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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Outstanding sustainable debt securities at $4.5 trillion at end-September 2022

Figures released by the Institute of International Finance indicate that global outstanding sustainable debt reached $4.5 trillion (tn) at the end of September 2022, constituting increases of 8.4% from $4.1tn at end-June 2022 and of 200% from $1.5tn at the end of September 2021. Sustainable debt securities issued by developed markets amounted to $3.2tn at the end of September 2022 and accounted for 72.1% of the total, followed by emerging markets & frontier markets with $624bn (14%), as well as by sustainable debt securities issued by supranational institutions with $489bn (11%), and by offshore financial centers with $141bn (3%). In addition, the aggregate amount of outstanding sustainable bonds was $3tn at end-September 2022, or 68% of global sustainable debt securities, while loans extended to green and sustainability-linked projects reached $1.4tn (32% of the total). The distribution of sustainable bonds shows that green bonds amounted to $1.7tn at the end of September 2022 and represented 54.6% of the total, followed by sustainability bonds with $549bn (18%), social bonds with $491bn (16%), sustainability-linked bonds with $182bn (6%), green municipal bonds with $86bn (2.8%), and green asset-backed securities with $80bn (2.6%). Further, sustainability-linked loans reached $958bn, or 67% of the total, while green loans amounted to $474bn (33% of the total).

Source: Institute of International Finance

EMERGING MARKETS

Emerging markets account for 19.4% of corporate defaults in 2021

S&P Global Ratings indicated that a total of 14 corporate debt issuers in emerging markets (EMs) defaulted in 2021, relative to 26 issuers that defaulted in 2020. It added that all of the corporates that defaulted had speculative grade ratings and had a total of $5.1bn in outstanding debt. It noted that EMs accounted for 19.4% of the aggregate number of global corporate defaults in 2021, compared to 11.5% of global defaults in 2020. Further, it pointed out that Latin America & the Caribbean had nine corporate defaults and accounted for 64.3% of total number of defaults in EMs, while Emerging Asia had five defaults (35.7%). It noted that the reasons for corporate defaults in EMs were missed interest or principal payments, which represented 57% of defaults in 2021, followed by distressed exchanges (36%), and regulatory directive defaults (7%). In parallel, it pointed out that the EM corporate default rate regressed from 1.67% in 2020 to 0.96% in 2021. In comparison, the EM corporate speculative-grade default rate decreased from 3.24% in 2020 to 1.87% in 2021, while the global speculative-grade default rate declined from 5.51% to 1.68% last year. Further, S&P said that companies that were rated 'CCC' or lower had a default rate of 16.4% in 2021, while firms in the 'B-' category had a default rate of 2.6% and corporates in the 'B+' segment had a default rate of 1.8%. It indicated that the default rate for EM issuers was 3.3% for the transportation sector in 2021, followed by providers of forest & building products (3.1%), telecommunication firms (2%), the energy & natural resources sector (1.8%), and the healthcare and chemicals sector (1.7%).

Source: S&P Global Ratings

MENA

Ability to develop and retain talent varies across Arab world

The INSEAD Global Talent Competitiveness Index for 2022 ranked the UAE in 25th place among 133 countries globally and in first place among 13 Arab countries. Qatar followed in 38th place, then Saudi Arabia (43rd), Bahrain (49th), and Oman (60th), as the five most talent-competitive Arab countries. The index measures a country's ability to attract, develop and retain talent. It is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. The Arab countries' average score stood at 39.8 points in 2022 compared to 45.4 points in 2021, and came lower than the global average score of 43 points. Also, the region's average score was higher than the score of Latin America & the Caribbean (38.3 points), Central & Southern Asia (30.5 points), and Sub-Saharan Africa (26.4 points). But it was lower than the score of North America (71 points), Europe (55.9 points), Eastern, Southeastern Asia & Oceania (45.8 points), and Northern Africa & Western Asia (43.6 points). Also, the UAE, Kuwait and Qatar were the top ranked Arab countries on the Talent Competitiveness Input Sub-Index that covers the policies, resources and efforts that a country can use to promote its talent competitiveness. The UAE, Qatar and Bahrain led Arab countries on the Talent Competitiveness Output Sub-Index, which measures the quality of talent as a result of domestic policies, resources and efforts.

