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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

International tourist arrivals up 172% to 474 million in first seven months of 2022

Figures released by the United Nations World Tourism Organization show that international tourist arrivals reached 474 million in the first seven months of 2022, constituting a surge of 172% from 175 million global tourist arrivals in the same period of 2021 and a contraction of 43% from the first seven months of 2019. Also, tourist arrivals to advanced economies climbed by 231%while arrivals to emerging economies increased by 119% in the first seven months of this year from the same period of 2021. In addition, international tourist arrivals to Europe totaled 309 million in the first seven months of 2022 and accounted for 65% of total arrivals, while the rest of the world accounted for the remaining 35%. Further, the number of tourist arrivals to the Middle East increased by 287% in the first seven months of 2022 from the same period last year, followed by a rise of 190% in arrivals to Europe, then to Africa (+171%), to the Asia & Pacific region (+165%), and to the Americas (+103%). In parallel, tourist arrivals to the Asia & Pacific region dropped by 86% in the first seven months of 2022 from the same period of 2019, followed by a decline of 40.4% in arrivals to Africa, then to the Americas (-35.3%), to Europe (-25.6%), and to the Middle East (-24%).

Source: World Tourism Organization

IRAQ

Profits of listed firms up 2% to $202m in first half of 2022

The cumulative unaudited pre-tax profits of 77 out of 102 companies listed on the Iraq Stock Exchange totaled IQD298.9bn in the first half of 2022, constituting an increase of 2.2% from IQD292.5bn in the same period of 2021. In US dollar terms, the profits of the listed companies reached $202.1m in the first half of the year and grew by 2% from $197.8m in the first half of 2021. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,479.4 per US dollar in the first quarter of 2021 to IQD1,479 per dollar in the same period of 2022. Listed telecommunications companies generated $103.8m in profits in the first half of 2022 and accounted for 51.4% of the total, followed by banks with $82.6m (41%), industrial firms with $10.9m (5.4%), companies in the hotels & tourism sector with $3.8m (2%), insurers with $0.8m (0.4%), and services providers with $0.3m (0.1%); while investment companies posted losses of $0.02m in the covered period. Further, the net income of the banking sector surged by 91% in the first half of 2022 from the same period last year, followed by the earnings of services providers (+54.6%) and the profits of companies in the hotels & tourism sector (+43.5%). In contrast, the net income of insurers and industrial firms dropped by 30% each, and the profits of telecommunications companies decreased by -22.6%. Also, listed firms in the agricultural sector shifted from net profits of $0.87m in the first half of 2021 to losses of $0.14m in the same period of 2022.

Source: Iraq Stock Exchange, Byblos Research

MENA

Stock markets down 2% in first nine months of 2022

Arab stock markets decreased by 2.1% and Gulf Cooperation Council equity markets grew by 1% in the first nine months of 2022, relative to increases of 25.4% and 29%, respectively, in the same period of 2021. In comparison, global stocks declined by 26.8% and emerging market equities regressed by 26.2% in the first eight months of 2021. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 163% in the first nine months of 2022, the Khartoum Stock Exchange expanded by 60.2%, the Damascus Securities Exchange improved by 29.7%, the Tunis Bourse advanced by 18%, the Amman Stock Exchange increased by 17.2%, the Abu Dhabi Securities Exchange gained 15%, and the Muscat Securities Market yielded 9.7%. In addition, the Qatar Stock Exchange appreciated by 9.2%, the Iraq Stock Exchange expanded by 6.3%, the Bahrain Bourse yielded 4.7%, the Dubai Financial Market advanced by 4.5%, the Palestine Exchange gained 3.3%, and the Saudi Stock Exchange grew by 1.1% in the covered period. In contrast, activity on the Egyptian Exchange dropped by 17.8%, the Casablanca Stock Exchange declined by 13%, and the Boursa Kuwait regressed by 9.8% in the first nine months of 2022.

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

GCC

Fixed income issuance down 57% to $52bn in first nine months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $51.9bn in the first nine months of 2022, constituting a decrease of 57.2% from $121.3bn in the same period of 2021. Fixed income issuance in the covered period consisted of $16.3bn in sovereign sukuk, or 31.4% of the total, followed by $15.6bn in corporate bonds (30%), $11.8bn in corporate sukuk (22.7%), and $8.2bn in sovereign bonds (15.8%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $27.4bn in the covered period, or 52.8% of fixed income output in the region; while issuance by GCC sovereigns reached $24.5bn, or 47.2% 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, $2bn in August, and $0.2bn in September 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, $0.5bn in August, and $4.8bn in September 2022. Further, corporate issuance in the covered month included $2.1bn in bonds issued by firms in the UAE, $325m issued by companies based in Saudi Arabia, $1.7bn in sukuk issued by firms in Saudi Arabia, and $300m issued by companies based in the UAE. In parallel, sovereign proceeds in September 2022 consisted of $204.2m in bonds by the UAE.

