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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

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

Figures released by the World Trade Organization show that global trade in services grew by 18% in the second quarter of 2022 from the same period of 2021, compared to an increase of 26% in the second quarter of 2021 from the same period of 2020. It attributed the improvement in the second quarter of the year to the increase of trade in travel and transport services. It noted that the global exports of services expanded by 17% in the second 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 North America, followed by Asia (+16%), and Europe (+15%); while the export of services in other regions rose by 41% in the second quarter of 2022 from the same quarter of 2021. It also noted that the import of services surged by 31% in North America year-on-year in the second quarter of 2022, followed by Asia (+16%) and Europe (+14%); while the import of services improved by 40% in other regions in the covered period. Further, it pointed out that world travel services jumped by 105% in the second quarter of 2022 from the same quarter in 2021, followed by a surge of 34% in transport services, an increase of 10% in goods-related services, and an uptick of 2% in other commercial services.

Source: World Trade Organization

MENA

Rule of law in region lags global trends

The World Justice Project ranked the UAE in 37th place among 140 countries globally and in first place among nine Arab Countries on its Rule of Law Index for 2022. Jordan followed in 61st place, then Tunisia (71st), Algeria (89th), Morocco (94th), Lebanon (106th), Sudan (125th), Mauritania (131st), and Egypt (135th). The index measures the implementation of the rule of law in each country by aggregating 44 sub-factors into eight broad factors and assigning a score to each country. Based on the same set of countries included in the 2021 and 2022 surveys, the rankings of six Arab countries deteriorated, those of two economies improved, and one country's rank was unchanged from the preceding survey, while the scores of seven countries declined and those of two of Arab countries were increased. The UAE ranked first regionally on the Absence of Corruption, the Order & Security, the Regulatory Enforcement, the Civil Justice, and the Constraints on Government Powers factors. Also, Tunisia came in first place on the Open Government and the Fundamental Rights factors, while Algeria came in first place on the Criminal Justice factor. The average score for Arab countries is 0.46 points relative to an average score of 0.47 points in the 2021 survey, and is lower than the global average score of 0.55 points., as well as the average score of European Union & North America (0.74 points), East Asia & the Pacific region (0.56 points), Latin America & the Caribbean (0.52 points) and Eastern Europe & Central Asia (0.5 points). But it is equal to the average score of Sub-Saharan Africa (0.46 points) and exceeds the average score of South Asia (0.44 points).

Source: World Justice Project, Byblos Research

Stock markets down 0.5% in first 10 months of 2022

Arab stock markets regressed by 0.5% and Gulf Cooperation Council equity markets grew by 3.1% in the first 10 months of 2022, relative to increases of 28.8% and 31.6%, respectively, in the same period of 2021. In comparison, global stocks dropped by 26.8% and emerging market equities fell by 26.2% in the first 10 months of 2021. Activity on the Khartoum Stock Exchange jumped by 240.2% in the first 10 months of 2022; the Beirut Stock Exchange, based on the official stock market index, surged by 196%; the Damascus Securities Exchange expanded by 37.5%, the Abu Dhabi Securities Exchange improved by 22.7%, the Tunis Bourse advanced by 16.7%, the Amman Stock Exchange increased by 15.3%, and the Qatar Stock Exchange appreciated by 6.8%. In addition, the Muscat Securities Market yielded 5.7%, the Iraq Stock Exchange gained 5.1%, the Dubai Financial Market expanded by 4.3%, the Bahrain Bourse improved by 3.7%, the Saudi Stock Exchange advanced by 3.4%, and the Palestine Exchange grew by 1.7% in the covered period. In contrast, activity on the Casablanca Stock Exchange dropped by 19%, the Boursa Kuwait declined by 7.5%, and the Egyptian Exchange regressed by 4.8% in the first 10 months of 2022.

