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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity and venture capital deals down 39% to $705bn in 2022

S&P Global Market Intelligence indicated that the aggregate amount of private equity and venture capital (PE/VC) investments worldwide reached $705.1bn in 2022, constituting a decline of 39% from $1.15 trillion in 2021. PE/VC investments totaled $232.9bn in the first quarter, $206.2bn in the second quarter, $127bn in the third quarter, and $139bn in the fourth quarter of 2022. In comparison, the value of PE/VC investments globally stood at $521.6bn in 2018, $511.4bn in 2019, and $584.1bn in 2020. It noted that PE/VC funds in the United States and Canada invested $344bn and represented 48.8% of global PE/VC investments, followed by funds in the Asia-Pacific region with $176.1bn (25%), Europe with $152.5bn (21.6%), and other regions with $32.6bn (4.6%). In parallel, it pointed out that 16,487 PE/VC deals took place worldwide in 2022, representing a decrease of 19.6% from 20,511 transactions in 2021. There were 5,080 PE/VC deals in the first quarter, 4,361 investments in the second quarter, 3,826 transactions in the third quarter, and 3,220 PE/VC deals in the fourth quarter of 2022. In comparison, it said that 13,528 PE/VC investments took place in 2018, 13,497 transactions in 2019, and 13,950 deals in 2020. Further, it noted that that 5,696 PE/VC deals took place in the U.S. and Canada last year and represented 34.5% of aggregate transactions, followed by the Asia-Pacific region with 5,180 PE/VC investments (31.4%), Europe with 4,673 deals (28.3%), and the rest of the world with 938 transactions (5.7%).

Source: S&P Global Market Intelligence

Global patent filings up 4% to 3.4 million in 2021

The World Intellectual Property Organization indicated that the number of global patent applications filed directly with national and regional offices and under its Patent Cooperation Treaty totaled 3.4 million in 2021, constituting an increase of 3.6% from 3.28 million filings in 2020, and representing a record high. There were 3.13 million filings in 2016, 3.16 million applications in 2017, 3.33 million filings in 2018, and 3.23 million applications in 2019. Asia was the source of 2.3 million international patent applications in 2021, and accounted for 67.6% of patent applications worldwide. North America followed with 628,600 filings (18.5%), then Europe with 357,900 applications (10.5%), Latin America and the Caribbean with 54,800 filings (1.6%), Oceania with 39,300 applications (1.2%), and Africa with 20,900 filings (0.6%). In parallel, it pointed out that the number of patent granted reached 1.76 million on 2021, representing an increase of 10% from 1.6 million approved patents in 2020. There were 1.35 million patents that were approved in 2016, 1.4 million issued patents in 2017, 1.42 million granted patents in 2018, and 1.5 million issued patents in 2019. Patent offices in Asia granted 1.12 million international patents in 2021 and accounted for 64% of issued patents worldwide. North America followed with 350,000 approved patents (20%), then Europe with 208,100 issued patents (11.8%), Latin America and the Caribbean with 45,900 granted patents (2.6%), Oceania with 19,300 approved patents (1%), and Africa with 10,800 issued patents (0.6%).

Source: World Intellectual Property Organization

EMERGING MARKETS

Sovereign and corporate external debt servicing to increase by 2% to $373bn in 2023

Bank of America expected the external debt service payments of corporates and sovereigns in emerging markets (EMs) to reach $373bn in 2023, which would constitute an increase of 2.2% from $365bn in 2022. It forecast external debt servicing to total $114bn in the first quarter, $96bn in the second quarter, $90bn in the third quarter, and $74bn in the fourth quarter of 2023. Also, it projected corporate external debt service payments to amount to $268bn of the aggregate debt servicing from EMs in 2023, which would account for 71.7% of the total, and for sovereign external debt service payments to reach $107bn (28.6%). It expected corporate external debt servicing in the first quarter of the year to total $74bn, which would represent 27.6% of total corporate external debt servicing, followed by $75bn to be paid in the second quarter (28%), $66bn in the third quarter (24.6%), and $53bn in the fourth quarter of 2023 (19.8%). Also, it forecast sovereign external debt servicing in the first quarter of 2023 to amount to $42bn, which would account for 39.3% of aggregate sovereign external debt servicing, followed by $21bn in the second quarter (19.6%), $24bn in the third quarter (22.4%), and $20bn in the fourth quarter of the year (18.7%). In parallel, it expected external debt service payments from emerging Asia at $178bn, or 47.5% of the total, followed by the Emerging Europe, the Middle East & Africa region at $126bn (33.6%), and Latin America at $71bn (19%).