Source: KAMCO

POLITICAL RISK OVERVIEW - September 2022

ARMENIA

Clashes erupted along the border between Armenia and Azerbaijan, marking the deadliest escalation between the two sides since the Nagorno-Karabakh war in 2020. Prime Minister Nikol Pashinyan said that the Azerbaijani army took control of at least 10 square kilometer of Armenian territory. Fighting in two days killed at least 207 Armenian and 80 Azerbaijani soldiers, and Armenian authorities evacuated more than 2,700 civilians from the Syunik and Gegharkunik provinces. Further, Yerevan and Baku issued statements committing to a ceasefire, although both countries accused each other of violating it. In parallel, U.S. Secretary of State Anthony Blinken met with the foreign ministers of Armenia and Azerbaijan in New York City and urged the two sides for a "strong, sustainable diplomatic engagement" to reinforce the fragile ceasefire, following the largest outbreak of hostilities in more than two years.

ETHIOPIA

The conflict in the Tigray region escalated as hostilities expanded to new fronts and Eritrean forces became heavily involved in the fighting. The Tigrayan authorities accused Ethiopian federal and Eritrean forces of launching major offensives in the north of Tigray and in the Amhara-controlled Western Tigray, while federal forces struck Mekelle, the capital city of Tigray. Diplomatic efforts failed to halt the fighting in the Tigray region, despite Tigrayan leaders announcing their commitment for a truce and the initiation of an African Union led peace process that the U.S. Special Envoy for the Horn of Africa facilitated. International organizations, including the African Union and the United Nations, welcomed Tigray's pledge for a "peaceful resolution" to the conflict, while the Kenyan President appointed former President Kenyatta to lead his country's diplomatic efforts in Ethiopia.

EGYPT

President Abdel Fattah el-Sisi visited Qatar for the first time since bilateral relations resumed in 2021, in an attempt to find new investments and foreign support to secure a new agreement with the International Monetary Fund. The national dialogue that President el-Sisi is sponsoring is set to begin in October 2022 amid sustained pressure on the government to free political detainees. The largest opposition coalition that is participating in the dialogue, the Civil Democratic Movement, urged authorities to speed up the release of "prisoners of conscience".

IRAN

The death of a young Iranian woman in police custody sparked nationwide protests that Iranian security forces repressed, which caused the death of dozens of protestors, the arrest of hundreds of citizens, and the control of access to the internet across the country. In parallel, Tehran's demands to close the International Atomic Energy Agency's (IAEA) investigation about nuclear particles that the IAEA found at Iranian nuclear sites, as well as its request to receive guarantees on sanctions relief, remain obstacles to revive the Joint Comprehensive Plan of Action. The United States blacklisted several Iranian individuals and companies that it accused of engaging in the development and transfer of drones to Russia. Also, the Iranian navy seized two U.S. navy maritime drones in international waters in the Red Sea and subsequently released a pair of U.S. unmanned surface vessels, following a similar incident in late August.

IRAQ

Prime Minister Mustafa al-Kadhimi convened a second round of the national dialogue on September 5, 2022 to resolve Iraq's months-long political deadlock. The Shiite Coordination Framework called for a parliamentary session on September 28, which was attended by more than 200 legislators. The session reached quorum, but a majority of lawmakers rejected the resignation of the Speaker of Parliament, and elected a new First Deputy Speaker to replace a loyalist to Shiite cleric Muqtada al-Sadr following the earlier resignation of the Sadrist block from the legislature. Attacks between Turkish forces and the Kurdistan Worker's Party persisted in the Sinjar and Ninewa governorates.

