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NEWS HEADLINES

EMERGING MARKETS

Sovereign and corporate Eurobonds issuance down 57% to $293bn in 2022

Bank of America estimated that sovereigns and corporates in emerging markets (EMs) issued $293bn in Eurobonds in 2022, compared to $679bn in external debt output in 2021 and $707bn in Eurobonds in 2020. It also estimated that EMs issued $91bn in sovereign Eurobonds in 2022, or 31% of aggregate issuance for the year, constituting a decline of 48.3% from nearly $176bn in 2021. Further, it indicated that EM sovereigns have issued $37bn in Eurobonds in the first quarter, $21 in the second quarter, $9bn in the third quarter, and $21bn in the fourth quarter of 2022. On a regional basis, it noted that the Emerging Europe, the Middle East and Africa region issued $41bn in external debt securities, and accounted for 45% of aggregate EM sovereign output in 2022, followed by Latin America with $28.2bn (31%), Emerging Asia with $12.7bn (14%), and the Gulf Cooperation Council economies with $9.1bn (10%). In parallel, it estimated that EMs issued $202bn in corporate bonds in 2022, or 69% of total external debt output, down from $500bn in 2021. It pointed out that EM corporates have issued $91bn in Eurobonds in the first quarter, $56bn in the second quarter, $27bn in the third quarter, and $23bn in the fourth quarter of 2022. On a regional basis, it stated that corporates in Emerging Asia issued $141.4bn, or 70% of total corporate Eurobond output in 2022, followed by Latin America with $24.2bn (12%), the Gulf Cooperation Council countries with $20.2bn (10%), and the Emerging Europe, the Middle East and Africa region with $14.1bn (7%).

Source: Bank of America, Byblos Research

Venture capital funding down2% to $7.2bn in 2022

Figures released by online platform Magnitt show that venture capital (VC) funding in the Middle East, Africa, Türkiye and Pakistan reached $7.2bn in 2022, constituting a decrease of 2.3% from $7.4bn in 2021. VC investments totaled $3.2bn in the MENA region in 2022, followed by VC funding in Africa with $2.9bn, in Türkiye with $1.6bn, and in Pakistan with $315m. Further, the number of VC deals in the covered regions totaled 1,473 in 2022 constituting a decrease of 4.4% from 1,540 investments in 2021. There were 703 VC deals in Africa in 2022, followed by 627 transactions in the MENA region, 295 investments in Türkiye, and 72 deals in Pakistan. In parallel, VC investments in fintech firms amounted to $2.3bn and accounted for 31.2% of aggregate VC investments in 2022, followed by investments in transport & logistics companies with $1.4bn (19.6%), e-commerce firms with $743m (10.3%), gaming companies with $456m (6.3%), food and beverage companies firms with $295m (4.1%), while the remaining $2bn investments in VCs accounted for other firms. Also, there were 351 investments in the fintech sector, or 23.8% of the aggregate number of deals in 2022, followed by e-commerce companies with 176 transactions (12%), transport & logistics firms with 142 deals (9.6%), enterprise software companies with 116 investments (8%), firms in the healthcare sector with 84 deals (5.7%), while the remaining 604 transactions were done by other companies.

Source: Magnitt, Byblos Research

GCC

Fixed income issuance down 43% to $83.4bn in 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $83.4bn in 2022, constituting a decrease of 43.2% from $146.8bn in 2021. Fixed income issuance in 2022 consisted of $27.7bn in sovereign sukuk, or 33.2% of the total, followed by $22.6bn in corporate bonds (27%), $16.9bn in corporate sukuk (20.3%), and $16.2bn in sovereign bonds (19.4%). Further, aggregate bonds and sukuk issued by sovereigns in the GCC amounted to $43.9bn in 2022, or 52.6% of fixed income output in the region; while issuance by GCC corporates reached $39.5bn, or 47.4% of the total. GCC sovereigns issued $7.5bn in bonds and sukuk in January, $14.3bn in March, $1bn in April, $2.2bn in May, $3bn in June, $4bn in July, $2bn in August, $0.2bn in September, $9.6bn in October, and $0.1bn in November in 2022. In parallel, companies in the GCC issued $6.7bn in bonds and sukuk in January, $2.7bn in February, $5.3bn in March, $2.2bn in April, $0.8bn in May, $2.1bn in June, $3bn in July, $0.5bn in August, $4.8bn in September, $2.7bn in October, $6.1bn in November, and $2.6bn in December 2022. Further, corporate output in December 2022 included $800m in bonds issued by firms in Qatar, $350m in bonds issued by companies based in the UAE, and $180.2m in bonds issued by firms in Kuwait.

