700 ISSUES+
Issue 732 | September 29, 2022

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 350% of GDP at end-June 2022

The Institute of International Finance indicated that the global debt level, which includes the debt of governments, corporates and households, reached $300.1 trillion (tn) at the end of June 2022, constituting an increase of 600bn, or 0.2%, from $299.5tn at end-June 2021. The debt of developed markets accounted for 67%, while the debt of emerging markets (EM) represented 33% of the total. It noted that the global debt level reached nearly 350% of global GDP at the end of June 2022 compared 353.4% of global GDP at end-June 2021. It added that the debt of developed markets reached $201.2tn or 407% of the GDP of developed markets, while the debt level of EMs totaled $98.8tn or 252% of the GDP of EMs at end-June 2022. It pointed out that the aggregate debt of corporates excluding financial institutions reached $88.4tn, or 97.8% of global GDP, at end-June 2022, followed by government debt with $85.8tn (102.3% of GDP), financial sector indebtedness with $69.3tn (84.7% of GDP), and household debt with $56.6tn (64.4% of GDP). In parallel, it indicated that EM corporate debt excluding financial institutions totaled $40.7tn or 101.6% of the GDP of EMs, followed by EM government borrowing at $25.2tn (65.6% of GDP), financial sector indebtedness at $14.6tn (38.4% of GDP), and EM household debt at $18.3tn (47% of GDP).

Source: Institute of International Finance

MENA

Public governance level varies across countries in the region

The World Bank's World Governance Indicators for 2021 show that the average score of 20 Arab countries improved on the Voice & Accountability, Regulatory Quality, Political Stability, Government Effectiveness and the Control of Corruption indicators, while it regressed on the Rule of Law indicator relative to 2020. The indicators cover 214 countries and territories worldwide that are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes. The 20 Arab countries posted an average score of -0.49 points on the Government Effectiveness indicator in 2021, up from -0.52 points in 2020. This category evaluates the condition of public services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The UAE had the most effective government among Arab countries, followed by Qatar, Bahrain, Saudi Arabia and Jordan; while Iraq, Sudan, Libya, Syria and Yemen have the least efficient governments in the region. Further, Arab countries posted an average score of -0.49 points on the Rule of Law indicator in 2021, down from -0.44 points in 2020. This category measures the extent that citizens have confidence in the rules of society and abide by them. Qatar had the strongest rule of law among Arab countries, followed by the UAE, Bahrain, Oman and Kuwait; while Sudan, Iraq, Libya, Yemen and Syria have the weakest rule of law in the region.

Source: World Bank, Byblos Research

EMERGING MARKETS

Fixed income trading down 3% to $1,309bn in second quarter of 2022

Trading in emerging markets (EMs) debt instruments reached $1,309bn in the second quarter of 2022, constituting decreases of 3% from $1,354bn in the same quarter of 2021 and of 12.4% from $1,494bn in the first quarter of 2022. Turnover in local-currency instruments reached $834bn in the second quarter of the year, up by 3% from $813bn in the second quarter of 2021, and accounted for 64% of the debt trading volume in EMs. In parallel, trading in Eurobonds stood at $474bn in the second quarter of 2022 and regressed by 11% from $536bn in the same period last year. The volume of traded sovereign Eurobonds reached $315bn and accounted for 67% of total Eurobonds traded in the second quarter of 2022, relative to $337bn and a share of 63% in the same quarter of 2021. Also, the volume of traded corporate Eurobonds reached $157bn or 33% of total Eurobonds traded in the covered period, relative to $195bn or 36% of traded Eurobonds in the second quarter of 2021. Also, turnover in warrants and options stood at $550m, while loan assignments amounted to $48m in the second quarter of the year. The most frequently traded instruments in the covered quarter were Mexican fixed income assets with a turnover of $268bn, or 20% of the total, followed by securities from Brazil with $163bn (12%), and instruments from China with $136bn (10%). Other frequently traded instruments consisted of fixed income securities from India at $68bn (5.2%) and from South Africa at $58bn (4.4%).

