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Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

More than 50% of rated sovereigns have investment grade rating

S&P Global Ratings indicated that 52% of the 137 sovereigns that it rates globally had an investment grade (IG) rating at the end of September 2022, compared to a share of 55% a year earlier, and relative to a low of 51.5% of rated sovereigns with an IG rating at end-June 2017 and a high of 55.8% of sovereigns with an IG rating at end-2014. It said that 25.5% of rated sovereigns were in the 'B' rating category at the end of September 2022, 18.2% stood in the 'BBB' segment, 14% of sovereigns were in the 'AA' category, 13.1% came in the 'BB' segment, 11.7% were in the 'A' category, 8% stood in the 'AAA' segment, 5.8% came in the 'CCC' category, and 3.6% stood in the 'SD/D' segment. In parallel, S&P noted that there were 119 'stable' outlooks, 14 'negative' outlooks and four 'positive' outlooks on the ratings of sovereigns at end-September 2022. It pointed out that three sovereigns in Europe, the Middle East and Africa (EMEA) region, and one country in the Americas carried a 'positive' outlook on their ratings at the end of September 2022; while nine sovereigns in the EMEA region, four countries in the Americas, and one sovereign in Asia Pacific had a 'negative' outlook on their ratings at end-September 2022. In comparison, it said that 20 sovereigns carried a 'negative' outlook and six countries had a 'positive' outlook at end-September 2021, while 19 sovereigns carried a 'negative' outlook and 10 countries had a 'positive' outlook at the end of 2021. In addition, it pointed out that it upgraded 10 sovereigns and downgraded 15 countries in the 12 months ending September 2022, while it upgraded three sovereigns and downgraded 19 countries in the 12 months ending September 2021.

Source: S&P Global Ratings

Global trade in services up by 18% in first quarter of 2022

Figures released by the World Trade Organization show that global trade in services grew by 18% in the first quarter of 2022 from the same period of 2021, compared to a decline of 7% in the first quarter of 2021 from the same period of 2020. It attributed the improvement in the first quarter of the year to the increase of trade in travel and transport services. It noted that the global exports of services expanded by 18% in the first quarter of 2022 from the same quarter of 2021, while the global imports of services increased by 19% in the covered period. It pointed out that the export of services increased by 17% in each of Asia and Europe, followed by North America (+15%); while the export of services in other regions rose by 38% in the first quarter of 2022 from the same quarter of 2021. It also noted that the import of services surged by 30% in North America year-on-year in the first quarter of 2022, followed by Asia (+17%) and Europe (+16%); while the import of services improved by 28% in other regions in the covered period. Further, it pointed out that world travel services jumped by 81% in the first quarter of 2022 from the same period in 2021, followed by an surge of 37% in transport services, an increase of 8% in goods-related services, and an uptick of 7% in other commercial services.

Source: World Trade Organization

MENA

Venture capital funding up 20% to $1.9bn in first nine months of 2022

Figures released by online platform Magnitt shows that venture capital (VC) funds invested $2.3bn in the Middle East & North Africa (MENA) region in the first nine months of 2022, constituting an increase of 20% from nearly $1.94bn in the same period of 2021; while the number of VC deals totaled 446 in the first nine months of 2022 and decreased by 4.7% from nearly 468 transactions in the same period in 2021. VC investments in MENA-based startups totaled $961m in the first quarter, $859m in the second quarter, and $512m in the third quarter of 2022, which constituted a rise of 186% in the first quarter, and decreases of 2.9% in the second quarter and of 30.3% in the third quarter of this year from the corresponding quarters last year. Also, there were 189 deals in the first quarter, 144 transactions in the second quarter, and 113 deals in the third quarter of 2022, which represented increases of 34% and 4.3% in the first and second quarters, respectively, and a decline of 19.3% in the third quarter of this year from the same quarters of 2021. Egypt, the UAE, and Saudi Arabia attracted more than 75% of the region’s VC investments and number of deals in the first nine months of 2022. Also, there were two mega deals of $100m each in Saudi Arabia in the third quarter of 2022. Further, there were 94 transactions in the fintech sector in the first nine months of 2022 that attracted $747m in VC investments in the covered period. They accounted for 21% of the aggregate number of VC deals and for 32% of total VC funding in the first nine months of the year. In parallel, there were 56 exits from VC investments in the first nine months of 2022 compared to 40 exits in full year 2021.

