that ends in June 2023, with $24bn forexternal debt repayments and $14bn to finance the current account deficit. But it expected Pakistan to fully meet its financing needs for the next few years. In addition, it noted that the EFF would catalyze additional financing from other bilateral and multilateral partners. But it considered that Pakistan's ability to achieve the current EFF program and maintain a credible policy path that would generate additional financing remains uncertain amid elevated political and social risks. It expected that the country's rising external vulnerability risks, which have been exacerbated by elevated inflation rates, will add pressure on the current account balance.

Source: Moody's Investors Service

OMAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Oman's short- and long-term local and foreign currency issuer ratings at 'B' and 'BB', respectively. It also maintained a 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to the improvement in Oman's fiscal and external metrics, driven by high hydrocarbon revenues and exports. It expected the central government's debt to decline from 65.3% of GDP in 2021 to 44% of GDP in 2022. The agency forecast the government's budget surplus to reach 5.6% of GDP in 2022 and to average 5.9% of GDP in the next two years, driven by high global hydrocarbon prices. Further, it added that the ratings are supported by Oman's sound banking system, as well as by its expectations that countries in the Gulf Cooperation Council will provide support to Oman in case of need. However, it pointed out that the ratings are constrained by the economy's limited diversification, weak budget structure, high geopolitical risks and the slow pace of reforms. It said that it could upgrade the ratings if hydrocarbon prices exceed its expectations, which would contribute to higher primary surpluses and a faster-than-projected decline in the public debt level. In contrast, it noted that it could downgrade the ratings if geopolitical risks increase and/or if the fiscal and external metrics deteriorate.

Source: Capital Intelligence Ratings

GHANA

Steep interest rate hike unlikely to reverse macroeconomic deterioration

Moody's Investors Service indicated that the Bank of Ghana (BoG) raised on August 17, 2022 its key policy rate by 300 basis points to 22% and announced its intention to "purchase all foreign exchange arising from the voluntary repatriation of export proceeds from mining, and oil and gas companies." It noted that the elevated inflation rate, which stood at 31.8% at the end of July 2022, and the 37% depreciation of the Ghanaian cedi since the end of last year prompted the steep hike in interest rates. It anticipated debt servicing to absorb 59% of public revenues in 2022, amid tighter monetary policy and global financial conditions. In parallel, the agency expected the BoG's measures to prove ineffective against the accelerating deterioration in macroeconomic conditions amid high inflation rates, the weakening cedi and declining foreign currency reserves. It noted that the BoG's decision constitutes the third interest rate hike this year, and that authorities are still facing challenges in controlling inflation from the higher prices of imported goods and a weaker cedi. Also, Moody's considered that the effectiveness of the BoG in its role as the sole purchaser of foreign currency proceeds from oil and gas companies is highly uncertain in terms of its impact on foreign currency reserves, as they have declined from $8.4bn at the end of 2021 to $5.9bn at end-June 2022. Further, it anticipated that Ghana's main source of liquidity risk over the next 18 months will be cedi-denominated debt, and expected the BoG and domestic banks to contain liquidity risks for as long as they are able to fund the government. However, it forecast risks stemming from the amortization of foreign currency-denominated external debt to build over the next three years as maturities approach.

