

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt level equivalent to 352% of GDP at end-June 2022

S&P Global Ratings indicated that the level of global debt decreased by three percentage points from 352% of GDP at the end of June 2021 to 349% of GDP at end-June 2022. It noted that global government debt was equivalent to 102% of GDP at end-June 2022, the debt of financial institutions reached 85% of GDP and household debt stood at 64% of GDP, unchanged from end-June 2021; while the debt of non-financial corporates stood at 98% of GDP at end-June 2022 relative to 101% of GDP a year earlier. Further, it pointed out that the debt-to-GDP ratio of non-financial corporates in China was 122% of GDP at end-June 2022, followed by developed markets with 95% of GDP, and emerging markets excluding China with 62% of GDP. Also, it said that corporates in the 'BBB' rating category issued 42% of non-financial corporate debt as at the end of June 2022, followed by firms in the 'A' segment and higher with 25% of the total, companies in the 'B' category and lower with 18%, and corporates in the 'BB' segment with 15%. In parallel, it expected 44% of unrated corporate debt to face high default risks in 2022, 34% of unrated corporate debt to have a moderately high risk of default this year, and anticipated 15% of unrated corporate debt to face a moderately low risk of default in 2022. It expected 10% of such debt to potentially default in 2022 and estimated that 7% of unrated corporate debt will face a low level of default risk in 2022.

Source: S&P Global Ratings

UAE

Earnings of Abu Dhabi firms up 85%, profits of Dubai firms down 5% in first nine months of 2022

The net income of 68 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED78.87bn, or \$21.5bn, in the first nine months of 2022, constituting an increase of 84.6% from AED42.73bn (\$11.6bn) in the same period of 2021. Listed financial institutions generated net profits of \$11.14bn and accounted for 51.8% of the total earnings of publicly-listed firms in the covered period. Telecommunications companies followed with \$2.7bn (12.4%), then industrial firms with \$2.5bn (11.6%), utilities companies with \$1.8bn (8.3%), energy firms with \$1.4bn (6.3%), basic materials firms with \$1.1bn (5%), real estate companies with \$684.2m (3.2%), companies in the discretionary consumers goods segment with \$210m (1%), consumer staples firms with \$64.6m (0.3%), and health care providers with \$11m (0.05%). In parallel, the cumulative net income of 54 companies listed on the Dubai Financial Market that published their financials totaled AED44.33bn (\$12.1bn) in the first nine months of 2022, down by 4.9% from AED46.64bn (\$12.7bn) in the same period of 2021. Listed banks generated net profits of \$6.2bn, or 51% of net earnings in the covered period. Real estate & construction firms followed with \$2.5bn or 20.8% of the total, then consumer staples firms with \$1.7m (14.3%), transportation companies with \$690.2m (5.7%), investment & financial services firms with \$390.2m (3.2%), telecommunications companies with \$254.3m (2.1%), insurers with \$180.6m (1.5%), services providers with \$123.8m (1%), and industrial companies with \$38.9m (0.3%).

Source: KAMCO

MENA

Stock markets down 3% in first 11 months of 2022

Arab stock markets decreased by 3% and Gulf Cooperation Council equity markets regressed by 1% in the first 11 months of 2022, relative to increases of 24% and 25%, respectively, in the same period of 2021. In comparison, global stocks dropped by 16.4% and emerging market equities fell by 19.4% in the first 11 months of 2022. Activity on the Khartoum Stock Exchange jumped by 248% in the first 11 months of 2022; the Beirut Stock Exchange, based on the official stock market index, surged by 190.7%; the Damascus Securities Exchange expanded by 59%, the Abu Dhabi Securities Exchange improved by 24.3%, the Amman Stock Exchange advanced by 17.7%, the Tunis Bourse increased by 14.7%, and the Muscat Securities Market yielded 11.7%. In addition, the Egyptian Exchange appreciated by 11, the Dubai Financial Market gained 4%, the Palestine Exchange and the Bahrain Bourse improved by 3.8% each, the Iraq Stock Exchange grew by 3%, and the Qatar Stock Exchange appreciated by 2.6% in the covered period. In contrast, activity on the Casablanca Stock Exchange dropped by 18.3%, the Boursa Kuwait declined by 4.6%, and the Saudi Stock Exchange regressed by 3.4% in the first 11 months of 2022.

