700 ISSUES+
Issue 716 | May 12, 2022

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global merchandise trade up 23% in fourth quarter of 2021

The World Trade Organization indicated that the volume of global merchandise trade increased by 23% in the fourth quarter of 2021 from the same quarter of 2020 and improved by 2.6% from the third quarter of 2021. It estimated that the volume of merchandise exports rose by 22% in the fourth quarter of 2021 from the same quarter of the preceding year and the volume of merchandise imports increased by 23% worldwide. On a regional basis, it estimated that the volume of merchandise exports expanded by 30% in South & Central America in the fourth quarter of 2021 from the same period of 2020, followed by exports from Asia (+23%), North America (+21%), and Europe (+15%), while merchandise export volumes from other regions, including the Caribbean, grew by 53% in the covered quarter. In parallel, it estimated that the volume of merchandise imports rose by 46% in South & Central America in the fourth quarter of 2021 from the same quarter of 2020, followed by merchandise imports from Asia (+29%), North America (+23%), and South & Central America (+20%), while merchandise import volumes from other regions, including the Caribbean, increased by 21% in the covered period. In parallel, it noted that the value of global merchandise trade rose in the fourth quarter of 2021 due mainly to the increase in fuel prices by 26.5% in the fourth quarter of 2021 from the previous quarter. Also, it indicated that prices of manufactured goods grew by 0.8%, while prices of non-fuel commodities declined by 0.8%.

Source: World Trade Organization

MENA

Stock markets up 16.5% in first four months of 2022

Arab stock markets increased by 16.5% and Gulf Cooperation Council equity markets grew by 20% in the first four months of 2022, relative to increases of 14.1% and 17%, respectively, in the same period of 2021. In comparison, global stocks regressed by 13.5% and emerging market equities decreased by 12.2% in the first four months of 2022. Activity on the Beirut Stock Exchange, based on the official stock market index, rose by 35% in the first four months of 2022, the Saudi Stock Exchange improved by 21.7%, the Abu Dhabi Securities Exchange yielded 18.8%, the Qatar Stock Exchange advanced by 17%, the Dubai Financial Market grew by 16.4%, while the Bahrain Bourse and the Damascus Securities Exchange advanced by 14.4% each. In addition, the Amman Stock Exchange gained 13.7%, the Boursa Kuwait yielded 9.3%, the Khartoum Stock Exchange increased by 9%, the Iraq Stock Exchange expanded by 3.7%, the Tunis Bourse advanced by 3%, and the Muscat Securities Market improved by 0.7% in the covered period. In contrast, activity on the Egyptian Exchange declined by 7.5% in the first four months of 2022, the Casablanca Stock Exchange decreased by 1.7%, and the Palestine Exchange regressed by 0.2%.

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

GCC

Fixed income issuance down 42% to $33bn in first four months of 2022

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $32.9bn in the first four months of 2022, constituting a decrease of 41.5% from $56.2bn in the same period of 2021. Fixed income issuance in the covered period consisted of $14.8bn in sovereign sukuk, or 45% of the total, followed by $9bn in corporate bonds (27.4%), $7.9bn in corporate sukuk (24%), and $1.2bn in sovereign bonds (3.6%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $16.9bn in the covered period, or 51.4% of fixed income output in the region; while aggregate issuance by GCC sovereigns reached $16bn, or 48.6% of the total. GCC sovereigns issued $4.8bn in bonds and sukuk in January, $10.2bn in March, and $1bn in April 2022. In parallel, companies in the GCC issued $6.7bn in bonds and sukuk in January, $2.7bn in February, $5.3bn in March, and $2.2bn in April of this year. Further, corporate issuance in April 2022 included $1.1bn in sukuk issued by firms in Saudi Arabia, $932m in bonds and $750m in sukuk issued by companies based in the UAE, and $219m in sukuk issued by Qatari companies.

Source: KAMCO

UAE

Earnings of Abu Dhabi firms up 69%, profits of Dubai firms up 88% in 2021

The net income of 68 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED63.9bn, or $17.4bn in 2021, constituting a surge of 68.8% from AED38bn, or $10.3bn, in 2020. Listed banks generated net profits of $8.4bn and accounted for 48.3% of the total earnings of publicly-listed firms in 2021. Telecommunications firms followed with $2.6bn (15.2%), then utilities companies with $1.6bn (9.3%), energy firms with $1.5bn (8.8%), industrial companies with $1.2bn (6.9%), basic materials firms with $976.7m (5.6%), real estate companies with $692m (4%), consumer discretionary firms with $220.5m (1.3%), consumer staples companies with $91.4m (0.5%), and healthcare firms with $22.4m (0.1%) in 2021. In parallel, the cumulative net income of 58 companies listed on the Dubai Financial Market that published their financials totaled AED30.3bn, or $8.2bn in 2021, constituting a jump of 88% from AED16.1bn or $4.4bn in 2020. Listed banks generated net profits of $5.1bn, or 62.3% of net earnings in 2021. Real estate & construction firms followed with $1.5bn or 18.6% of the total, then transportation companies with $321.8m (4%), telecommunications firms with $296.6m (3.6%), industrial companies with $27m (3.3%), insurers with $254.8m (3.1%), services providers with $214.4m (2.6%), investment & financial services firms with $184.7m (2.2%), and consumer staples companies with $32.2m (0.1%) in 2021.