LIBYA

Militias aligned with the Tripoli-based interim Prime Minister Abdul Hamid Dbeibeh seized security headquarters in southern Tripoli in early September after repelling forces loyal to the rival Sirte-based PM-designate Fathi Bashagha in late August. The UN's Secretary-General António Guterres appointed Senegalese diplomat Abdoulaye Bathily as Special Representative for Libya and Head of the United Nations Support Mission in Libya after obtaining the approval of the UN Security Council. The newly appointed UN envoy will have to mediate among Libyan parties that are divided between those who insist that Dbeibeh remains in power until new elections, those who propose a Cabinet reshuffle while Dbeibeh is still in power, and those who are calling for the formation of an entirely new government.

SUDAN

The Sudanese Bar Association proposed a final draft of the transitional constitution that aims to help restore the country's democratic transition. The draft calls for a civilian Cabinet and a civilian-led national security council that includes military officers. The UN mission in Sudan, the African Union, the Intergovernmental Authority on Development, as well as the European Union, the United States and European embassies welcomed the proposal, but differences remain between pro-democracy groups about their readiness to negotiate with the military. In parallel, tensions grew between military leaders about the country's return to civilian rule. The Vice President of the Transitional Sovereign Council and the Commander of the paramilitary Rapid Support Forces reiterated the military's commitment to withdraw from politics and to hand over power to a civilian government. The media advisor of the head of the Sovereign Council General Abdel Fattah al-Burhan said that the army will not hand over its power except to a government "agreed upon by all Sudanese", indicating the military's reluctance to cede power. Thousands protested against military rule in the capital Khartoum and in cities across the country.

TUNISIA

Five Tunisian parties announced that they will boycott the legislative elections that are scheduled for December to replace the parliament that President Kais Saïed dissolved on March 30, 2022. The latter issued a new electoral law on September 15 that reduces the role of political parties by making voters choose individual candidates rather than selecting a single party list. Further, President Saïed issued a decree that imposes prison terms for spreading false information and rumors online. Also, tensions rose between the police unions and the Ministry of Interior, as security forces removed sit-in tents that the police installed at the Tunis-Carthage International Airport to protest the Tunisian authorities' plan to unify the security forces into a single entity.

YEMEN

Efforts to secure a third extension of the United Nations-brokered ceasefire remained deadlocked ahead of the expiration of the truce on October 2, 2022, amid fears of a return to hostilities. Further, the Huthi rebels demanded the disbursement of salaries of civil servants to areas under their control, while the government asked them to reopen roads in and around Taiz city in order to extend the ceasefire. In parallel, the Huthis continued their military build-up in the city of Hodeida in violation of the Stockholm agreement of 2018 that stipulates the implementation of a ceasefire in the city.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Growth projected at 4% in 2023, risks to outlook on the downside

S&P Global Ratings projected real GDP growth in emerging markets (EMs) at 4.3% in 2022, as it anticipated weaker economic activity in the second half of the year to offset better-than-expected growth in several EM economies in the first half of 2022. Also, it revised downwards by 0.5 percentage points to 4% its growth forecast in EMs for 2023. It attributed its downward revision mainly to weaker growth prospects in China and Latin America, as well as to upcoming recessions in the Eurozone and the United States. It added that private consumption growth in EM economies is likely to moderate, as elevated inflation rates erode the purchasing power of households and as economic activity in EMs normalizes following the post-pandemic rebound.

It projected real GDP growth in Emerging Europe, the Middle East & Africa region to decelerate from 5.5% in 2022 to 2.3% in 2023, mainly due to worsening geopolitical and financial conditions, particularly in Emerging Europe. Also, it forecast economic activity is Emerging South East Asia to expand by 5.4% this year, supported by robust domestic demand, and by 4.9% next year as the uptick in economic activity following the pandemic normalizes and external conditions become more challenging. Further, it expected real GDP growth in Latin America to decelerate from 2.9% in 2022 to 0.9% in 2023.

In parallel, S&P considered that the war in Ukraine constitutes a key downside risk for EM economies, as it would lead to higher-than-expected commodity prices for a longer timeframe. Also, it anticipated that additional monetary tightening by the U.S. Federal Reserve, and negative investor sentiment from the war in Ukraine, could lead to sustained capital outflows from EMs and result in pressures on the latters' exchange rates.