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

Remittance inflows up 2% to \$65.5bn in 2022

The World Bank estimated remittance inflows to Arab countries at \$65.5bn in 2022, constituting an increase of 1.8% from \$64.3bn in 2021, compared to rises of 11.7% in 2021 and of 4.1% in 2020. Further, inflows to Arab countries accounted for 8.2% of global remittance flows and for 10.5% of remittances to developing economies in 2022. The Arab region was the second-smallest recipient among developing markets, behind only Sub-Saharan Africa (\$52.5bn). Also, the increase in remittance inflows to Arab countries in 2022 was the second smallest among developing economies, after only East Asia and the Pacific (+0.5%). In parallel, Egypt was the largest Arab recipient of remittances with \$32.3bn or 49.4% of the total in 2022, followed by Morocco with \$11.4bn (17.4%), Lebanon with \$6.8bn (10.5%), Jordan with \$4.6bn (7%), Palestine with \$3.5bn (5.3%), Tunisia with \$2.1bn (3.2%), Algeria with \$1.8bn (2.8%), Sudan with \$1bn (1.5%), and Qatar and Iraq with \$624m each (1% each); while the remaining five Arab countries received \$562m in remittances, or 0.9% of the total. Remittance inflows to Kuwait increased by 18.2% this year, followed by flows to Lebanon (+7%), to Morocco (+6.5%), to Algeria and Iraq (+4% each), to Palestine (+3%), to Egypt (+2.7%), and Oman (+1%); while remittance inflows to Qatar decreased by 27.3%, followed by flows to Djibouti (-16%), to Jordan and Sudan (-10% each), to Saudi Arabia (-7.5%), to Tunisia (-5%), and to Mauritania (-0.4%). Remittance inflows to Lebanon were equivalent to 37.8% of GDP in 2022, the second highest in the world, followed by Palestine at 18.6% of GDP, Jordan at 9.7% of GDP, Morocco at 8% of GDP, and Egypt at 6.9% of GDP. When excluding Syria, remittance inflows to Arab countries were equivalent to about 1.9% of the region's GDP this year.

Source: World Bank, Byblos Research

POLITICAL RISK OVERVIEW - November 2022

ALGERIA

Algiers doubled the budget of the Ministry of National Defense to \$23bn in 2023, amid growing military ties with Russia. The two countries conducted their first joint military manoeuvres on Algerian territory in the Bechar region near the Moroccan border. Also, President Abdelmadjid Tebboune, who is due to visit Russia in December, is reportedly close to signing with Moscow a military equipment contract that is worth about \$12bn as part of efforts to modernize the Algerian army. In parallel, tensions with Rabat remained high, as Moroccan King Mohammed VI announced that he would not attend the Arab League summit in Algiers, which prompted the two countries to blame each other for the missed opportunity to reconcile.

ARMENIA

Tensions between Armenia and Azerbaijan persisted during November amid renewed clashes along their common border and in the disputed Nagorno-Karabakh province. During the summit of the Organisation Internationale de la Francophonie in Tunisia, Prime Minister Nikol Pashinyan highlighted the importance of strengthening stability and security in the South Caucasus and stressed the need to eliminate the consequences of Azerbaijani aggression against Armenia. Further, PM Pashinyan suggested publicly establishing a demilitarized zone along the border with Azerbaijan after the withdrawal of Azerbaijani forces from the Armenian territory, but Baku did not respond to the suggestion. Also, Azerbaijani President Ilham Aliyev cancelled his December meeting with PM Pashinyan over Armenia's request to involve France in the peace talks with Armenia. In parallel, Yerevan hosted the Russia-led Collective Security Treaty Organization summit in November 2022.

ETHIOPIA

Following a two-year-long conflict in the Tigray region, the federal government and Tigrayan leaders signed a "permanent cessation of hostilities" accord in South Africa under the auspices of the African Union. The agreement follows the federal government's consent to halt its offensive and end the de facto siege of the Tigray region, as well as the Tigrayan leaders' agreement to disarm their forces, dissolve Tigray's administration and restore federal authority in region. The accord received mixed reactions. However, both sides stopped the military offensives, while the deliveries of humanitarian aid began entering the Tigray region, although the World Food Program said that the deliveries are "not matching the needs" in the region. Military commanders also agreed during follow-up talks in Nairobi that the Tigrayan forces would hand over heavy weapons in return for the withdrawal of Eritrean and Amharan troops from Tigray. In parallel, government representatives from Ethiopia and Sudan met several times to resolve the border dispute.

IRAN

Nationwide protests continued into their third month, as clashes persisted with security forces and the latter increased the use of coercive power in Kurdish-majority areas. Human rights groups estimated, by mid-November, that fatalities may exceed 400 individuals, including 50 children. Further, the International Atomic Energy Agency expressed "serious concerns" about the lack of progress in resolving safeguards about past activities at undeclared nuclear sites in Iran. In response, the Iranian government began enriching uranium and promised to install more advanced centrifuges at several sites. In parallel, the United States, the European Union and United Kingdom sanctioned several Iranian individuals over the supply of drones to Russia.

LIBYA

Tensions between Tripoli-based institutions reached new heights, as Libya remained divided into two rival governments with no clear political solution in sight. The High Council of State, an advisory body formed under the 2015 Libyan Political Agreement, held a session to follow up on the initial deal with the eastern-based legislature House of Representatives to work on forming a new unity government. Further, after the Tripoli-based government of National Unity (GNU) signed a deal with Türkiye in October on oil and gas exploration in areas of the Mediterranean sea that are contested by Athens, the Minister of Foreign Affairs of Greece canceled a pre-planned visit to Tripoli. As a result, the GNU recalled its ambassador from Athens and summoned the Greek chargé d'affaires in Tripoli.