Source: KAMCO, Byblos Research

POLITICAL RISK OVERVIEW - April 2022

ALGERIA

Authorities arrested leading opposition figure Karim Tabbou on undisclosed charges, while the trials of politicians and businessmen linked to the era of former President Bouteflika continued. In parallel, the government accused Morocco of killing three civilians in drone strikes in the disputed Western Sahara region near the Mauritanian border. The Algerian Special Envoy for Western Sahara issue and Maghreb Countries denounced the killings, and warned that a "possible spillover" into Algerian territory will be considered as a provocation. Further, Algiers offered new energy contracts to Italy amid deteriorating relations with Spain over the Western Sahara issue. Also, the government threatened to suspend gas exports to Spain as Madrid announced that it intends to help Rabat "guarantee its energy security".

ARMENIA

Armenian Prime Minister Nikol Pashinyan and Azerbaijani President Ilham Aliyev held a meeting on April 6, 2022 in Brussels that was mediated by the European Union after a recent flare up in the disputed Nagorno-Karabakh region. The two countries agreed to set up a bilateral commission on the issues of the demarcation of the Armenian-Azerbaijan border to ensure security and stability along the frontier and to instruct their ministers of Foreign Affairs to work on the preparation of a future peace treaty. However, opposition parties held a series of campaign and demonstrations against signing a peace deal with Baku and called for the resignation of PM Pashinyan as they accused him of planning concessions to Azerbaijan over the disputed territory.

ETHIOPIA

Aid convoys entered the Tigray State by land for the first time since December 2021, and a convoy of 50 trucks arrived in the Tigrayan capital Mekelle after Tigray forces withdrew from the Erebti district in the Afar region. Still, the World Health Organization announced that only 4% of the required aid had reached the Tigray region since the federal government declared a truce at the end of March 2022. In parallel, Amnesty International and Human Rights Watch alleged that the Amhara regional authorities and security forces, with possible participation of federal soldiers, have been carrying out an "ethnic cleansing" campaign in the Western Tigray region since November 2020, and are steadily expelling hundreds of thousands Tigrayans.

IRAN

Talks between Iran and world powers to revive the Joint Comprehensive Plan of Action reached one year without making progress. The impasse remained focused on the bilateral political issue between Washington and Tehran, specifically whether and under what conditions the Biden administration would revoke the Trump administration's designation of the Iranian Revolutionary Guard Corps as a foreign terrorist organization. In parallel, Iran and Saudi Arabia resumed their bilateral dialogue in Baghdad that was suspended since September 2021 and described talks as positive.

IRAQ

Iraq remains in a state of political deadlock leading to an unprecedented constitutional impasse after last month's failed attempts to reach a quorum of two-thirds in Parliament in order to elect a new president. Further, hundreds of demonstrators protested on April 15, 2022 against the political stalemate in the capital Baghdad. In parallel, Turkey launched new operations against the Kurdistan Workers' Party in northern Iraq, which led to the summoning of the Turkish ambassador by the Iraqi Minister of Foreign Affairs. Also, the Islamic State (IS) terrorist group stepped up attacks during the month of Ramadan against security forces in the central regions of the country, while Iraqi forces continued their operations against IS during April.

LIBYA

Five military officers who are loyal to Field Marshal Khalifa Haftar withdrew from the 5+5 Joint Military Commission and urged Haftar to shut down oil production to prevent the Tripoli-based Prime Minister Abdul Hamid Dabaiba from accessing oil revenues. The move came after the National Oil Corporation transferred oil receipts to the Tripoli-based Central Bank of Libya, despite promising in March to abide by the orders of the Tobruk-based House of Representatives.

PAKISTSN

The Deputy Speaker of the Pakistani parliament dismissed a no-confidence motion against Prime Minister Imran Khan. Further, President Dr. Arif Alvi dissolved the National Assembly based on PM Khan's request and retained Khan as interim prime minister. However, the Supreme Court ruled that PM Khan's move to dissolve Parliament and his call for early elections is unconstitutional and called for a vote of no-confidence. On April 10, 2022, nine political parties, led by the Pakistan Muslim League-Nawaz and Pakistan Peoples Party, voted to oust PM Khan and elected Shehbaz Sharif as the new prime minister in the absence of the ruling Pakistan Tehreek-e-Insaf lawmakers.