Source: EMTA

KUWAIT

Profits of listed companies up 25% to $4bn in first half of 2022

The cumulative net profits of 155 companies listed on Boursa Kuwait totaled KD1.23bn, or $4.03bn, in the first half of 2022, constituting an increase of 25.2% from KD981.1m, or $3.2bn, in the same period of 2021. The firms' aggregate earnings reached KD737.3m or $2.4bn in the first quarter, and KD553.34m or $1.8bn in the second quarter of 2022. Listed banks generated net profits of $2.2bn in the covered period and accounted for 54.4% of total earnings, followed by financial services providers with $550.4m (13.7%), telecommunications firms with $437.6m (11%), industrial companies with $305.4m (7.6%), real estate firms with $251.9m (6.3%), insurers with $138.4m (3.4%), companies in the discretionary consumers goods segment with $101m (2.5%), basic materials firms with $24.6m (0.6%), utilities providers with $23.8m (0.6%), healthcare providers with $19m (0.5%), and consumer staples firms with $3.3m (0.1%). In parallel, oil & gas companies posted net losses of $18.4m in the first half of 2022, while technology firms recorded losses of $0.33m. Further, the net earnings of companies in the discretionary consumers goods segment rose by 422% in the covered period, followed by the income of basic materials firms (+158.6%), real estate companies (+85), healthcare providers (+52.6%), banks (+40.7%), telecommunications firms (+21.8%), insurers (+17.2%), and utilities providers (+13%).

Source: KAMCO

EMERGING MARKETS

Real GDP to grow by 3.7% in 2022-23 period

Citi Research indicated that economic activity in emerging markets (EMs) has been better than expected in 2022, espacially for commodity exporters that have benefited from a boost to their terms of trade as a result of higher global commodity and energy prices. It projected real GDP growth in EMs at 3.5% in 2022 and 4.2% in 2023. However, it anticipated the deterioration in external demand to tip several EM countries into recession amid the additional tightening of U.S. monetary policy and the appreciation of the US dollar against major currencies. It projected real GDP growth in Emerging Asia to accelerate from 3.8% this year to 5.4% next year, and for economic activity in the Middle East & Africa (ME&A) to expand by 6% in 2022 and by 4.1% in 2023. Also, it forecast real GDP in Latin America to grow by 3.1% this year and by 0.9% next year, while it anticipated economic activity in Emerging Europe to shrink by 0.2% in 2022 but to expand by 0.5% in 2023.

In parallel, Citi projected the current account surplus of the EM region to decline from 1.8% of GDP in 2022 to 1.2% of GDP in 2023, as anticipated EM commodity importers to continue to face elevated import bills and slow export growth, and for the external balances of EM commodity exporters to deteriorate amid the expected decline in commodity prices and weaker demand from China. Also, it forecast the current account surpluses of the ME&A region to decrease from 7.8% of GDP this year to 5.1% of GDP next year, of Emerging Asia to decline from of 1.5% of GDP in 2022 to 1.2% of GDP in 2023, and of Emerging Europe to regress from 1.3% of GDP this year to 0.5% of GDP next year. It also projected the current account deficit in Latin America to widen from 1.6% of GDP in 2022 to 1.7% of GDP in 2023. It considered that EMs would benefit from a recession in the U.S. that will create room for U.S. financial conditions to ease significantly and allow for higher capital inflows into EM capital markets, and that the timing of a potential recession in the U.S. is critical for most EM economies.

Source: Citi Research

MENA

Fiscal and external breakeven oil prices below $85 p/b for most major oil exporters

The Institute of International Finance (IIF) projected global oil prices to decline from an average of $101 per barrel (p/b) in 2022 to $85 p/b in 2023, as the rise in demand for oil decelerates from 1.86 million barrels per day (b/d) in 2002 to 1.56 million b/d in 2023 due to the expected slowdown in global economic activity.

It anticipated the fiscal and external breakeven oil prices of major oil exporters in the Middle East & North Africa (MENA) region to be significantly below its oil price projections for 2022 and 2023, but it estimated that the decline in global oil prices would have differing effects on the breakeven oil prices of these economies. It forecast the fiscal breakeven oil price in Saudi Arabia to rise from $70.3 p/b in 2022 to $72.1 p/b in 2023, and to increase from $55.6 p/b in this year to $56.4 p/b in next year in Kuwait. In contrast, it expected the fiscal breakeven oil price in the UAE to regress from $70.6 p/b in 2022 to $70.3 p/b in 2023, and for Iraq's fiscal breakeven oil price to decrease from $70.1 p/b in this year to $69.4 p/b next year. In addition, it projected the external current account breakeven oil price in Saudi Arabia to regress from $62.8 p/b this year to $62.1 p/b next year, as well as to drop from $47.5 p/b in 2022 to $41.2 p/b in 2023 in Kuwait, and to decline from $24.2 p/b in this year to $22.2 p/b next year in the UAE. However, it forecast Iraq's external current account breakeven oil price to increase from $60.8 p/b in 2022 to $62.3 p/b in 2023. As such, it expected major oil exporters in the MENA region to achieve sizeable fiscal and current account surpluses in 2023, in case oil prices average $85 p/b next year.