Source: Bank of America, Byblos Research

QATAR

Profits of listed firms up 20% to $10.8bn in first nine months of 2022

The net income of 47 companies listed on the Qatar Stock Exchange totaled QAR39.4bn, or $10.78bn, in the first nine months of 2022, constituting an increase of 20% from QAR32.8bn ($8.9bn) in the first nine months of 2021. Earnings stood at QAR13.6bn, or $3.7bn in the first quarter, QAR14.1bn ($3.8bn) in the second quarter, and QAR12.2bn ($3.3bn) in the third quarter of 2022. Banking & financial services firms generated net profits of $5.4bn in the first nine months of 2022 and accounted for 50.4% of the earnings of publicly-listed firms. Industrial companies followed with $3.2bn, or 30% of the total, then telecommunications firms with $651.7m (6%), transportation companies with $590.5m (5.5%), consumer goods & services providers with $463.3m (4.3%), real estate firms with $356.6m (3.3%), and insurers with $42m (0.4%). Further, the net earnings of listed consumer goods & services providers surged by 28.8% in the first nine months of 2022 from the same period of 2021, followed by industrial companies (+27), transportation firms (+18.5%), real estate companies (+12%), and banking & financial services providers (+5%). In contrast, the net income of insurers decreased by 81% in the first nine months of 2022 from the same period of 2021, while the earnings of telecommunications firms shifted from aggregate losses of $153m in the first nine months of 2021 to profits of $651.7m in the same period of 2022.

Source: KAMCO

AFRICA

Real GDP growth to average 3.8% in 2023-24 period, risks tilted to the downside

The World Bank projected real GDP growth in Sub-Saharan Africa (SSA) to accelerate from 3.4% in 2022 to 3.6% in 2023 and 3.9% in 2024, down by 0.2 and 0.1 percentage points, respectively, from its June 2022 forecast for the coming two years. It anticipated tighter monetary policy across the region to weigh on domestic demand, and considered that weaker growth in advanced economies and in China will constitute headwinds for external demand, particularly among SSA's commodity exporters.

Further, it projected economic activity in the SSA region, excluding its three largest economies Angola, Nigeria and South Africa, to expand by 4.8% in 2023 and by 5.3% in 2024. It expected the increase in oil and natural gas exports to underpin the recovery in several SSA energy producers. But it anticipated further declines in the global prices of several commodities to weigh on the export receipts and growth prospects of some countries in the region. Also, it expected most countries to face elevated prices for imported fertilizers and fuel, and for unfavorable weather conditions to persist, which could affect agricultural exports.

In parallel, the World Bank indicated that over 60% of SSA sovereigns are already in or at a high risk of debt distress, and anticipated capital inflows to the region to remain weak amid higher credit risks. It considered that risks to the region's economic outlook are tilted to the downside and include a slowdown in global economic activity, mainly in China, the Eurozone and the U.S., which would reduce commodity exports and prices. In addition, it expected sustained elevated inflation rates, tighter global and domestic financial conditions, limited access to international capital markets, the deterioration of security conditions in the Sahel, and severe weather conditions to weigh on the growth prospects of SSA economies.
Source: World Bank

Banks to face multiple challenges in 2023

Moody's Investors Service anticipated that significant exposure to sovereign debt, elevated inflation rates, tight global funding conditions and increasing social risks will weigh on the credit profiles of African banks in 2023. However, it considered that the banks' solid capital buffers will mitigate the impact of potential risks. It indicated that African banks are heavily exposed to government debt securities, due to limited lending opportunities, as well as to increased government spending to alleviate the impact of the COVID-19 pandemic and to absorb the shock from Russia's war on Ukraine. It added that the risk of debt distress is increasing among African sovereigns amid mounting fiscal and liquidity constraints, which tightens the link between the creditworthiness of African sovereigns and that of banks in the region. Also, it anticipated that elevated inflation rates and the depreciation of local currencies in African countries would lead to rising problem loans. But it pointed out that pandemic-related forbearance measures remain in place in several counties, which would hide the full extent of the deterioration of the banks' loan portfolios, and it expected that significant loan-loss provisioning will provide a buffer against weaker asset quality. It also noted that elevated interest rates will boost interest margins at African banks, but it anticipated that the gains will be partially or fully offset by lower lending volumes, higher costs and increased provisions to cover rising problem loans.