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

Arab region has second lowest cost of mobile-cellular service globally

Figures released by the International Telecommunication Union (ITU) show that the cost of a basket of mobile-cellular services in 18 Arab countries averaged about 1.5% of GNI per capita in 2021, the second lowest in the world behind North America (0.54% of GNI per capita). The mobile-cellular basket covers the cost of a minimum of 70 minutes of outgoing calls per month and 20 SMS messages at pre-determined rates. The UAE has the cheapest mobile-cellular service among Arab countries at 0.1% of GNI per capita, followed by Qatar (0.33% of GNI), Egypt (0.4% of GNI), Tunisia (0.5% of GNI), and Kuwait (0.6% of GNI), while Lebanon (3.1% of GNI), Palestine (3.5% of GNI) and Mauritania (4.4% of GNI) have the most expensive service in the region. Further, the cost of a mobile broadband basket for a minimum of two Gigabytes (GB) in 18 Arab economies averaged 2.3% of GNI per capita last year, the third lowest in the world behind North America (0.7% of GNI per capita) and Europe & Central Asia (1% of GNI per capita). The cost covers a monthly subscription to a data-only plan. Qatar has the least expensive mobile broadband basket for a minimum of 2GB among Arab countries at 0.4% of GNI per capita last year, while Lebanon has the most expensive service at 6.3% of GNI per capita. The cost covers a monthly subscription to a data-only plan. In parallel, the cost of a fixed broadband basket for a minimum of 5GB in 16 Arab economies averaged about 5.1% of GNI per capita in 2021, the third lowest in the world behind North America (1.1% of GNI per capita) and Europe & Central Asia (1.7% of GNI per capita). The cost covers a monthly subscription to an entry-level fixed-broadband plan. The UAE has the cheapest fixed broadband basket among Arab countries at 0.55% of GNI per capita.

Source: International Telecommunication Union

OUTLOOK

MENA

Economic activity to grow by 4.3% in 2022-23 period, outlook subject to uncertainties

The International Monetary Fund projected real GDP growth in the Middle East & North Africa (MENA) region to decelerate from 5% in 2022 to 3.6% in 2023, as it considered that deteriorating global economic conditions will weigh on the region's economic outlook. Further, it projected real GDP growth in the region's oil-exporting countries at 5.2% in 2022. But it expected their economic activity to decelerate to 3.5% next year, driven by a decline in oil production from OPEC+ members, a decrease in oil prices, and a slowdown in global demand for oil. Also, it projected the real GDP growth rates of the region's oil-importing economies at 4.4% in 2022 and 3.8% in 2023. Further, it anticipated the inflation rate in the MENA region to moderate from an average of 14.2% in 2022 to an average of 12.4% in 2023, in case commodity prices ease, growth decelerates, and fiscal and monetary stances tighten.

In parallel, it projected the fiscal deficit of the region's oil-importing countries to widen from 5.5% of GDP in 2022 to 6.3% of GDP in 2023, due to their governments' weak fiscal space and higher subsidies of goods; while it forecast the fiscal surplus of the region's oil-exporting economies at 1.8% of GDP in 2022 and at 0.4% of GDP in 2023, driven by the improvement in their non-oil primary fiscal balances. In addition, it forecast the current account surplus of oil-exporting countries at 9.7% of GDP this year and 7.8% of GDP in 2023. In contrast, it projected the current account deficit of oil importers at 5.2% of GDP in 2022 amid declining foreign-currency reserves and increasing external vulnerabilities, but expected it to narrow to 4.9% of GDP in 2023

The IMF considered that the outlook for the MENA region is tilted heavily to the downside, driven by exceptional uncertainties that could adversely impact global and regional economic performance. It said that tighter-than-expected financial conditions in oil-importing economies could trigger debt and external stress, as well as financial stability risks.