In parallel, the IIF considered that there are significant uncertainties to the oil price outlook. It said that upside risks include lower oil exports from Russia to the European Union, or OPEC production cuts in 2023 that could exceed baseline projections. But, it noted that downside risks to oil prices include faster-than-expected growth in U.S. oil production, the renewal of the coordinated release of petroleum from strategic reserves in November 2022, and Iran's potential agreement on a new nuclear deal.

Source: Institute of International Finance

EGYPT

Authorities to try to avoid significant currency devaluation

Citi Research considered that Egyptian authorities are in line with the International Monetary Fund (IMF) on the direction of the country's fiscal policy. It said that the government is committed to gradually narrowing the fiscal deficit by boosting public revenues and improving the effective targeting of subsidies. It expected that an IMF-supported program will be anchored on commitments to structural reforms, including to labor market and legal reforms, as well as to continue reducing the role of the state and the military in the economy. But, it pointed out that authorities are finding it difficult to agree on the required structural reforms and to move to a more flexible or floating exchange rate.

In parallel, it noted that a key assumption of the IMF-supported program is that the current account balance will start to improve in 2023 and projected the current account deficit to narrow from about 4% of GDP in 2022 to 3.6% of GDP in 2023 and to stabilize at about 2.5% of GDP in the medium term. It attributed the expected improvement in the external balance to a positive energy trade balance, to a rise in Suez Canal receipts and tourism earnings, to stable remittance inflows, as well as to a limited increase in imports. It considered that the government will seek to re-orientate its borrowing away from the recent high levels of foreign portfolio inflows and Eurobond issuance and expected authorities to resort to a wider range of borrowing sources such as sukuk issuance, Panda and Samurai bonds, as well as multilateral and bilateral sources of financing.

Further, Citi expected that the Egyptian authorities will try to avoid another significant devaluation of the Egyptian pound, and expected this decision to heavily depend on the sources of financing that will materialize in the coming 12 months. However, it anticipated that the authorities will not be able to circumvent another significant devaluation of the pound, which would result in higher inflationary pressures.

Source: Citi Research

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'positive'

S&P Global Ratings affirmed Saudi Arabia's short- and long-term local and foreign currency sovereign credit ratings at 'A-2' and 'A-', respectively, and maintained the 'positive' outlook on the long-term ratings. It attributed the 'positive' outlook to Saudi Arabia's relatively robust real GDP growth rates and strong fiscal metrics, driven by the country's emergence from the COVID-19 pandemic, improved prospects for the oil and non-oil sectors, and the government's reforms program. It added that, since the onset of Russia's invasion of Ukraine in February 2022, demand for Saudi crude oil has been further supported by the aim of Western Alliance countries, including the European Union, Japan, the United Kingdom and the Unites States, to swiftly secure alternative sources of oil as they attempt to sharply reduce hydrocarbon imports from Russia. It projected the fiscal balance to post surpluses of 6.3% of GDP in 2022 and 3.5% of GDP in 2023; while it forecast the current account surplus to increase from 5.3% of GDP in 2021 to 13.7% of GDP in 2022, the highest since 2013, on the back of rising oil export receipts, and to average 5.9% of GDP in the 2023-25 period. In parallel, the agency noted that it could upgrade the ratings in the next two years if GDP per capita increases as a result of sustained structural reforms and in case of fiscal consolidation. In contrast, it added that it could downgrade the ratings if geopolitical risks escalate or if public and external finances deteriorate.