Source: Moody's Investors Service

IRAQ

Central Bank implements strategic plan for 2021

The Central Bank of Iraq (CBI) identified five main objectives that aim to achieve its strategic plan for the 2021-23 period in order to strengthen monetary policy management, operate advanced payment systems, and support economic growth, employment and financial development in the country. It indicated that the plan's first strategic objective is to support and achieve monetary and financial stability. Second, to reinforce the banking sector and financial institutions. Third, to promote digital transformation at the CBI and in the banking sector. Fourth, to develop the organizational structure and human resources of the CBI; and fifth, to coordinate with governmental institutions and strengthen cooperation with international financial institutions. Further, the CBI declared that it achieved several goals under its strategic plan in 2021. First, it succeeded in the domiciliation of the salaries of the Ministry of Defense's employees. Second, it developed a payment strategy to promote the acceptance of electronic payment tools. Third, it completed all necessary tests to link the Iraqi payment system to the main operating systems at the CBI. Fourth, it automated the financial transactions for a number of spending units related to ministries and other entities. Fifth, it completed the development of the technical infrastructure and the adoption of new technologies for the main data centers of the CBI. Sixth, it expanded the automation process of operations, functions, financial, accounting and operational procedures in the banking sector in accordance with business requirements. Seventh, it opened sub-accounts for electronic payment service providers with JPMorgan Chase & Co.

Source: Central Bank of Iraq

QATAR

Bank lending to pick up in 2023

Regional investment bank EFG Hermes indicated that the aggregate net income of Qatar National Bank, Doha Bank, Masraf Al Rayan, Qatar Islamic Bank, and the Commercial Bank of Qatar increased by 4% in the first half of 2022 from the same period last year. It noted that the five banks' combined cost of risk rose from 85 basis points (bps) in the first half of 2021 to 104 bps in the first half of 2022 due to an increase in provisioning charges and precautionary provisions. It pointed out that the aggregate net interest income of the covered banks rose by 16% in the first half of 2022; while the net interest margin (NIM) of the five banks grew by 18 bps year-on-year in the covered period, and expected high lending rates to positively affect NIMs starting in the fourth quarter of 2022 following recent interest rate hikes. In parallel, it noted that the banks' lending grew by 1.4% in the 12-months ending June 2022, the slowest increase in several years, given that the public sector's repayments of overdrafts more than offset solid credit demand in the private sector. However, it expected lending to pick up in 2023, driven by Qatar's LNG expansion project that will boost business activity in the industrials, logistics and transportation sectors, which will create credit opportunities for banks in the medium term. Also, it stated that non-resident deposits represented only 22% of total deposits, as the increase in US dollar rates, elevated local liquidity, and changes in regulatory liquidity ratios by the Qatar Central Bank have reduced the attractiveness of short-term foreign-currency deposits.

Source: EFG Hermes

TUNISIA

Extremely high credit risks assessment maintained

S&P Global Ratings classified Tunisia's banking sector in 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '10' and an industry risk score of '9'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 10' include Nigeria. S&P indicated that Tunisia's economic risk score reflects "extremely high risks" in its economic resilience and in credit risks in the economy, as well as "high risks" in its economic imbalances. It considered that the impact of the COVID-19 pandemic on the economy and the rise in commodities prices are likely to affect nearly all sectors in Tunisia, which would translate into higher credit losses for banks and inflate their non-performing loans (NPLs) ratios in the 2022-23 period. As such, it expected the banking sector's NPLs ratio at between 17% and 18% by the end of 2023 and forecast loan-loss provisions at 59% at end-2022, as banks will continue to increase provisioning to prepare for the implementation of International Financial Reporting Standards. It indicated that the asset quality of Tunisian banks remains weak, as banks are facing extremely high credit risks due to their low debt absorption capacity and high leverage. Further, S&P said that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its competitive dynamics and "high risks" in its system-wide funding. It indicated that the regulation and supervision of banks in Tunisia are weak and that banks have poor funding profiles. It noted that the trend for the economic risk is 'stable', while the trend for the industry risk is 'negative'.