Source: International Monetary Fund

Non-resident capital inflows to drop by 39% to $128bn in 2022

The Institute of International Finance projected capital inflows to the Middle East, North Africa & Pakistan (MENAP) region at $127.6bn in 2022, which would constitute a decline of 38.6% from $208bn in 2021. It anticipated inflows to Gulf Cooperation Council (GCC) countries to drop by 34% to $91bn this year, given that portfolio and other investments have declined due to lower financing needs by sovereigns, as their fiscal balances shifted to sizeable surpluses due to elevated oil prices. In addition, it expected non-resident capital inflows to the region's oil importers to regress by 40.7% to $33bn, mainly due to the drop in portfolio investments in Egypt. It forecast portfolio inflows to the MENAP region at $18.1bn in 2022, which would constitute a drop of 71% from $62.3bn in 2021, while it expected foreign direct investment (FDI) inflows at $55.7bn in 2022, up by 1.6% from the previous year. It also projected other investments to drop by 40.6% to $54bn in 2022.

In parallel, the IIF projected non-resident capital inflows to the MENAP region to increase by 13.3% to $144.6bn in 2023, driven by improvements in FDI flows in most MENAP countries, as well as by a pick-up in bilateral loans to Egypt and Pakistan. It forecast portfolio inflows to the MENA region to surge by 76.8% to $32bn in 2023 and for FDI inflows to rise by 17.6% to $65.5bn next year. It expected the UAE, Saudi Arabia and Qatar to attract more FDI due to their business diversification, and anticipated higher inflows to Algeria, Egypt and Lebanon due to their gas reserves and the recent creation of a Mediterranean gas hub in the South of Europe.

Source: Institute of International Finance

EGYPT

Further currency devaluation and foreign funding are key to supporting external position

Bank of America (BofA) indicated that the Egyptian authorities' Staff-Level Agreement with the International Monetary Fund (IMF) on a $3bn 46-month Extended Fund Facility (EFF) requires the move to a "durably" flexible exchange rate regime, which suggests that authorities are planning to use the new exchange rate as a policy tool rather than a target for the IMF program. As such, it expected a further devaluation of the Egyptian pound in order to preserve the competitiveness of the economy relative to its trading partners, as well as to support Egypt's external balance in the medium term. It also considered that a weaker pound is essential, given that the IMF package is smaller than initially expected and due to Egypt's increasing external debt amortizations over the next two fiscal years.

It anticipated that the recent devaluation of the currency by about 17% will increase the inflation rate by about 4.3 percentage points over the next 12 months. But it expected that the pass through effect of the devaluation to recede as some goods may have been recently priced according to the parallel market exchange rate. As such, it projected the inflation rate to peak at about 20% in late 2022 or in early 2023 before gradually declining. It also anticipated the Central Bank of Egypt (CBE) to resort to a tighter monetary policy in order to contain inflationary pressures. It noted that the CBE has suggested a new target range of 7% +/- 2% for the average inflation rate in the fourth quarter of 2022. It also expected authorities to raise policy rates by about 250 basis points in the fiscal year that will end in June 2023.

In parallel, BofA indicated that authorities are projecting the general government's external debt principal repayments at $4.3bn in FY2022/23, and that these repayments would increase to $8.4bn and $11bn in FY2023/24 and FY2024/25, respectively. As such, it considered that the large external funding needs in the next two fiscal years, and the ambiguity about the aggregate size of official financing, are likely to increase medium-term investor concerns. Also, it projected foreign currency reserves at the CBE to drop by up to $2bn in FY2023/24 and by up to $5bn in FY2024/25, in case financing pledges remain at the estimated level of about $22bn in FY2022/23. It considered that, in order to shore up foreign currency reserves by $2bn to $3bn in each of FY2023/24 and FY2024/25, authorities would need to attract additional financing pledges of $4bn in FY2023/24 and of $6.7bn in FY2024/25, or about $5bn annually in international financing.