In addition, the agency anticipated that tighter global funding conditions will create debt refinancing risks for banks that have large volumes of funding in foreign currency and/or currency mismatches on their balance sheets. But it expected that banks that have limited foreign currency mismatches on their balance sheets and higher levels of foreign currency liquidity will be able to mitigate refinancing risks. Further, it indicated that African banks are gradually implementing stricter Basel III capital requirements, but noted that progress is uneven across the region.
Source: Moody's Investors Service

EGYPT

Economic and financial outlook contingent on external funding

The International Monetary Fund (IMF) projected Egypt's real GDP growth to decelerate from 6.6% in the fiscal year that ended in June 2022 to 4% in FY2022/23, and considered that medium-term growth prospects remain favorable, provided authorities commit to the strong implementation of structural reforms under the country's IMF-supported program. It also expected that macroeconomic stability, a move to a flexible exchange rate regime and the positive impact of structural reforms, to strengthen the economy's competitiveness, improve the country's business environment, and support private investments and exports. As such, it forecast real GDP growth to accelerate to 5.3% in FY2023/24 and 5.7% in FY2024/25 after short-term challenges have dissipated, and as private-sector activity gradually replaces the footprint of the State in the economy.

In parallel, it projected the fiscal deficit to widen from 7.8% of GDP in FY2022/23 to 8.4% of GDP in FY2023/24, given that the results from the proposed fiscal reforms will take time to materialize. It expected that a return to a sustained primary fiscal surplus of about 2.1% of GDP by FY2023/24 and of 2.3% of GDP by FY2025/26 would lead the public debt level to decline to about 78% of GDP by the end of June 2027. Further, it forecast the current account deficit at 3% of GDP in FY2022/23, and expected it to narrow to an average of 2% of GDP annually in the medium term. It also projected external financing needs to rise from $23.6bn in FY2022/23 to $29.7bn in FY2024/25, and anticipated that financing pledges carry risks given that the majority of external funding is expected to be in the form of investments.

Further, the IMF considered that Egypt's outlook is subject to significant uncertainties and that risks are tilted to the downside. It indicated that near-term risks include a greater-than-expected exchange rate misalignment, protracted inflationary pressures that could result in social unrest, and elevated financing costs with a further shortening of domestic debt maturities and limited access to global debt markets. It also anticipated that the challenging external market conditions could result in the slower build-up of foreign currency reserves. It added that a potential return to limited exchange rate flexibility and slower-than-expected progress on structural reforms constitute risks to the medium-term outlook.
Source: International Monetary Fund

ANGOLA

Sovereign ratings affirmed, outlook 'positive'

Fitch Ratings affirmed Angola's short- and long-term local and foreign-currency issuer default ratings at 'B' and 'B-', respectively. It also maintained the 'positive' outlook on the long-term ratings, and affirmed the Country Ceiling at 'B-'. It pointed out that the ratings are supported by the decline of the government's debt level, higher foreign currency reserves relative to peers, and improving macroeconomic stability. But it considered that the sovereign ratings are constrained by structural weaknesses, such as the economy's significant dependence on commodities, high inflation rates, and the country's poor performance on governance and human development indicators. In parallel, it attributed the affirmation of the outlook to the decline in Angola's government debt level, large current account surpluses and lower government financing risks as a result of higher global oil prices. Further, it forecast the country's public debt level to average of 58% of GDP in the 2023-24 period, driven by strong nominal GDP growth and primary budget surpluses. Also, it expected the current account surplus to narrow from 12.7% of GDP in 2022 to 8.1% of GDP in 2023 and to 2.6% of GDP in 2024. It projected Angola's gross foreign currency reserves at $15.6bn in 2023 and at $17.1bn in 2024, or 5.7 months of current external payments in the 2023-24 period, which is higher than the median of 3.2 months of import coverage of 'B'-rated sovereigns. In parallel, it indicated that it could upgrade the ratings in case of a sustained improvement in the country's fiscal and external balances, which would support external debt sustainability and reduce external refinancing risks. It said that it could downgrade the ratings in case of the emergence of liquidity pressures as a result of a renewed decline in oil prices.