SUDAN

On the anniversary of the 2019 sit-in in front of military headquarters in the capital Khartoum, thousands of protestors marched in the city and demanded civilian rule. The chairman of the Sovereign Council Abdel Fattah al-Burhan threatened to expel the head of the United Nations mission in Sudan who warned that the political paralysis could lead the country to "economic and security collapse". Further, the Sudan Revolutionary Front, which is a signatory to the 2020 peace agreement, presented a national dialogue initiative to resolve the political crisis. In parallel, the head of the paramilitary Rapid Support Forces ordered the use of military force and the implementation of emergency law in South Darfur after deadly tribal violence in late March.

TUNISIA

President Kais Saïed declared a new voting system and the restructuring of the elections commission, but the U.S. Department of State expressed "deep concern" over President Saïed's move to restructure the elections authority. In parallel, the president held consultations with the Tunisian General Labour Union (UGTT), the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat, the National Bar Association, and the Human Rights League in preparation for the long-awaited national dialogue that aims to "build the new Republic". Further, hundreds of protestors demonstrated in the capital Tunis and denounced President Saïed's power grab and demanded "the return to the constitution". Also, the leader of the opposition Al-Amal party Nejib Chebbi launched the "National Salvation Front" alliance in an attempt to form a united front against the president and re-establish constitutional and democratic processes in the country.

YEMEN

The United Nations' Envoy of the Secretary-General for Yemen announced a nationwide truce of two-month starting on April 2, 2022 between the Hadi government and Huthi rebels, which includes the cessation of military operations and cross-border attacks, the opening of the Sana'a International Airport for biweekly commercial flights to Jordan and Egypt, permission for around 18 fuel ships to enter the Huthi-controlled Hodeida port, and negotiations over opening road access to the besieged Taiz city. As a result, fighting slowed significantly following the announcement of the ceasefire. In parallel, Yemeni president Abed Rabbo Mansour Hadi delegated his own powers to a new Presidential Leadership Council to carry out his presidential duties.

Source: International Crisis Group, Newswires

OUTLOOK

MENA

Economic activity to grow by 4.3% in 2022-23 period, outlook subject to uncertainties

The International Monetary Fund revised upwards its real GDP growth projection for the Middle East & North Africa (MENA) region to 5% in 2022 from its October 2021 forecast of 4.1% for this year, due to the improved outlook for the region's oil exporters and better-than-expected growth in Egypt in the first half of fiscal year 2022. Further, it projected economic activity in the region's oil exporters to expand by 5.4% in 2022 and 3.2% next year, while it forecast growth in MENA oil importers at 4% this year and 4.5% in 2023. It anticipated the inflation rate to average 13.9% in 2022 due to significant increases in global food and energy prices, as well as to exchange rate depreciations and lax monetary and/or fiscal policies in some MENA countries.

In parallel, it forecast the fiscal deficit in oil importers at 6.3% of GDP in 2022 and 5.7% of GDP in 2023, while it projected the fiscal balance in the region's oil exporters to post surpluses of 2.8% of GDP this year and 1.1% of GDP in 2023. In addition, it forecast the current account surplus of MENA oil exporters to increase from 5.5% of GDP last year to 12.3 % of GDP in 2022 and to reach 8.8% of GDP in 2023. In contrast, it projected the current account deficit of oil importers to widen from 5.3% of GDP in 2021 to 6.1% of GDP this year due to higher oil and commodity prices, and to reach 5.6% of GDP in 2023.

The IMF considered that the outlook of oil-importing and low-income economies in the MENA region is subject to higher global commodity prices and supply chain disruptions, as well as to these economies' reliance on wheat and energy imports from Russia and Ukraine. In addition, it expected that a slowdown in Europe would further weigh on the external balances of these economies through weaker trade and tourism receipts.
Source: International Monetary Fund

AFRICA

Growth to decelerate to 3.6% in 2022, risks tilted to the downside

The World Bank estimated real GDP growth in Sub-Saharan Africa (SSA) at 4% in 2021, up by 0.7 percentage points (ppts) from its October 2021 forecast for the year, mainly due to growth upgrades of 1.2 and 0.3 ppts for Nigeria and South Africa, respectively. However, it projected real GDP growth in the SSA region to slow down to 3.6% in 2022, due to weaker global economic activity, the persistent effects of the COVID-19 pandemic, high inflation rates, rising financial risks from elevated public debt levels in the region, protracted supply disruptions, as well as tighter global financial conditions and the war in Ukraine. Still, it expected the impact of the Russia-Ukraine conflict on SSA economies to be negligible, given the region's limited trade exposure to Russia and Ukraine.