Source: Magnitt

BAHRAIN

Aggregate earnings of listed firms up 53% to $1.8bn in first half of 2022

The net income of 35 companies listed on the Bahrain Stock Exchange totaled BHD688.2m, or $1.8bn, in the first half of 2022, constituting an increase of 52.8% from BHD450.5m, or $1.2bn, in the same period of 2021. Earnings stood at BHD348.8m or $922.6m in the first quarter, and at BHD355.7m or $943.5m in the second quarter of 2022. Listed materials companies generated net profits of $872m in the first half of 2022 and accounted for 47.8% of the total earnings of publicly-listed firms. Financial firms followed with $806.5m, or 44.2% of the total, then communication companies $108.6m (6%), consumer staples firms with $16.4m (0.9%), consumer discretionary companies with $11.5m (0.6%), real estate firms with $8.8m (0.5%), and industrial companies with $1.5m (0.1%). Further, the net earnings of material companies rose by 127% in the first half of 2022 from the same period last year, followed by the profits of real estate firms (+24.4%), financial companies (+16.7%), and communication firms (+0.8%). In contrast, the net profits of industrial companies dropped by 89% in the covered period, while the earnings of consumer discretionary and staples firms shifted from aggregate losses of $2.3m and $6.1m in the first half of 2021 to profits of $11.5m and $16.4m in the same period of 2022.

Source: KAMCO

OUTLOOK

WORLD

Growth revised downwards to 2.2% in 2023, outlook on the downside

The Organization for Economic Cooperation and Development (OECD) indicated that Russia's invasion of Ukraine is having a detrimental impact on the global economy, as economic growth worldwide has stalled starting in the second quarter of 2022. It added that indicators in many economies now point to an extended period of subdued growth. It projected global real GDP growth to decelerate from 3% in 2022 to 2.2% in 2023, well below the pace of growth prior to the conflict in Ukraine and down 0.6 percentage points from its June forecast. Also, it forecast real GDP growth in the U.S. at 0.5%, in the Euro area at 0.3%, and in the Group of 20 economies at 2.2% in 2023. It attributed the slowdown in global economic activity next year to the ongoing tightening of monetary policy in most major economies in response to inflationary pressures in 2022. It also anticipated that the erosion of real disposable household incomes, low consumer confidence and the high prices for some energy products, especially natural gas in Europe, will negatively affect private consumption and business investments across the world.

In parallel, it expected that tighter monetary policy and easing supply bottlenecks globally will moderate inflationary pressures in 2023, but anticipated that elevated energy prices and higher labor costs will mitigate in part the expected decline in inflation rates. As such, it projected the average inflation rate in the Group of 20 economies to decline from 8.2% in 2022 to 6.6% in 2023, in the Euro area to decelerate from 8.1% in 2022 to 6.2% next year, and in the U.S. to slow down from 6.2% this year to 3.4% in 2023. It expected central banks worldwide to further increase interest rates next year, in order to anchor inflation expectations and to permanently reduce inflationary pressures.

Further, the OECD considered that the global outlook is subject to significant uncertainties, due to a possible escalation of Russia's war on Ukraine and the resulting supply chain disruptions, the impact of Western sanctions on Russian oil exports, as well as the volatility of global energy and commodity prices.
Source: OECD

AFRICA

Real GDP growth projected at 3.7% in 2023, outlook subject to multiple uncertainties

The International Monetary Fund (IMF) projected real GDP growth in Sub-Saharan Africa (SSA) to decelerate from 4.7% in 2021 to 3.6% in 2022 and 3.7% in 2023, mainly due to weaker economic activity worldwide, tighter global financial conditions, and surging commodity prices and inflation rates globally. In addition, it forecast the economic activity of oil-exporting countries in the SSA region to expand by 3.3% in 2022 and 3.1% in 2023. Also, it projected the real GDP of the region's oil-importing economies to expand by 3.8% this year and by 4% next year. Further, it estimated the region's diversified non resource-intensive countries to grow by 4.6% in 2022, despite a decline in their terms of trade. It said that the outlook of the SSA region for 2023 is subject to extreme uncertainties, especially about the monetary policy response of the world's largest economies to elevated inflation rates, the impact of the war in Ukraine on commodity prices, global risk aversion that would raise borrowing costs for countries in the region. It indicated that sociopolitical and security conditions in many SSA countries also constitute a challenge for these economies.