Source: S&P Global Ratings

GHANA

Agency takes rating actions on three banks

Fitch Ratings downgraded the long-term Issuer Default Ratings (IDR) of Ecobank from 'B-' to 'CCC+' and affirmed the ratings of Guaranty Trust Bank (Ghana) (GTB Ghana) and United Bank for Africa (Ghana) (UBA Ghana) at 'B-', with a 'stable' outlook on the long-term ratings. Also, it downgraded the Viability Ratings (VRs) of Ecobank, GTB Ghana and UBA Ghana from 'b-' to 'ccc'. It attributed its rating actions to its earlier downgrade of Ghana's long-term IDR from 'B-' to 'CCC'. It indicated that the banks' IDRs are driven by the likelihood of extraordinary support from their parent banks and added that the 'stable' outlooks on the IDRs reflect those on the parents' IDRs. Further, it said that the downgrade of the three banks' VRs takes into account the concentration of the banks' operations in Ghana, their strong reliance on sovereign-derived income, and high exposure to the sovereign. It noted that the weakening operating environment and macroeconomic conditions constrain the banks' ratings. It added that the increase in interest rates would reduce the ability of borrowers to repay their loans and would result in higher impaired loans for banks towards the end of 2022. However, it pointed out that the banks' small loan books reduce the pressure on the banks' asset quality, given that the latter is aligned with the sovereign's creditworthiness due to the banks' large holdings of Ghanaian sovereign securities.

Source: Fitch Ratings

Oil prices to average $95 p/b in fourth quarter of 2022

ICE Brent crude oil front-month prices reached $94.1 per barrel (p/b) on September 14, 2022, constituting an increase of 7% from $88 p/b a week earlier. The rise in oil prices is mainly due to global supply disruptions and expectations of a significant shift from gas to oil globally for winter heating. In parallel, the International Energy Agency (IEA) indicated that the shift from gas to oil, estimated to average 700,000 barrels of oil per day (b/d) between October 2022 and March 2023, partly offsets lower demand for oil from China due to renewed lockdown measures and from OECD countries amid the ongoing economic slowdown. As such, it forecast global oil demand to rise by 2 million b/d in 2022 and 2.1 million b/d in 2023. Also, it projected global oil production to increase by 4.8 million b/d to 100.1 million b/d in 2022 and by 1.7 million b/d to 101.8 million b/d in 2023. It noted that member countries of the IEA released nearly 180 million barrels of oil reserves between March and August of this year, and expected the member countries to deliver over 52 million barrels of oil between September and October 2022. However, it indicated that the European Union's embargo on Russian crude oil and petroleum products that comes into effect in December 2022 and February 2023, respectively, is expected to reduce the level of Russian oil supply to the market, which would lead to a further decline in the global supply of oil. In addition, Standard Chartered Bank projected oil prices to average $95 p/b in the fourth quarter of 2022 and $103 p/b in full year 2022.
Source: International Energy Agency, Standard Chartered Bank, Refinitiv, Byblos Research

OPEC's oil basket price down 6% in August 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $101.9 per barrel (p/b) in August 2022, constituting a decrease of 6.1% from $108.55 p/b in July 2022. Nigeria's Bonny Light price was $106.08 p/b, followed by Angola’s Girassol at $105.99 p/b, and Saudi Arabia's Arab Light at $104.89 p/b. All prices in the OPEC basket posted monthly decreases of between $4.09 p/b and $13.16 p/b in August 2022.
Source: OPEC

Angola's oil export receipts down 62% to $1.3bn in August

Oil exports from Angola reached 33.66 million barrels in August 2022, constituting decreases of 3.58 million barrels (-9.6%) from 37.24 million barrels in July 2022 and of 1.3 million barrels (-3.7%) from 34.96 million barrels in the same month in 2021. The country's oil export receipts totaled KZ584.2bn, or $1.3bn, in August 2022 and regressed by 62% from KZ1.54 trillion, or $3.6bn in July 2022. They were nearly unchanged from KZ585bn ($905m) in August 2021.
Source: Ministry of Finance of Angola