Source: KAMCO

IRAQ

Profits of listed firms up 11% to $366m in first nine months of 2022

The cumulative unaudited pre-tax profits of 81 out of 132 companies listed on the Iraq Stock Exchange totaled IQD542.2bn in the first nine months of 2022, constituting an increase of 11.4% from IQD486.6bn in the same period of 2021. In US dollar terms, the profits of the listed companies reached $366m in the first nine months of 2022 and grew by 11.2% from $329m in the same period of the previous year. The dollar figures reflect the prevailing market exchange rate that depreciated from an average of IQD1,479.2 per US dollar in the first nine months of 2021 to an average of IQD1,481.8 per dollar in the same period of 2022. Listed telecommunications companies generated $178.2m in profits in the first nine months of 2022 and accounted for 48.7% of the total, followed by banks with $144.6m (39.5%), industrial firms with $28.5m (7.8%), services providers with $6m (1.6%), companies in the hotels & tourism sector with $5.8m (1.6%), insurers with $1.7m (0.5%), and agricultural firms with $1.2m (0.3%); while investment companies posted losses of $0.07m in the covered period. Further, the net income of services providers surged by 337% in the first nine months of 2022 from the same period of 2021, followed by the profits of agricultural firms (+240.6%), the earnings of listed banks (+110%), the profits of companies in the hotels & tourism sector (+72.2%), and the net income of insurers (+41.3%). In contrast, the earnings of telecommunication firms dropped by 19.4%, followed by the profits of industrial companies (-13.2%).

Source: Iraq Stock Exchange, Byblos Research

POLITICAL RISK OVERVIEW - December 2022

ALGERIA

President Abdelmadjid Tebboune's visit to Moscow to discuss the deepening strategic partnership between Algeria and Russia, which was initially planned for late December 2022, did not take place, while joint military maneuvers with Russia that were scheduled to take place in the second half of November 2022 on Algerian territory were cancelled. France announced the return to "normal consular relations" with Algiers, and lifted visa restrictions for Algerian nationals. In parallel, The Minister of Energy and Mining indicated that the government is willing to revive the Gasdotto Algeria–Sardegna Italia pipeline, which suggests that Algeria might export its spare gas capacity to Europe.

ARMENIA

Tensions increased between Armenia and Azerbaijan at the Lachin corridor that links Armenia with the disputed Nagorno-Karabakh province, after Azerbaijani activists closed the corridor, which is an essential route for the flow of much-needed food and medical supplies into Armenia. Further, Yerevan and Baku missed a deadline for a peace agreement, due to delays in drafting the treaty, differences in the vision about the terms of the agreement, lack of outside mediation, and worsening relations between the two sides since the September border clashes. However, the two countries offered new proposals for a peace treaty in December, but tensions over the Lachin corridor hindered diplomatic efforts. In parallel, the European Union (EU) Monitoring Mission in Georgia announced that it will deploy a transitional planning assistance team in Armenia to enhance the EU's awareness of the security situation, and to contribute to the planning and preparation for a possible civilian Common Security and Defence Policy mission in the country.

ETHIOPIA

The peace agreement between the federal government and the Tigray People's Liberation Front continued to hold, while Eritrean forces began to withdraw from the Tigray region. Still, the implementation of the agreement has been slow, particularly on security and political arrangements, as the Tigrayan top commander reiterated that disarmament was contingent on the region's security, and that the presence of Eritrean and Amhara troops would impede the implementation of the deal. The United Nations said humanitarian access to the Tigray region has improved, and that the federal government began to partially restore phone and electricity lines, while commercial flights resumed between Addis Ababa and Mekelle, the capital city of the Tigray Province. In parallel, relations between Ethiopia and Sudan continued to improve, as the two countries signed a cooperation agreement on peace and security issues.

IRAN

The United States announced sanctions and/or travel bans against more than 12 Iranian officials accused of human rights abuses, and blacklisted the Prosecutor-General of Iran among six other designees, while the European Union approved sanctions against Iranian persons and entities over human rights concerns and the government's provision of drones to Russia. Further, the International Atomic Energy Agency visited Tehran in its latest effort to make progress on a longstanding investigation into past activities at undeclared nuclear sites, with little indication of success.

IRAQ

The Iraqi government struggled to draft the 2023 budget, while the population suffered from the depreciation of the Iraqi dinar. As such, authorities faced popular protests throughout December over the 2023 budget. Also, demonstrators, many of whom have been working with the Shiite Endowment Office for the past 15 years, called on the government to make their employment in the Shiite Endowment Office permanent. In parallel, Leaders from Iraq, Saudi Arabia, Iran, France and the European Union, held in Amman on December 20 a second round of the Baghdad Conference for Cooperation and Partnership, in order to enhance regional dialogue on challenges that Iraq is facing.