Source: INSEAD, Byblos Research

GCC

Fixed income issuance down 41% to $75bn in first 10 months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $74.6bn in the first 10 months of 2022, constituting a decrease of 41.4% from $127.2bn in the same period of 2021. Fixed income issuance in the covered period consisted of $27.6bn in sovereign sukuk, or 37% of the total, followed by $17.3bn in corporate bonds (23.2%), $16.2bn in sovereign bonds (21.7%), and $13.5bn in corporate sukuk (18.1%). Further, aggregate bonds and sukuk issued by sovereigns in the GCC amounted to $43.8bn in the covered period, or 58.7% of fixed income output in the region; while issuance by GCC corporates reached $30.8bn, or 41.3% of the total. GCC sovereigns issued $7.5bn in bonds and sukuk in January, $14.3bn in March, $1bn in April, $2.2bn in May, $3bn in June, $4bn in July, $2bn in August, $0.2bn in September, and $9.6bn in October 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, $2.1bn in June, $3bn in July, $0.5bn in August, $4.8bn in September, and $2.7bn in October 2022. Further, corporate output in October 2022 included $1.2bn in bonds issued by firms in the UAE, $1bn in sukuk and $100m in bonds issued by companies based in Saudi Arabia, and $300m in sukuk issued by firms in Oman. In parallel, sovereign proceeds in the covered month consisted of $5.5bn in bonds and $2.5bn in sukuk issued by Saudi Arabia, $1bn in bonds issued by the UAE, $350m in sukuk issued by Bahrain, as well as $100m in bonds and $100m in sukuk issued by APICORP.

Source: KAMCO

POLITICAL RISK OVERVIEW - October 2022

ALGERIA

The government submitted to Parliament the draft law of the 2023 budget that seeks to double the budget of the Ministry of National Defense to $23bn in 2023. The request for higher defense spending comes amid tensions with Morocco over the disputed Western Sahara, jihadist violence in the Sahel region, and unrest in Libya. In addition, the army's Chief of Staff General Saïd Chengriha met with his counterparts from Mali, Mauritania and Niger to discuss the revival of the joint military operations center CEMOC. Further, the Moroccan Minister of Foreign Affairs, African Cooperation and Moroccan Expatriates arrived in Algiers to take part in the preparations for the Arab League summit, constituting the first visit by a Moroccan state official since Algiers cut diplomatic ties with Rabat in August 2021.

ARMENIA

Armenian Prime Minister Nikol Pashinyan and Azerbaijani President Ilham Aliyev met in Prague on October 6, 2022 under the mediation of French President Macron and the President of the European Council, and discussed peace prospects between Baku and Yerevan. Further, PM Pashinyan and President Aliyev agreed to a two-month civilian European Union mission along their common border, where clashes in September killed more than 200 individuals. In parallel, PM Pashinyan met with Turkish President Recep El Tayep Erdoğan in Prague and discussed the process of normalizing relations between the two countries.

EGYPT

Calls for protests started to circulate as authorities raised the prices of eight subsidized staple goods, including cheese, cooking oil and lentils, and as Egypt reached a Staff-Level Agreement with the IMF on a $3bn Extended Fund Facility that is conditional on a series of economic reforms. In parallel, the government continues to face increasing domestic and international pressure to improve the country's human rights record ahead of the annual UN Climate Change Conference that Egypt will host in November 2022. The authorities announced the immediate release of 95 detainees held in pre-trial detention for political issues, as preparations stalled for the national dialogue that President Abdel Fattah al-Sisi is sponsoring. Parliament extended by another six months the state of emergency in the North Sinai region as jihadist activity persisted in the Sinai Peninsula.

ETHIOPIA

Following weeks of federal and allied military offensives on multiple fronts in northern Ethiopia, the federal military coalition gained ground in the Tigray region. In parallel, amid mounting international pressure, the federal and Tigrayan negotiators met in South Africa for talks led by the African Union. The Tigray authorities expressed their readiness for the immediate cessation of hostilities, but demanded the withdrawal of Eritrean troops from the conflict. In response, the federal government reiterated its willingness to negotiate, but suggested that it is unlikely to halt its military operations given its gains in the Tigray Province.

IRAN

Nationwide demonstrations continued during October, following the death of a young woman in police custody on September 16, 2022. Security forces killed at least 200 individuals and arrested 14,000 during the protests. Further, Western countries condemned the government's crackdown and blacklisted several Iranian officials. In parallel, the International Atomic Energy Agency declared that Iran has installed, but not activated, seven cascades of advanced centrifuges at the Natanz Fuel Enrichment Plant, and affirmed that the Joint Comprehensive Plan of Action prohibits the use of these devices for the production of enriched uranium. In addition, the Islamic State terrorist group launched an attack on a shrine in the city of Shiraz, killing at least 15 and injuring dozens of individuals.