Source: Bank of America

ECONOMY & TRADE

SAUDI ARABIA

Multiple factors support upside economic outlook

Deutsche Bank indicated that Saudi Arabia's real GDP growth accelerated from 9.9% in the first quarter of 2022 to 12.2% in the second quarter of the year on an annual basis, with oil and non-oil GDP posting rebounds of 23% and 8.2%, respectively. It expected economic activity to further improve in the near- to medium terms, supported by higher oil prices, a recovery in non-oil sector activity, and a continued commitment to social and economic reforms under the country's Vision 2030 agenda. In parallel, it pointed out that the fiscal surplus in the Kingdom reached 7.4% of GDP in the second quarter of 2022, the highest surplus since 2013, driven mainly by elevated oil exports receipts. It anticipated the country's fiscal position to continue to improve in the near term, as it considered that the current supportive environment will give the authorities ample policy space to make adjustments to the fiscal balance, given their commitment to public spending efficiency and to reduce their reliance on oil revenues. In addition, it noted that the current account surplus reached 16.2% of GDP in the second quarter of 2022 on an annual basis, driven mainly by an increase in oil exports and the growth in non-oil exports. It indicated that a supportive environment for oil, continued commitment to fiscal consolidation, strong reform momentum, and renewed appetite for investing in the country constitute upside risks to the macroeconomic outlook; while it considered that downside risks include a potential decline in global demand for oil, and a drop in oil prices. It added that a credible commitment to reforms will continue to gradually restore foreign investors' confidence in the country, as well as allow for easier access to external financing in case oil prices drop.

Source: Deutsche Bank

EGYPT

Sovereign rating affirmed, outlook 'stable'

S&P Global Ratings affirmed Egypt's short- and long-term local and foreign currency sovereign credit ratings at 'B', with a 'stable' outlook on the long-term ratings. It indicated that the 'stable' outlook reflects the agency's expectations that the Egyptian authorities' commitment to economic reforms, the country's robust medium-term economic growth prospects, as well as the importance of Egypt's stability to the region, will encourage official and commercial lenders to provide sufficient funding to meet the country's elevated external financing needs. It forecast Egypt's gross external financing needs at 151.4% of current account receipts and usable foreign reserves in the fiscal year that ends in June 2023, and anticipated them to reach 142.5% of current account receipts and usable foreign reserves in FY2024/25. It expected multilateral and bilateral funding in FY2022/23, including funds that will originate from a program with the International Monetary Fund (IMF), to meet 70% to 80% of Egypt's gross external debt financing needs, especially that Egypt is expected to repay the IMF principals for about $12bn between 2023 and 2025. It also anticipated additional support from Gulf Cooperation Council (GCC) countries to help bridge the country's remaining external funding gap. In parallel, the agency indicated that it could downgrade Egypt's ratings over the next 12 months if multilateral and bilateral funding support is not forthcoming, and in case additional funding from GCC countries declines.

Source: S&P Global Ratings, JPMorgan Chase & Co.

UAE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed the United Arab Emirates' short- and long-term local and foreign currency Issuer Default Rating at 'F1+' and 'AA-', respectively, and maintained the 'stable' outlook on the long-term the ratings. It also affirmed the country ceiling at 'AA+'. It attributed the affirmation of the ratings to the country's moderate public debt level, strong net external asset position, and high GDP per capita. But, it said that the ratings are constrained by the country's high dependence on hydrocarbon revenues, the significant indebtedness of some of the emirates and their government-related entities (GRE), and weak governance indicators. It estimated overall contingent liabilities from GREs at about 75% of GDP in 2021, gross non-bank external debt at 50% of GDP, and the banking sector's debt at 30% of GDP. But it noted that a large share of the SOEs' debt is owed by healthy SOEs that present little risk. It indicated that it may upgrade the ratings if the authorities implement structural reforms that would reduce the economy's reliance on oil exports and improve the institutional framework, and if geopolitical tensions recede. In parallel, the agency affirmed the Emirate of Abu Dhabi's long-term foreign-currency Issuer Default Rating at 'AA', which is eight notches above investment grade, and maintained a 'stable' outlook on the rating. It said that the rating balances the emirate's strong fiscal and external positions and elevated GDP per capita, with its high dependence on the hydrocarbon sector, an economic policy framework that is still being developed, and low governance indicators compared to peers. Also, it projected the UAE's sovereign net foreign assets to reach $683bn at the end of 2024, or 264% of GDP.