It projected real GDP growth at 3.8% in 2022 and 4% in 2023 in Nigeria and at 3% annually in Angola in the 2022-23 period, due in part to elevated oil prices and the favorable performance of the non-oil sector. It also projected economic activity in South Africa to contract by 2.8% in 2022 due to persistent structural constraints, and for growth to recover to 1.1% in 2023. Further, it forecast real GDP growth in the SSA region, excluding the three countries, at 4.5% annually in the 2022-23 period. It anticipated non-resource-rich economies to be negatively affected by rising global commodity prices, which would weigh on growth in the region, while it expected growth in resource-rich countries to be supported by favorable terms of trade.

In parallel, the World Bank considered that risks to the SSA region's outlook are tilted to the downside. It indicated that external risks include growing stagflation in the global economy, a faster-than-expected tightening of monetary policy in advanced economies, the resurgence of more transmissible variants of the coronavirus and social unrest in many parts of the region due to elevated fuel and food prices. Also, it noted that domestic risks include sovereign and corporate defaults, the deterioration of security conditions in the Sahel, and severe weather conditions.
Source: World Bank

ARMENIA

Real GDP growth projected at 1.5% in 2022, outlook subject to high uncertainties

The International Monetary Fund (IMF) anticipated that Armenia's real GDP growth will decelerate from 5.7% in 2021 to 1.5% this year, due mainly to weaker domestic consumption as a result of lower remittance inflows, a decline in foreign direct investments and lower net exports. It expected real GDP growth to accelerate to 4% in 2023, in case economic activity normalizes across all sectors. It considered that the outlook is subject to high uncertainties due to the spillovers from the war in Ukraine, as well as to the sanctions against Russia given Armenia's economic links and exposure to the Russian economy. Still, it said that medium-term growth prospects would critically depend on the authorities' commitment to implement reforms. Further, it anticipated that higher global food and energy prices, supply disruptions, and potential exchange rate volatility to keep inflationary pressures elevated at an average of 7.6% in 2022 and 6% in 2023, which is above the Central Bank of Armenia's target of 4%.

In parallel, the IMF indicated that the authorities plan to ease the pace of fiscal adjustment in 2022 in order to provide timely and targeted support to the economy. It anticipated public revenues to decline this year, while it noted that authorities plan to keep nominal expenditures at the budgeted level and to reprioritize spending. Still, it projected the fiscal deficit to narrow from 4.6% of GDP in 2021 to 4.1% of GDP in 2022, but to remain about one percentage point higher than the budget forecast. It stressed that the continued implementation of planned revenue reforms is critical to creating fiscal space and supporting consolidation efforts. It also encouraged the authorities to reduce tax distortions, expand the tax base, and improve tax compliance. Further, it pointed out that Armenia exported about 30% of its goods to Russia in 2021, and anticipated such exports to decline this year due to weaker external demand and lower exports receipts, as a significant portion of Armenian exports to Russia are priced in the Russian ruble that has sharply depreciated. As such, it projected the current account deficit to widen from 3.7% of GDP in 2021 to 6.3% of GDP in 2022, amid lower remittance inflows from Russia and higher global commodity prices. Still, it forecast foreign currency reserves to remain at an adequate level of $2.88bn by the end of 2022 and $2.75bn by end-2023.
Source: International Monetary Fund

QATAR

Sovereign rating affirmed, outlook 'stable'

S&P Global Ratings affirmed Qatar's short- and long-term foreign and local currency sovereign credit ratings at 'A-1+' and 'AA-', respectively. Also, it maintained the 'stable' outlook on the long-term ratings. It pointed out that the ratings are supported by the country's strong external position and the substantial assets of the Qatar Investment Authority. Further, it forecast the current account balance to post an annual average surplus of 17% of GDP in the 2021-2023 period, supported by large hydrocarbon revenues. However, it noted that the ratings are constrained by the limited flexibility of monetary policy, given the peg of the Qatari riyal to the US dollar, as well as by the accumulation of foreign debt by the country's banking system. It added that the 'stable' outlook reflects Qatar's fiscal and external buffers that benefit from the country's status as one of the world's largest exporters of liquefied natural gas, amid high global energy demand. It projected Qatar's gross external financing needs to increase from 183% of CARs plus usable reserves in 2022, to 208% and 252% of CARs plus usable reserves in 2023 and 2024, rescpectively. The agency pointed out that it could revise the outlook to 'positive' if the government's debt servicing cost declines to the equivalent of less than 5% of public revenues, as a result of a sustainable growth in revenues and/or a reduction in the public debt stock. It said that it could revise the outlook to 'negative' or downgrade the ratings if Qatar experiences a significant external shock, either due to a worsening of its current account balance, or to a large outflow of non-resident deposits from its large banking system.