IRAQ

The Iraqi parliament elected on October 13, 2022 Kurdish politician Abdul Latif Rashid as the country's new president, who won the support of the Shiite Coordination Framework and the Kurdistan Democratic Party. Further, President Rashid named Mohammed Shia' al-Sudani as Prime Minister-designate and tasked him to form a cabinet. As a result, Iraqi lawmakers endorsed on October 27 the new government that PM al-Sudani formed. In parallel, thousands of Iraqi citizens protested on October 1 in Baghdad and in southern governorates to mark the anniversary of nationwide demonstrations that erupted three years ago. Clashes erupted between security forces and protestors and resulted in 80 injuries.

LIBYA

The Tripoli-based government signed on October 3, 2022 preliminary economic and maritime agreements with Türkiye on oil and gas exploration and drillings in the Libya-claimed Exclusive Economic Zone in the Mediterranean Sea. Further, interim Prime Minister Abdul Hamid Dbeibeh signed on October 25 two military deals with Türkiye aimed at strengthening military cooperation between the two countries. In parallel, the UN Security Council extended the political mission of the UN Support Mission in Libya for another year and urged political parties to agree on a roadmap for the presidential and parliamentary elections.

SUDAN

The military and the main civilian opposition coalition, Forces for Freedom and Change-Central Council, made progress in talks mediated by Saudi Arabia, the UAE, the United Kingdom and the Unites States about the Sudanese Bar Association's proposal for a draft constitution to restore a democratic transition in the country. However, the talks did not include the Resistance Committees who have rejected negotiations with the military. Further, at least 54 resistance committees approved the unified political charter that calls for the resignation of military leaders from power and for the implementation of a new transitional constitution and legislative council. In parallel, the Coordination of Resistance Committees in the Khartoum state escalated anti-military protests to mark the one-year anniversary of the military coup, and held demonstrations across major cities nationwide.

TUNISIA

Several political parties announced that they plan to boycott the next legislative elections, as they considered that the new election law that President Kais Saïed sponsored reduces the role of political parties. Thousands of Tunisians demonstrated on October 15, 2022 in Tunis and demanded the resignation of the president and blamed him for the severe economic crisis, including food shortages and soaring inflation. In parallel, tensions persisted between the police unions and the Ministry of Interior over the control of the country's security apparatus.

YEMEN

The Hadi government and Huthi rebels failed to reach an agreement to extend a nationwide ceasefire that started in April 2022. As a result, risks of a return to frontline and cross-border hostilities escalated, as the Huthis threatened to target international energy companies that operate in Saudi Arabia and the UAE. Further, Huthi drones targeted a cargo ship on October 21, 2022 that was docked at an oil terminal in al-Shihr port in the Hadramawt governorate, as the Huthis accused foreign companies of looting the country's resources. Huthi rebels and the Southern Transitional Council clashed and killed at least eight in Yafa in the Lahij governorate. In addition, the United Nations reported that battles erupted along frontlines in the Taiz, Marib, Hodeida and Dhale governorates during the month.

Source: International Crisis Group, Newswires

OUTLOOK

GCC

Solid fundamentals to support region's banking sectors in 2023

S&P Global Ratings expected that the earnings of banks in the Gulf Cooperation Council (GCC) countries will recover to nearly their pre-pandemic levels in 2022. It attributed the anticipated improvement in profitability to stronger economic activity and a normalization of the cost of risk, higher interest margins as a result of higher interest rates and a significant contribution from non-interest bearing deposits, as well as stronger efficiency from the low cost of labor and smaller branch networks in the region. It said that GCC banks are also benefiting from high global oil prices, improved confidence, and large government-sponsored projects in some countries in the region.

However, the agency considered that there are uncertainties about the outlook for 2023, which include the expected slowdown of the global economy that could affect the region primarily through oil prices; the banks' exposure to countries with higher credit risk, such as Türkiye and Egypt through the depreciation of their local currencies; as well as potential liquidity constraints to support growth as local and global liquidity becomes less abundant.

