700 ISSUES+
Issue 739 | November 17, 2022

BYBLOS BANK SAL
Economic Research & Analysis Department

# COUNTRY RISK WEEKLY BULLETIN

## NEWS HEADLINES

### WORLD

#### Nearly 45% of rated sovereigns have investment grade rating

Moody's Investors Service indicated that 64 sovereigns, or 44% of the 145 sovereigns that it rates, had an investment grade rating as at mid-November 2022, while 80 sovereigns (55% of the total) had a non-investment grade rating, in addition to one sovereign (1%) that had its rating withdrawn. It said that 24% of the sovereigns that it rates were in the 'B' rating category, 13.8% stood in the 'Ba' segment, 13% of sovereigns came in the 'Baa' classification, 12.4% were in the 'A' group and in the 'Caa' category each, 10.3% stood in the 'Aa' segment, 8.3% came in the 'Aaa' classification, and 4.8% were in the 'Ca/C' group. It pointed out that 73% of sovereigns that it reviewed carried a 'stable' outlook on their ratings in the covered period, 16% had a 'negative' outlook, 8% carried a 'positive' outlook on their ratings, and 2% of sovereigns had their 'ratings under review'. Further, it noted that it took 108 rating actions on sovereigns in the year-to-mid November period that consist of one sovereign rating action in January, eight in February, 17 in March, 16 in April, nine in May, 13 in June, nine in July, seven in August, 10 in September, 14 in October, and four in November. In parallel, it affirmed the ratings of 37 sovereigns, which account for 34% of rating actions in the covered period, while it downgraded the ratings of 23 sovereigns (21% of the total) and upgraded the ratings of five sovereigns (5%). Also, it said that it put 5% of rated sovereigns on review for downgrade, while it placed 1% of them on review for upgrade. It added that it changed the outlook to 'positive' on 19% of the sovereigns and revised the outlook to negative on 15% of them.

*Source: Moody's Investors Service*

#### Youth unemployment rate projected at 15% in 2022

The International Labor Organization expected global youth unemployment to reach 73 million individuals in 2022, which would constitute a decrease of 2.8% from 75.1 million unemployed youth in 2021. As such, it forecast the youth unemployment rate to decline from 15.6% in 2021 to 14.9% in 2022. It expected lower-middle income countries (LMICs) to have 34.8 million young unemployed persons in 2022 and to account for 47.7% of total youth unemployment, followed by 24.3 million individuals in upper-middle income economies (UMICs) (33.3% of the total), and 6.9 million persons in low income and high income economies each (9.5% each). As a result, it projected the youth unemployment rate at 17% in LMICs this year, at 16.1% in UMICs, at 11% in high-income economies, and at 9.8% in low-income economies. Also, it forecast the youth unemployment rate at 29.2% in North Africa this year, at 24.8% in Arab countries, at 20.9% in South Asia, at 20.5% in Latin America & the Caribbean, at 19.6% in Central & Western Asia, at 15.3% in Northern, Southern & Western Europe, at 14.9% in Eastern Europe, at 11.3% in Sub-Saharan Africa, at 11% in South-Eastern Asia & the Pacific, at 10.5% in East Asia, and at 8.3% in North America. In parallel, it expected the youth employment deficit to reach -4.5% globally in 2022 compared to -5.9% in 2021. It defines the employment deficit in 2022 as the cumulative difference between employment growth and population growth between 2019 and 2022.

*Source: International Labor Organization*

### MENA

#### Level of economic freedom varies in Arab world

The Fraser Institute indicated that Bahrain ranked in 39th place among 165 countries worldwide and in first place among 19 Arab countries on its Index of Economic Freedom for 2022. Jordan followed in 46th place, then the UAE (53rd), Qatar (76th), and Saudi Arabia (87th) as the five countries with the highest level of economic freedom in the Arab world, while Lebanon (154th), Algeria (157th), Libya (160th), Syria (162nd) and Sudan (164th) had the lowest level of economic freedom in the region. The index evaluates individual economies on the basis of 42 variables that are divided into five broad factors of economic freedom that measure the Size of Government, Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. The Arab countries' average score stood at 6.08 points in 2022, compared to 6.12 points in 2021, and came lower than the global average score of 6.8 points. The average score of Gulf Cooperation Council (GCC) countries was 7 points, while the average of non-GCC Arab countries stood at 5.7 points. Also, the region's average score was lower than the average scores of North America (7.9 points), Europe & Central Asia (7.4 points), East Asia & the Pacific (7.1 points), Latin America & the Caribbean (6.7 points), South Asia (6.4 points), and Sub-Saharan Africa (6.2 points). Further, the rankings of 11 Arab countries improved, six regressed and two were unchanged from the 2021 index, while the scores of seven Arab countries improved and 12 declined from the previous survey. Jordan ranked first on each of the Access to Sound Money and the Regulation of Credit, Labor & Business categories. Also, Bahrain came in first place on the Freedom to Trade Internationally category, while the UAE ranked first on the Legal System & Property Rights category.