In parallel, the IMF projected the fiscal deficit of the SSA region's oil exporters at 3.5% of GDP in 2022 and 3.6% of GDP in 2023, while it forecast the deficit of SSA oil importers to narrow from 5.1% of GDP in 2022 to 4.7% of GDP in 2023, amid the anticipated drop in energy and commodity prices and fiscal consolidation efforts. In turn, it projected the public debt level of the region's oil-exporting countries to reach about 42% of GDP, and for the debt of oil-importing economies to stand at 61% of GDP at the end of 2023 amid tighter global financing conditions. In parallel, it expected the aggregate current account surplus, including grants, of SSA oil exporters to decrease from 2% of GDP in 2022 to 0.3% of GDP in 2023 in case of lower oil export receipts, while it projected the deficit of oil importers to widen from 3.8% of GDP in 2022 to 4.3% of GDP in 2023. As such, it forecast the foreign currency reserves of SSA oil exporters at 6.1 months of imports at end-2022 and at 6.3 months of import coverage at end-2023, and those of oil importers at 3.5 months of imports at end-2022 and 3.4 months of import coverage at the end of 2023.
Source: International Monetary Fund

SAUDI ARABIA

Favorable growth outlook to be driven by sustained reforms and effective policy-making

The National Bank of Kuwait (NBK) projected Saudi Arabia's real GDP to grow by 8.6% in 2022, supported by strong activity in the non-hydrocarbon sector and a rebound in investments. It forecast real non-oil GDP activity to expand by 4.7% and for activity in the oil sector to grow by 15.6% in 2022 as a result of the surge in oil production. However, it anticipated weaker activity in the oil sector to weigh on overall growth in 2023, given the recent oil production cuts under the OPEC+ agreement. As such, it projected real GDP growth at 2.1% in 2023, as it anticipated activity in the oil sector to contract by 1% and for real nom-hydrocarbon GDP growth to moderate to 4% next year due to higher interest rates and an expected weaker global economic backdrop. Further, it forecast the average inflation rate to decline from 2.6% in 2022 to 2.2% next year.

In parallel, it forecast the Kingdom's fiscal balance to post a surplus of 2.9% of GDP in 2022 due to high oil prices, sustained growth in on-oil revenues, and despite an increase in budgeted spending and lower projected oil prices and production. But it projected the fiscal surplus to regress to 0.8% of GDP in 2023. It expected authorities to use the windfall from the fiscal surpluses to support deposits at the Saudi Central Bank, rather than to reduce the public debt level, and forecast the public debt level at about 24.3% of GDP in the 2022-23 period. Also, it projected the current account surplus at 16.5% of GDP in 2022 and 13.6% of GDP in 2023, amid the high oil price environment.

Further, NBK expected the authorities' sustained reforms and effective policy-making to remain major drivers of the Kingdom's favorable growth outlook.
Source: National Bank of Kuwait

ECONOMY & TRADE

EGYPT

Structural reforms to improve the economy's competitiveness

The International Monetary Fund indicated that the implementation by the Egyptian authorities of their comprehensive structural reform agenda would gradually enhance the competitiveness of the economy, reduce the role of the state in the economy, increase private sector-led investments, and improve the business environment. It added that the two sides are close to agreeing on a set of policies that consist of first, increasing fiscal consolidation efforts that will maintain the sustainability of the public debt and ensure a steady decline of the public debt level in the medium term. Second, implementing additional fiscal and structural policies that would further expand the social safety net for the most vulnerable segments of the population, improve the budget's composition, and enhance fiscal transparency. Third, stepping up efforts to carry out monetary and exchange rate policies that would anchor inflation expectations, improve monetary policy transmission and the functioning of the foreign currency market, as well as bolster Egypt's external resilience in order to rebuild foreign currency reserves. In parallel, Capital Intelligence Ratings (CI) affirmed Egypt's long-term foreign and local currency ratings at 'B+', with a 'stable' outlook on the ratings. Also, it affirmed the country's short-term foreign and local currency ratings at 'B'.