In parallel, S&P anticipated a slight deterioration in the GCC banking systems' asset quality in 2022 given the restructuring of loans that could slip to non-performing level this year. It projected the non-performing loans (NPLs) ratio at banks in the region to increase to up to 5% by the end of 2023 unless the global economic slowdown proves more severe than expected. It anticipated that the NPLs coverage ratio at GCC banks will decrease slightly but will remain well above 100% in the 2022-23 period. In addition, it considered that most GCC banking systems are well-funded and noted that core customer deposits are the main funding source for banks in the region, and did not expect this trend to change in the next few years.

Source: S&P Global Ratings

ANGOLA

Economic activity to accelerate to 3.8% in 2023 on supportive outlook

Standard Chartered Bank (SCB) projected Angola's real GDP growth at about 3% in 2022, supported by high oil prices and production. It forecast economic activity to accelerate to about 3.8% in 2023 due to higher oil production, a rebound in non-oil sector activity, as well as moderating inflation rates and the easing of monetary policy. It forecast oil production to stabilize at about 1.2 million b/d in 2023, which is still well below the country's OPEC quota. It noted that the windfall from higher oil prices has helped Angola reduce its external vulnerabilities and improve its credit metrics. But it considered that the diversification of the economy and the government's privatization plans are essential to boost growth prospects, and did not expect the authorities to resort to a new program with the International Monetary Fund (IMF) in the near term.

In parallel, it indicated that the government is projecting a fiscal surplus of 6.3% of GDP for 2022 due to higher oil receipts, given that oil prices so far this year have been well above the budgeted prices of $59 per barrel for 2022. It added that the debt level has declined from 120% of GDP in 2020 to 66% of GDP at the end of June 2022, mostly driven by the appreciation of the kwanza, as well as by nominal GDP growth and higher payments of external debt. However, it noted that the value of the debt has not changed significantly, and did not expect that the recent modest depreciation of the kwanza will support the reduction of the public debt level in 2023, given that 70% of the debt stock is denominated in foreign currency.

Further, it said that authorities are planning to diversify their borrowing sources and to repay the debt that the government owes to China, which the Ministry of Finance estimated at about $18bn as at October. It noted that China's share in Angola's external debt is declining, while borrowing from the United Kingdom and international financial institutions is rising. In addition, it indicated that the majority of Angola's external debt matures in the coming five to 10 years, that repayments of loans to the IMF will peak in 2026, and that elevated upcoming debt maturities remain a key risk. It pointed out that foreign currency reserves have continued to regress due to elevated external debt servicing and to higher foreign currency sales prior to the August general elections.

Source: Standard Chartered Bank

KUWAIT

Positive economic outlook, longer-term success hinges on reforms

The National Bank of Kuwait (NBK) projected Kuwait's real GDP growth at 7.8% in 2022, mainly supported by a 12% annual increase in oil production as well as by a 3% expansion in the non-oil economy on the back of resilient consumer spending and relatively strong activity in the real estate sector. It forecast real GDP growth to decelerate to 0.8% in 2023, as it anticipated activity in the non-oil sector to shrink by 1.1% as a result of the oil production cuts under the OPEC+ agreement. It expected the currently robust consumer activity to normalize in 2023 as the post-pandemic impact fades and interest rates rise. But, it considered that the non-oil economy could benefit from a further boost next year as the Al-Zour oil refinery, which is one of the world's largest refineries, begins to ramp up output.

In parallel, it expected the fiscal balance to post a surplus of 9.6% of GDP in the fiscal year that ends in March 2023, the first surplus since 2014, and forecast the surplus to decline to 4.3% of GDP in FY2023/24. It considered that successive fiscal surpluses will help recapitalize the General Reserve Fund, which had been close to depletion. It said that the public debt level is very low and expected that an improvement in relations between the executive and legislative branches could allow the long-delayed debt law to be enacted in 2023, which would diversify the authorities' financing options. In addition, it anticipated the current account surplus to decline from 33.3% of GDP in 2022 to 27.5% of GDP in 2023, due to lower oil export receipts. However, it noted that external buffers are extremely high, with $46bn in foreign currency reserves at the Central Bank of Kuwait and about $700bn in assets held by the Kuwait Investment Authority.

Further, NBK considered that negative risks to the outlook are more acute in the medium- to long terms and mainly include limited progress on a comprehensive, reform-focused fiscal and economic diversification agenda .