*Source: Fraser Institute, Byblos Research*

### OMAN

#### Profits of listed companies up 2% to $859m in first half of 2022

The cumulative net profits of 80 companies listed on the Muscat Securities Market totaled OMR330.8m, or $859.2m, in the first half of 2022, constituting an increase of 1.8% from OMR324.8m, or $843.7m in the same period of 2021. Earnings stood at OMR119.6m or $310.6m in the first quarter and at OMR180.3m or $468.4m in the second quarter of 2022. Listed financial companies generated net profits of $591.2m and accounted for 68.8% of aggregate net earnings in the covered period. Services firms followed with $227.5m (26.5%), and industrial companies with $40.8m (4.7%). Further, the net earnings of industrial firms rose by 11.3% in the first half of 2022 from the same period last year, followed by the net profits of financial companies (+4.8%). In contrast, the earnings of services firms regressed by 6.4% in the first half of 2022 from the same period of 2021.

*Source: KAMCO*

# OUTLOOK

## WORLD

### Challenging outlook for global financial stability

The Financial Stability Board (FSB) anticipated that higher inflation rates worldwide, weaker growth, and tighter global financial conditions could result in the materialization of pre-existing financial vulnerabilities or give rise to new ones in the global financial system. It indicated that, so far, global financial markets have faced the evolving economic conditions and high volatility in an orderly way, with limited and temporary support from authorities when necessary, and noted that systemic financial institutions have shown resilience to market strains, due in large part to the financial reforms introduced by the Group of 20 economies. However, it considered that policy space is limited in many jurisdictions and that the financial buffers of firms and households have declined. As a result, it considered that authorities worldwide will find it difficult to intervene in the market should a shock materialize, which further underscores the need to take policy measures to maintain the resilience of the financial system.

In parallel, the FSB identified new shocks that could adversely impact the resilience of the global financial sector. First, it considered that market turbulence could be amplified by the elevated valuations of some assets, forced sales of leveraged positions of non-bank financial institutions, and liquidity mismatches in some types of funds. As such, it expected additional pressures in the commodities, bond and repo markets to spill over to the global financial system. Second, it anticipated that pressures from rising debt servicing costs could arise due to the elevated debt levels across the sovereign, non-financial corporate, and household sectors. Third, it added that emerging market economies face the prospects of capital outflows due to their elevated external debt that is mostly denominated in US dollars.Further, it highlighted the rising risk of negative spillovers from the prospect of an uneven global economic recovery and the importance of policies to contain them.

*Source: Financial Stability Board*

## KUWAIT

### Non-oil sector to grow by 4% in 2022-23 period, outlook contingent on oil prices

The Institute of International Finance projected real GDP growth in Kuwait to accelerate from 2.1% in 2021 to 7.5% in 2022, mainly supported by real growth rates of 11.3% in the oil sector and of 4% in the non-oil economy this year. However, it anticipated Kuwait's oil production to decline in 2023 as a result of the recent OPEC+ agreement, and projected real oil GDP growth to decelerate to 1% next year. Also, it forecast activity in the non-hydrocarbon sector to remain solid and to expand by 3.8% in 2023, and anticipated real GDP growth to decelerate to 2.5% next year. It estimated that Kuwait's real GDP growth rate could exceed 3% in 2023, in case the OPEC+ alliance reverses its output cuts in early 2023. Further, it expected that a decline food prices in 2023 and a less accommodative monetary policy would reduce the inflation rate form 4.1% in 2022 to 3.1% in 2023.