OPEC oil output up 2% in August 2022

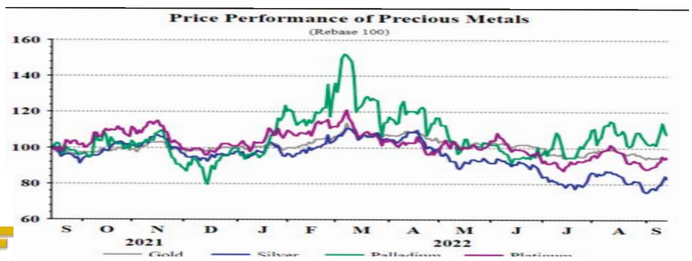
The members of the Organization of Petroleum Exporting Countries (OPEC), based on secondary sources, produced 29.65 million barrels of oil per day (b/d) on average in August 2022, constituting an increase of 2.1% from 29.03 million b/d in July 2022. Saudi Arabia produced 10.9 million b/d, or 36.8% of OPEC's total output, followed by Iraq with 4.5 million b/d (15.3%), the UAE with 3.1 million b/d (10.7%), Kuwait with 2.8 million b/d (9.5%), and Iran with 2.6 million b/d (8.7%).
Source: OPEC

Base Metals: Zinc prices to average $3,400 per ton in fourth quarter of 2022

The LME cash prices of zinc averaged $3,683.7 per ton in the year-to-September 14, 2022 period, constituting a surge of 28% from an average of $2,875 a ton in the same period of 2021, driven by speculations that major smelters in China are reducing output due to power shortages. Further, prices regressed from an all-time high of $4,563 per ton on April 19 2022, following Russia's military invasion of Ukraine, to $3,253.7 per ton on September 14, 2022. In parallel, the latest figures released by the International Lead and Zinc Study Group (ILZSG) show that global demand for refined zinc was 6.74 million tons in the first half of 2022, constituting a decline of 3% from 6.96 million tons in the same period of 2021, due to the decrease in demand for the metal from Brazil, China, France, Germany, India, Japan, Thailand and Ukraine, which was largely offset by higher demand in the Republic of Korea, Taiwan and the United States. Also, global zinc mine production was 6.15 million tons in the first half of 2022, representing a decrease of 1.9% from 6.27 million tons in the same period of 2021, due to decreases in mining activity in Australia, Brazil, Burkina Faso, Canada, Greece, Ireland and Peru, which were partially offset by higher production in Bolivia, India, Mexico, Portugal, South Africa and the United States. In addition, mine output accounted for 91% of global refined zinc production in the first half of 2022. In parallel, Standard Chartered Bank projected zinc prices to average $3,400 a ton in the fourth quarter of 2022.
Source: ILZSG, Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $950 per ounce in fourth quarter of 2022

Platinum prices averaged $961.9 per troy ounce in the year-to-September 14, 2022 period, constituting a decrease of 15% from an average of $1,130.8 an ounce in the same period last year, due mainly to chip shortages in the automotive sector that have restrained the demand for the metal. Further, platinum prices regressed from a recent high of $1,151 per ounce on March 8, 2022 to $906 an ounce on September 14, 2022, driven by the expected slowdown in global economic growth, which put downward pressure on the metal's price. In parallel, Standard Chartered Bank forecast the supply of platinum in South Africa, the world's largest producer of platinum, to decrease by 8% in 2022, due to power-related outages and the fallout from the COVID-19 pandemic. As such, it expected the platinum market to remain in surplus in 2022, although it anticipated the surplus to decrease by 300,000 ounce in 2022. In addition, it projected the metal's prices to increase in the near term, driven by the rebound in autocatalyst demand on improved chip supply and the recovery in global growth. But it also expected platinum prices to decrease in the near term in case of a major global recession. As such, it forecast platinum prices to average $950 per ounce in the fourth quarter of 2022 and $961 per ounce in full year 2022.
Source: 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	Stable	-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
Türkiye	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	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	4.50	31-Jul-22	Raised 75bps	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	26-Sep-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	10.00	13-Sept-22	Raised 50bps	01-Oct-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

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

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

NIGERIA

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

ADIR INSURANCE

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