Source: S&P Global Ratings

ETHIOPIA

Sovereign ratings affirmed, outlook 'negative'

S&P Global Ratings affirmed Ethiopia's short- and long-term local and foreign currency sovereign credit ratings at 'C' and 'CCC', respectively, and maintained the 'negative' outlook on the long-term ratings. It attributed the negative outlook to the risk that it could downgrade the ratings in the next 12 months, due to the increasing uncertainties about the availability of external funding and the potential inclusion of commercial creditors in the government's debt restructuring plans. It anticipated that the country's economic, fiscal, and external situation will remain fragile until the conditions for a resolution of political disputes over the conflict in the Tigray region become more evident. Also, it expected Ethiopia's external vulnerabilities to increase, as the country has lost its duty-free access to the U.S. market under the African Growth and Opportunity Act and is experiencing the fallout from the global surge in commodity prices. It forecast the country's gross external financing needs at 148.3% of current account receipts and usable reserves in 2022, and to average 170% of GDP in the 2023-2025 period. In parallel, S&P said that it could downgrade the ratings if the conflict in Tigray re-escalates, in case of weak multilateral and bilateral financial support that would further weigh on Ethiopia's external debt repayment capacity and foreign currency reserves, or if the government is unwilling or unable to service the interest payments on its commercial obligations, including the Eurobond payment due on December 11, 2022. It added that it would downgrade the ratings to 'Selective Default' if the government carries out a debt exchange with commercial creditors; while, it may upgrade the ratings if the political situation stabilizes.

Source: S&P Global Ratings

ALGERIA

External current account to post first surplus since 2013

Emirates NBD forecast Algeria's real GDP growth at 3.3% in 2022 due to the increase in hydrocarbon output this year, as the production of petroleum and natural gas sector accounts for around 28% of GDP. It said that the country's energy sector benefited from the surge in global hydrocarbon prices and the war in Ukraine, as the sector increased its exports to European countries which, in turn, improved export revenues following the negative impact of the pandemic on public finances. As a result, it noted that the decline in foreign currency reserves since 2014 saw a marginal reversal in recent months for the first time since the drop in oil prices in 2014. It indicated that oil production in the country averaged one million barrels per day (b/d) in the first eight months of 2022, constituting an increase of 12.3% from 893,000 b/d in the same period of 2021, as OPEC+ members ramped up their production since the start of the year and global demand for oil continued to recover from the fallout of the COVID-19 pandemic. It added that the discovery of new quantities of oil and gas in Algeria in recent months should boost investments in the coming years and support export growth. Further, it forecast the current account balance to post a surplus of 9.7% of GDP in 2022, which would constitute the first surplus since 2013. Also, it noted that the windfall from the hydrocarbons sector has given the Algerian authorities space to mitigate some of the global macroeconomic pressures this year. It added that the International Monetary Fund supports the ongoing reforms and the opening of the economy to foreign investments. But it considered that the increase in oil receipts this year could deter authorities from moving forward with reforms.

Source: Emirates NBD

GHANA

Sovereign ratings downgraded on likelihood of debt restructuring

Fitch Ratings downgraded Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'CCC' to 'CC', which is eight notches below investment grade. It also affirmed the short-term local and foreign currency IDRs at 'C', and maintained the Country Ceiling at 'B-'. It attributed the downgrades to the country's stepped up efforts to restructure the public debt as a result of higher financing needs and the significant increase in debt servicing costs, as well as to a prolonged lack of access to the Eurobonds market. It expected access to external financing to stay limited in the absence of an agreement with the International Monetary Fund (IMF). It anticipated authorities to reach a deal with the IMF in the next six months but considered that the IMF would not provide financing to the government in case authorities do not also restructure the local currency debt. It added that Ghana could request between $2bn and $3bn from the IMF, which would unlock budget support from other lenders. Still, it pointed out that the IMF's Debt Sustainability Analysis has already classified Ghana in 2021 as a country with a high risk of debt distress. In parallel, it said that it could downgrade the ratings in case of a distressed debt exchange. It noted that it could upgrade the ratings if the authorities implement strong fiscal consolidation measures to ensure the public debt's sustainability, or if liquidity risks recede.