SUDAN

In a dialogue that the UN mission in Sudan, the African Union (AU) and the Intergovernmental Authority on Development facilitated, the country's main civilian opposition bloc Forces for Freedom and Change-Central Council reached a "framework agreement" with the military on most critical issues to restore the democratic transition. The two sides also agreed to a second phase of negotiations in order to resolve any outstanding issues and to produce a final deal. In parallel, the AU Special Envoy for Sudan denounced "external interference" from Saudi Arabia, the UAE, the United Kingdom and the United States, whom he accused of publicly supporting the trilateral process while undermining it through a parallel negotiation process. Further, concerns grew over the nationwide resurgence of al-Bashir-era Islamist groups, while the chairman of the Sovereign Council Abdel Fattah al-Burhan suspended the meetings of trade unions in order to curb the Islamists' influence in trade and political activities.

TUNISIA

On November 2, 2022, the electoral commission announced that it approved the candidacy of 1,058 applicants, including 936 males and 122 females, to run in legislative elections scheduled for December 17 of this year. In Zarzis town, security forces used tear gas to disperse demonstrators who called for the renewed search for 18 Tunisian migrants who went missing in Mediterranean Sea in September. On November 13, the European Union granted €100m and on November 19 France announced a €200m loan to Tunisia, following the authorities' agreement with the International Monetary Fund, in order to support the government's budget amid the ongoing economic crisis.

TÜRKIYE

On November 13, 2022, an explosion in a busy street in Istanbul killed six civilians and injured at least 81 individuals, in the first street bombing targeting civilians since 2017. The Turkish government blamed the Kurdistan Workers' Party (PKK) and the People's Protection Units (YPG) for the blast. On November 14, Security forces arrested the alleged bomber and 49 other suspects. Following the bomb attack, Turkish forces conducted airstrikes in northern Syria and Iraq against PKK and YPG targets.

YEMEN

The Huthi rebels asked the Hadi government to use oil and gas revenues to pay civilian and military state employees, and Riyadh expressed willingness to accommodate the request, provided that the Huthis engage in the political process first. In parallel, Huthis attacked oil and gas infrastructure and redeployed troops on front lines. The Chairman of the Presidential Leadership Council urged member countries in the Arab summit that was held on November 2, 2022 to designate the Huthis as a terrorist organization.

Source: International Crisis Group, Newswires

OUTLOOK

IRAQ

Non-oil real GDP growth projected at 3.5% in medium term, outlook tilted to the downside

The International Monetary Fund (IMF) considered that Iraq's economy is gradually recovering amid rising underlying vulnerabilities. It projected real GDP to grow by 8% in 2022, driven mainly by a 12% expansion in oil output and a 3% growth in real non-oil GDP. It expected non-oil real GDP growth to accelerate to 4% in 2023, and to moderate to 3.5% in the medium term. In parallel, it forecast the fiscal and current account balances to post surpluses of 6% of GDP and 11% of GDP, respectively, in 2022, supported by high oil prices. It also projected foreign currency reserves to exceed \$90bn by the end of 2022. But it considered that the fiscal surplus masks the widening of the non-oil fiscal deficit and the economy's dependence on the oil sector, as it estimated that the fiscal breakeven oil price has increased from \$52 per barrel (p/b) in 2019 to \$66 p/b in 2022. In addition, it anticipated that the fiscal and current account surpluses will decrease and turn into deficits by 2025, in case of declining oil prices. It also forecast foreign currency reserves to peak at about \$100bn by the end of 2024 and to rapidly decline over the medium term.

In parallel, the IMF indicated that the outlook is subject to significant downside risks, including a faster-than-anticipated decline in global oil prices that could reignite financing pressures sooner than expected. It added that public finances are vulnerable to the accumulation of losses in the electricity sector and to the depletion of the State Pension Fund. Further, it considered that the authorities' policy priorities should include a sound fiscal framework to address Iraq's economic challenges.

Source: *International Monetary Fund*

OMAN

Non-hydrocarbon sector growth to pick up to 4% in medium term

The International Monetary Fund projected Oman's real GDP growth to accelerate from 3% in 2021 to 4.3% in 2022, supported by increased hydrocarbon production, stepped-up condensate production, and the sustained recovery of non-hydrocarbon economic activity. It anticipated real non-hydrocarbon GDP growth to gradually accelerate from 2.6% in 2022 to 4% in the medium term, in case planned investments and structural reforms materialize. It also forecast overall real GDP growth at 4.1% in 2023 and for economic activity to moderate to 2.7% by 2027, as it projected the expansion in the real hydrocarbon sector to decline from 8.5% in 2022 to 0.4% by 2027. In addition, it anticipated the inflation rate to average 3% in 2022, mainly due to the rebounding economic activity and rising global inflationary pressures, and forecast it to moderate to 2.5% in 2023.