Source: S&P Global Ratings

MENA

Economic activity at 5.5% in 2022, fastest growth rate since 2016

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region at 5.5% in 2022, the fastest growth rate since 2016, and at 3.5% in 2023. It noted that the region's growth rate masks uneven patterns across MENA countries. It forecast economic activity in Gulf Council Cooperation (GCC) countries to expand by 6.9% this year, driven by high global oil prices and hydrocarbon exports. It also expected growth rates for the non-oil sectors in the GCC to range from 2.6% in Oman to 7.7% in Kuwait this year. It projected real GDP growth in GCC economies to decelerate to 3.7% in 2023, as it anticipated the surge in hydrocarbon prices to subside. Also, it forecast real GDP in the MENA region's non-GCC oil exporters to grow by 4.1% in 2022 and by 2.7% in 2023. In addition, it expected economic activity in the region's oil-importing countries to expand by 4.5% this year and by 4.3% next year. It also projected real GDP growth in 2022 to range from 1.2% in Morocco to 6.6% in Egypt, while it anticipated economic activity in 2023 to range from 2.3% in Jordan to 5.3% in Djibouti.

In parallel, the World Bank expected the fiscal and external balances of MENA countries to improve in the near and medium terms. It projected the region to post fiscal surpluses of 1.9% of GDP and 0.6% of GDP in 2022 and 2023, respectively, as well as current account surpluses of 10.5% of GDP and 8.5% of GDP this year and next year, respectively. Also, it forecast the fiscal surplus of the region's oil exporters to decline from 3.9% of GDP in 2022 to 2.1% of GDP in 2023, and for their current account balance to post surpluses of 14.3% of GDP in 2022 and 11.4% of GDP in 2023. Further, it anticipated the fiscal deficit of region's oil-importing economies to slightly narrow from 6.3% of GDP this year to 6.1% of GDP next year; and projected their aggregate current account deficit at 4.9% of GDP in 2022 and 4.7% of GDP in 2023, amid higher import bills as a result of the rise of global food and energy.

Source: World Bank

PAKISTAN

Outlook contingent on IMF deal and external financial support

The Institute of International Finance (IIF) projected Pakistan's real GDP growth to decelerate from 6% in the fiscal year that ended in June 2022 to 1.1% in FY2022/23, due to significantly weaker activity in the agriculture sector, which accounts for about 20% of GDP, as a result of the recent floods. It considered that risks to the outlook are tilted to the downside, as it anticipated the floods to weigh on growth, increase inflationary pressures and, combined with high interest rates, could lead to political instability and social unrest. Also, it expected that further increases in global food or fuel prices from the escalation of Russia's was on Ukraine would be detrimental to Pakistan's external balance, and forecast the inflation rate to average 21.7% in FY2022/23.

In parallel, the IIF anticipated the weaker economic activity to weigh on public finances, and for authorities to slow down their fiscal consolidation momentum ahead of the August 2023 general elections. Still, it projected the fiscal deficit to narrow from 7.9% of GDP in FY2021/22 to 5.2% of GDP in FY2022/23 and for the public debt level to decline from 71.4% of GDP at the end of June 2022 to 67.7% of GDP at end-June 2023, due mainly to the expansion of nominal GDP. But it stressed that external financial support is critical, given that Pakistan's debt repayments exceed $20bn in FY2022/23, and projected the current account deficit at 4.7% of GDP in the same fiscal year. As such, it considered that the risk of the country's default is elevated in the absence of adequate financing from official sources, and noted that the authorities have called on the Paris Club for a debt moratorium. It indicated that authorities will have to tap into foreign currency reserves to meet their external financing needs in the current fiscal year, and forecast the reserves to decline from $10.8bn at the end of June 2022 to $8.5bn at end-June 2023. But it indicated that the International Monetary Fund (IMF) has informally expressed its willingness to ease conditions under Pakistan's IMF-supported program, and to increase the amount that it will disburse under the next instalment. Further, it did not expect authorities to step up efforts to implement structural reforms in FY2022/23, and considered that Pakistan will need an additional IMF program to achieve macroeconomic stability and to attract capital inflows from official sources.

Source: Institute of International Finance

OMAN

Economic activity to pick up on reforms and oil revenues

The International Monetary Fund (IMF) indicated that Oman's economic recovery is gaining traction, and projected real GDP growth to accelerate from 3% in 2021 to 4.2% in 2022, supported by increased hydrocarbon production and the continued recovery of the non-hydrocarbon sector. It pointed out that the authorities are stepping up efforts to implement a broad range of structural reforms under the Oman Vision 2040 plan to boost medium-term growth prospects, such as enhancing labor market flexibility, improving the business environment and advancing reforms at state-owned enterprises. Also, it anticipated the inflation rate to average 3% in 2022, due to rebounding economic activity and elevated global inflationary pressures, and given the country's relatively high dependence on imports. In parallel, it expected Oman's fiscal and external balances to post surpluses in 2022, due mainly to higher global oil prices and the authorities' sustained fiscal consolidation efforts under the government's Medium-Term Fiscal Plan. It forecast the central government's debt level to decline from 63% of GDP at end-2021 to about 44% of GDP at end-2022. Further, it considered that the outlook is subject to significant uncertainties that include the impact of Russia's invasion of Ukraine on the global economy and oil prices, increased inflationary pressures from higher global food and energy prices, disruptions to global supply chains, tighter-than-expected global financial conditions, and pressures to spend the hydrocarbon windfalls.