Source: S&P Global Ratings

BAHRAIN

Favorable economic conditions in 2022 and 2023

National Bank of Kuwait projected real GDP in Bahrain at 3% in 2022 and 2.7% in 2023, above their pre-pandemic levels, mainly driven by elevated oil prices, a post-pandemic rebound in economic activity, ongoing financial aid from Gulf Cooperation Council (GCC) countries, as well as rising oil production, given that the country is one of the most diversified economies in the GCC region. Further, it considered that the successful implementation of the $30bn economic recovery plan that the authorities announced in October 2021 could boost growth prospects. Also, it expected that the Central Bank of Bahrain would further tighten its monetary policy after raising interest rates in March of this year in order to mitigate inflationary pressures. In parallel, it forecast the fiscal balance to shift from a deficit of 3.7% of GDP in 2021 to surpluses of 2.5% in 2022 and of 0.7% of GDP in 2023, due to improved revenue collection and the rationalization of public spending. Also, it noted that authorities aim to reduce the government's debt level from 113.6% of GDP in 2021 to 110.5% of GDP in 2022 and 108.7% of GDP in 2023, given the enhanced fiscal position. In addition, it projected the current account balance to remain in surplus at 7.6% of GDP in 2022 and 6.7% of GDP in 2023, which would help the accumulation of foreign reserves and provide buffers against external shocks. It pointed out that the main risks to the macroeconomic outlook include a sudden drop in oil prices, the incomplete implementation of the Fiscal Balance Program, and higher interest rates that could negatively affect the public debt's dynamics.

Source: National Bank of Kuwait

ANGOLA

Non-oil sector activity to drive growth in 2022

The International Monetary Fund projected Angola's real GDP to grow by 3% in 2022 relative to its October forecast of an expansion of 2.4% for the year. It expected activity in non-oil sectors, such as agriculture, construction and transportation, to be the main drivers of growth this year. Also, it forecast real GDP growth at 4% annually in the medium term, in case of sustained high global oil prices and strong activity in the non-oil sector. It considered that key risks to the outlook include elevated inflation rates and protracted disruptions to oil production. Also, it anticipated the average inflation rate at 24% in 2022, and indicated that the Banco Nacional de Angola has increased its policy rate in order to contain inflationary pressures. In parallel, it projected the government's fiscal surplus at 3.1% of GDP in 2022 and 1.6% of GDP in 2023. In addition, it expected the public debt level to decline from 86.3% of GDP at end-2021 to 58% of GDP at end-2022 and 54.6% of GDP by end-2023. In parallel, the IMF forecast Angola's exports of goods & services at 41% of GDP in 2022 and 33.7% of GDP next year, and expected the country's imports of goods & services to reach the equivalent of 22.2% of GDP annually in the 2022-23 period. As such, it projected the current account surplus to decrease from 11.3% of GDP in 2021 to 11% of GDP in 2022 and 5% of GDP in 2023. It anticipated the country's gross external debt level at 44.8% of GDP at end-2022 and 43.6% of GDP by the end of 2023. Also, it forecast Angola's gross foreign currency reserves to be equivalent of 6.6 months of import coverage at the end of 2022 and 2023.

Source: International Monetary Fund

DEM REP CONGO

Economic growth projected at 6% in 2022

The International Monetary Fund (IMF) considered that the outlook for the Democratic Republic of Congo (DRC) for 2022 is favorable and provides opportunities to consolidate macroeconomic stability, despite significant downside risks. However, it revised its projection for the DRC's economic growth from 6.4% to 6.1% in 2022 as a result of the impact of the war in Ukraine on the economy. It expected that elevated global food and energy prices would weight on the inflation rate in the DRC and would increase current public spending due to the ongoing fuel subsidies. Further, it noted that the small current account surplus, driven by higher grants and a relatively stable trade deficit, will support the accumulation of foreign currency reserves. It expected the deterioration in the fiscal balance to be limited as a result of higher government receipts. In parallel, the IMF welcomed the authorities' commitment to strengthen reform efforts to contain current public spending and control investment expenditures. It added that reforms to increase revenues, improve public investments, and strengthen fiscal governance remain critical to enhance the efficiency of public finances. It noted that simplifying the tax system and improving the business climate and governance constitute crucial steps to support economic diversification, mobilize investments, and promote private sector-led growth. In addition, it considered that the Banque Centrale du Congo should strengthen its monetary policy framework, continue to increase international reserves and improve banking supervision, as well as support financial inclusion.