Source: Fitch Ratings

KUWAIT

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Kuwait's short- and long-term local and foreign currency issuer default ratings at 'F1+' and 'AA-', respectively. It also affirmed the 'stable' outlook on the long-term ratings. It indicated that the ratings reflect the country's strong fiscal and external balance sheets. But it noted that the ratings are constrained by Kuwait's institutional deadlock and political constraints on reforms that would address the economy's heavy dependence on the oil sector, and to the substantial subsidies and facilities that the country provides to the large public sector. Further, it pointed out that authorities have not stepped up efforts to implement fiscal adjustments, and considered that the outlook for reforms remains weak. It expected that the government and Parliament would agree on a debt law in the fiscal year that ends in March 2023, despite the uncertainties about reaching an agreement. It added that the government would still be able to meet its limited debt service obligations even without the approval of the debt law. It anticipated the budget surplus to decline from 12.2% of GDP in FY2021/22 to 5.9% of GDP in FY2022/23, and to shift to a deficit in FY2023/24. In parallel, it indicated that it could downgrade the ratings in case liquidity pressure intensifies on the General Reserve Fund in the absence of a new debt law or if authorities do not pass legislation that permits access to the General Reserve Fund, and/or if the country's fiscal and external balances significantly deteriorate.

Source: Fitch Ratings

PAKISTAN

Sovereign facing elevated external risks

Standard Chartered Bank indicated that Pakistan faces a critically low level of foreign currency reserves, elevated external debt repayment needs, and record-high inflation rates in 2023. As such, it anticipated the State Bank of Pakistan (SBP) to hike its policy rate by 100 basis points (bps) to 17% at its meeting this month. It added that the country's outlook for inflation, fiscal performance and external debt-servicing capacity has deteriorated since the SBP raised interest rates by 100bps in November 2022, despite the narrowing of the current account deficit. First, it said that the inflation rate rose from 23.8% annually in November 2022 to 24.5% in December, due mainly to the higher prices of food and transportation, and anticipated that inflationary pressures will remain elevated this year. Second, it noted that the current account deficit narrowed from $7.2bn in the first five months of the fiscal year that ended in June 2022 to $3.1bn in the first five months of FY2022/23, due mainly to lower imports and despite a decline in exports and remittance inflows. However, it pointed out that foreign currency reserves at the SBP declined to $5.58bn, or four weeks of import cover, at the end of 2022 due to external debt repayments. Also, it projected Pakistan's debt servicing at $13bn in the first half of 2023 and indicated that the country has sought financial backing from its allies to support its foreign currency reserves. In parallel, it considered that the near-term economic outlook and the trajectory of the SBP's monetary policy will depend on the timing and amount of planned capital inflows and on debt rollovers from multilateral and bilateral lenders. It added that the completion of the delayed ninth review of the Extended Fund Facility with the International Monetary Fund is a prerequisite for other inflows to materialize in the first half of 2023.

Source: Standard Chartered Bank

TUNISIA

External vulnerability risks increase with delays in IMF program

Moody's Investors Service indicated that the Executive Board of the International Monetary Fund's (IMF) removed from its agenda a meeting that was scheduled for December 19, 2022 on a new $1.9bn program for Tunisia. It considered that the delays in reaching an agreement with the IMF risk aggravating an already challenging funding position and eroding foreign exchange reserves, due to the country's elevated government liquidity risks and fragile external position. It considered that a new IMF program is critical for Tunisia in light of its wide fiscal and current account deficits, tight external and liquidity conditions, as well as a difficult debt-servicing schedule in the next few years. Also, it said that an IMF program would catalyze additional funds through a broad range of multilateral and bilateral partners beyond financing from the IMF, including the European Union, the World Bank, other multilateral development banks and regional countries. It added that Tunisia's large financing gap would be more challenging without an IMF program, as it would weigh on the country's foreign currency reserves. It considered that securing external financing is crucial for Tunisia's public debt sustainability, given that more than 60% of the country's public debt is denominated in foreign currency.