In parallel, it projected the fiscal surplus, including investment income, to increase from 4.7% of GDP in the fiscal year that ended in March 2022 to 13.6% of GDP in FY2022/23, mainly due to higher oil receipts. It considered that authorities need to implement measures to increase non-hydrocarbon revenues to reduce the vulnerability of public finances to lower oil prices. In addition, it forecast the current account surplus to increase from 28% of GDP in 2021 to 37% of GDP in 2023 due to higher oil export receipts. It expected capital outflows from Kuwait in the near- to medium terms to significantly exceed non-resident capital inflows, and for foreign direct investments to be limited by a weak business climate and little opportunities for investors.

Further, the IIF considered that downside risks to the medium-term outlook include further delays in the implementation of capital projects due to political frictions in Parliament, which could negatively affect growth prospects. Also, it anticipated that lower-than-projected oil prices beyond 2023 and the slower implementation of reforms may lead to weaker consumer confidence, a protracted period of wide fiscal deficits, and weaker private investments. Still, it considered that Kuwait is well positioned to withstand lower oil prices, as it estimated the stock of public foreign assets at about $680bn, equivalent to 400% of GDP.

*Source: Institute of International Finance*

## JORDAN

### Outlook subject to balancing debt sustainability needs with economic support

The International Monetary Fund (IMF) projected real GDP growth in Jordan at 2.7% in 2022, constituting an upward revision from a previous growth forecast of 2.4% for the year, due to higher tourist arrivals and positive spillovers from Gulf Cooperation Council countries. It expected real GDP growth to reach 3% in the medium term, but considered that weaker global economic activity constitutes a downside risk to the outlook. In addition, it anticipated that the Central Bank of Jordan will continue to implement the necessary monetary policy adjustments in response to the actions of the U.S. Federal Reserve.

In parallel, the IMF projected Jordan's primary fiscal deficit, excluding grants, to narrow by 0.7 percentage points to 3.7% of GDP in 2022, as it expected a rationalization of non-priority public spending and better-than-anticipated public revenues to offset larger-than-expected fuel and food subsidy costs. It indicated that the authorities' fiscal reforms will continue to focus on broadening the tax base and strenghtening the governance of fiscal policy in order to attract investments, among other initiatives. It also welcomed the authorities' efforts to phase out untargeted fuel price subsidies, and to support the vulnerable segments of the population through additional cash transfers. In addition, it said that the government is targeting a primary fiscal deficit, excluding grants, of 2.9% of GDP in 2023, and aims to balance debt sustainability needs and its support of the economic recovery, against the backdrop of extraordinary external pressures. It added that the authorities have reemphasized their commitment to reduce the public debt level to 80% of GDP by the end of 2027. Further, it pointed out that the electricity sector faces significant financial challenges due to higher global oil and gas prices. In parallel, it forecast the current account deficit at 7.8% of GDP in 2022, which is wider-than-expected, as it anticipated that a higher food and fuel import bill will offset the stronger-than-expected rebound in tourism and export receipts.

*Source: International Monetary Fund*

# ECONOMY & TRADE

## NIGERIA

### Sovereign ratings downgraded on deteriorating external liquidity

Fitch Ratings downgraded Nigeria's long-term local and foreign currency Issuer Default Ratings (IDRs) and Country Ceiling from 'B' to 'B-', which is six notches below investment grade, and maintained the outlook at 'stable' on the long-term ratings. Also, it affirmed Nigeria's short-term local and foreign currency IDRs at 'B'. It attributed the downgrades to elevated debt servicing costs and deteriorating external liquidity. Further, it expected foreign currency reserves to decrease from $40.2bn at end-2021 to $36.3bn at the end of 2022, and to continue to decline in the 2023-2024 period. It said that the depreciation of the naira in the parallel market has contributed to lower portfolio inflows and will continue to put pressure on external liquidity. In addition, it indicated that the government will have to pay $2.4bn in 2023 and $2.7bn in 2024 in external debt servicing from its foreign currency reserves and new external borrowing. Also, it noted that the government claimed that it does not intend to seek a debt restructuring in the near-term. In parallel, the agency considered that it could upgrade the ratings in case of a durable recovery in foreign currency reserves or sustained current account surpluses, and/or in case of a structural improvements in public finances or a stronger mobilization of domestic non-oil revenues. In contrast, it added that it could downgrade the ratings if downward pressure on foreign currency reserves persists, if oil prices decrease, and/or if authorities do not meet debt servicing costs.