In parallel, it expected the fiscal and external balances to improve significantly in the near term but to moderate in the medium term, as global oil prices continue to decline. It projected the fiscal balance to shift from a deficit of 0.9% of GDP in 2021 to a surplus of 5.3% of GDP in 2022, mainly due to higher oil receipts and the implementation of measures under the authorities' Medium-Term Fiscal Plan that aims to eliminate fiscal deficits. It forecast the fiscal surplus to gradually decline to 1% of GDP by 2027, amid expectations of lower oil prices. It also anticipated the cen-

tral government debt level to decline from 43.7% of GDP at the end of 2022 to 36.8% of GDP by end-2027. It said that the sustainability of the central government's debt has improved due to high oil export receipts and to the authorities' fiscal adjustment, but considered that the debt level remains vulnerable to shocks to the primary fiscal balance, GDP growth rates, as well as to the volatility of the exchange rate and interest rates.

Further, the IMF considered that risks to the outlook are tilted to the downside and include tighter-than-expected global financial conditions, increased inflationary pressures from higher global food and energy prices, more persistent disruption in global supply chains, and pressures to spend the hydrocarbon windfalls.

Source: *International Monetary Fund*

EGYPT

Government's financing needs to remain elevated in 2023

Deutsche Bank projected real GDP growth in Egypt to decelerate from 6.6% in the fiscal year that ended in June 2022 to about 4.8% in FY2022/23, supported by further investments, strong Suez Canal export receipts, and a sustained recovery in the tourism sector. It also expected the recently announced pledges of \$10bn in green funding at the 2022 UN Climate Change Conference (COP27) to further contribute to growth, as it anticipated these funds, if they materialize, to support projects in the water, food, energy, and transport sectors. In addition, it forecast the inflation rate to reach 18% by the end of 2022 and to exceed 22% in the first quarter of 2023. It considered that the medium-term trajectory of the inflation rate is difficult to forecast due to several factors, such as the impact of a potential cut in subsidies on price increases. It also expected the Central Bank of Egypt to continue to increase interest rates in 2023, and considered that the magnitude of the potential hikes will depend on the degree of the currency's devaluation and its impact on the inflation rate.

In parallel, it forecast the fiscal deficit to widen from 6.1% of GDP in FY2021/22 to 7% of GDP in FY2022/23, if a protracted war in Ukraine results in higher global fuel and commodity prices. Further, it projected the current account deficit to narrow from 3.5% of GDP in FY2021/22 to 3.3% of GDP in FY2022/23, in case of higher Suez Canal receipts and tourism revenues, as well as an improvement in the oil trade balance. It also expected the authorities' imposition of import restrictions, in an effort to curb a rising import bill and reduce foreign currency shortages in the country, to help support the external balance. In addition, it anticipated that Egypt's financing needs will remain elevated in 2023. It expected that the IMF-supported program will catalyze \$5bn to \$6bn in inflows from the international community, as well as allow Egypt access to additional funding from the IMF.

Further, it indicated that risks to the outlook include uncertainties about the duration of the war in Ukraine and its implications on wheat prices, tighter external financing conditions, and/or the emergence of new COVID-19 variants. However, it expected that the resilience of Egypt's economic growth, the country's track record of handling external shocks, its commitment to macro-structural reforms under numerous IMF programs, as well as its ability to secure external financing from the international community, will help Egypt weather potential challenges in 2023.

Source: *Deutsche Bank*

ECONOMY & TRADE

SAUDI ARABIA

Budget for 2023 targets surplus of 0.4% of GDP

Regional investment bank EFG Hermes projected Saudi Arabia's real GDP growth at 2.2% in 2023 to reflect the normalization in oil production and high non-oil growth. Also, it forecast non-oil GDP growth at 3.8% in 2023, due to the increase in investment spending by the government. Further, it indicated that the Saudi budget for 2023 targets a surplus of SAR16bn, or \$4.3bn, which would be equivalent to 0.4% of GDP, compared to a surplus of 2.5% of GDP in 2022. It considered that the budget enhances confidence in the government's revenues path, due to elevated oil prices and a strong recovery in economic activity. It estimated that the budget takes into account an average oil price of between \$78 per barrel (p/b) and \$80 p/b, assuming oil production of 10.6 million barrels per day. Also, it pointed out that the government budgeted a much smaller surplus for 2023 compared to the SAR102bn recorded in 2022, as the authorities projected an 8.4% drop in public revenues in 2023 due to the decrease in oil prices. It said that the government forecast a decline of 1.6% in public expenditures next year, due to a decrease of 2.2% in current spending, as the inflation rate decelerates and authorities withdraw some of the government's emergency initiatives. It noted that authorities planned to increase public investments by 4% in 2023, in a sign of the government's commitment to support the economic recovery. In parallel, EFG Hermes projected a fiscal surplus of SAR49bn, or 1.3% of GDP, in 2023, based on an oil price estimate of \$85 for the year. In contrast, Goldman Sachs projected a fiscal deficit of SAR26.3bn, or 0.7% of GDP in 2023, due to elevated public expenditures of about SAR1,213bn, mainly related to spending on the military and security, as well as on the healthcare sector, that will offset revenues of SAR1,187bn.