Source: International Monetary Fund

TÜRKIYE

Sovereign ratings downgraded on weak external position and high inflation

S&P Global Ratings downgraded Türkiye's long-term foreign currency sovereign credit ratings and the Transfer & Convertibility assessment from 'B+' to 'B', and revised the outlook on the long-term ratings from 'negative' to 'stable'. It also affirmed the country's short-term foreign currency sovereign credit ratings at 'B'. It attributed the downgrades to the authorities' loose monetary and fiscal policies, as well as to the country's low net foreign currency reserves, which reflect the vulnerability of the Turkish lira to renewed volatility that would weigh on public finances and financial stability. Also, it pointed out that fiscal risks are elevated amid a widening fiscal deficit and the rising dollarization of the public debt, as it anticipated that authorities will relax their fiscal stance in the run-up to the 2023 elections. It forecast the country's gross external financing needs at 164.8% and at 167.7% of current account receipts and usable reserves in 2022 and 2023, respectively. In addition, it said that the 'stable' outlook balances the country's vulnerable balance of payments position, elevated policy uncertainties, and the contingent liabilities from state-owned banks and public enterprises, with the government's limited fiscal space. In parallel, S&P noted that it could downgrade the ratings if the financial strength of the banking system and of public finances weaken further, and if inflation rates increase. In contrast, it said that it could upgrade the ratings if the credibility of monetary policy improves, if the country's foreign exchange reserves rise, or if the balance of payments position strengthens in the near term.

Source: S&P Global Ratings

SAUDI ARABIA

Insurance penetration rate targeted at 2.4% of non-oil GDP in 2025

Regional investment bank EFG Hermes indicated that the insurance penetration rate in Saudi Arabia regressed from 1.99% of non-oil GDP in 2017 to 1.91% of non-oil GDP in 2021 and posted a compound annual growth rate (CAGR) of -1.5% in the 2017-21 period, while the insurance density, or premiums per capita, grew from SAR1,121 in 2017 to SAR1,200 in 2021 at a CAGR of 0.7% during the covered period. It added that Saudi authorities are targeting an increase of the insurance penetration rate to 2.4% of non-oil GDP in 2025, driven by the expected expansion of motor and medical insurance coverage. Also, it pointed out that the authorities anticipate the number of insured individuals in the Kingdom to increase from 11 million to 22 million, through the pick-up in employment, the continued Saudization of the labor force, and privatization. It noted that the growth prospects of the property and casualty lines in the near term depend on the enforcement of governmental requirements, public spending on projects, and innovation. Also, it said that the Saudi Central Bank introduced insurtech regulations to support the digitalization of the insurance sector. Further, it indicated that the Ministry of Finance announced the establishment of an independent authority that will supervise insurance firms, in order to develop the regulatory framework for the sector and expand growth through product diversification. In parallel, it noted that four mergers have been completed in the sector recently, as the minimum required capital increased from SAR100m to SAR300m, and added that the authorities are pushing for the sector's consolidation.

Source: EFG Hermes

GHANA

Sovereign ratings downgraded on deteriorating economic and liquidity conditions

Moody's Investors Service downgraded Ghana's long-term issuer and senior unsecured debt ratings from 'Caa1' to 'Caa2', which are eight notches below investment grade, and placed the ratings on review for further downgrade. It also downgraded Ghana's local and foreign currency country ceilings from 'B1/B2' to 'B2/B3'. It attributed its decision to the recent deterioration of the country's macroeconomic conditions, the worsening of the government's liquidity and debt sustainability position, and the increasing risk of the government defaulting on its external debt. Also, it pointed out that the inflation rate continues to rise from high levels and that the currency has been under very significant pressure, despite the Bank of Ghana's tightening of monetary policy in response to the global price shock. It added that a rise in interest rates, high inflation rates, and a weakening currency would exacerbate the government's debt challenges. It considered that, in the absence of external support, the government will face difficulties to contain the worsening macroeconomic backdrop and to reduce its elevated debt burden. It added that debt servicing is increasingly absorbing public revenues, which is expected to raise the risk of a default. Further, it attributed the initiation of the review for further downgrade to the ongoing negotiations between the government and the International Monetary Fund on a funding program that may require the restructuring of the public debt to ensure the latter's sustainability.