Source: Moody's Investors Service

BANKING

MENA

High interest rates and oil prices to support banks

Fitch Ratings indicated that the global increase in interest rates in 2023 will support the profitability of banks in the Middle East & North Africa (MENA) region, due to their elevated share of low-cost deposits, floating rates on short-term corporate loans, and lower loan impairment charges. Further, it expected the asset quality metrics of the banks to remain stable in 2023, despite higher customer indebtedness, the end of forbearance measures related the COVID-19 pandemic, and the solid levels of provisions that banks built up since 2020. Also, it noted that the impact of higher inflation rates is muted on most banks in the region, due to pegged currencies and subsidies on food and energy, which would limit the deterioration of the purchasing power of borrowers. But it pointed out that the ratios of Stage 2 loans vary across banks in the region and indicated that the ratio reached 20% at several banks, which would lead to the potential deterioration of their asset quality. It added that credit concentration at banks constitutes a key risk, as the contracting, hospitality, transport and aviation sectors are under pressure. Also, it noted that most banks in the Gulf Cooperation Council countries will maintain their liquidity position in 2023, due to elevated oil prices and slower lending growth. It considered that the non-resident funding of Qatari banks will remain elevated this year, while foreign currency liquidity at Egyptian banks will be volatile. In parallel, it expected the capital ratios of banks in the MENA region to remain at adequate levels in 2023, driven by modest lending growth.

Source: Fitch Ratings

GCC

Banking sectors to outperform peers in other emerging markets

Goldman Sachs indicated that banks in the Gulf Cooperation Council (GCC) countries have outperformed other banking sectors in the Emerging Europe, Middle East and Africa region in 2022, driven mainly by high loan growth and wider net interest margins, and anticipated this trend to continue in 2023. Further, it expected lending at Saudi banks to grow by an average of 14% annually during the 2023-25 period, followed by credit at Kuwaiti banks at 8%, Qatari banks at 4%, and UAE banks at 6%. In addition, it expected interest rates in the United States to peak in May 2023 at 5% to 5.25%, which would lead to a further widening of the net interest margins of GCC banks, given the peg of GCC currencies to the US dollar. It projected the net interest margin of Saudi banks to expand by 16 basis points (bps) in 2023, followed by a widening of 15 bps at UAE banks and 13 bps at Kuwaiti banks, while it forecast the net interest margin of Qatari banks to remain flat at 2.48% this year. In parallel, it expected the cost of risk at GCC banks to increase in 2023 amid a higher interest rate environment and inflationary pressures. It forecast the cost of risk at GCC banks excluding Qatari banks to increase from 60 bps in 2022 to 75 bps in 2023. Also, it expected the cost of risk at Qatari banks to be elevated in the near term, due to regulatory amendments about the treatment of Stage 2 loans. However, it anticipated the cost of risk to remain manageable at GCC banks in 2023, driven by subdued lending growth, excluding Saudi Arabia, loans to low-risk sectors, as well as a high share of retail loans that carry fixed rates.

Source: Goldman Sachs

EGYPT

Banks' capital ratios to withstand further currency depreciation

Fitch Ratings considered that the regulatory capital ratios of Egyptian banks can withstand further depreciation of the Egyptian pound, given that their healthy internal capital generation supports the banks' capital metrics. It indicated that large privately-owned banks are better placed than the two largest state-owned banks to withstand the depreciation of the pound due to their higher regulatory capital buffers. It anticipated the pound to remain under pressure this year due to the foreign currency backlog for import bills and large gross external funding needs. It added that the capitalization of banks is vulnerable to mark-to-market losses on investment portfolios due to the sharp rise in interest rates and of yields on sovereign securities since the first quarter of 2022. It anticipated banks to continue to incur fair-value losses in 2023, which will weigh on their capital ratios this year and expected several banks to reduce the distribution of dividends in order to support internal capital generation. Further, it indicated that the introduction of certificates of deposits that pay 25% interest rates will squeeze the net interest margins of state-owned banks, while it anticipated privately-owned banks to see further deposit outflows. But it said that yields on sovereign securities, which increased by more than 500 basis points in 2022, will underpin the net interest margins and profitability metrics of privately-owned banks. It added that risks to asset quality are increasing as business activity decelerates due to a slowdown in economic activity and to shortages in foreign currency.