Source: International Monetary Fund, CI Ratings

TUNISIA

IMF deal to restore external and fiscal stability

The International Monetary Fund (IMF) announced that the Tunisian authorities reached a Staff Level Agreement with the IMF to support Tunisia's economic policies under a 48-month Extended Fund Facility (EFF) arrangement of about $1.9bn. It indicated that the deteriorating global environment and high commodity prices are weighing heavily on the Tunisian economy, which have exacerbated the economy's underlying structural weaknesses amid challenging socio-economic conditions. It forecast real GDP growth to decelerate in the near term, and expected that the elevated commodity prices will put pressure on the inflation rate, as well as on the external and fiscal balances. It said that the EFF arrangement aims to support the authorities' economic reforms program to restore Tunisia's external and fiscal stability, enhance social protection, promote higher and inclusive growth, and encourage job creation in the private sector. It noted that the reforms program consists first of improving tax equity by integrating the informal sector into the tax system and ensuring stronger contributions from liberal professions. Second, it pointed out that reforms require containing public expenditures and creating fiscal space for social support. Third, it urged authorities to strengthen and expand the coverage of social safety nets to offset the impact of higher commodity prices on vulnerable households and to reinforce macroeconomic stability. Fourth, it stressed the importance of the enactment of a new law to reform the country's state-owned enterprises. Fifth, it called on authorities to strengthen governance and transparency in the public sector. Sixth, it urged the authorities to step up structural reforms to enhance competition and create a transparent field for investors by simplifying investment incentives, as well as to promote investments in renewable energy.

Source: International Monetary Fund

ANGOLA

Current account surplus to average 8.4% of GDP in 2022-23 period

The International Monetary Fund projected Angola's real GDP to grow by 2.9% in 2022 and by 3.4% in 2023, compared to growth rates of 3.6% in 2022 and 3.7% in 2023 in Sub-Saharan Africa. Further, it anticipated the average inflation rate at 21.7% in 2022 and 11.8% in 2023, down from an average inflation rate of 25.8% in 2021. It attributed the expected decrease in inflation rates to the rapid appreciation of the Angolan kwanza along with higher global oil prices. It indicated that the Banco Nacional de Angola has aggressively increased its policy rate in the past six months in order to contain inflationary pressures. Also, it said that the fallout of the COVID-19 pandemic, the war in Ukraine, and the adverse weather shocks have led to an increase in food insecurity in the country in the past two years. In parallel, it projected the government's fiscal balance to shift from a surplus of 2.7% of GDP in 2022 to a balanced fiscal position in 2023. Also, it expected the public debt level to decline from 86.4% of GDP at the end of 2021 to 56.6% of GDP at the end of 2022 and 52.5% of GDP by end-2023. In addition, it projected the current account surplus to improve slightly from 11.2% of GDP in 2021 to 11.3% of GDP in 2022 and to decrease to 5.4% of GDP in 2023. It anticipated the country's gross external debt level at 45.2% of GDP at end-2022 and 42.2% of GDP by the end of 2023, down from 68.6% of GDP in 2021. Also, it forecast Angola's gross foreign currency reserves to be equivalent of 7.1 months of imports of goods & services at the end of 2022 and 6.7 months of import cover at the end of 2023.

Source: International Monetary Fund

ALGERIA

Foreign currency reserves at $59.3bn at end-2023

The Institute of International Finance (IIF) projected Algeria's real GDP growth to decelerate from 3.5% in 2021 to 2.8% in 2022 and 2.4% in 2023, mainly due to weaker activity in the hydrocarbon sector. It expected real hydrocarbon GDP growth to rise from 1.5% this year to 1.8% in 2023 mainly due to the higher output of hydrocarbons. Also, it forecast activity in the non-hydrocarbon sector to expand by 3% in 2022 and 2.5% in 2023. In addition, it anticipated the average inflation rate at 9.3% in 2022 due to higher global commodity and energy prices, and to moderate to 5% in 2023 as inflationary pressures subside. In parallel, the IIF projected Algeria's fiscal surplus to decrease from 3.8% of GDP this year to 0.8% of GDP in 2023, in case of lower hydrocarbon receipts. Still, it forecast the public debt level to decline from 33.5% of GDP at the end of 2022 to 31.5% of GDP at the end of 2023. Further it anticipated the current account surplus to decline from $17.4bn or 9.8% of GDP in 2022, to $10.6bn or 6% of GDP in 2023, due to anticipated lower hydrocarbon export receipts. Still, it expected foreign currency reserves to rise from $53bn at the end of 2022 to $59.4bn at the end of 2023. The IIF indicated that Algeria is Europe's third largest natural gas supplier, with most of its exports destined to Italy and Spain. It considered that the authorities need to update the country's investment framework to attract more foreign direct investments, in order to develop Algeria's large natural gas resources more extensively and increase the country's production capacity.