Source: Fitch Ratings

ARMENIA

Real GDP growth projected at 4% to 5% in medium term

The International Monetary Fund (IMF) indicated that the Armenian authorities reached a staff-level agreement with the IMF on a three-year precautionary Stand-By Arrangement, which will support the government's economic program to boost exports and investments, while preserving macroeconomic, fiscal and financial stability, and reducing poverty. It expected Armenia's economic growth rate at 11% in 2022, driven in part by large capital inflows to the country, but anticipated it to decelerate to between 4% and 5% in the medium term, reflecting weaker external demand and tighter global financial conditions. It noted that risks to the macroeconomic outlook are mainly external. Also, it projected the inflation rate to gradually converge to 4% in the medium term, supported by tight monetary policy and decreasing external shocks. Further, it expected the public debt level to decline from 60.3% of GDP in 2021 to 51% of GDP in 2022, driven by solid fiscal buffers and the appreciation of the Armenian dram. It stressed the importance of complying with the rules-based fiscal framework, which would keep the debt level on a declining path. It welcomed the government's plan to enhance public financial management and ensure higher-quality public investments. It considered that the current monetary policy stance is appropriate and indicated that further policy changes should depend on the evolution of inflation rates.

Source: International Monetary Fund

EMERGING MARKETS

Mixed outlooks on banking sectors in Middle East and Africa

Moody's Investors Service indicated that the operating environment of most banks in the Middle East & Africa (ME&A) is 'stable'. It said that the monetary authorities' lifting of regulatory forbearance measures in the Middle East will weigh on the capacity of borrowers to repay their loans, but expected the increase in the banks' lending, as a result of the recovery in economic activity amid higher oil prices, to offset the impact on asset quality, which would contain the level of problem loans. However, it noted that the significant exposure of African banks to risky sovereigns amid higher fiscal and liquidity challenges will pose risks to their asset quality. It said that the non-performing loans ratio reached nearly 9.5% at Moroccan banks at end-2021, highest among banks in the ME&A region, while it was the lowest at nearly 1.5% at Kuwaiti banks at end-June 2022. Further, it pointed out that banks in Egypt, Qatar and Saudi Arabia will maintain strong capital buffers, with a current average tangible common equity of 14% of risk-weighted assets; while the prudent dividend policies of African banks will help maintain their stable capital ratios. Also, it expected the profitability of most ME&A banks to improve in the near term, due to the decline in pandemic-related loan-loss provisioning charges, the recovery in credit demand, and the rise in interest rates that would increase loan yields. It noted that banks in Egypt, Qatar, Saudi Arabia and the UAE have aggregate cost-to-income ratios of less than 40%. Moreover, it noted that the high reliance on deposits to finance lending provides funding stability for banks in the region.