*Source: Fitch Ratings*

## DEM REP CONGO

### Sovereign rating upgraded on improving public finance management and external position

Moody's Investors Service upgraded the long-term local and foreign currency issuer rating of the Democratic Republic of Congo (DRC) from 'Caa1' to 'B3', and revised the outlook from 'positive' to 'stable' on the long-term ratings. It attributed the upgrade to institutional improvements, mainly in public finance management, which strengthen the country's economic and fiscal positions and that the International Monetary Fund (IMF) program supports. It added that the upgrade reflects the country's strong external position, given that foreign currency reserves increased from $710m at the end of 2020 to $4.4bn at the end of August 2022, and anticipated them to exceed $6bn by 2025, supported by slight current account surpluses in the 2022-2025 period. It noted that the ratings are constrained by the country's very low GDP per capita, low competitiveness, still-weak institutions and a deteriorating political risk environment, as well as by its very limited domestic financing capacity and reliance on external concessional funding. In parallel, it indicated that the 'stable' outlook reflects the DRC's potential for improving its credit fundamentals if structural reforms continue. Further, it said that it could upgrade the ratings if the ongoing implementation of structural reforms that the IMF supports lead to stronger institutions and higher economic shock-absorption capacity, and/or if the current period of favorable economic conditions and commodity prices supports the country's financial buffers. In contrast, it said that it could downgrade the ratings if the implementation of structural reforms and the anticipated improvements in credit fundamentals do not materialize.

*Source: Moody's Investors Service*

## ARMENIA

### Real GDP to grow by 5.6% in 2022-23 period

The Institute of International Finance projected real GDP growth in Armenia to decelerate from 7.4% in 2022 to 3.7% in 2023, relative to a growth rate of 5.7% in 2021. It forecast the country's nominal GDP to increase from $13.9bn in 2021 to $18.6bn in 2022 and $21bn in 2023. It indicated that Armenia's real GDP grew by 11% in the first half of 2022, driven by an influx of Russian nationals and businesses, which supported the tourism, finance, and information technology sectors. Further, it expected the inflation rate in the country to reach 8.7% in 2022 due to strong domestic demand, supply constraints, and an increase in global food and energy prices, but it anticipated the rate to regress to 5.6% in 2023. Also, it forecast the fiscal deficit to narrow from 4.4% in 2021 to 1.3% in 2022 and 1.6% in 2023, supported by strong revenue collection from robust economic activity and the rationalization of public spending. It expected the public debt level to decline from 60.3% of GDP at end-2021 to 53% of GDP at end-2022 and 50% of GDP by 2023. Also, it noted that substantial capital inflows from Russia and the increase in tourism receipts have offset the widening trade deficit so far. But it indicated that higher imports will widen the current account deficit from 5.1% in in 2022 to 5.5% in 2023. It anticipated the country's gross external debt to decline from 100% of GDP at end-2021 to 81% of GDP at end-2022 and to 81.8% of GDP at end-2023. Also, it forecast Armenia's gross foreign currency reserves to reach $4.7bn, or 5.8 months of import coverage at end-2022, and $6.1bn or 6.8 months of imports at end-2023. In parallel, it pointed out that the main downside risk to the outlook for 2023 is the escalation of tensions between Armenia and Azerbaijan.

*Source: Institute of International Finance*

## MAURITANIA

### Economic outlook facing external headwinds

The International Monetary Fund expected Mauritania's economic growth to reach 5.3% in 2022, driven mainly by the recovery in the mining, agriculture, and fisheries sectors. It forecast the inflation rate in the country to stabilize at 11% in the near term as a result of tight monetary policy. Also, it projected the primary balance to shift from a surplus of 0.8% of GDP in 2021 to a deficit of 2.2% of GDP in 2022, and expected the external public debt to remain stable at 43% of GDP at end-2022. It considered that global developments could weaken exports and reduce revenues from the extractive industry, which would result in further increases in the import bill and in the worsening of the balance of payments that, in turn, would exert pressure on international reserves and on the fiscal outlook. In parallel, it indicated that the authorities' economic reform program that the IMF supports aims to maintain fiscal sustainability, to gradually reduce the public debt level, to decrease the volatility of revenues from the extractive industry, and to protect social spending. It noted that the implementation of reforms would strengthen the monetary and foreign exchange policy frameworks, develop the money and foreign exchange markets, and ensure that the economy is more resilient to external shocks. But it considered that the outlook is uncertain and subject to downside risks, as tensions in the Sahel region, spillovers from Russia's war on Ukraine, and the global slowdown have intensified Mauritania's economic challenges.