Source: EFG Hermes, Goldman Sachs

JORDAN

Outlook on sovereign ratings revised to 'positive' on improving budget structure

Capital Intelligence Ratings affirmed Jordan's long-term foreign and local currency ratings at 'B+', which are four notches below investment grade. Also, it revised the outlook from 'stable' to 'positive' on the long-term ratings, and affirmed the country's short-term foreign and local currency ratings at 'B'. It attributed the outlook revision to the authorities' ongoing efforts to increase revenue mobilization and to improve the budget structure, which would help strengthen the fiscal performance in the medium term and help reduce the country's dependence on foreign assistance. Further, it noted that the 'positive' outlook reflects the authorities' record of accomplishment of sound fiscal and monetary policy, which has helped support macroeconomic stability despite a challenging external backdrop. In parallel, it said that the affirmation of the ratings reflects the availability of substantial financial assistance from multilateral lenders and external donors, mainly from the International Monetary Fund and the U.S. But, it pointed out that the ratings are mainly constrained by the elevated public debt level, moderately weak public finances, regional instability risks, and significant socioeconomic challenges. Moreover, it noted that it could upgrade the ratings if the budget deficit narrows, if the government's debt level declines, and/or if the budget structure improves.

Source: Capital Intelligence Ratings

GHANA

Sovereign ratings downgraded on debt restructuring

S&P Global Ratings downgraded Ghana's long-term local currency sovereign credit ratings from 'CCC+' to 'selective default' (SD). It also lowered Ghana's long-term foreign currency sovereign credit ratings from 'CCC+' to 'CC', and maintained the 'negative' outlook on the long-term foreign currency ratings. Further, it affirmed the country's short-term local and foreign currency sovereign credit ratings at 'C', and the Country's Transfer & Convertibility assessment at 'CCC+'. It attributed the downgrade of the local currency rating to its expectations that the country's debt restructuring will not be successful, due to the elevated level and cost of debt denominated in local currency. Further, it added that the downgrade of the foreign currency rating reflects the Ministry of Finance's announcement that it intends to restructure the country's foreign currency debt, which would also be a distressed restructuring under the agency's criteria. It noted that, with the support of the International Monetary Fund, Ghana's debt restructuring would help reduce pressure on foreign currency reserves and on exchange rate fluctuations, as well as stabilize public finances. In parallel, it considered that the outlook reflects the agency's intention to downgrade the long-term foreign currency rating to 'SD' upon the initiation of a debt exchange or transaction. It added that it could downgrade the foreign-currency ratings in case of a debt transaction that it characterizes as distressed.

Source: S&P Global Ratings

BAHRAIN

Non-oil real GDP growth to average 5 % in 2022-23 period

The National Bank of Kuwait indicated that Bahrain's post-pandemic economic recovery has accelerated as a result of higher global oil prices and a robust pick-up in the consumer and hospitality-oriented sectors. It projected real GDP growth to accelerate from 2.2% in 2021 to 5.5% in 2022, mainly supported by a 6.5% expansion in the non-hydrocarbon economy on the back of easing fiscal pressures as well as the government's commitment to its \$30bn Economic Recovery Plan. It anticipated economic activity to remain constrained this year by limited oil output due to capacity restrictions, and projected real oil GDP growth at 1% in 2022. Also, it forecast real GDP growth to decelerate to 3.3% in 2023, as it expected activity in the non-oil sector to grow by 3.5% and for real oil GDP to expand by 2.6% next year. In parallel, it anticipated that a protracted period of elevated global oil and aluminum prices will shift the fiscal balance from a deficit of 6.5% of GDP in 2021 to a surplus of 0.6% of GDP in 2022, two years ahead of the updated Fiscal Balance Program target. However, it anticipated the surplus at 0.1% of GDP in 2023 if oil prices decline next year. It also forecast the public debt level to stabilize next year, but for it to remain a concern for credit rating agencies because of rising interest rates amid limited foreign currency reserves. In addition, it projected the current account surplus to decline from 9.4% of GDP in 2022 to 7.5% of GDP in 2023, in case of lower oil hydrocarbon receipts. It considered that the key downside risk to the economic outlook is a renewed drop in oil prices that would result in further fiscal deficits, spending cuts and a rising public debt level.