Source: Institute of International Finance

OMAN

Outlook on ratings of seven banks changed to 'positive'

Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings of HSBC Bank Oman (HBON) at 'Ba2', and the ratings of Bank Muscat, Bank Dhofar, National Bank of Oman (NBO), Sohar International Bank (SIB), Oman Arab Bank (OAB), and Bank Nizwa at 'Ba3'. Also, it affirmed the Baseline Credit Assessments (BCAs) of HBON, Bank Muscat, Bank Dhofar, NBO, SIB, and OAB at 'ba3', while it affirmed the BCA of Bank Nizwa at 'b1'. Further, it revised the outlooks on all the ratings from 'stable' to 'positive' following its similar action on the sovereign ratings. It said that the affirmation of the deposit ratings takes into account the government's very high willingness to provide support to banks, in case of need, which reflects the importance of the country's banks in the domestic financial system and the significant government stakes and deposits at several banks. It added that the banks' stable financial fundamentals support the affirmation of their BCAs. Further, it pointed out that the ratings of HBON, Bank Muscat, Bank Dhofar, SIB and Bank Nizwa are supported by their sound capital buffers, while the ratings of NBO and OAB are constrained by their modest capitalization. Also, it stated that the ratings of HBON, Bank Muscat, NBO and SIB reflect their sound liquidity buffers, while the ratings of Bank Dhofar and OAB take into account their low liquidity profiles. It pointed out that the ratings of HBON and OAB are supported by their low reliance on market funding, while the rating of NBO is underpinned by the bank's deposit-based funding profile.

Source: Moody's Investors Service

PAKISTAN

Agency downgrades ratings of five banks

Moody's Investors Service downgraded the long-term local and foreign currency deposit ratings of Habib Bank, National Bank of Pakistan, United Bank Limited (UBL), MCB Bank, and Allied Bank Limited (ABL) from 'B3' to 'Caa1'. Also, it downgraded the Baseline Credit Assessments (BCAs) of ABL, MCB and UBL from 'b3' to 'caa1' and affirmed the BCAs of NBP and HBL at 'caa1'. Further, it maintained the 'negative' outlook on the banks' long-term ratings. It attributed the downgrades to the government's reduced capacity to support the banks, in case of need. It said that the banks' high exposure to government securities and the downgrade of Pakistan's foreign-currency ceiling to 'Caa1', which has affected the foreign-currency Counterparty Risk Ratings of the rated banks, are weighing on the banks' ratings. Also, it attributed the 'negative' outlook to the banks' sizable holdings of sovereign debt securities that are equivalent to between seven and 14 times their Tier One capital, which links their creditworthiness to that of the government. It added that the 'negative' outlook captures the increased vulnerabilities of the banks' financial metrics and standalone credit profile that arise from Pakistan's challenging macroeconomic and operating conditions. In parallel, it indicated that it could downgrade the ratings if the banks' asset quality, profitability and capital adequacy deteriorate, or if the government's capacity to extend financial support to banks declines. In contrast, it said that it could upgrade the ratings if the banks maintain their resilient financial performance.

Source: Moody's Investors Service

TUNISIA

Ratings of five banks downgraded on deteriorating operating environment

Capital Intelligence Ratings downgraded the long-term foreign currency ratings of Banque Internationale Arabe de Tunisie (BIAT), Banque Nationale Agricole (BNA), Société Tunisienne de Banque (STB), Attijari Bank (AB), and Union Bancaire pour le Commerce et I'Industrie (UBCI) from 'B' to 'B-'. It also downgraded the Bank Standalone Ratings (BSRs) of BIAT, BNA, STB, AB, and UBCI from 'b' to 'b-', and affirmed the short-term foreign currency ratings of the five banks at 'B'. Further, it maintained the 'negative' outlook on the long-term foreign currency and BSR ratings of the banks. It attributed its downgrades to its similar action on Tunisia's sovereign ratings and to the deterioration of the operating environment for banks. It stated that the elevated political risks and their adverse impact on the fragile economic and fiscal situation in the country constrain the banks' ratings. It added that the increase in refinancing risks for Tunisian banks and the inability of the government to finalize a new financing agreement with the International Monetary Fund are weighing on the banks' ratings. It noted that the banks' profitability might decline if the economy weakens further and in case of an event risk. It added that increasing financing risks for the sovereign would have a negative impact on the banking sector's liquidity. Further, it considered that the elevated risks associated with the sovereign could negatively affect the asset quality, earnings and liquidity buffers of BIAT, BNA, STB, and AB. Also, it noted that UBCI's ratings reflect its satisfactory asset quality with its current good loan-loss coverage, adequate liquidity, and reasonable operating income.