Source: Moody's Investors Service

BANKING

AFRICA

Banking sector has stable outlook

Moody's Investors Service indicated that the strong economic growth in the West African Economic and Monetary Union (WAEMU) will increase business opportunities for the banks in the region. However, it expected the asset quality of WAEMU banks to deteriorate modestly in the near term, as higher food prices weigh on the repayment capacity of borrowers. Further, it anticipated the banks' net interest income to increase in the near term as a result of higher interest rates and robust lending activity. In addition, it pointed out that WAEMU banks will remain mostly deposit-funded, given that deposits accounted for 77% of liabilities at the end of 2021. However, it stated that large concentrations of deposits from single depositors, the elevated linkages between the banks in the region, and their reliance on funding from the Central Bank of West African States (CBWAS) pose risks to the banks. It added that WAEMU banks are exposed to refinancing risks, as they rely on short-term funding from the CBWAS to finance part of their long-term sovereign debt portfolios. In parallel, it noted that the banks' capital buffers are modest, despite a slight increase of capital ratios from the current roll out of higher Basel II and Basel III capital standards. It added that nearly 13% of WAEMU-based financial institutions did not meet the capital adequacy requirement of 10.38% in 2021. Also, it indicated that there is a moderate likelihood of government support for large and important banks, in case of need, but it considered that the CBWAS is likely to extend liquidity support to any WAEMU bank if necessary. It noted that the CBWAS is making progress in setting up a new framework for the prevention of banking crises and the resolution of failing banks.

Source: Moody's Investors Service

QATAR

NPLs ratio projected at 3.6% at end-2022

S&P Global Ratings projected private sector credit at Qatari banks to grow by 5% in 2022, which is 50% lower than the growth rate in lending over the previous three years. Also, it expected the 2022 FIFA World Cup and positive sentiment from high natural gas prices to result in record-high consumer credit growth in 2022, but for the latter to be mitigated by lending to the public sector as government construction projects are nearing completion. It anticipated overall lending to slightly decrease this year in case credit to the government continues to decline in the second half of 2022. In addition, the agency considered that higher interest rates will weigh on some Qatari borrowers and result in higher non-performing loans (NPLs), but that the banks' significant exposure to the highly liquid public sector will continue to support their asset quality. It expected the banks' cost of risk to rise in 2022 amid high inflation rates in Turkey and in Egypt, given the presence of Qatari banks in these two countries. As such, it forecast the sector's NPLs ratio to increase from 3.2% at the end of 2021 to about 3.6% at end-2022. In parallel, S&P noted that non-resident funding declined by nearly 25% in the first half of 2022, pointed out that the stock of external liabilities declined by about 6%, and expected this trend to continue in the rest of 2022. But it anticipated that the substitution of non-resident deposits with domestic funds will increase the banks' overall funding costs.

Source: S&P Global Ratings

UAE

Agency affirms ratings on six banks

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Abu Dhabi Commercial Bank (ADCB) and Emirates NBD (ENBD) at 'A+', the rating of Al Masraf at 'A' and of National Bank of Umm Al Qaiwain (NBQ) at 'A-', and the ratings of Bank of Sharjah (BOS) and Commercial Bank International (CBI) at 'BBB+'. Also, it affirmed the Bank Standalone Ratings (BSRs) of ADCB at 'bbb+', the ratings of ENBD, Al Masraf, and NBQ at 'bbb', the BSR of CBI at 'bbb-', and the rating of BOS at 'bb+'. Further, it maintained the 'stable' outlook on all the ratings. It indicated that the operating environment for UAE banks remains moderately challenging due to the fallout of the COVID-19 pandemic and the slowing global economic recovery, but it noted that the six banks benefit from comfortable liquidity ratios. Further, it pointed out that the ratings of ENBD and NBQ are supported by their strong capital ratios, while the ratings of ADCB, Al Masraf, and CBI are constrained by their reduced capital base. It said added that the ratings of ADCB and ENBD are supported by the banks' strong market share, good customer franchises, diversified business in the UAE, and sound profitability. It stated that the continuing high non-performing loans (NPLs) ratios of ABCB, Al Masraf and NBQ constrain their ratings, while ENBD's significant exposure to risky assets in Türkiye is weighing on the bank's ratings. It noted that the ratings of BOS balance the bank's improving NPLs ratio and loan-loss reserve coverage against its incurred losses from its operations in Lebanon.