Source: Moody's Investors Service

ANGOLA

Banking sector's net earnings up 37% to AOA258bn in first half of 2022

Financial services platform Eaglestone Securities indicated that the combined net profits of the 21 Angolan banks that published their financials reached AOA258.2bn in the first half of 2022, constituting an increase of 36.6% from AOA189bn in the same period of 2021, while the net income of banks stood at $556.6m in the covered period, up by 90.1% from $292.8m in the first half last year. It attributed the increase in earnings to the recovery in economic activity, an improvement in liquidity conditions in the foreign exchange market, as well as the favorable effects of lifting restrictions related to the COVID-19 pandemic. In parallel, it indicated that the assets of the 21 banks stood at AOA13,375bn at end-June 2022, constituting a decline of 2% from AOA13,657.5bn at end-2021. Also, it said that the banks' net loans totaled AOA2,789.2bn at end-June 2022,and grew by 0.6% in the first half of the year. It pointed out that the non-performing loans ratio was relatively stable at 19.4% at the end of June 2022, compared to 19.5% at end-2021. In addition, it said that aggregate deposits stood at AOA10,013bn at end-June 2022 and regressed by a marginal of 0.3% in the first half of the year. As a result, it noted that the combined loans-to-deposits ratio of the 21 banks stood at 27.9% at the end of June 2022, nearly unchanged from 27.6% at end-2021. Also, it pointed out that the aggregate solvency ratio of the banking sector stood at 20.5% in June 2022.

Source: Eaglestone Securities

SAUDI ARABIA

High loan demand may require Central Bank's liquidity injection at banks

Fitch Ratings considered that banks in Saudi Arabia require further liquidity injections from the Saudi Central Bank, given that the spreads of interbank rates increased sharply from 36 basis points (bps) in September to 140 bps in October, and borrowing is outpacing deposit growth. As such, it expected the banking sector's loans-to-deposits ratio to reach 102.2% in the near term, its highest level in at least 15 years, up from 82% in October 2022. It indicated that large infrastructure projects under the Vision 2030 framework to diversify the economy would boost corporate credit demand, but pointed out that lending growth could decelerate in 2023 without liquidity support, despite strong credit demand from the corporate and retail sectors. Further, it noted that Saudi banks could issue subordinated debt, senior unsecured bonds, or additional Tier One securities to support their funding, but the agency considered that these issuances would weigh on the banks' cost of funding and may not meet the elevated demand from borrowers. It noted that tightening liquidity conditions and the continuing increase in loans-to-deposits ratios could negatively affect the funding and liquidity metrics of banks with high Viability Ratings. It said that the issuance of long-term securities could be credit positive for the banks' funding and liquidity profiles, mainly if the duration gap between their assets and liabilities narrows and the net stable funding ratios improve. It noted that the duration gaps have widened significantly, as the volume of mortgages more than doubled since 2019 and challenging global market conditions may constrain access to international markets.

Source: Fitch Ratings

NIGERIA

Ratings of nine banks downgraded on weakening government support

Moody's Investors Service downgraded the long-term local and foreign currency deposit ratings of Access Bank, United Bank for Africa, Zenith Bank, First Bank of Nigeria, Guaranty Trust Bank, First City Monument Bank, Fidelity Bank, Union Bank of Nigeria and Sterling Bank from 'B2' to 'B3'. In addition, it placed the long-term deposit and the senior unsecured debt ratings of the nine banks on review for further downgrade. It attributed the downgrade of the ratings to the weakening of the government's fiscal capacity to support the country's banks in case of need, as well as to the linkages between the sovereign's weakened creditworthiness and the banks' balance sheets, given the banks' significant holdings of sovereign debt securities. In parallel, it said that its placement of the ratings on review for downgrade takes into account the risks of a further deterioration of the country's fiscal position and external finances, the government's weakened capacity to service its debt, as well as its increasing risk of default. Moreover, it added that the review would focus on understanding the Nigerian authorities' strategy to address both domestic and external pressures and assessing the associated default risk for the government's private creditors. It said that it could downgrade the ratings if the credit profile of the sovereign weakens further and/or in case the banks' balance sheet could not withstand a potential material depreciation of the local currency.