Source: International Monetary Fund

BANKING

SAUDI ARABIA

Banks to benefit from high oil prices and interest rates

Fitch Ratings considered that high oil prices, rising interest rates and strong credit growth will support the standalone credit profiles of Saudi banks. It expected banks in Saudi Arabia to benefit from the U.S. Federal Reserve's upcoming increases in interest rates, which would trigger a similar response by the Saudi Central Bank, given the peg of the Saudi riyal to the US dollar. It estimated that improving economic conditions in the Kingdom amid elevated oil prices would support the banks' credit quality, as it anticipated a further decline in the banking sector's non-performing loans (NPLs) ratio and loan impairment charges in the near term. It added that the banks' loss-absorption buffers are underpinned by a healthy reserve coverage of NPLs and solid pre-impairment operating profits. Also, it forecast bank lending to increase by about 12% in 2022, driven by the ongoing strong growth in retail mortgages and an increase in corporate lending. In addition, it expected corporate-oriented banks to benefit from changes in interest rates due to their high share of non-interest bearing deposits, which is nearly 66% of total deposits. Further, it anticipated a decrease in the banks' net interest margins in the 2022-23 period due to the sector's elevated exposure to fixed-rate mortgages, and expected that the impact of higher rates on the banks' net interest margins would be less significant than it was in previous monetary tightening cycles. In parallel, it anticipated that the banks' capital positions would remain a credit strength despite the reinvestment of the banks' profits, given that the rated banks' common equity Tier One ratio stood at 17.2% at end-2021.

Source: Fitch Ratings

TUNISIA

Ukraine conflict adds to banks' vulnerabilities

Fitch Ratings indicated that the Tunisian banking system is the most vulnerable among its African peers to Russia's invasion of Ukraine, which leaves the banks' operating conditions highly exposed to severe shocks amid rising energy prices, food price inflation, supply-chain disruptions, renewed pressure on tourism activity, as well as a drop in foreign capital flows. Further, it downgraded the operating environment score of Tunisian banks from 'b-' to 'ccc', amid heightened risks to the banking sector's creditworthiness as a result of a weakened sovereign and fragile operating conditions. In addition, it said that the potential increase of local interest rates could lead to a rise in credit costs and would weigh on the borrowers' ability to repay their loans. It pointed out that the exposure of Tunisian banks to the construction, manufacturing and tourism sectors accounted for about 44% of total loans at the end of 2021, which would pose material risks to the banks' asset quality and capitalization. It expected that the war in Ukraine will put the tourism sector under pressure and indicated that the rise in energy prices, given that Tunisia is a net oil importer, would affect the repayment capacity of borrowers in the manufacturing sector. As such, it projected the sector's non-performing loans ratio to increase from 13.6% at end-2020 to 14% at the end of 2022 and expected the banks' cost of risk to remain elevated in the 2022-23 period.

Source: Fitch Ratings

IRAQ

Agencies affirm ratings of five banks

Capital Intelligence Ratings affirmed the long-term foreign currency rating of National Bank of Iraq (NBI) at 'B', and the ratings of Iraq Islamic Bank for Investment & Development (IIB), Al Janoob Islamic Bank for Investment & Finance (JIB), Kurdistan International Islamic Bank (KIB), and Al Mustashar Islamic Bank for Investment & Finance (MIB) at 'B-'. Also, it affirmed the five banks' standalone ratings (BSRs) at 'b-' and maintained the 'stable' outlook on all the ratings. It pointed out that the ratings of the five banks benefit from high liquidity and a solid capital base. But it noted that the banks' elevated credit risk profile is weighing on their ratings, given the difficult operating environment as a result of deficiencies in Iraq's political and institutional frameworks and the impact of the COVID-19 pandemic on the economy. Further, it indicated that NBI's BSR is underpinned by moderate support from its parent bank Capital Bank of Jordan, as well as by its solid capital adequacy ratio and strong profitability. Also, it noted that the ratings of JIB, KIB and MIB benefit from low leverage, while Iraq's relatively weak bank regulatory and supervisory framework constrain the ratings of IIB, KIB and MIB. In parallel, it considered that the authorities' potential support to IIB, JIB, KI and MIB could be insufficient in case of financial stress, due to the limited financial capacity of the Iraqi government.