*Source: International Monetary Fund*

## JORDAN

### Construction and general trade account for 40% of lending at end-September 2022

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD32.3bn, or $45.6bn at the end of September 2022, constituting increases of 7.7% from JD30bn ($42.4bn) at end-2021 and of 8% from JD30bn ($42.2bn) at the end of September 2021. Loans in foreign currency represented 13.3% of the total at the end of September 2022 relative to 12% a year earlier. The resident private sector accounted for 89.2% of total credit at the end of September 2022 relative to 89% at the end of September 2021, followed by the central government with 5.8% compared to 6.2% a year earlier; public entities with 2.7%, the non-resident private sector with 2%, and financial institutions with 0.3%. Also, the distribution of credit by main sectors shows that construction represented JD8.2bn or 25.3% of the total at the end of September 2022 relative to 26% a year earlier, followed by public services & utilities accounted with JD5bn (15.4%), general trade with JD4.8bn (14.7%), industry with JD3.9bn (12.1%), financial services with JD789.7m (2.4%), tourism, hotels & restaurants with JD691.7m (2%), agriculture with JD511.3m (1.6%), transportation with JD377m (1.2%), and mining with JD173.3m (0.5%). In parallel, loans & advances reached JD20.3bn at the end of September 2022, followed by receivables of Islamic banks with JD8.6bn, overdrafts with JD2.8bn, credit cards with JD281.3m, and discounted bills with JD271m.

*Source: Central Bank of Jordan*

## QATAR

### Banks reducing reliance on external funding

S&P Global Ratings indicated that the banking sector in Qatar carries a significant net external debt position, as banks rely heavily on external funding. But it pointed out that non-resident deposits dropped by $19.5bn, or by 25%, as at the end of August 2022, due to lower liquidity globally, and because the Qatar Central Bank (QCB) has revised regulations to reduce external funding. It noted that resident deposits have offset the drop in non-resident deposits, as the former increased by $19.2bn, with 60% coming from the public sector and 40% from the private sector. In addition, it expected credit growth to stagnate in 2022, as contractors have delivered the projects related to the 2022 FIFA World Cup and the government has not launched significant new projects. But it expected lending to accelerate slightly in the near term, driven by the increase in personal and working capital loans, as well as in investments. It pointed out that the loans-to-deposits ratio regressed from 109.7% in 2021 to 108.9% in 2022 but was still the highest among GCC peers. Also, it said that the non-performing loans (NPLs) ratio at Qatari banks reached 3% at the end of June 2022, the third lowest ratio among Gulf Cooperation Council (GCC) countries, after Kuwait with 1.5% and Saudi Arabia with 1.8%. It added that loan-loss provisions stood at 148.6% of aggregate NPLs at Qatari banks at end-June 2022, the third highest in the GGC, after Kuwait with 297.2% of total NPLs and Saudi Arabia with 168.4% of aggregate NPLs. In parallel, it noted that the cost of risk at Qatari banks have been stable so far, as banks have managed well their profitability and their exposure to Egypt and Türkiye.

*Source: S&P Global Ratings*

## OMAN

### Capital adequacy and liquidity coverage above regulatory requirements

The International Monetary Fund (IMF) considered that the banking sector in Oman has weathered the recent macroeconomic shocks due to the banks' strong financial metrics. It indicated that the banking sector's capital adequacy ratios was 18.6% and the liquidity coverage ratio was 189.6% at end-June 2022, well above regulatory requirements. Also, it noted that the sector's non-performing loans (NPLs) ratio was relatively stable at 4.3% at end-June 2022, with provisioning exceeding 113% of NPLs. Also, it indicated that private sector credit growth remained subdued at 2.3% annually at end-June 2022, reflecting weaker credit demand in sectors that were hit hard by the COVID-19 pandemic. However, it pointed out that claims on the government and state-owned enterprises increased by 7.6% and 14.4%, in the 12 months ending June 2022, while their deposits expanded by 13.2% and 32.6%, respectively. Further, it stated that the banks' profitability improved slightly, as the sector's return on assets increased from 1.1% in 2021 to 1.3% in the first half of 2022 on an annual basis. In addition, it noted that the banks' ample liquidity buffers and high share of non-interest-bearing deposits, which represented 36% of total deposits at end-June 2022, make banks less sensitive to changes in global financing conditions despite their negative net foreign assets position. In parallel, the IMF called on the Central Bank of Oman to closely monitor the banks' asset quality and to step up efforts to strengthen regulatory frameworks, despite low risks in the financial system. It stressed the importance of restoring prudential rules to pre-pandemic levels and of enacting a new banking law that would align the legislation with international best practices.