Source: Moody's Investors Service

Oil prices to average $96.4 p/b in fourth quarter of 2022

ICE Brent crude oil front-month prices averaged $101.7 per barrel (p/b) in the first 10 months of 2022, constituting a surge of 46.5% from $69.4 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. In parallel, under its Stated Policies Scenario, which takes into account the policies and measures affecting energy markets as at end-September 2022, the International Energy Agency forecast global oil demand in 2023 to surpass the level of 2019, driven by higher demand from the aviation and chemicals sectors. It indicated that elevated oil prices and concerns about energy security have led countries around the world to reassess the economic, political and climate impacts of bringing on new sources of domestic oil supply. But it said that there is a limited pipeline of new resources under development and of discovered resources, due to low investment levels in recent years as a result of the increase in material costs amid higher inflation rates worldwide. It added that access to financing has become challenging across the industry in past years. However, it expected total investments in the oil industry to reach around $450bn in 2022, which would constitute a rise of 25% from nearly $360bn in 2020. In addition, Refinitiv projected oil prices, through its latest crude oil price poll of 42 industry analysts, to average $96.4 p/b in the fourth quarter and $101.1 p/b in full year 2022.

Source: International Energy Agency, Refinitiv, Byblos Research

Angola's oil export receipts up 32% to $1.3bn in September

Oil exports from Angola reached 36.95 million barrels in September 2022, constituting increases of 3.3 million barrels (+9.8%) from 33.66 million barrels in August 2022 and of 3.96 million barrels (+12%) from 32.98 million barrels in the same month in 2021. The country's oil export receipts totaled KZ771.9bn, or $1.8bn, in September 2022 and increased by 32.1% from KZ584.2bn, or $1.3bn in August 2022. They increased by 42.2% from KZ542.9bn ($865.5m) in September 2021.

Source: Ministry of Finance of Angola

MENA's crude oil exports up 15% in 2022

The International Monetary Fund anticipated crude oil exports from the Middle East & North Africa region to reach 20.1 million barrels per day (b/d) in 2022, which would constitute an increase of 15% from 17.48 million b/d in 2021. The GCC countries' oil exports would account for 70.9% of the region's oil exports this year. On a country basis, it projected Saudi Arabia's crude oil exports at 7.9 million b/d this year, or 39.3% of the region's oil exports, followed by Iraq at 3.9 million b/d (19.3%), and the UAE at 2.66 million b/d (13.2%).

Source: International Monetary Fund, Byblos Research

Gold demand in Middle East up 28% in first nine months of 2022

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 202.4 tons in the first nine months of 2022, constituting a rise of 27.5% from 158.7 tons in the same period of 2021. Gold demand in the region accounted for 9.4% of the global consumption of the precious metal in the covered period. Consumer demand for gold in Iran reached 54.8 tons and represented 27.1% of the region's aggregate demand in the first nine months of the year, followed by the UAE with 43.2 tons (21.4%), Saudi Arabia with 37.3 tons (18.5%), Egypt with 27.9tons (13.8%), and Kuwait with 14.2 tons (7%).

Source: World Gold Council, Byblos Research

Base Metals: Zinc prices to average $3,100 per ton in fourth quarter of 2022

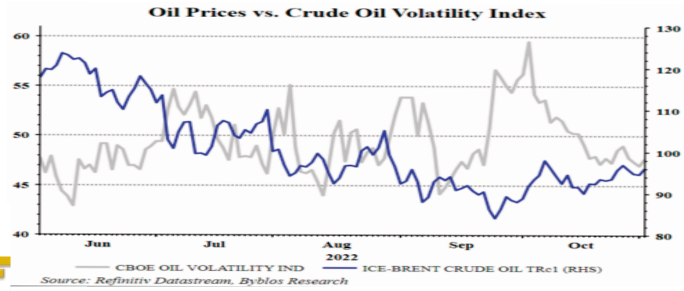
The LME cash prices of zinc averaged $3,571.5 per ton in the first 10 months of 2022, constituting a surge of 21.7% from an average of $2,790.5 a ton in the same period of 2021, driven by speculations that major smelters in China are reducing output due to power shortages. Further, prices regressed from an all-time high of $4,563 per ton on April 19 2022, following Russia's military invasion of Ukraine, to $2,765 per ton on November 2, 2022. In parallel, Citi Research projected the global demand for zinc to remain unchanged at 14.1 million tons in 2022 from 2021, and for the supply of zinc to regress by a marginal 0.2% from 13.98 million tons last year to 13.95 million tons in 2022. It expected zinc prices to decrease to $2,500 per ton in the next three months, as major smelters in Europe are cutting production due to elevated energy prices. But it anticipated that a downturn in the demand for the metal in Europe and a slowdown in the U.S. economic activity to offset the decrease in production in the near term. As such, it forecast the zinc market to shift from a deficit of 130,000 tons in 2022 to a surplus in the first half of 2023 and to be balanced in full year 2023. Also, it projected zinc prices to average $3,100 per ton in the fourth quarter of 2022 and $3,510 a ton in full year 2022.