Source: Capital Intelligence Ratings

TURKEY

NPLs ratio to exceed 9% by end-2023 on slowing economic activity

S&P Global Ratings maintained Turkey's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', and its economic and industry risk scores at '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 9' include Argentina, Azerbaijan, Egypt, Kazakhstan and Kenya. The agency indicated that Turkey's economic risk score reflects its "very high risks" in economic imbalances and credit risks in the economy, as well as its "high risk" in economic resilience, as it expected the Turkish economy to deteriorate amid persisting economic imbalances. It forecast the banks' asset quality to weaken in the near term, mainly due to the lifting of forbearance measures, despite the sizable restructurings of loans. It projected the non-performing loans (NPLs) ratio to rise from 3.2% at the end of 2021 to more than 9% by end-2023 driven by soaring inflation, a further weakening of the Turkish lira, and slowing economic activity that will reduce the repayment capacity of borrowers. However, it said that the trend for economic risk is 'stable', as it anticipated the NPLs ratio and credit losses levels to remain in line with those of other banking sectors in the same BICRA group. In parallel, S&P noted that the industry score reflects the country's "very high risk" in its system-wide funding, its institutional framework, and its competitive dynamics. It indicated that the high industry risk and the latter's 'negative' trend reflect the banks' high vulnerability to adverse market sentiment and risk aversion.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices at $107 p/b in second quarter of 2022

ICE Brent crude oil front-month prices reached $107.5 per barrel (p/b) on May 11, 2022, constituting an increase of 5% from $102.5 p/b on May 10, 2022, and a surge of 56.8% from a year earlier. The rise in oil prices is mainly driven by concerns over tight global supply conditions given that Russian gas flows to Europe through Ukraine dropped by 25% after Kyiv halted the use of a major transit route, and due to the European Union's plan for a Russian oil embargo. However, crude oil prices are projected to remain volatile on concerns about rising interest rates, a stronger U.S. dollar, higher inflation rates, and expectations of a possible global economic recession. Further, in its meeting held on May 5, 2022, the OPEC+ coalition decided to raise oil output by 432,000 barrels per day (b/d) in June 2022, as part of the process of unwinding supply cuts of 10 million b/d that they implemented starting in April 2020. In parallel, the U.S. Energy Information Administration (EIA) considered that there is a high level of uncertainty about energy prices in the near term, driven by the impact of new sanctions on Russia, the potential for a decrease in oil demand amid high fuel prices, the volume of new crude oil production, the possibility of renewed resurgences in COVID-19 cases, as well as the ongoing impact of the coordinated release of oil supplies from strategic reserves in the U.S. and in Europe. Also, it noted that geopolitical uncertainties related to Libya, the ceasefire in Yemen, or potential new developments on the Iran nuclear deal will affect oil prices. Further, it projected oil prices to average $106.6 p/b in the second quarter, $104 p/b in the third quarter, and $101.7 p/b in the fourth quarter of 2022.
Source: EIA, Refinitiv, Byblos Research

Iraq's oil exports at $10.6bn in April 2022

Preliminary figures show that the exports of crude oil from Iraq totaled 101.4 million barrels in April 2022 and rose by 0.8% from 100.6 million barrels in March 2022. They averaged 3.4 million barrels per day (b/d) in April compared to 3.2 million barrels b/d in March. Oil exports from the central and southern fields amounted to 98.1 million barrels in April, while shipments from the Kirkuk fields totaled 2.9 million barrels. Oil receipts stood at $10.55bn in April, down by 3.3% from $10.91bn in March 2022.
Source: Iraq Ministry of Oil, Byblos Research

Angola's oil export receipts up 3% to $1.4bn in April 2022

Oil exports from Angola reached 35.5 million barrels in April 2022, constituting an increase of 1.6 million barrels (+5%) from March 2022 and a decrease of 0.94 million barrels (-2.6%) from the same month in 2021. The country's oil export receipts totaled KZ607.5bn, or $1.43bn, in April 2022 and expanded by 3.4% from KZ587.4bn ($1.26bn) in March 2022. They surged by 94% from KZ313.2bn ($408.7m) in April 2021.
Source: Ministry of Finance of Angola

Middle East demand for gold bars and coins up 18% in first quarter of 2022

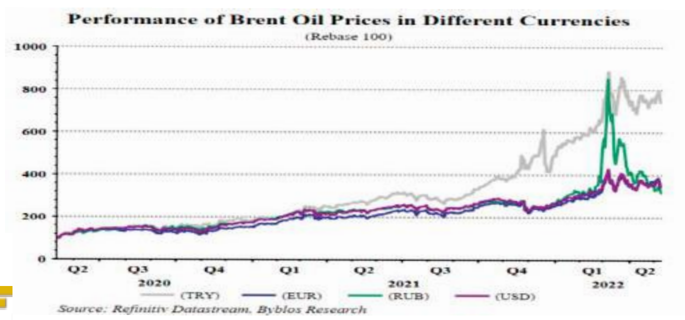
Net demand for gold bars and coins in the Middle East totaled 17.1 tons in the first quarter of 2022, constituting a rise of 18% from 14.5 tons in the same period of 2021.It accounted for 6% of global demand for gold bars and coins in the covered period. Demand for gold bars and coins in Iran reached 9.3 tons and represented 54.8% of the region's total demand. Saudi Arabia followed with 2.6 tons (15.4%), then the UAE with 2 tons (11.5%), Kuwait with one ton (5.9%), and Egypt with 0.8 tons (4.7%).
Source: World Gold Council, Byblos Research