Source: Capital Intelligence Ratings

MOROCCO

Banks to benefit from rise in interest rates in medium term

Fitch Ratings indicated that Bank Al-Maghrib raised its policy rate by 50 basis points to 2% on September 27, 2022, the first rate increase since 2008, and expected it to continue increasing its policy rate due to high inflation rates and monetary tightening in the U.S. and the Eurozone. It noted that Morocco's weak near-term economic outlook and the pressure on the capacity of borrowers to repay their loans are likely to offset the benefits to the banks' earnings from the rise in interest rates. Further, it anticipated the banks' net interest margins to slightly narrow in the short term, as they reprice their liabilities faster than their assets. But it expected that banks will benefit from the rise in interest rates, as the repricing of loans will more than offset the small increase in deposit rates in the medium term. In parallel, it anticipated the banks' profitability metrics to improve in 2023 following the recovery of their profitability ratios in the first half of 2022, driven by higher lending rates and the decline in loan impairment charges, given that banks allocated pandemic-related provisions during the 2020-21 period. Also, it expected that the decline in loan impairment charges to pre-pandemic levels would boost the sector's profitability in the medium term. Further, it expected the performance of the banks' African subsidiaries to improve in the second half of 2022, supported by balance-sheet growth and rising interest rates in most African markets.

Source: Fitch Ratings

Oil prices to average $97 p/b in fourth quarter of 2022

ICE Brent crude oil front-month prices reached $92.4 per barrel (p/b) on October 19, 2022, constituting an increase of 5.1% from $88 p/b at the end of September 2022, mainly due to global tight supply and uncertainties about the outlook for oil demand. In parallel, the International Energy Agency revised downward its forecast for global oil demand to 1.9 million barrels per day (b/d) in 2022 and 1.7 million b/d in 2023, due to the slowdown in global GDP growth, the expected recession in several European countries next year, as well as to the decision of the OPEC+ coalition to reduce oil output starting in November. It indicated that the plan of the OPEC+ coalition to cut oil production has derailed the growth trajectory of oil supply through the remainder of 2022 and into 2023, increased the volatility in the oil market, and heightened energy security concerns. Further, it expected the supply cuts of the OPEC+ coalition to be smaller than the announced 2 million b/d reduction, as the majority of the member countries are already producing well below their ceilings due to capacity constraints. It projected a decrease of around one million b/d in the crude oil output of the OPEC+ coalition starting in November, with the majority of the cuts coming from Saudi Arabia and the UAE. It considered that further production cuts could come from Russia in December, when the European Union's embargo on Russian crude oil imports go into effect. Also, it indicated that commercial and residential consumers, mainly in Europe, are taking measures to reduce their energy bills, which could have a lasting impact on oil markets. In addition, Citi Research projected oil prices to average $97 p/b in the fourth quarter of 2022 and $101 p/b in full year 2022.

Source: International Energy Agency, Citi Research, Refinitiv, Byblos Research

ME&A's oil demand to grow by 5% in 2022

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 12.57 million barrels per day (b/d) in 2022, which would constitute an increase of 4.7% from 12 million b/d in 2021. The region's demand for oil would represent 23.5% of demand in non-OECD countries and 12.6% of global consumption this year.

Source: OPEC

Demand for natural gas to regress by 0.5% in 2022

The International Energy Agency projected global natural gas demand to decrease by 32 billion cubic meters (bcm), or by 0.8%, to 4,071 bcm in 2022. It anticipated demand for natural gas in North America to reach 1,102 bcm in 2022 and to represent 27% of the world's aggregate demand, followed by the Asia Pacific region with 923 bcm (22.6%), Eurasia with 614 bcm (15%), the Middle East with 596 bcm (14.6%), Europe with 531 bcm (13%), Africa with 171 bcm (4.2%), and Central & South America with 147 bcm (3.6%).