Source: Capital Intelligence Ratings

MOROCCO

Banks to benefit from interest rate rise

Moody's Investors Service indicated that Bank Al-Maghrib's increase of its policy rate by 50 basis points to 2% on September 27, 2022, the first increase in 14 years, is credit positive for Moroccan banks, as it will improve their net interest income and limit the decline of their profitability metrics. But it expected the banks' aggregate profits to ease in the next 12 to 18 months, as higher operating expenses and provisioning needs outweigh the benefits of widening net interest margins (NIMs). It said that the rise in interest rates will increase the banks' NIMs, given that the yields they earn on loans will more than offset their cost of funds. It added that 69% of the banks' loan books consisted of corporate and public sector loans that carry floating rates at the end of 2021. It also considered that the improvement in the NIMs will depend on the banks' implementation of a hedging strategy to reduce the impact of interest rate fluctuations on their balance sheets, as well as on the deployment of excess liquidity, and on the increase in time deposits and current and saving accounts. It noted that current and saving accounts accounted for 84% of the banks' deposit base at the end of 2021, and that these types of accounts carry negligible interest rates. Further, it indicated that the cost of risk for the rated Moroccan banks regressed from 1.6% in 2020 to 1.1% in 2021, and considered that the healthy coverage of problem loans of 92% in 2021 will provide some buffers against the banks' cost of risk.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $98 p/b in 2022

ICE Brent crude oil front-month prices averaged $102.5 per barrel (p/b) in the first nine months of 2022, constituting a surge of 51% from $67.9 p/b in the same period last year, mainly due to global tight supply and rising geopolitical risks as a result of Russia's invasion of Ukraine. Further, oil prices reached $93.4 p/b on October 5, representing an increase of 4.5% from $89.3 p/b a week earlier, after OPEC+ members agreed to tighten global oil output citing uncertainties to the oil market outlook. In its latest meeting on October 5, the OPEC+ coalition decided to cut oil production by two million barrels per day starting in November, the largest reduction since the pandemic began in 2020. In parallel, Emirates NBD indicated that the risks to the demand for oil are tilted to the downside, as economies worldwide are responding to substantially tighter monetary policy, high inflation rates, and slower economic activity. Further, it estimated that only seven OPEC+ countries will need to cut oil production starting in November if they use their August targets as their baseline, as most members currently have production targets higher than their recent output and will not need to cut output. It considered that the cuts will come from producers in the Middle East & Africa, given that Iraq, Kuwait, Saudi Arabia, and the UAE will have to make the most significant adjustments to hit their new target level. Also, it considered that countries in North America, Europe and Asia may choose to respond to the production cuts by releasing more oil from their strategic reserves. In addition, Citi Research projected oil prices to average $98 p/b in 2022 and $75 p/b in 2023.

Source: Emirates NBD, Citi Research, Refinitiv, Byblos Research

Asia Pacific accounts for 72% of world's Liquefied Natural Gas imports

BP indicated that global imports of Liquefied Natural Gas (LNG) reached 516.2 billion cubic meters (bcm) in 2021, constituting an increase of 5.3% from 490.1 bcm in 2020. LNG imports to the Asia Pacific region totaled 371.8 bcm, and accounted for 72% of the world's global imports. Europe followed with 108.2 bcm (21%), then South and Central America with 24.4 bcm (4.7%), the Middle East and Africa with 9.6 bcm (1.9%), and North America with 2.2 bcm (0.4%).

Source: BP, Byblos Research

Iraq's oil exports receipts at $8.77bn in September 2022

Preliminary figures from the Iraq Ministry of Oil show that the exports of crude oil from Iraq totaled 98.8 million barrels in September 2022, down by 3% from 101.9 million barrels in August 2022. Oil exports from the central and southern fields amounted to 96.5 million barrels in September, while shipments from the Kirkuk fields totaled 2.2 million barrels. Oil export receipts stood at $8.77bn in September compared to $9.9bn in August 2022.