Source: Fitch Ratings

EMERGING MARKETS

Banks to benefit from higher interest rates

Fitch Rating indicated that the increase in interest rates to contain inflationary pressures is positive for the credit profiles of banks in most countries of the Emerging Europe, Middle East and Africa (EEMEA) region. It considered that higher interest rates will widen the banks' net interest margins, due to higher yields on government securities and given that lending rates will increase faster than funding costs at banks that have a substantial proportion of their lending portfolios at floating rates. It added that the majority of banks in the EEMEA region have a reasonable ability to pass on higher interest rates to borrowers. It noted that banks with a high proportion of low-cost current and savings accounts will benefit significantly from higher interest rates, given the limited pass-through effect on such accounts. Also, it indicated that strong liquidity buffers at banks in Central & Eastern Europe (CEE), Kazakhstan, and the UAE will limit the pressure on increasing deposit rates. Further, it expected losses on interest-driven debt securities in the banks' investment portfolios to have a low to moderate impact on their net revenues and capital in most markets. In parallel, it stated that high inflation rates and rising interest rates will put pressure on the ability of borrowers to repay their debt, which would weaken asset quality and reduce demand for loans. It added that economic pressures will exacerbate the deterioration in asset quality, mainly in the CEE region, which is highly exposed to the disruption of Russian gas supplies. But it expected little to moderate deterioration of the asset quality of banks in most emerging economies, given their low impaired loan ratios, adequate loss-absorption buffers and wider net interest margins, which will mitigate the risks to asset quality.

Source: Fitch Ratings

UAE

Favorable operating environment and higher interest rates support banking sector outlook

Moody's Investors Service indicated that the aggregate net profits of First Abu Dhabi Bank, Emirates NBD Bank, Abu Dhabi Commercial Bank and Dubai Islamic Bank, which accounted for more than 70% of the UAE banking sector's assets at the end of June 2022, reached $4.4bn in the first half of 2022, constituting an increase of 10% from $3.9bn in the same period of 2021. It attributed the rise in earnings to higher interest income and lower provisioning charges, driven by the recovery in the UAE's operating environment despite global macroeconomic headwinds. It expected the banks' profitability to return to pre-pandemic levels in the next 12 to 18 months as a result of the further growth in net interest income, rising interest rates, strong business momentum, as well as the easing of provisioning requirements. Also, it anticipated the rise in non-interest income to decelerate in the near term as non-recurring revenues normalize and for the economic recovery to continues to support fee-based income. Further, it expected the increase in lending volumes as a result of improving domestic economic conditions to increase the net interest margins of UAE banks in the next 12 to 18 months. In parallel, it stated that the banks' capital ratios were robust in the first half of 2022, due to strong profit generation, lower dividend payments, and modest growth in risk-weighted assets.

Source: Moody's Investors Service

AFRICA

Banking sector vulnerable to macro-financial shocks

The International Monetary Fund indicated that the banking systems of the countries that form the West African Economic and Monetary Union (WAEMU) are exposed to macroeconomic risks, external shocks, credit and liquidity risks, and the volatility of monetary and financial conditions. First, it said that the banks' increasing exposure to sovereign securities and the high concentration of their credit portfolios raise the need to strengthen the effectiveness of the macro prudential policy and banking supervision frameworks. Second, it noted that the limited number of borrowers in these markets amplify the banks' credit risk, given that the level of non-performing loans is elevated. Third, it pointed out that the capital adequacy ratio of banks in the region increased from 10.5% at the end of 2018 to 12.4% at end-2020, higher than the minimum regulatory requirement of 8.25%. However, it recommended the introduction of additional capital buffers to contain the concentration and contagion risks in the banking systems, mainly for banks with high exposure to low-rated sovereigns. Fourth, it urged the Central Bank of West African States (CBWAS) to improve the monitoring of maturity mismatches and interest rate risk, as the growing exposure to government securities with long maturities could lead to an increase in maturity and interest rate mismatches. Fifth, the IMF supported the efforts of the CBWAS to enhance the banks' internal liquidity risk management, as high deposit concentration and limited market liquidity have exacerbated liquidity risks in the banking systems. Sixth, it indicated that the banks' profitability has declined due to increased competition in the past five years.

Source: International Monetary Fund

QATAR

Ratings of seven banks affirmed

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Qatar National Bank (QNB) at 'A', and the IDRs of Qatar Islamic Bank (QIB), the Commercial Bank of Qatar (CBQ), Doha Bank, Dukhan Bank, Qatar International Islamic Bank (QIIB), and Ahli Bank at 'A-'. It also maintained the 'stable' outlook on the IDRs of the seven banks. It noted that the ratings reflect the government's high probability and capacity to support the banks in case of need. In parallel, the agency affirmed the viability rating (VR) of QNB at 'bbb+', the rating of QIB at 'bbb', the VR of Ahli Bank at 'bbb-', the VRs of CBQ, Dukhan Bank and QIIB at 'bb+', and the rating of Doha Bank at 'bb'. It indicated that elevated hydrocarbon prices, the 2022 FIFA World Cup, and higher private-sector demand for lending from improving business sentiment support the strengthening of the operating environment for Qatari banks. It said that the VRs of QNB, QIB, QIIB and Ahli Bank are underpinned by the banks' sound asset quality and adequate capitalization. It added that the VRs of CBQ, Doha Bank, and Dukhan Bank balance the banks' weak asset quality against reasonable capital buffers. It noted that the ratings of QNB, QIB, and QIIB take into account the banks' solid profitability metrics. It added that the VRs of QIB and QIIB are supported by the banks' stable funding and liquidity buffers, while the ratings of CBQ, Doha Bank and Ahli Bank reflect the banks' high reliance on wholesale funding.