Source: National Bank of Kuwait

ECONOMY & TRADE

QATAR

Agencies take positive rating actions on sovereign

S&P Global Ratings upgraded Qatar's long-term foreign and local currency sovereign credit ratings and the transfer and convertibility assessment from 'AA-' and 'AA' to 'AA' and 'AA+', respectively. Also, it affirmed the country's short-term foreign and local currency sovereign credit ratings at 'A-1+', and maintained the 'stable' outlook on the long-term ratings. It attributed the upgrades to structural improvements in the government's fiscal position, as the strategy of paying-off maturing debt will reduce the government's debt servicing to the equivalent of less than 5% of public revenues in the 2022-2025 period. Further, it noted that the ratings are supported by the country's strong external position and the substantial assets of the Qatar Investment Authority. It added that the 'stable' outlook reflects Qatar's fiscal and external buffers that benefit from the country's status as one of the world's largest exporters of liquefied natural gas. It projected gross external financing needs to increase from 174.4% of current account receipts (CARs) plus usable reserves in 2022, to 192.7% and 242.6% of CARs plus usable reserves in 2023 and 2024, respectively. In parallel, Moody's Investors Service affirmed Qatar's long-term issuer and foreign-currency senior unsecured debt ratings at 'Aa3', and revised the outlook on the long-term ratings from 'stable' to 'positive'. It attributed its outlook revision to the improvement in Qatar's debt metrics, the planned expansion of its liquefied natural gas production capacity, and the likelihood that the government will reduce capital spending after hosting the FIFA World Cup.

Source: S&P Global Ratings, Moody's Investors Service

EGYPT

Outlook revised to 'negative' on deteriorating external liquidity position

Fitch Ratings affirmed Egypt's short- and long-term local and foreign currency issuer default ratings at 'B' and 'B+', respectively, and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to the deterioration in Egypt's external liquidity position and the reduced prospects for access to international bond markets, which makes the country vulnerable to adverse global conditions due to its wide current account deficits. It said that the drop in external liquidity was due to non-resident portfolio outflows from locally-issued government debt, and considered that these holdings remain a significant vulnerability for Egypt, given that they represent over 40% of foreign currency reserves. It indicated that foreign currency reserves at the Central bank of Egypt declined from $40bn at the end of February 2022 to less than $32bn, or the equivalent to just over three months of current external payments, at end-October 2022. Also, it considered that Egypt's external financing challenge is compounded by about $15bn in public external debt maturities in the next two fiscal years. In parallel, the agency indicated that it could downgrade the ratings in case of additional external financing pressures that undermine the recovery in foreign currency reserves and other liquidity buffers, if authorities fail to sustain the narrowing of the fiscal deficit and the reduction of the public debt level, and/or in case of a protracted period of lower-than-expected growth rates that could result in greater risks to macroeconomic stability and undermine Egypt's program with the International Monetary Fund.

Source: Fitch Ratings

SUDAN

Real GDP growth to rebound to 2.6% in 2023

The International Monetary Fund projected Sudan's real GDP to contract by 0.3% in 2022 relative to a growth rate of 0.5% in 2021. However, it expected real GDP growth to rebound to 2.6% in 2023. It forecast the country's nominal GDP to increase from $35.1bn in 2021 to $42.8bn in 2022 and $44.5bn in 2023. Also, it anticipated the average inflation rate to decrease from 359% in 2021 to 155% in 2022 and 77% in 2023. In parallel, it projected Sudan's fiscal deficit to narrow from 2.2% of GDP in 2022 to 1.8% of GDP in 2023. But it forecast the budget's primary deficit to widen, due to higher energy and food subsidies, as well as lower-than-expected public revenues following the economic fallout of ongoing political instability. Also, it expected the public debt level to increase from 182% of GDP at end-2021 to 189.5% of GDP at the end of 2022, but to decline to 155.3% of GDP by 2023. In parallel, the IMF forecast Sudan's exports of goods & services at $7bn in 2022 and $7.6bn next year, and expected the country's imports of goods & services to reach $9.6bn this year and $11bn in 2023. As such, it projected the current account deficit to widen from 2.8% of GDP in 2022 to 3.4% of GDP in 2023. It said that fertilizer shortages in Sudan have contributed to food insecurity, as wheat production declined by one-third to 13% below the five-year average, and added that the country is relying on international aid to secure staple food imports. It anticipated the country's gross external debt to decline from 189.4% of GDP at end-2022 to 155.1% of GDP by end-2023. In addition, it forecast Sudan's gross foreign currency reserves at $2.2bn, or 2.4 months of import coverage at end-2022, and at $2.3bn or 2.2 months of imports at end-2023.