LIBYA

Disputes erupted between Libya's rival parliaments after a period of rapprochement. The Tobruk-based House of Representatives (HoR) voted to set up a constitutional court in the eastern city of Benghazi, while the Tripoli-based advisory High Council of State condemned the move, as it considered that it could invalidate the recently reactivated Tripoli-based Constitutional Chamber. However, the speaker of the HoR, Aguila Saleh, and the Chairman of the High Council of State, Khaled al-Mishri, agreed to drop plans to establish the constitutional court. Meanwhile, the meeting between Mr. Saleh and Mr. al-Mishri, which was scheduled on December 4, 2022, as part of United Nations-led political process, was postponed for "logistical reasons" and "political obstacles".

SUDAN

Following months of negotiations, the major civilian political parties and other civil forces, mostly under the main civilian opposition bloc Forces for Freedom and Change-Central Council, signed a "political framework" deal with the military to form an all-civilian government, with the aim to end the political stalemate and to initiate a two-year transition period that would lead to elections. The transition period is expected to begin with the appointment of a prime minister that the civilian signatories would nominate, after the second phase of negotiations concludes. The negotiations will focus on transitional justice, reforms in the security sector, the Juba Peace Agreement, the status of the committee that is tasked with invalidating the ex-regime, and the crisis in eastern Sudan. However, although the agreement aims to end the political role of the military in Sudan, its implementation faces significant challenges as the military expects to maintain its power, while the wider public and a number of key stakeholders have yet to support the deal.

TUNISIA

Only 11.22% of eligible voters cast their ballots in the legislative elections that took place on December 17, 2022. In response, the main opposition coalition National Salvation Front called for mass protests to demand early presidential elections and considered that President Kais Saïed does not have legitimacy and should quit office. Further, the elections commission announced that only 23 candidates secured their seats and that the remaining 131 seats will be decided in run-off elections expected in early February. In parallel, in a last-minute move, the International Monetary Fund postponed its board meeting on a four-year $1.9bn rescue package for Tunisia, citing the need to give the government more time to finalize its reforms program.

YEMEN

Back-channel talks between Saudi Arabia and Huthi rebels failed to result in a breakthrough, as the Huthis maintained their demand for the Saudi-led coalition to use the government's oil revenues to cover the public sector's salaries, which authorities refused, while Saudi Arabia sought reassurance that Huthi rebels would commit to the political process. Further, Huthi rebels threatened to target facilities with drones to prevent exports in case Huthis do not benefit from oil receipts. In response, the Central Bank of Yemen ordered money exchange companies to freeze accounts of, and stop transactions with, 12 Huthi-affiliated entities.

Source: International Crisis Group, Newswires

OUTLOOK

MENA

Economic growth to average 3.1% in 2023-24 period, outlook tilted to the downside

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to decelerate from 5.7% in 2022 to 3.5% in 2023 and 2.7% in 2024, relative to growth forecasts of 3.6% and 3.2% in June 2022, and significantly below the region's average growth rate of 4% annually in the 2000-19 period. It attributed the decline in the economic activity of MENA countries to domestic structural obstacles, to spillovers from the ongoing slowdown in global economic activity, as well as to the receding boost from the recent increases in oil prices and production in the region's oil exporters. It also anticipated that higher interest rates globally and in the region in response to rising inflationary pressures will weigh on demand in MENA economies.

It projected real GDP in MENA oil-exporting economies to grow by 3.3% in 2023 and 2.3% in 2024, with activity in countries of the Gulf Cooperation Council (GCC) expanding by 3.7% and 2.4% in 2023 and 2024, respectively, due to the expected deceleration in major trading partners, new oil production cuts, and lagged effects of tighter domestic monetary policy. Also, it forecast real GDP in MENA oil-importing countries to grow by 4.1% in 2023 and 4.3% in 2024, despite inflation rates that are expected to erode real wages and weigh on domestic consumption.

In parallel, the World Bank considered that risks to the outlook for MENA economies are mainly tilted to the downside and include further slowdown in the economic activity of trading partners, tighter global financial conditions, and rising social tensions and political instability in the region. It also considered that the vulnerability oil importers to external financial pressures that could arise from capital outflows, has increased as a result of wider current account deficits and declining foreign currency reserves. It anticipated that oil importers could face even more adverse credit conditions as they seek to finance growing deficits, in case investor sentiment continues to deteriorate or if global interest rates rise higher-than-expected, which could lead to severe difficulties in meeting food and energy needs and in servicing their external debt.

Source: World Bank

CÔTE D'IVOIRE

Infrustructure investments to drive economic activity

Standard Chartered Bank projected real GDP growth in Côte d'Ivoire to accelerate from 6.6% in 2022 to 7% in 2023 and 7.5% in 2024, supported by investments in infrastructure projects under the country's National Development Plan (PND) 2021-2025. It expected easing inflationary pressures to boost consumption growth, and for normal weather patterns to improve agricultural output. It added that authorities expected the first oil output from the development of the recently discovered Baleine field to materialize in late 2023, but it noted that significant oil production would start in 2025. Further, it anticipated the inflation rate to decelerate from an average of 5.2% in 2022 to 2.5% in 2023 and 2% in 2024 due to improved domestic food supply, a weaker US dollar, and the stabilization of global food prices. It expected the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) to tighten domestic liquidity due to rising external vulnerability risks and to contain pressures on foreign currency reserves.