Source: National Bank of Kuwait



BANKING

EMERGING MARKETS

Some banking systems face elevated foreign currency risks

Moody's Investors Service indicated that several banking sectors in emerging markets (EM) face risks to their asset quality, liquidity and capital from their substantial exposure to the volatility of exchange rates, mainly in case of the depreciation of local currencies that may increase default risks on foreign currency loans. It expected weak macroeconomic factors in 2023, such as current account deficits, high levels of external debt, and low levels of foreign currency reserves, especially in the Kyrgyz Republic, Kenya, Mongolia, El Salvador and Uganda, to increase foreign currency needs and to enhance the ability of these EM banking sectors to service their foreign currency obligations. It added that the share of foreign currency deposits at EM banks is elevated, mainly in the Democratic Republic of Congo, Uruguay, Georgia, Angola, and Belarus. Also, it stated that 15 markets use floating exchange rates or a soft peg regime, which facilitates the banks' access to foreign currency. In parallel, it indicated that the net positive foreign-currency positions of the majority of EM banking sectors help them offset the higher loan-loss provisions related to foreign currency loans. It noted that foreign currency risks are very high for banks in Belarus, El Salvador, the Kyrgyz Republic, Nigeria, Tajikistan, Türkiye and Ukraine, as these countries have higher foreign currency-denominated deposits than rated peers, elevated external debt levels, and low foreign currency reserves.

Source: Moody's Investors Service

NIGERIA

Credit risk assessment maintained

S&P Global Ratings maintained Nigeria's banking sector in 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '10' and an industry risk score of '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing banks, with 'Group 10' including the riskiest banking sectors. Other countries in 'Group 10' include Nigeria, Tunisia, and Ukraine. It indicated that the banking sector is exposed to high credit risks, given its elevated exposure to the oil sector and its sensitivity to currency fluctuations. It said that Nigeria's economic risk score reflects its "extremely high risks" in economic resilience and credit risk in the economy, as well as its "high risks" in economic imbalances. It expected the banking sector's non-performing loans ratio to rise from 5.5% at the end of 2022 to 5.7% at end-2023, due to elevated inflation and interest rates. It projected credit losses to average 1.2% of total loans in 2022, driven by a weak economic recovery and the volatile performance of the oil and gas sector. Further, it pointed out that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its system-wide funding, and "high risks" in its competitive dynamics. It considered that Nigerian banks are primarily deposit-funded, and anticipated the loans-to-deposits ratio to average annually 92% through 2024 on strong deposit growth. It expected the sector's external position to stabilize through 2024, as banks have prioritized lending in foreign currency to borrowers with foreign exchange revenues. It indicated that the trend for Nigeria's economic and industry risks is "stable".

Source: S&P Global Ratings

GHANA

Banking sector exposed to elevated credit risks

Moody's Investors Service indicated that the 'very weak' macro profile of Ghana's banking system balances the strong long-term growth potential of the country's economy that is supported by commodity exports, against the small size of the economy, low income levels and high exposure to commodity prices. It said that the banking sector is exposed to elevated credit risks with high problem loans. It pointed out that the average lending rate grew from 20.6% in March 2022 to 31.4% in October 2022, and expected the rates to rise further in the next few months due to high inflation and interest rates and to the increase in the government's borrowing costs. Also, it stated that the sector's non-performing loans (NPLs) ratio was 14% at the end of October 2022, and attributed this level to the large concentration of bank loans to single borrowers and sectors. Also, it indicated that any potential buildup of government arrears will further weigh on the sector's credit conditions, as these dues reduce the capacity of government contractors to repay their loans to banks. Further, it noted that the banking sector is exposed to exchange rate risks, as foreign currency loans accounted for 28% of total loans at the end of June 2022 and given the Ghanaian cedi's recent steep depreciation. In parallel, it said that Ghanaian banks rely mainly on deposits and capital to fund their lending, as the net loans-to-deposits ratio stood at 49% at the end of June 2022, reflecting the banks' sufficient internal funding capacity.

Source: Moody's Investors Service

JORDAN

Agencies affirm ratings of five banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Arab Bank (AB) at 'BB', and the IDRs of Bank Al Etihad (BAE) and Bank of Jordan (BOJ) at 'BB-', with a 'stable' outlook. It also affirmed the Viability Rating (VR) of Arab Bank at 'bb' and the VRs of BAE and BOJ at 'bb-'. It indicated that the banks' IDRs are driven by their standalone credit profiles. It said that the banks' VRs reflect their exposure to the challenging operating conditions in Jordan and in the other countries where they operate, which will weigh on their asset quality and capital position. It added that the banks' VRs are supported in part by their strong domestic franchise, as well as by their solid funding and liquidity positions. It noted that the ratings of AB and BAE reflect their recovering profitability, while BOJ's ratings are underpinned by the bank's strong profitability. In parallel, Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Arab Bank (AB), the Housing Bank for Trade and Finance (HBTF), and the Arab Banking Corporation (Bank ABC Jordan) at 'B+'. It also affirmed the Bank Standalone Ratings (BSRs) of the three banks at 'b+' and maintained the 'stable' outlook on their ratings. It indicated that the three banks have high levels of loan-loss reserve coverage for non-performing loans. It said that the ratings of Arab Bank are supported by a strong franchise and its geographically diversified balance sheet, ample liquidity, and improved profitability. It noted that the ratings of HBTF reflect the bank's good liquidity and very sound capital adequacy ratio. It indicated that the ratings of Bank ABC Jordan balance the bank's solid capitalization and adequate liquidity, against its recent tightening of some key loan-based ratios.