Source: International Monetary Fund

MOROCCO

IMF calls for acceleration of structural reforms

The International Monetary Fund projected Morocco's real GDP growth at about 1.3% in 2022, given the impact of the drought on agricultural production and high inflation rates, despite a recovery in the tourism sector, robust remittance inflows, and resilient exports. It forecast real GDP growth to accelerate to about 3% in 2023, in case agricultural output normalizes and the global backdrop improves gradually. Also, it expected the inflation rate to decline next year, driven by the projected decrease in global commodity prices, and anticipated authorities to resort to tighter monetary policy to ensure that the inflation rate will average nearly 2% by 2024. In parallel, the IMF welcomed the government's three-year budget plans that aims to reduce the fiscal deficit to pre-pandemic levels and focuses on mitigating the impact of recent shocks. It expected that the announced value-added tax and civil service reforms, the rationalization of spending, reforms at state-owned enterprises, and further improvements in the tax administration would create more fiscal space and allow the public debt level to decline in the medium term. In addition, it forecast the current account deficit to narrow from nearly 4.3% of GDP in 2022 to about 3.5% of GDP in 2023, in case of higher exports receipts. Further, it called on authorities to accelerate the implementation of structural reforms in order to strengthen the resilience of the economy given the government's limited fiscal and monetary policy space.

Source: International Monetary Fund

WORLD

Emergence of crypto finance to pose dilemma for banks

Moody's Investors Services indicated that banks have managed so far to remain distant from the crypto finance system and have not been affected by declines in crypto-asset prices in the first half of 2022. However, it said that market liquidity and funding provide links between digital assets and traditional banking services, as crypto exchange platforms have accounts at traditional banks in order to manage their cash. It added that these platforms allow their users to exchange their fiat currencies with digital tokens, as well as to trade, make payments or transfer crypto currencies. Further, it considered that banks will be exposed to several risks if they get involved in the crypto market, including liabilities mismatch, lending against highly volatile collateral, and increased operational and cybersecurity risks. It pointed out that banks will face a dilemma between competitiveness and risk management, as the crypto system continues to expand into activities such as the extension of credit, payments, the digitization of assets, and market making. As such, it noted that central banks have to adopt strong regulations to protect the traditional financial system and that banks need to implement prudent risk management practices to reduce risks that arise from the increased use of the crypto-assets by retail and institutional participants. Also, it said that banks are experimenting with loans that are secured by crypto-assets with the proliferation of digital asset custodians.
Source: Moody's Investors Service

UAE

Ratings on seven banks affirmed

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of First Abu Dhabi Bank (FAB) at 'AA-', the ratings of Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB), Abu Dhabi Islamic Bank (ADIB) and HSBC Bank Middle East (HBME) at 'A+', and the IDRs of Dubai Islamic Bank (DIB) and Mashreqbank (Mashreq) at 'A'. Also, it affirmed the short-term IDRs of FAB and HBME at 'F1+' and the short-term ratings of ENBD, ADCB, ADIB, DIB, and Mashreq at 'F1'. It maintained the outlook on the long-term IDRs of the banks at 'stable'. It indicated that the banks' ratings benefit from a very high probability of government support in case of need, except for HBME, which is supported by its parent company HSBC holdings. In parallel, Fitch affirmed the Viability Rating (VR) of FAB at 'a-', the rating of HBME at 'bbb', the VRs of ENBD, ADCB, DIB, and Mashreq at 'bb+', and the rating of ADIB at 'bb'. It noted that the banks' ratings are supported by their sound funding and robust liquidity positions. It said that the ratings of FAB, ENBD, ADCB, ADIB, HBME, and Mashreq are underpinned by their strong domestic franchise. It noted that the ratings of ENBD, ADIB, HBME, and DIB take into account their adequate capital ratios, while the ratings of ENBD, ADIB and DIB are supported by their healthy profitability metrics, and the rating of HBME reflects the bank's recovering profitability and stabilizing loan quality. It added that weak asset quality is weighing on the ratings of ADCB, ADIB, Mashreq, and DIB. It said that the rating of Mashreq balances its sound risk profile against its volatile profitability, while the rating of ADIB is constrained by the bank's low coverage of impaired financing and sizeable balance-sheet concentrations.
Source: Fitch Ratings