In parallel, it indicated that authorities are targeting a fiscal deficit of 4.8% of GDP in 2023 after a significant deterioration in the fiscal position in 2022, supported mainly by a substantial increase in domestic tax revenue mobilization. However, it projected public expenditures to rise by about 17% in 2023 due to significant increases in the public-sector wage bill, as well as in capital spending and debt servicing. Still, it forecast the fiscal deficit to narrow from 6% of GDP in 2022 to 4.9% of GDP in 2023 and 4% of GDP in 2024, despite larger-than-expected fiscal loosening in response to the global food and fuel price shocks. Also, it expected the public debt level to stabilize at about 53% of GDP at the end of 2023, and to decline in the medium term driven by ongoing fiscal consolidation. It estimated the government's financing needs to remain elevated at about 10% of GDP in 2023, and for authorities to meet such requirements in part through the issuance of securities in regional markets. It considered that Côte d’Ivoire's ability to diversify its financing sources will be key, given the existing pressure on the foreign currency reserves of the BCEAO amid tighter external financing conditions. It also expected that a program with the International Monetary Fund could ease funding pressures for the government. Further, it forecast the current account deficit to narrow from 5.6% of GDP in 2022 to 5.1% of GDP in 2023 and 4.8% of GDP in 2024.

Source: Standard Chartered Bank

JORDAN

Economic outlook contingent on external factors

The International Monetary Fund (IMF) indicated that Jordan has continued its broad-based recovery amid a challenging external environment, and projected real GDP to grow by about 2.7% annually in the 2022-23 period. But it anticipated that elevated global commodity prices, tightening financial conditions, and a slowing global economy will continue to weigh on the medium-term outlook. It considered that the authorities should remain focused on maintaining macroeconomic and financial stability, and on advancing reforms to boost employment, growth, and the competitiveness of the economy. Further, it estimated that the inflation rate reached an average of 4.4% in 2022, and expected inflationary pressures to ease in the near term.

In parallel, it noted that fiscal performance has been strong, supported by sustained legislative and administrative reforms to reduce tax evasion and avoidance. It expected that the planned gradual fiscal consolidation, combined with efforts to improve public investment management and the monitoring of fiscal risks, will continue to support the public debt's sustainability. In addition, it said that financial challenges in the electricity sector are exacerbating fiscal pressures, as subsidies have increased significantly due to the elevated global commodity prices, and noted that reforms in the electricity and water sectors are critical for preserving the sustainability of public finances.

Further, it considered that timely donor support from the IMF and other development partners would be crucial to help Jordan face the risks from elevated commodity prices and tightening global financial conditions, as well as to maintain the reforms momentum and preserve social stability.

Source: International Monetary Fund

ECONOMY & TRADE

AFRICA

Sovereigns' external debt servicing at $22.3bn in 2023 and $25bn in 2024

Fitch Ratings anticipated that the aggregate external debt servicing of the sovereigns that it rates in Sub-Saharan Africa (SSA), excluding South Africa, will rise in the 2023-25 period. It noted that debt-servicing payments that will become due in the next three years will be significantly higher than payments in the 2019-21 period. It estimated that the total external debt service payments due in 2023 will reach $22.3bn relative to $21.4bn in 2022. The agency noted that it excluded Zambia and Ghana from these figures, due to uncertainties about how the debt restructuring in the two countries will affect their debt service payments. It added that refinancing conditions are currently challenging for low-rated SSA sovereigns given the backdrop of rising interest rates in most developed economies. However, it pointed out that a small number of SSA sovereigns have Eurobonds that mature in 2023. Further, it estimated that the aggregate debt servicing of SSA countries that is due in 2024 will rise by about 12% to $25bn next year, and that the number of sovereigns facing large Eurobond maturities will also increase in 2024. In parallel, it expected that many SSA countries will have improved access to international debt markets in the 2023-25 period, in case global interest rates decrease from their cyclical peaks or if international investor sentiment improves, which would facilitate the refinancing of external debt. However, it expected that these economies will cover their debt-servicing payments through the drawdown of foreign currency reserves if access to global debt markets remains challenging, which could result in negative rating actions for several SSA sovereigns.