Source: Fitch Ratings, Capital Intelligence Ratings



ENERGY / COMMODITIES

Oil prices to average \$91 p/b in fourth quarter 2022

ICE Brent crude oil front-month prices reached \$77.2 per barrel (p/b) on December 7, 2022, constituting a decrease of 9.7% from \$85.4 p/b at the end of November, their lowest level since December 24, 2021, amid concerns that deteriorating global macro-economic conditions would reduce energy demand. Further, in its latest meeting on December 4, the OPEC+ coalition agreed to stick to its current output targets of reducing oil production by 2 million barrels per day, or about 2% of world demand, until the end of 2023. It noted that oil markets are struggling to assess the impact of a slowing Chinese economy on oil demand, as well as the effect on supply as a result of a price cap on Russian oil by the Group of Seven economies. In parallel, the U.S. Energy Information Administration (EIA) expected that a decrease in global oil inventories in early 2023 would pose upward pressure on Brent oil prices. As such, it anticipated oil prices to exceed \$90 p/b by the beginning of April of next year. However, it expected the pressure on global oil markets to be balanced in 2023 by the ongoing possibility of supply disruptions or slower production growth, as it anticipated some downward pressure on oil prices in the second half of 2023 due to a rise in oil inventories. Also, the EIA projected ICE Brent oil prices to average \$90.6 p/b in the fourth quarter of the year and \$101.5 p/b in full year 2022.

Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

Iraq's oil exports receipts at \$8.23bn in November 2022

Preliminary figures from the Iraq Ministry of Oil show that the exports of crude oil from Iraq totaled 99.9 million barrels in November 2022, down by 4.7% from 104.8 million barrels in October 2022. They averaged 3.3 million barrels per day (b/d) in November compared to 3.4 million barrels (b/d) in October. Oil exports from the central and southern fields amounted to 97.2 million barrels in November, while shipments from the Kirkuk fields totaled 2.4 million barrels. Oil export receipts stood at \$8.23bn in November compared to \$9.28bn in October 2022 and to \$7.6bn in November 2021.

Source: Iraq Ministry of Oil, Byblos Research

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

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

Source: OPEC

Global output for natural gas to increase by 1% in 2023

The International Energy Agency projected global natural gas production to reach 4,129 billion cubic meters (bcm) in 2023, which would constitute an increase of 1% from 4,089 billion cubic meters in 2022 bcm. It forecast the production of natural gas in North America at 1,235 bcm in 2023 and to represent 30% of the world's aggregate production, followed by Eurasia with 817 bcm (19.8%), the Middle East with 732 bcm (17.7%), Asia Pacific with 681 bcm (16.5%), Africa with 278 bcm (6.7%), and Europe with 235 bcm (5.7%).

Source: International Energy Agency, Byblos Research

Base Metals: Nickel prices to average \$22,500 per ton in fourth quarter of 2022

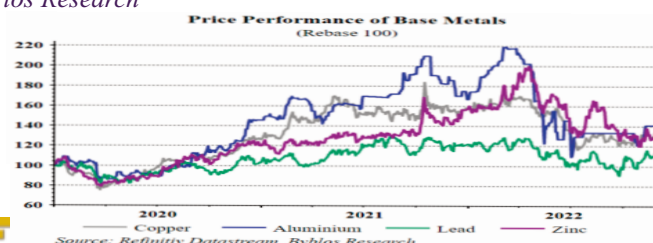
The LME cash prices of nickel averaged \$26,048 per ton in the year-to-December 7, 2022 period, constituting a surge of 42% from an average of \$18,345.2 a ton in the same period of 2021, driven by concerns about tight global supply conditions and low inventory stockpiles. Further, prices reached an all-time high of \$48,241 per ton on March 10, 2022 due to Russia's invasion of Ukraine, and then declined to \$31,281 per ton on December 7, 2022 due to the imposition of COVID-19-related lockdowns in China, which weighed on demand for the metal, as well as to widespread expectations of a downturn in economic growth. In parallel, the International Nickel Study Group (INSG) projected the total primary supply of nickel at 3.387 million tons in 2023, which would constitute an increase of 11.6% from 3.036 million tons in 2022, relative to 2.612 million tons in 2021. Also, it forecast global primary demand at 3.216 million tons in 2023, which would represent a rise of 11.2% from 3.026 million tons in 2022, compared to 2.612 million tons in 2021. In addition, it expected demand from producers of stainless steel and from the electric vehicles (EV) sector to increase in the coming year. It projected the nickel market to post a surplus of 144,000 tons in 2022 and of 171,000 tons in 2023. Further, Citi Research forecast nickel prices to average \$22,500 per ton in the fourth quarter and \$25,495 a ton in full year 2022.