JORDAN

Private sector lending up 7.5% in first nine months of 2022

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD63.1bn, or $89bn, at the end of September 2022, constituting increases of 3.4% in the first nine months of the year and of 6.4% from end-September 2021. Claims on the resident private sector grew by 7.5% from the end of 2021 to JD29.6bn and credit to the non-resident private sector declined by 5% to JD653m, leading to an expansion of 7.2% in overall private sector credit facilities in the first nine months of 2022. Lending to the resident private sector accounted for 46.9% of total assets at end-September 2022, relative to 46.1% a year earlier. In parallel, resident private sector deposits reached JD32.8bn at end-September 2022 and increased by 5.8% from JD31bn at end-2021 and by 8.2% from JD30.3bn at end-September 2021; while non-resident private sector deposits stood at JD5.4bn, up by 3.4% in the first nine months of the year and by 8.2% from end-September 2021. Also, the government's deposits totaled JD1.1bn and those of public non-financial institutions reached JD305.7m at end-September 2022, while claims on the public sector accounted for 24% of total assets compared to 23% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.2bn, or $10.1bn, at the end of September 2022 and declined by 1.7% from end-2021; while capital accounts and allowances stood at JD9.2bn, or $13bn, and increased by 1.6% in the first nine months of 2022. Also, deposits at foreign banks reached JD3.4bn, or $4.8bn, at end-September 2022, and decreased by 23.5% in the first nine months of 2022; while the sector's foreign liabilities stood at $14.6bn at end-September 2022.
Source: Central Bank of Jordan

NIGERIA

Banks' capital resilient to currency depreciation

Fitch Ratings considered that the elevated capitalization level of Nigerian banks provides buffers against foreign-currency and asset quality risks, given the banks' long net foreign currency positions and low foreign currency-denominated risk-weighted assets. However, it considered that macroeconomic pressures and a material depreciation of the Nigerian naira could create difficulties for several banks to comply with the Basel III capital requirements. But it indicated that banks have become less exposed to the depreciation of the naira, as they reduced their lending in foreign currencies since 2016. It pointed out that the banks' loan book in foreign currency accounted for 8% of the sector's assets at the end of 2021, given that banks extended foreign currency-denominated loans only to borrowers whose revenues are in foreign currency. It added that banks have tightened their underwriting standards, which limits the impact of non-performing loans on their asset quality. Further, it expected high oil prices to support the banks' asset quality, given their large exposure to the oil sector. However, it anticipated high inflation and interest rates to put pressure on the asset quality of banks in 2023, but estimated that the deterioration will be moderate due to the banks' low exposure to retail customers.In parallel, it pointed out that the shortages of US dollars in Nigeria are constraining the banks' foreign currency liquidity.
Source: Fitch Ratings

Oil prices to average $93.1 p/b in fourth quarter of 2022

ICE Brent crude oil front-month prices reached $92.7 per barrel (p/b) on November 9, 2022, constituting a decrease of 3.7% from $96.2 p/b a week earlier, mainly due to the more-than-expected increase in U.S. crude stockpiles and on concerns that a rebound in COVID-19 cases in China would dampen the demand for oil. In parallel, the U.S. Energy Information Administration (EIA) expected crude oil production from OPEC members to decrease from an average of 29.2 million barrels per day (b/d) in the third quarter of 2022 to 28.6 million b/d in the fourth quarter of this year, and anticipated that Kuwait, Saudi Arabia and the UAE will account for most of the production cuts. Also, it projected Russia's total production of liquid hydrocarbons to decline from an average of 10.9 million b/d in the third quarter to 10.8 million b/d in the fourth quarter of 2022, and to an average of 9.3 million b/d in 2023. It indicated that its forecast is subject to significant uncertainties about the impact of the upcoming European Union's sanctions on Russian crude oil and petroleum products, and the ability for oil suppliers in Russia to find alternative shipping arrangements and buyers. Further, it considered that deteriorating global economic conditions would weigh on oil prices, while supply disruptions resulting from the EU's bans on Russian exports and elevated global oil consumption would support oil prices in the near term. In addition, it projected oil prices to average $93.1 p/b in the fourth quarter and $102.1 p/b in full year 2022.
Source: EIA, Refinitiv, Byblos Research

Iraq's oil exports receipts at $9.26bn in October 2022

Preliminary figures from the Iraq Ministry of Oil show that the exports of crude oil from Iraq totaled 104.83 million barrels in October 2022, up by 6% from 98.8 million barrels in September 2022. They averaged 3.4 million barrels per day (b/d) in October compared to 3.3 million barrels (b/d) in September. Oil exports from the central and southern fields amounted to 102.7 million barrels in October, while shipments from the Kirkuk fields totaled 2.4 million barrels. Oil export receipts stood at $9.26bn in October compared to $8.85bn in September 2022 and to $7.66bn in October 2021.
Source: Iraq Ministry of Oil, Byblos Research