Source: Iraq Ministry of Oil, Byblos Research

North America accounts for 26% of world's natural gas consumption

BP indicated that global natural gas consumption reached 4,037.5 billion cubic meters (bcm) in 2021, constituting a rise of 5% from 3,845.6 bcm in 2020. The consumption of Natural gas in North America totaled 1,034.1 bcm, and accounted for 25.6% of the world's global consumption. The Asia Pacific region followed with 918.3 bcm (22.7%), then the Commonwealth of Independent States with 610.8 bcm (15.1%), the Middle East with 575.4 bcm (14.3%), Europe with 571.7 bcm (14.1%), Africa with 164.4 bcm (4.1%), and South and Central America with 163.3 bcm (4%).

Source: BP, Byblos Research

Base Metals: Copper prices to average $7,000 per ton in fourth quarter of 2022

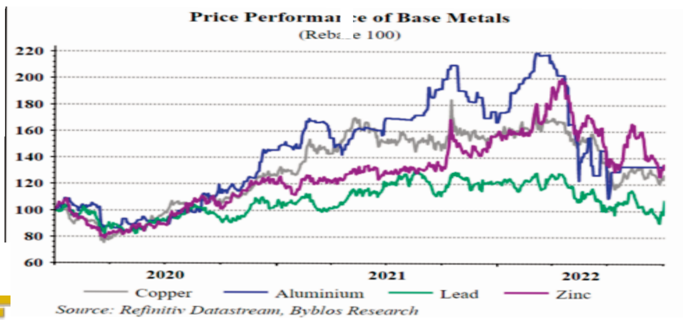
LME copper cash prices averaged $9,066.5 per ton in the year-to-October 5, 2022 period, constituting a decrease of 1.3% from an average of $9,188.4 a ton in the same period of 2021. Demand for the metal in China is anticipated to be low amid fears of a worldwide recession, which will weigh on the metal's price. Also, copper prices declined to $7,725.3 per ton on October 5, 2022 from an all-time high of $11,299.5 a ton on October 18, 2021. The decline in prices was due to the tightening of global monetary policy, a stronger US dollar and the renewed lockdown measures in China amid a surge in the number of new coronavirus cases, which have limited the prospects of a recovery in copper demand. In parallel, Citi Research projected global demand for refined copper to reach 24.8 million tons in 2022, up by 0.4% from 24.7 million tons in 2021. Further, it expected the production of global refined copper to grow by 0.7% from 24.4 million tons in 2021 to 24.6 million tons in 2022, with mine production representing 88.3% of the total. As such, it forecast the deficit in the copper market to narrow from 222,000 tons in 2021 to 142,000 tons in 2022. Also, it forecast copper prices to decrease to $6,200 per ton in the next three months, due mainly to expectations of a recession in Europe and to the tightening of global monetary policy. Further, it projected copper prices to average $7,000 per ton in the fourth quarter of 2022.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Silver prices projected to average $18 per ounce in fourth quarter of 2022

Silver prices averaged $21.9 per troy ounce in the first nine months of 2022, constituting a decrease of 14.6% from an average of $25.7 an ounce in the same period last year. The decline in prices was mainly driven by the slowdown in demand for the metal, higher U.S. Treasury yields, a stronger US dollar, and monetary tightening in advanced economies. In parallel, Citi Research projected the global supply of silver at 1,032 million ounces in 2022 relative to 1,004 million ounces last year, with mine output representing 81.8% of the total. Further, it forecast demand for the metal at 1,056 million ounces in 2022 compared to 1,036 million ounces in 2021. In addition, it expected the price of the metal to average $16 per ounce to $17 an ounce in the next three months, in case of further monetary tightening by the U.S. Federal Reserve, a stronger dollar, and a decline in investments in silver-backed exchange traded funds (ETF). However, it expected silver prices to recover to $22 per ounce in the second half of 2023, in case of lower interest rates, and improvement in net inflows to silver ETFs. In addition, it forecast silver prices to average to $18 an ounce in the fourth quarter of 2022.

Source: Citi Research, Refinitiv, 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+	Caa2	CC	-								
	Negative	RfD	-	-	-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+								
	Stable	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	2.60	04-Oct-22	Raised 25bps	N/A
New Zealand	Cash Rate	3.50	05-Oct-22	Raised 50bps	01-Nov-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-Nov-22
Romania	Policy Rate	6.25	05-Oct-22	Raised 75bps	08-Nov-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