Source: INSG, Citi Research, Refinitiv, Byblos Research

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

Gold prices averaged \$1,802.7 per troy ounce in the first 11 months of the year, nearly unchanged from an average of \$1,800 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 \$1,752 an ounce on November 30, 2022 due to the tightening of monetary policy by several central banks around the world. In parallel, Standard Chartered Bank indicated that demand for gold has increased recently, as buyers were perceiving higher returns from investment. However, it expected demand for gold to decrease, mainly due to the tightening of global monetary policy and to heightened uncertainties about demand for the metal from China. It pointed out that investor sentiment towards gold remains fragile, as the spread of COVID-19 outbreaks in China and expectations about the timeframe for easing related restrictions would trigger an increase in risk sentiment. It indicated that the physical market has remained strong with elevated premiums, which provides a cushion for downside price risk. Also, it pointed out that central banks remain strong net buyers of gold. Further, Citi Research forecast gold prices to average \$1,710 per ounce in the fourth quarter of 2022 and to average \$1,800 per ounce in full year 2022.

Source: Standard Chartered Bank, Citi Research, Refinitiv, 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- Stable	B3 Positive	B- Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Negative	B+ Negative	B+	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa1 RfD**	CCC	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	CC Negative	Ca Stable	CC	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3 Positive	BB- Stable	-	-4.1	43.2	-	-	14.3	-	-3.5	1.4
Libya	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Stable	BB+ Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B3 RfD	B- Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa1 Negative	CCC+	-	-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+ Negative	B2 Negative	B+ Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+ Positive	B2 Negative	B+ Stable	B+ 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- Stable	Caa1 Stable	B- Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Positive	BB- Negative	B+ Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ 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 Stable	Ba3 Positive	BB Stable	BB Stable	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	AA- Stable	AA- Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Positive	A1 Stable	A Positive	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2 Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	-	-	-	-	-	-	-	-



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								
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	3.10	06-Dec-22	Raised 35bps	N/A
New Zealand	Cash Rate	4.25	23-Nov-22	Raised 75bps	22-Dec-22
Switzerland	SNB Policy Rate	0.50	22-Sep-22	Raised 75bps	15-Dec-22
Canada	Overnight rate	4.25	07-Dec-22	Raised 50bps	25-Jan-23
Emerging Markets					
China	One-year Loan Prime Rate	3.65	21-Nov-22	No change	20-Dec-22
Hong Kong	Base Rate	4.25	03-Nov-22	Raised 75bps	15-Dec-22
Taiwan	Discount Rate	1.625	22-Sep-22	Raised 12.5bps	15-Dec-22
South Korea	Base Rate	3.25	24-Nov-22	Raised 25bps	N/A
Malaysia	O/N Policy Rate	2.75	03-Nov-22	Raised 25bps	19-Jan-23
Thailand	1D Repo	1.25	30-Nov-22	Raised 25bps	N/A
India	Reverse Repo Rate	3.35	08-Apr-22	No change	10-Feb-23
UAE	Base Rate	3.90	03-Nov-22	Raised 75bps	14-Dec-22
Saudi Arabia	Repo Rate	4.50	02-Nov-22	Raised 75bps	14-Dec-22
Egypt	Overnight Deposit	13.25	27-Oct-22	Raised 200bps	22-Dec-22
Jordan	CBJ Main Rate	6.00	06-Nov-22	Raised 75bps	N/A
Türkiye	Repo Rate	9.00	24-Nov-22	Cut 150bps	22-Dec-22
South Africa	Repo Rate	7.00	24-Nov-22	Raised 75bps	26-Jan-23
Kenya	Central Bank Rate	8.75	23-Nov-22	Raised 50bps	N/A
Nigeria	Monetary Policy Rate	16.50	22-Nov-22	Raised 100bps	N/A
Ghana	Prime Rate	27.00	28-Nov-22	Raised 250bps	30-Jan-23
Angola	Base Rate	19.50	25-Nov-22	No change	20-Jan-23
Mexico	Target Rate	10.00	10-Nov-22	Raised 75bps	15-Dec-22
Brazil	Selic Rate	13.75	07-Dec-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	0.49	25-Nov-22	Raised 49bps	29-Dec-22
Kazakhstan	Repo Rate	16.75	05-Dec-22	Raised 75bps	N/A
Ukraine	Discount Rate	25.00	08-Dec-22	No change	26-Jan-23
Russia	Refi Rate	7.50	28-Oct-22	No change	16-Dec-22



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