*Source: International Monetary Fund*

## TÜRKIYE

### Banks' refinancing risks on the rise

Fitch Ratings indicated that the refinancing risks of Turkish banks have recently increased, as macroeconomic imbalances have risen. It indicated that the unorthodox policy framework of the Central Bank of the Republic of Türkiye (CBRT) and heightened market volatility could affect the banks' access to international funding sources or cause deposits outflows. Further, it noted that the external debt of Turkish banks was $125bn at end-June 2022, despite a reduction in the banks' customer lending in foreign currency as well as the banks' risk aversion. Also, it pointed out that the sector's short-term external foreign-currency borrowings increased from $80bn at end-2021 to $83bn at end-June 2022, and accounted for 66% of total external debt. In addition, it indicated that the foreign currency liquidity of banks of about $90bn is sufficient to cover a short-lived market closure and moderate foreign-currency deposit outflows. It estimated that about 50% of the banks' foreign-currency liquidity consists of placements with the CBRT and almost 25% represents unpledged Turkish sovereign Eurobonds. However, it considered that the banks' foreign-currency liquidity could quickly come under pressure in case of adverse market developments, which raises the risk of government intervention in the banking sector. In parallel, it said that the banks' ratings reflect their vulnerable foreign-currency liquidity positions and the country's weak external finances.

*Source: Fitch Ratings*

# ENERGY / COMMODITIES

## Oil prices to average $95 p/b in fourth quarter of 2022

ICE Brent crude oil front-month prices reached $92.9 per barrel (p/b) on November 16, 2022, constituting a decrease of 6% from a high of $98.6 p/b on November 4, due to the decrease in oil demand from China and the resumption of Russian oil shipments to Hungary through the Druzhba pipeline. In parallel, the International Energy Agency expected the demand for oil to decline from 2.1 million barrels per day (b/d) in 2022 to 1.6 million b/d in 2023, due to rising economic headwinds. It considered that a deteriorating economic outlook, China's persistently weak economy, the energy crisis in Europe, and a strong US dollar will weigh heavily on oil consumption. Also, it said that oil markets will remain well balanced going into the winter months, with the total oil inventories in OECD countries declining to less than 4,000 million barrels, the lowest level since 2004. But it indicated that the upcoming European Union's embargo on Russian crude oil and petroleum products, as well as the ban on Russian maritime services, will add further pressure on global oil balances and on already tight diesel markets. Also, it indicated that the Group of Seven nations' imposition of a price cap on Russian oil exports may help alleviate pressures on oil supply, but considered that the outlook on oil markets is subject to high levels of uncertainties. Further, Standard Chartered Bank projected oil prices to average $95 p/b in the fourth quarter and $103 p/b in full year 2022.
*Source: International Energy Agency, Standard Chartered Bank, Refinitiv, Byblos Research*

## OPEC's oil basket price down 2% in October 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $93.62 per barrel (p/b) in October 2022, constituting a decrease of 1.8% from $95.32 p/b in September 2022. The price of Saudi Arabia's Arab Light was $96.2 p/b, followed by Algeria's Sahara blend at $95.66 p/b, and Angola's Girassol at $95.61 p/b. Six prices in the OPEC basket posted monthly decreases of between $0.71 p/b and $3.97 p/b in October 2022, while seven prices in the OPEC basket posted monthly increases of between $1.09 p/b and $3.44 p/b.
*Source:OPEC*

## Middle East demand for gold bars and coins up 49% in first nine months of 2022

Net demand for gold bars and coins in the Middle East totaled 58.4 tons in the first nine months of 2022, constituting a rise of 48.8% from 39.9 tons of gold bars and coins in the covered period. Demand for gold bars and coins in Iran reached 31.5 tons and accounted for 54% of the region's total demand in the first nine months of 2022. Saudi Arabia followed with 8.7 tons (15%), then the UAE with 6.8 tons (11.7%), Kuwait with 3.3 tons (5.7%), and Egypt with 3.1 tons (5.3%), while other countries reached 5 tons (8.6%).
*Source: World Gold Council, Byblos Research*