Source: Fitch Ratings

Oil prices to average $103 p/b in 2022

ICE Brent crude oil front-month prices reached $84.1 per barrel (p/b) on September 26, 2022, constituting a decrease of 8.6% from $92 p/b a week earlier, their lowest level since January 11 of this year. The decrease in oil prices was mainly due to fears of a global recession and to the appreciation of the US dollar against major currencies, which reduced the demand for oil by making it more expensive for buyers who use other currencies. However, oil prices surged to $89.3 p/b on September 28, driven by a decrease in U.S oil output, as Hurricane Ian disrupted the production of about 190,000 barrels per day (b/d) in the Gulf of Mexico. In parallel, Standard Chartered Bank expected the oil market to balance in the fourth quarter of 2022, following a large surplus in the third quarter of the year, as it considered that the recent surplus in the oil market has been the main reason for the decrease in oil prices. Further, it forecast a surplus of 1.7 million b/d in October, and expected the surplus in the oil market to narrow significantly in November and shift to a small deficit in December. As such, it estimated the surplus to average 0.6 million b/d in the fourth quarter of 2022, as it anticipated OECD inventories to remain below the five-year average of global oil output. Also, it considered that OPEC members will reduce their oil production in 2023 if Iranian oil return to the global market, if Russian output falls by less than 1.46 million b/d, or if global demand for oil grows by less than 1.5 million b/d. In addition, it projected oil prices to average $103 p/b in 2022 and $91 p/b in 2023.
Source: Standard Chartered Bank, Refinitiv, Byblos Research

Asia Pacific accounts for 34.2% of world's Liquefied Natural Gas exports

BP indicated that global Liquefied Natural Gas (LNG) exports reached 516.2 billion cubic meters (bcm) in 2021, constituting an increase of 5.3% from 490.1 bcm in 2020. LNG exports from the Asia Pacific region totaled 176.3 bcm, and accounted for 34.2% of the world's global exports. The Middle East followed with 129.7 bcm (25.1%), then the Americas with 108.3 bcm (21%), Africa with 58.5 bcm (11.3%), and Europe and Commonwealth of Independent States with 43.4 bcm (8.4%).
Source: BP, Byblos Research

Saudi Arabia's oil exports receipts up 70% in July 2022

Total oil exports from Saudi Arabia amounted to 8.8 million barrels per day (b/d) in July 2022, representing increases of 0.2% from 8.79 million b/d in June 2022 and of 15.2% from 7.6 million b/d in July 2021. Further, oil export receipts reached $30.4bn in July 2022, down by 3% from $31.4bn in June 2022 and up by 70% from $18bn in July 2021.
Source: JODI, General Authority for Statistics, Byblos Research

Demand for natural gas to regress by 0.5% in 2022

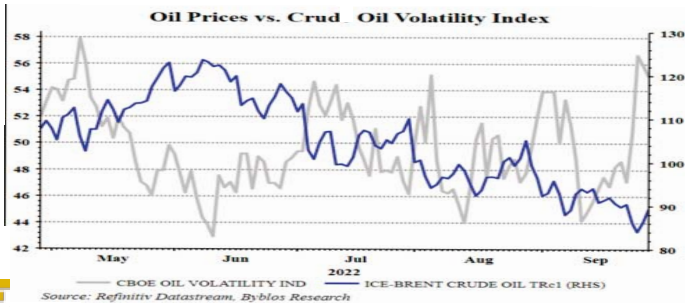
The International Energy Agency projected global natural gas demand to decrease by 20 billion cubic meters (bcm), or by 0.5%, to 4,083 bcm in 2022. It anticipated demand for natural gas in North America to reach 1,108 bcm in 2022 and to represent 27% of the world's aggregate demand, followed by the Asia Pacific region with 907 bcm (22.2%), Eurasia with 619 bcm (15.2%), the Middle East with 582 bcm (14.3%), and Europe with 549 bcm (13.4%).
Source: International Energy Agency, Byblos Research