Source: Fitch Ratings

GCC

Agencies take actions on sovereigns

Capital Intelligence Ratings affirmed Saudi Arabia's short- and long-term foreign and local currency ratings at 'A1/A+' and revised the outlook from 'stable' to 'positive' on the long-term ratings. It attributed the outlook revision to its expectations that global oil prices will continue to exceed the government’s budget breakeven oil prices, which would contribute to a decline in gross debt ratios and an increase in its net creditor position, which, in turn, will continue to improve the country’s public and external finances in the coming years. Further, it indicated that the ratings are supported by large fiscal and external buffers, the continued growth of the non-hydrocarbon economy, sizeable oil reserves, and a sound banking sector. But it pointed out that the ratings are constrained by the still limited diversification of the economy and budget revenue structure, geopolitical risks, and moderate-to-high policy risks. In parallel, Fitch Ratings affirmed Bahrain's short- and long-term foreign currency issuer default rating (IDR) at 'B' and 'B+', respectively, and maintained the 'stable' outlook on the long-term ratings. Also, it affirmed the Country Ceiling at 'B+'. It indicated that the ratings are underpinned by strong financial support from Gulf Cooperation Council countries, high GDP per capita, and elevated scores on human development indicators. But, it noted that the country's weak public finances, high dependence of public revenues on oil receipts, low foreign currency reserves, and political instability are weighing on the ratings.

Source: Capital Intelligence Ratings, Fitch Ratings

GHANA

Ratings downgraded on debt restructuring

S&P Global Ratings downgraded Ghana's short- and long-term foreign currency sovereign credit ratings from 'C/CC' to 'selective default' (SD). Also, it affirmed the Country's Transfer & Convertibility assessment at 'CCC+'. It attributed the downgrades to the government's announcement on December 19, 2022 that it will cease to make principal and interest payments on its foreign currency debt. It added that the authorities are in the process of proposing a restructuring of foreign currency commercial debt to the country’s creditors, in order to preserve limited foreign currency reserves and restore fiscal space. Further, it noted that the ratings reflect Ghana’s very low net foreign currency reserves, a volatile exchange rate, high inflation rates, a weakened economy, and stained investor confidence. As such, it considered that these factors have limited the sovereign’s capacity to refinance its dues, against the backdrop of rising global interest rates. Also, it considered that legal clarity, along with the restructuring of the domestic and foreign debt, could reduce pressure on foreign exchange reserves, help stabilize public finances, and, with support from the IMF, reduce pressure on the exchange rate. In parallel, Fitch Ratings downgraded Ghana's long-term local currency Issuer Default Ratings (IDRs) from 'CC' to 'C', which is nine notches below investment grade, and affirmed the long-term foreign currency IDRs at 'CC'. It also affirmed the short-term local and foreign currency IDRs at 'C', and maintained the Country Ceiling at 'B-'. It attributed the downgrade to the government's announcement that it will restructure its local currency debt as a prior action to secure IMF support.

Source: S&P Global Ratings, Fitch Ratings

ETHIOPIA

Agencies take rating actions on sovereign

Fitch Ratings downgraded Ethiopia's long-term foreign currency issuer default rating from 'CCC' to 'CCC-'. It indicated that the downgrade reflects the lack of identified sources of external financing to cover the country's substantial external financing gaps, as well as the significant decline in Ethiopia's external liquidity. It said that these challenges are balanced against the November 2022 peace agreement in the Tigray conflict, the expected easing of inflationary and external pressures, and the improvement of public debt metrics. It added that the rating reflects the significant risk of a sovereign default event that may result from the government's participation in the Group of 20 (G20) Common Framework (CF) debt relief initiative, given the mechanism's principle of comparable treatment for official and private creditors. The agency said that it could further downgrade Ethiopia's rating in case wider-than-expected current account deficits and/or a decline in foreign-exchange reserves raises the probability of default irrespective of the G20 CF. In parallel, S&P Global Ratings affirmed Ethiopia's short- and long-term foreign and local currency sovereign credit ratings at 'C/CCC', and maintained the 'negative' outlook on the long-term ratings. It indicated that the 'negative' outlook reflects the risk that it could lower the ratings in the next 12 months in case of increasing uncertainties about the availability of external funding for the government and the potential inclusion of commercial creditors in the government's debt restructuring plans.

Source: Fitch Ratings, S&P Global Ratings

BANKING

WORLD

Banking regulations and capital requirements discourage crypto-backed lending

Fitch Ratings indicated that the new global standard of the Basel Committee on Banking Supervision about the prudential treatment of crypto-assets may deter banks from granting loans or securities backed by crypto-assets. It pointed out that several large banks had an aggregate of $9bn in crypto asset exposure at the end of 2021, according to the Bank of International Settlements. Also, it said that the new standard will support the tokenization of the banks' assets by aligning regulatory approaches with emerging asset classes by late 2025. Further, it pointed out that the standard divides digital assets into two groups. It said that Group 1 includes tokenized traditional assets issued through distributed ledger technologies. It added that the capital requirements for banks that hold Group 1 assets are based on the capital treatment of the underlying assets, in addition to an infrastructure risk level that individual regulators can determine. It noted that Group 2 assets, such as Bitcoin, Ether and riskier tokens and stablecoins, are subject to a conservative capital treatment, where the net position of a bank is deducted from its capital base, which would strongly discourage banks from taking risks on these assets. It added that the banks' aggregate holdings of Group 2 crypto-assets must not exceed 2% of a bank's Tier One capital. But it indicated that crypto-assets that are held by banks on a custody-only basis will not be subject to prudential requirements, and that they will not be recognized as eligible collateral to reduce the banks' capital requirements on crypto-assets backed loans.