## MENA's oil production to grow by 11% in 2022

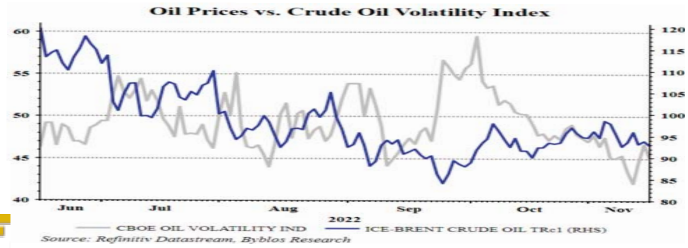
The International Monetary Fund projected oil production in the MENA region to average 27.2 million barrels per day (b/d) in 2022, which would constitute an increase of 10.7% from 24.6 million b/d in 2021. Oil production in the Gulf Cooperation Council countries would account for 67% of the region's oil output this year. On a country basis, Saudi Arabia's oil production is projected at 10.62 million b/d in 2022, equivalent to 39% of the region's oil output, followed by Iraq at 4.49 million b/d (16.5%), and the UAE at 3.08 million b/d (11.3%).
*Source: International Monetary Fund, Byblos Research*

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

The LME cash prices of zinc averaged $3,544.8 per ton in the year-to-November 16, 2022 period, constituting a surge of 20% from an average of $2,951.3 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 the war in Ukraine, to $3,061.5 per ton on November 16, 2022. In parallel, the International Lead and Zinc Study Group (ILZSG) estimated the global demand for refined zinc at 13.8 million tons in 2022, which would constitute a decrease of 1.9% from 14.1 million tons in 2021, due to the decreases in demand for the metal from China, France, Italy, Japan, Russia, South Korea, Türkiye and Ukraine, which was largely offset by higher demand in Mexico, Saudi Arabia, South Africa, Taiwan and the United States. Also, it projected global demand for refined zinc to expand by 1.5% to 14 million tons in 2023, as it anticipated demand for the metal to grow in China, India, Japan, Mexico, and South Korea, and to be unchanged in Europe and the U.S. Further, it forecast global zinc mine production at 12.68 million tons in 2022, which would represent a decrease of 0.9% from 2021 due to decreases in mining activity in Australia, Burkina Faso, Canada, China, Greece, Ireland, Namibia and Peru, which was partially offset by higher production in India, Pakistan, Portugal, South Africa and the U.S., and forecast it to rise by 2.7% to 13 million tons in 2023. In parallel, Citi Research projected zinc prices to average $3,100 a ton in the fourth quarter and $3,510 a ton in full year 2022.
*Source: ILZSG, Citi Research, Refinitiv, Byblos Research*

## Precious Metals: Silver prices projected to average $19 per ounce in fourth quarter of 2022

Silver prices averaged $21.7 per troy ounce in the year-to-November 16, 2022 period, constituting a decrease of 15% from an average of $25.5 an ounce in the same period last year. The decline in prices was mainly driven by the slowdown in demand for the metal, higher U.S. Treasury yields, a stronger US dollar, and monetary tightening in advanced economies. In parallel, The Silver Institute projected the global supply of silver at 1,030 million ounces in 2022 relative to 997.2 million ounces last year, with mine output representing 81.8% of the total. Further, it forecast demand for the metal at 1,101.8 million ounces in 2022, which would constitute an increase by 5% from 1,049 million ounces in 2021. In addition, Standard Chartered Bank expected demand for silver to increase in the near term, mainly from retail investors. Also, it anticipated the imports of silver to China to increase, despite a recent slowdown in demand, and expected India's imports of the metal to post a record high in the near term. In addition, it forecast silver prices to average to $19.1 an ounce in the fourth quarter of 2022 and $21.2 an ounce in full year 2022.
*Source: The Silver Institute, Standard Chartered Bank, Refinitiv, Byblos Research*



# COUNTRY RISK METRICS

| Countries | 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 | 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- | B3 | - | - | | | | | | | | |
| 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+ 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-23 |
| 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 | 10.00 | 10-Nov-22 | Raised 75bps | 15-Dec-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 |

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

# BYBLOS BANK GROUP

## LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

## IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

## ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

## BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

## UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

## FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

## NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

## ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293