Source: Citi Research, Refinitiv, Byblos Research

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

Gold prices averaged $1,808.8 per troy ounce in the first 10 months of 2022, constituting an increase of 0.6% 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 $1,647.5 an ounce on November 2, 2022 due to a stronger US dollar and higher U.S. bond yields. In parallel, the World Gold Council indicated that global gold demand totaled 3,363.8 tons in the first nine months of 2022 and increased by 17% from 2,872.8 tons in the same period of 2021. It attributed the rise to a surge in investments in exchange-traded funds (ETFs) as outflows shifted to inflows, to a rise of 58.7% in net purchases by central banks, to a growth of 2.5% in demand for bars & coin and to an increase of 5% in jewelry consumption, which were partly offset by a decrease of 3.1% in demand from the technology sector. Also, global gold supply increased by 3.2% to 3,564.6 tons in the first nine months of 2022, with mine output representing 76.2% of the total. However, it noted that investment demand decreased by 47% in the third quarter of 2022 from the same period last year, reflecting weak investor sentiment. Further, Citi Research 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: World Gold Council, Citi Research, Refinitiv, Byblos Research



Source: Refinitiv Datastream, Byblos Research

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 (%)
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	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-	B3	B	-								
	Stable	RfD	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	CCC+ -	- -	-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	4.00	02-Nov-22	Raised 75bps	14-Dec-22
Eurozone	Refi Rate	2.00	27-Oct-22	Raised 75bps	N/A
UK	Bank Rate	3.00	03-Nov-22	Raised 75bps	15-Dec-22
Japan	O/N Call Rate	-0.10	28-Oct-22	No change	20-Dec-22
Australia	Cash Rate	2.85	01-Nov-22	Raised 25bps	N/A
New Zealand	Cash Rate	3.50	05-Oct-22	Raised 50bps	23-Nov-22
Switzerland	SNB Policy Rate	0.50	22-Sep-22	Raised 75bps	15-Dec-22
Canada	Overnight rate	3.75	26-Oct-22	Raised 50bps	07-Dec-22
Emerging Markets					
China	One-year Loan Prime Rate	3.65	20-Oct-22	No change	21-Nov-22
Hong Kong	Base Rate	4.25	03-Nov-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	2.75	03-Nov-22	Raised 25bps	19-Jan-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	Base Rate	3.90	03-Nov-22	Raised 75bps	N/A
Saudi Arabia	Repo Rate	4.50	02-Nov-22	Raised 75bps	N/A
Egypt	Overnight Deposit	13.25	27-Oct-22	Raised 200bps	22-Dec-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	26-Oct-22	No change	N/A
Armenia	Refi Rate	10.50	01-Nov-22	Raised 50bps	13-Dec-22
Romania	Policy Rate	6.25	05-Oct-22	Raised 75bps	08-Nov-22
Bulgaria	Base Interest	0.00	27-Oct-22	No change	25-Nov-22
Kazakhstan	Repo Rate	16.00	24-Oct-22	Raised 150bps	05-Dec-22
Ukraine	Discount Rate	25.00	20-Oct-22	No change	08-Dec-22
Russia	Refi Rate	7.50	28-Oct-22	No change	16-Dec-22

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