Source: International Energy Agency, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production to grow by 1.5% in 2022

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa (ME&A) region to average 4.7 million barrels per day (b/d) in 2022, constituting an increase of 1.5% from 4.6 million b/d in 2021. The supply of oil from non-OPEC producers in the ME&A region would represent 14.4% of production in non-OECD countries and 7.1% of non-OPEC production this year.

Source: OPEC

Base Metals: Aluminum prices to average $2,100 per ton in fourth quarter of 2022

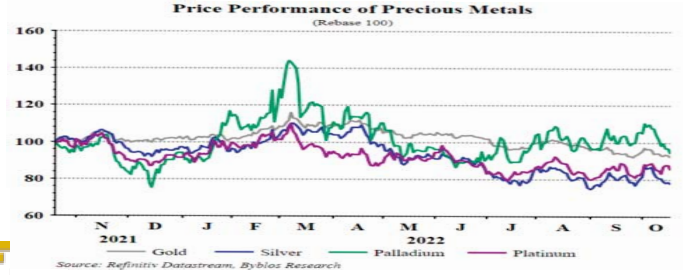
The LME cash price of aluminum averaged $2,792 per ton in the year-to-October 19, 2022 period, constituting a rise of 15.4% from an average of $2,420.2 a ton in the same period last year. The increase in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as 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 $2,154.5 per ton on October 19, 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 the refined supply of aluminum at 69.2 million tons in 2022 relative to 67.4 million tons in 2021, and forecast refined demand for the metal at 69 million tons this year compared to 68.4 million tons in 2021. It expected aluminum prices to decrease from $2,250 a ton to $2,000 per ton in the next three months, driven by lower demand from China, Europe and the U.S., as smelters in China and Europe are reducing output due to power shortages and to elevated energy prices, as well as to the tightening of monetary policy in the U.S. and Europe. Also, it forecast aluminum prices to average $2,100 per ton in the fourth quarter of 2022.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices projected at $1,710 per ounce in fourth quarter of 2022

Gold prices averaged $1,816.5 per troy ounce in the year-to-October 19, 2022 period, constituting an increase of 1% from an average of $1,798.4 an ounce in the same period of 2021. Further, prices regressed from a peak of $2,506 per ounce on March 8 of this year to $1,634.2 an ounce on October 19, 2022 due to a stronger US dollar and higher U.S. bond yields. In parallel, Citi Research projected global demand for gold to reach 3,890 tons in 2022, and to increase by 2% from 3,812 tons in 2021. It attributed the expected rise in demand for gold to a 96.5% drop in outflows from gold-backed exchange-traded funds, a 5.8% rise in net purchases by central banks, and an increase of 3% in demand from the technology sector, which more than offset a 10% decline in jewelry consumption and a 1.7% decrease in the demand of gold bars and coins. Further, it anticipated global gold supply to expand by 2.3% to 4,805 tons in 2022, with mine output representing 76% of the total. It expected higher real bond yields, a further strengthening of the dollar, a decrease in jewelry demand from Asia, as well as a narrowing of geopolitical risk premium, to weigh on gold prices. But it forecast gold prices to rise in the short- to medium term in case of a global recession and if central banks around the word increase their demand for the metal. Also, it forecast gold prices to average $1,710 per ounce in the fourth quarter of 2022 and $1,800 an ounce in full year 2022.

Source: Citi Research, 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+	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	Positive	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	Caa1 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 Stable	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	3.25	21-Sep-22	Raised 75bps	02-Nov-22
Eurozone	Refi Rate	1.25	08-Sep-22	Raised 75bps	27-Oct-22
UK	Bank Rate	2.25	22-Sep-22	Raised 50bps	03-Nov-22
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-Oct-22	No change	21-Nov-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	3.00	12-Oct-22	Raised 50bps	24-Nov-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	10.50	20-Oct-22	Cut 150bps	24-Nov-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	24.50	07-Oct-22	Raised 250bps	28-Nov-22
Angola	Base Rate	19.50	26-Sep-22	Cut 50bps	25-Nov-22
Mexico	Target Rate	9.25	29-Sep-22	Raised 75bps	10-Nov-22
Brazil	Selic Rate	13.75	21-Sep-22	No change	26-Oct-22
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	20-Oct-22	No change	08-Dec-22
Russia	Refi Rate	7.50	16-Sep-22	Cut 50bps	28-Oct-22

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