Source: Fitch Ratings

LIBOR-linked contracts down 18% to $95 trillion

The Financial Stability Board's (FSB) estimated the exposure of jurisdictions to contracts based on the London Interbank Overnight Rate (LIBOR) at about $95 trillion at the end of March 2022 compared to $116 trillion in 2021, and added that the transition from LIBOR is making significant progress. But it noted that jurisdictions have more work to do to address issues related to legacy contracts, system readiness, communication with stakeholders, and constraints in supervisory capacity and resources. It pointed out that the jurisdictions' exposure to LIBOR was mainly through derivatives with $89.9 trillion at the end of March 2022, which accounted for 94.3% of aggregate LIBOR exposure, followed by $4.75 trillion in assets (5%), and $0.7 trillion in liabilities (0.7%). It said that asset classes consist of corporate, business and consumer loans as well as asset-backed securities, while liabilities include interbank deposits. Also, it indicated that LIBOR jurisdictions are the most exposed to LIBOR-linked contracts with $81.6 trillion in derivatives, $3.3 trillion in assets and $0.5 trillion in liabilities. In parallel, it said that the liquidity of products that are using risk-free rates (RFRs) has generally improved towards the end of 2021 and in early 2022, due to the clarifications from regulators on best practices and to the increased adoption of RFRs. It pointed out that LIBOR jurisdictions have the largest exposure to RFRs with $27.5 trillion in derivatives, or 90.3% of total RFR exposure, followed by $0.8 trillion in assets (2.6%) and $0.36 trillion in liabilities (1.2%).

Source: Financial Stability Board

SAUDI ARABIA

Banks benefiting from higher interest rates

Regional investment bank EFG Hermes estimated that the aggregate earnings of the nine Saudi banks that it covers reached SAR57.6bn in 2022, constituting an increase of 29.5% from SAR44.5bn in 2021, and anticipated profits to expand by 11.8% in 2023. Also, it considered that several factors would affect the revenues of Saudi banks in 2023. First, it indicated that firm oil prices, a budget surplus, and a real GDP growth rate of 3.5%, would be positive for the banks' credit growth and credit quality metrics, and forecast the banks' lending portfolio to rise by 9.2% in 2023 relative to a growth of 13.4% in 2022. Second, it expected interest rates at banks to peak by mid-2023, which, in turn, will lead to the widening of their net interest margins. It noted that the increase in interest rates will benefit Saudi banks, although it considered that tight liquidity conditions could affect the widening of the banks' net interest margins in the near- to medium terms. Also, it pointed out that the banks' investment portfolios will see further price declines, which would lead to a reduction in their capital positions. It indicated that Saudi banks lost an average of 3.4% of their Common Equity Tier One capital as of end-September 2022 due to mark-to-market losses on their fixed income portfolios, but it stressed that Saudi banks are well capitalized to absorb further losses. Third, it noted that elevated loans-to-deposits ratios at Saudi banks led the Saudi Central Bank (SAMA) to carry out open market operations that allow SAMA to provide short-term liquidity to banks in order to alleviate liquidity pressures.

Source: EFG Hermes

EGYPT

Exchange rate adjustment is key for capital inflows

Goldman Sachs indicated that the Egyptian pound depreciated by a cumulative 11.5% in the six trading days since January 4, 2023. It considered that the foreign currency adjustment will not be completed before restoring equilibrium in the foreign exchange market, which will require the further suppression of demand for foreign currency and/or the easing of its supply. Further, it stressed the importance of meeting demand for foreign currency in the official market, which will contribute to the unification of the exchange rates, eliminate the parallel market, as well as help avoid the economic dislocations arising from foreign currency shortages, and mitigate the risk of local currency depreciation and high inflation rates. But it considered that the absence of significant near-term capital inflows and the limited capacity of the Central Bank of Egypt to inject foreign currency liquidity in the market will put further pressure on the currency and/or lead to the increase in local interest rates in the short term. In addition, it indicated that the government's credible and tangible commitment to the exchange rate adjustment would give greater comfort to foreign investors and encourage capital inflows to the country. In parallel, Standard Chartered Bank revised its forecast for the exchange rate of the Egyptian pound from EGP23.5 against the US dollar to EGP30 per dollar at the end of 2023. Also, it expected the pound to depreciate further to between EGP33 per dollar and EGP35 per dollar in the medium term, until substantial foreign currency inflows materialize and result in balancing foreign currency demand and supply in the market.