Source: Fitch Ratings

GHANA

Debt restructuring to affect banks' capital

Fitch Ratings considered that the restructuring of Ghana's local-currency government debt could lead to material capital shortfalls at some Ghanaian banks when they exchange their existing debt for new bonds that carry lower coupon rates and have longer maturities, as it noted that banks will incur large economic losses. It estimated that banks that exchange old government bonds with new ones will face a net present value loss of about 50%, assuming a 20% discount rate and based on the coupon rates and maturities of the new bonds, which would significantly erode the banking sector's capitalization. But it expected the authorities' flexible accounting treatment of capital ratios to mitigate the impact of the debt restructuring on the banks' capital buffers, which would allow the banks to remain compliant with the minimum capital requirements. It considered that the disagreement between debt holders and the government over the terms of the debt exchange raises the prospect of a further extension of the deadline for the start of the exchange and could lead to a potential relaxation of the terms. Further, it expected banks to participate in the exchange, given that the risk-weighting for the existing debt will increase from zero to 100%, and added that non-participating banks will not be eligible for liquidity support from the newly established Financial Stability Fund. Further, it indicated that the government's plan to restructure its external debt will add to the pressure on the banks' capital, as it considered that the suspension of payments on sovereign Eurobonds, commercial term loans and bilateral debt, constitutes the start of a sovereign default.

Source: Fitch Ratings

Oil prices to average $89.3 p/b in first quarter of 2023

ICE Brent crude oil front-month prices have been trading at between $77.8 per barrel (p/b) and $85.9 p/b since the start of 2023. A massive increase in U.S. crude oil inventories for the second week in a row drove the decrease in oil prices, while expectations that a recent shift in China's COVID-19 policy that will boost demand for oil posed upside risks to oil prices. In parallel, the International Energy Agency (IEA) expected global oil demand to reach 101.7 million barrels per day (b/d) in 2023, which would constitute an increase of 1.9 million b/d from 99.8 million b/d in 2022, driven by higher demand for oil from China despite the uncertainties about the relaxation of its lockdown measures. It considered that the successful sales of electric vehicles, the reduction of energy consumption, and the global switch to renewable energy will reduce global demand for oil by 900,000 b/d this year. Further, it forecast global oil supply to regress by 1 million b/d this year, given that an increase of 1.9 million b/d of oil output from non-OPEC+ countries will offset the decline of 870,000 b/d of oil production from the OPEC+ coalition due to the expected decrease in Russian oil exports. In addition, Goldman Sachs considered that the continued resilience of Russian oil production would weigh on oil prices this year, while any retaliation by Russia through voluntary production cuts would support oil prices. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 30 industry analysts, to average $89.3 p/b in the first quarter and $90 p/b in the second quarter of 2023.
Source: IEA, Goldman Sachs, Refinitiv, Byblos Research

OPEC's oil basket price down 11% in December 2022

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $79.68 per barrel (p/b) in December 2022, constituting a decrease of 11.2% from $89.73 p/b in November 2022. The price of Algeria's Sahara blend was $83.03 p/b, followed by Saudi Arabia's Arab Light at $82.44 p/b, and Nigeria's Bonny Light at $80.7 p/b. All prices in the OPEC basket posted monthly decreases of between $8.77 p/b and $14.07 p/b in December 2022.
Source: OPEC

Angola's oil export receipts down 18% to $942.5m in November 2022

Oil exports from Angola reached 33.67 million barrels in November 2022, constituting decreases of 731,399 barrels (-2.1%) from 34.4 million barrels in October 2022 and of 857,466 barrels (-2.5%) from 34.53 million barrels in the same month in 2021. The country's oil export receipts totaled KZ471.1bn, or $942.5m, in November 2022 and declined by 17.9% from KZ574.3bn, or $1.3bn in October 2022. They regressed by 7.5% from KZ509.06bn ($849m) in November 2021.
Source: Ministry of Finance of Angola

OPEC oil output up 4% in December 2022

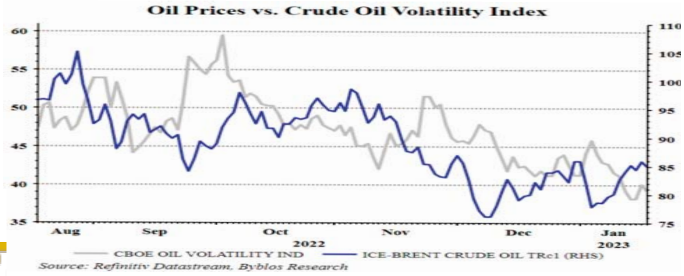
Members of OPEC, based on secondary sources, produced 28.97 million barrels of oil per day (b/d) on average in December 2022, nearly unchanged from 28.87 million b/d in November 2022, and increased by 3.9% from 27.88 million b/d in December 2021. Saudi Arabia produced 10.5 million b/d, or 36.2% of OPEC's total output, followed by Iraq with 4.5 million b/d (15.5%), the UAE with 3.04 million b/d (10.5%), Kuwait with 2.65 million b/d (9.1%), and Iran with 2.57 million b/d (8.9%).
Source: OPEC