Middle East demand for gold jewelry up 21% in first nine months of 2022

Demand for gold jewelry in the Middle East totaled 143.9 tons in the first nine months of 2022, constituting an increase of 20.5% from 119.4 tons in the same period of 2021, and accounted for 11% of global demand for jewelry. Demand for gold jewelry in the UAE reached 36.4 tons in the covered period, representing 25.3% of the region's consumption. Saudi Arabia followed with 28.6 tons (20%), then Egypt with 24.8 tons (17.2%), Iran with 23.4 tons (16.2%), and Kuwait with 10.8 tons (7.5%).
Source: World Gold Council, Byblos Research

MENA's natural gas exports up by 3% in 2022

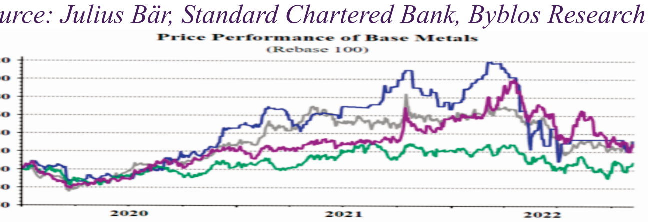
The International Monetary Fund projected natural gas exports from the Middle East & North Africa region to average 5.24 million barrels of oil equivalent per day (boe/d) in 2022, constituting a rise of 2.9% from 5.09 million boe/d in 2021. On a country basis, it estimated Qatar's natural gas exports at 2.62 million boe/d in 2022, accounting for 50% of the region's gas exports, followed by Algeria with 1.27 million boe/d (24.2%), the UAE with 0.5 million boe/d (9.5%), and Oman with 0.27 million boe/d (5.2%).
Source: International Monetary Fund, Byblos Research

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

LME copper cash prices averaged $8,914.8 per ton in the year-to-November 9, 2022 period, constituting a decrease of 3.8% from an average of $9,267.6 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 $8,114.3 per ton on November 9, 2022 from an all-time high of $11,299.5 a ton on October 18, 2021, due mainly to the tightening of global monetary policy and the ongoing COVID-19-related lockdown measures in China. In parallel, the latest available figures from the International Copper Study Group show that global demand for refined copper was 17.13 million tons in the first eight months of 2022, up by 2.7% from the same period of 2021, due to an increase of 3.8% in Chinese demand, given that China is the world's largest consumer of the metal, and a growth of 1.5% in global demand for refined copper excluding China. In parallel, global refined copper production reached 16.83 million tons in the first eight months of 2022, constituting an increase of 2% from 16.5 million tons in the same period last year, as higher output from China and the Democratic Republic of the Congo was partially offset by lower production in Chile. In parallel, Citi Research projected LME copper prices to average $7,000 per ton in the fourth quarter of 2022 and $8,570 a ton in full year 2022.
Source: ICSG, Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,650 per ounce in next three months

Gold prices averaged $1,806 per troy ounce in the year-to-November 9, 2022 period, constituting an increase of 0.4% from an average of $1,798.1 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 $1,716.6 an ounce on November 9, 2022 due to the tightening of monetary policy by several central banks around the world. In parallel, in its base case scenario, Julius Bär considered that gold prices would increase in the near term, in case the United States avoids a recession, if high inflation rates persist, and if the U.S. Federal Reserve eases its monetary policy. As such, it noted that the demand for gold would increase, mainly from safe-haven seekers. However, it indicated that further tightening of monetary policy by the U.S. Federal Reserve would continue to weigh on gold prices. In addition, Standard Chartered Bank indicated that the recent decline in gold-backed exchange-traded funds flows is weighing on gold prices. It pointed out that China's imports of gold have increased in recent months, but considered that the relaxation of China's zero-COVID-19 policy could decrease the interest of safe-haven investors to buy gold in the near term, given that China is the world's largest consumer of the metal. Further, Julius Bär forecast gold prices to average $1,650 per ounce in the next three months and to average $1,600 per ounce in the next 12 months.
Source: Julius Bär, Standard Chartered Bank, Byblos Research



Source: Refinitiv Datastream, 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	Positive	Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+								
	Stable	Negative	Negative	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	Positive	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-	Caa1	CCC+	-								
	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	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	6.75	08-Nov-22	Raised 50bps	10-Jan-23
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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