Source: Goldman Sachs, Standard Chartered Bank

ENERGY / COMMODITIES

Oil prices to average $83 p/b in 2023

ICE Brent crude oil front-month prices reached $82.7 per barrel (p/b) o January 11, 2023, constituting an increase of 6.2% from $77.8 p/b a week earlier, mainly due to expectations of an increase in demand for oil, as well as concerns over the impact of sanctions on Russian crude output that outweighed a massive build-up in U.S. crude inventories. In parallel, the U.S. Energy Information Administration (EIA) forecast global petroleum production to increase by 1.1 million barrels per day (b/d) in 2023 and by 1.7 million b/d in 2024, driven by the rise in production in OPEC output and in several non-OPEC countries, which will more than offset the decline by 1.5 million b/d in Russia's production in the next two years. It considered that the impact of Western sanctions and the price cap of the Group of Seven on Russian crude oil exports will remain uncertain, especially in early 2023. However, it anticipated that sanctions on Russian petroleum products will cause greater disruptions to its oil production and exports, as it considered that it will be challenging for Russia to find alternative buyers, transportation and other services to reach those buyers. In addition, Goldman Sachs projected global oil demand to rise by 2.7 million b/d in 2023, which would push the market back into deficit in the second half of the year and raise Brent prices to $105 p/b by the end of 2023. As such, it expected the OPEC+ coalition to unwind its October production cut in the second half of 2023. Further, the EIA forecast oil prices to average $83.1 p/b in 2023.
Source: U.S. EIA, Goldman Sachs, Refinitiv, Byblos Research

Power generation from renewables to reach 22,949 TWh in 2030

The International Energy Agency projected power generation from renewables at 22,949 Terawatt-hour (TWh) in 2030, which would constitute a surge of 182.8% from 8,116 TWh in 2021, under the "net zero" scenario that assumes a reduction of 95% in carbon emissions by 2050. It forecast wind generation at 7,932.5 TWh in 2030, which would account for 34.6% of total renewable power generation, followed by solar photovoltaic generation with 7,414 TWh (32.3%), hydropower generation with 5,703.8 TWh (25%), and bioenergy generation with 1,386.8 TWh (6%).
Source: International Energy Agency, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production to grow by 1.3% in 2023

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa (ME&A) region to average 4.72 million barrels per day (b/d) in 2023, constituting an increase of 1.3% from 4.66 million b/d in 2022. The supply of oil from non-OPEC producers in the ME&A region would represent 14.6% of output in non-OECD countries and 7% of oil production in non-OPEC countries.
Source: OPEC

Global liquid fuel consumption to grow 1% in 2023

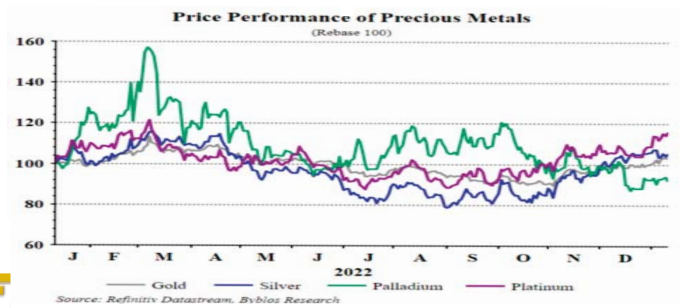
The Energy Information Administration expected the global consumption of liquid fuel to reach 100.48 million barrels per day (b/d) in 2023, which would constitute an increase of 1.1% from 99.43 million b/d in 2022. It expected consumption in Asia and Oceania at 36.98 million barrels per day (b/d) and to account for 36.8% of global consumption in 2023, followed by consumption in North America with 24.51 million b/d (24.4%), Europe with 14.2 million b/d (14%), the Middle East with 9.45 million b/d (9.4%), Central and South America with 6.4 million b/d (6.4%), Africa with 4.52 million b/d (4.5%), and Eurasia with 4.42 million b/d (4.4%).
Source: Energy Information Administration