Base Metals: Aluminum prices to average $2,690 per ton in fourth quarter of 2022

The LME cash price of aluminum averaged $2,833.1 per ton in the year-to-September 28, 2022 period, constituting a rise of 19.2% from an average of $2,376.4 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 $2,102.7 per ton on September 28, 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, which has put downward pressure on the metal's price. In parallel, Citi Research projected aluminum prices to increase in the coming months, as smelters in China and Europe are reducing output due to power shortages and to elevated energy prices. As such, it forecast further smelter closures in Europe until the third quarter of 2023. It expected that the demand for the metal will decrease amid high power costs. Also, Standard Chartered Bank forecast aluminum prices to average $2,690 a ton in the fourth quarter of 2022 and $2,821per ton in full year 2022.
Source: Citi Research, Standard Chartered Bank, Refinitiv, Byblos Research

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

Platinum prices averaged $958.3 per troy ounce in the year-to-September 28, 2022 period, constituting a decrease of 14.6% from an average of $1,122 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 $849 an ounce on September 28, 2022, driven by the expected slowdown in global economic growth, which put downward pressure on the metal's price. In parallel, Standard Chartered Bank projected global demand for platinum to reach 6.66 million ounces in 2022 and to decrease by 1.3% from 6.75 million ounces in 2021. Also, it forecast the global supply of platinum to decrease from 7.85 million ounces in 2021 to 7.26 million ounces in 2022, or by 7.6%, with mine output representing 77.5% of global refined platinum production in 2022. As such, it expected the platinum market to remain in surplus at 598,000 ounce in 2022, and anticipated the surplus at 39,000 ounce in 2023. 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 by 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



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	LT Foreign currency rating 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	CC	-								
	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+	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	3.25	21-Sep-22	Raised 75bps	N/A
Eurozone	Refi Rate	1.25	08-Sep-22	Raised 75bps	N/A
UK	Bank Rate	2.25	22-Sep-22	Raised 50bps	N/A
Japan	O/N Call Rate	-0.10	22-Sep-22	No change	28-Oct-22
Australia	Cash Rate	2.35	06-Sep-22	Raised 50bps	04-Oct-22
New Zealand	Cash Rate	2.50	13-Jul-22	Raised 50bps	05-Oct-22
Switzerland	SNB Policy Rate	0.50	22-Sep-22	Raised 75bps	15-Dec-22
Canada	Overnight rate	3.25	07-Sep-22	Raised 75bps	26-Oct-22
Emerging Markets					
China	One-year Loan Prime Rate	3.65	20-Sep-22	No change	20-Oct-22
Hong Kong	Base Rate	3.50	22-Sep-22	Raised 75bps	N/A
Taiwan	Discount Rate	1.625	22-Sep-22	Raised 12.5bps	15-Dec-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	1.00	28-Sep-22	Raised 25bps	30-Nov-22
India	Reverse Repo Rate	3.35	08-Apr-22	No change	N/A
UAE	Repo Rate	4.50	22-Sep-22	Raised 75bps	N/A
Saudi Arabia	Repo Rate	3.75	22-Sep-22	Raised 75bps	N/A
Egypt	Overnight Deposit	11.25	22-Sep-22	No change	03-Nov-22
Jordan	CBJ Main Rate	4.50	31-Jul-22	Raised 75bps	N/A
Türkiye	Repo Rate	12.00	22-Sep-22	Cut 100bps	20-Oct-22
South Africa	Repo Rate	6.25	22-Sep-22	Raised 75bps	24-Nov-22
Kenya	Central Bank Rate	8.25	29-Sept-22	Raised 75bps	N/A
Nigeria	Monetary Policy Rate	15.5	27-Sep-22	Raised 150bps	25-Nov-22
Ghana	Prime Rate	22.00	17-Aug-22	Raised 300bps	07-Oct-22
Angola	Base Rate	19.50	26-Sep-22	Cut 50bps	N/A
Mexico	Target Rate	8.50	11-Aug-22	Raised 75bps	29-Sep-22
Brazil	Selic Rate	13.75	21-Sep-22	No change	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	05-Oct-22
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	7.50	16-Sep-22	Cut 50bps	28-Oct-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