Base Metals: Aluminum prices to average $2,300 per ton in first quarter of 2023

The LME cash price of aluminum averaged $2,703.7 per ton in 2022, constituting a rise of 9.2% from an average of $2,476.2 a ton in 2021, The increase in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as well as by concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry. Prices averaged $3,254.7 a ton in the first quarter of 2022, then decreased to $2,882 per ton in the second quarter, down to $2,356 a ton in the third quarter and declined to $2,336 per ton in the fourth quarter. The continuous decrease in prices in 2022 is mainly due to a the economic slowdown in China, the world's largest consumer of the metal, due to the implementation of COVID-19-related lockdowns, which has put downward pressure on the metal's price. In parallel, Citi Research projected the refined supply of aluminum at 70.88 million tons in 2023, which would constitute an increase of 2.5% from 69.15 million tons in 2022. It forecast refined demand for the metal at 69.9 million tons in 2023, which would represent an increase of 1.4% from 69 million tons in 2022. It expected the metal’s market to post a large surplus of 900,000 tons in 2023, driven by higher supply from China. Also, it forecast aluminum prices to average $2,300 per ton in the first quarter and $2,500 a ton in the second quarter of 2023.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $2,100 per ounce in first quarter of 2023

The prices of palladium averaged $2,107.5 per troy ounce in 2022, constituting a decline of 12% from an average of $2,396 an ounce in 2021. Prices averaged $2,329 an ounce in the first quarter of 2022, and then decreased to $2,097.7 per ounce in the second quarter, to $2,076.7 an ounce in the third quarter and to $1,930.7 per ounce in the fourth quarter, due to global chip shortages and to the substitution of palladium to platinum in catalytic converters. In parallel, Citi Research anticipated the supply of palladium at 9.8 million ounces in 2023, which would constitute an increase of 3.6% from 9.5 million ounces in 2022, with mine output representing 69.5% of global refined palladium production in 2023. It forecast demand for the metal at 10.1 million ounces in 2023, which would represent an increase of 1.8% from 10.04 million ounces in 2022. Further, it expected palladium prices to recover in the first half of 2023 before decreasing to less than $2,000 an ounce, driven by the decline in demand for catalytic converters due to the substitution of palladium with platinum in the production of batteries for electric vehicles. Moreover, it forecast palladium prices to average $2,100 per ounce in the first quarter and $2,050 an ounce in the second quarter 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-	B3	B-	-								
	Stable	Positive	Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+								
	Stable	Negative	Negative	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC-									
	Negative	RfD**	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD	Ca	C	-								
	-	Stable	-	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-								
	-	Positive	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-								
	Negative	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B3	B-	-								
	Stable	RfD	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa1	CCC+	-								
	-	Negative	-	-	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-								
	Stable	-	-	-	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Positive	Negative	Stable	Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B								
	-	-	-	Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Positive	Negative	Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	-								
	-	-	-	-	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB	Ba3	BB	BB								
	Stable	Positive	Stable	Stable	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA-								
	Stable	Positive	Stable	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+								
	Positive	Stable	Positive	Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	B+	Ba3	B+	B+								
	Stable	Negative	Stable	Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-								
	Stable	Stable	Stable	-	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-								
	Stable	Negative	Negative	-	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-								
	Stable	Positive	Stable	-	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+	Caa1	CCC+	-								
	Stable	Negative	-	-	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Stable	Stable	Stable	-	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-								
	Negative	Negative	Negative	-	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-								
	CWN***	Negative	-	-	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B	B2	B	B+								
	Stable	Negative	Negative	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-								
	CWN	RfD	-	-	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
***Review for Downgrade*
**** CreditWatch with negative implications*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	4.50	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	18-Jan-23	No change	10-Mar-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	3.50	13-Jan-23	Raised 25bps	23-Feb-23
Malaysia	O/N Policy Rate	2.75	19-Jan-23	No change	09-Mar-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	19-Jan-23	No change	23-Feb-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	24-Jan-23
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	01-Feb-23
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	13-Jan-23	No change	24-Feb-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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