Base Metals: Zinc prices to average $3,000 per ton in first quarter of 2023

The LME cash prices of zinc averaged $3,485.6 per ton in 2022, constituting a surge of 16% from an average of $3,005.9 a ton in 2021. Prices averaged $3,736 a ton in the first quarter of 2022, and then increased to $3,924.5 per ton in the second quarter due to Russia's military invasion of Ukraine. In contrast, zinc prices decreased to $3,280.8 per ton in the third quarter of 2022 and to $3,008.2 in the fourth quarter, as major smelters in Europe cut production due to elevated energy prices. In parallel, Citi Research projected the global supply of zinc at 14.06 million tons in 2023 relative to 13.6 million tons last year, with mine output representing 93.6% of the total. Further, it forecast demand for the metal at 14.03 million tons in 2023 compared to 13.8 million tons in 2022. In addition, it expected the price of the metal to decrease to less than $2,600 per ton by the third quarter of 2023, as cutting production in Europe during winter would help offset the global slowdown of the metal's demand excluding China. It projected the metal market to be balanced in 2023, in case of an increase in the production of the metal in China, and if smelters in Europe boost refined output, which will offset the recovery of the metal's demand in China. Moreover, it projected zinc prices to average $3,000 a ton in the first quarter and $2,800 per ton in the second quarter of 2023.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $975 per ounce in first quarter of 2023

Platinum prices averaged $960.7 per troy ounce in 2022, constituting a decrease of 11.8% from an average of $1,089.5 an ounce in 2021. Prices averaged $1,029 per ounce in the first quarter of 2022, and then decreased to $958.6 an ounce in the second quarter and to $886.6 per ounce in the third quarter, due mainly to chip shortages in the automotive sector that have restrained demand for the metal. In contrast, platinum prices increased to $971an ounce in the fourth quarter of 2022 due to the increase in demand for the metal. In parallel, Citi Research projected global demand for platinum to reach 7.9 million ounces in 2023 and to increase by 8% from 7.4 million ounces in 2022. Also, it forecast the global supply of platinum to rise from 7.3 million ounces in 2022 to 7.5 million ounces in 2023, or by 2.8%, with mine output representing 73% of global refined platinum production in 2023. In addition, it anticipated platinum prices to increase in the second half of 2023, as the metal's market shifts from a surplus to a deficit, in case demand in China improves. As such, it expected the metal's market deficit to widen from 93,000 ounces in 2022 to 477,000 ounces in 2023, driven by the recovery in autocatalyst demand due to the substitution of palladium to platinum in the production of electrical vehicles batteries. Further, it projected platinum prices to average $975 an ounce in the first and second quarters of 2023.
Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	 Moody's	 Fitch	 CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- 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+ Stable	-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	SD -	Ca Stable	C -	- -	-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+ Positive	-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 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	CCC+ Stable	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	4.50	14-Dec-22	Raised 50bps	01-Feb-23
Eurozone	Refi Rate	2.50	15-Dec-22	Raised 50bps	02-Feb-23
UK	Bank Rate	3.50	15-Dec-22	Raised 75bps	02-Feb-23
Japan	O/N Call Rate	-0.10	20-Dec-22	No change	18-Jan-23
Australia	Cash Rate	3.10	06-Dec-22	Raised 35bps	07-Feb-23
New Zealand	Cash Rate	4.25	23-Nov-22	Raised 75bps	22-Feb-23
Switzerland	SNB Policy Rate	1.00	15-Dec-22	Raised 50bps	23-Mar-23
Canada	Overnight rate	4.25	07-Dec-22	Raised 50bps	25-Jan-23
Emerging Markets					
China	One-year Loan Prime Rate	3.65	20-Dec-22	No change	20-Jan-23
Hong Kong	Base Rate	4.75	15-Dec-22	Raised 50bps	N/A
Taiwan	Discount Rate	1.75	15-Dec-22	Raised 0.125bps	23-Mar-23
South Korea	Base Rate	3.25	24-Nov-22	Raised 25bps	13-Jan-23
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	25-Jan-23
India	Reverse Repo Rate	3.35	08-Apr-22	No change	10-Feb-23
UAE	Base Rate	4.40	14-Dec-22	Raised 50bps	N/A
Saudi Arabia	Repo Rate	5.00	14-Dec-22	Raised 50bps	N/A
Egypt	Overnight Deposit	16.25	22-Dec-22	Raised 300bps	02-Feb-23
Jordan	CBJ Main Rate	6.50	19-Dec-22	Raised 125bps	N/A
Türkiye	Repo Rate	9.00	22-Dec-22	No change	19-Jan-23
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	30-Jan-23
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 chnage	20-Jan-23
Mexico	Target Rate	10.50	15-Dec-22	Raised 50bps	09-Feb-23
Brazil	Selic Rate	13.75	07-Dec-22	No change	N/A
Armenia	Refi Rate	10.75	13-Dec-22	Raised 25bps	31-Jan-23
Romania	Policy Rate	7.00	10-Jan-23	Raised 25bps	09-Feb-23
Bulgaria	Base Interest	0.59	29-Dec-22	Raised 10bps	27-Jan-23
Kazakhstan	Repo Rate	16.75	05-Dec-22	Raised 75bps	13-Jan-23
Ukraine	Discount Rate	25.00	08-Dec-22	No change	26-Jan-23
Russia	Refi Rate	7.50	16-Dec-22	No change	10-Feb-23

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