Base Metals: Nickel prices to reach $26,700 per ton in second quarter of 2022

The LME cash prices of nickel averaged $29,541 per ton in the year-to-May 11, 2022 period, constituting a surge of 70.6% from an average of $17,316.1 a ton in the same period of 2021, driven by concerns about tight global supply conditions and low inventory stockpiles. In contrast, prices reached an all-time high of $48,241 per ton on March 10, 2022 due to Russia's invasion of Ukraine, then declined to $27,712 per ton on May 11, 2022 due to persistent lockdowns in China, which weighed on the metal's price. In parallel, Citi Research projected the total refined supply of nickel at 3.2 million tons in 2022 relative to 2.72 million tons in 2021. Further, it forecast global demand for the metal at 3.1 million tons in 2022 compared to 2.9 million tons in 2021. However, it indicated that the continuing import of Nickel from Russia, as well as weaker-than-expected demand from producers of stainless steel and from the electric vehicles (EV) sector for the production of EV batteries, pose downside risks to the metal's price. Also, Standard Chartered Bank forecast nickel prices to reach $26,700 per ton in the second quarter of 2022, $23,500 per ton in the third quarter, and $22,000 per ton in the fourth quarter of 2022.
Source: Citi Research, Standard Chartered Bank, Refinitiv, Byblos Bank

Precious Metals: Silver prices projected to average $25 per ounce in second quarter of 2022

Silver prices averaged $24 per troy ounce in the year-to-May 11 period, constituting a decrease of 8.2% from an average of $26.2 an ounce in the same period last year. The decline in prices was mainly driven by the slowdown in demand for the metal, higher U.S. Treasury yields and a stronger US dollar, and monetary tightening in advanced economies. In parallel, Citi Research projected the global supply of silver at 1,056 million ounces in 2022 relative to 1,014 million ounces last year, with mine output representing 81.2% of the total. Further, it forecast demand for the metal at 1,061 million ounces in 2022 compared to 1,036 million ounces in 2021. As such, it expected the deficit in the silver market to narrow from 22 million ounces in 2021 to 5 million ounces in 2022. It anticipated the growth in demand for silver to outpace the expansion in supply, and forecast an increase in investments in silver-backed exchange traded funds, as well as a small rise in investments in net physical silver and in demand for the metal from the jewelry and industrial sectors. Also, the World Bank expected the demand for the metal to continue to increase in 2022, driven by a recovery in the automotive sector, in line with the expected growth in the photovoltaic sector. Moreover, Standard Chartered Bank forecast silver prices to average to $25 an ounce in the second quarter, $24 per ounce in the third quarter and $23 an ounce in the fourth quarter of 2022.
Source: World Bank, Citi Research, Standard Chartered Bank, Refinitiv



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	IHS								
Africa													
Algeria	-	-	-	-	B+								
	-	-	-	-	Negative	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Negative	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+	B+								
	Stable	Stable	Stable	Stable	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC		B+								
	Negative	RfD**	-	-	Negative	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B-	Caa1	B-	-	BB-								
	Stable	Stable	Negative	-	Negative	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-	B+								
	-	Stable	Stable	-	Stable	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-	CCC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Dem Rep Congo	B-	Caa1	-	-	CCC								
	Stable	Stable	-	-	Stable	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-	BBB								
	Negative	Negative	Stable	-	Negative	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	B2	B	-	B-								
	Stable	Stable	Stable	-	Negative	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-	CC								
	-	-	-	-	Negative	-	-	-	-	-	-	-	-
Tunisia	-	Caa1	CCC	-	B+								
	-	Negative	-	-	Negative	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-	B+								
	Stable	-	-	-	Stable	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-	B+								
	Negative	Negative	Stable	-	Negative	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East													
Bahrain	B+	B2	B+	B+	B+								
	Stable	Negative	Stable	Stable	Negative	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B	B-								
	-	-	-	Negative	Negative	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-	CC+								
	Stable	Stable	Stable	-	Stable	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+	B+								
	Stable	Stable	Negative	Stable	Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+	AA-								
	Negative	Stable	Stable	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	-	CCC								
	-	-	-	-	Negative	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB-	Ba3	BB-	BB	BB-								
	Stable	Negative	Stable	Negative	Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA-	Aa3	AA-	AA-	A+								
	Stable	Stable	Stable	Stable	Negative	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+	A+								
	Positive	Stable	Positive	Stable	Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-	C								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-	AA-								
	-	Stable	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-	CC								
	-	-	-	-	Stable	-	-	-	-	-	-	-	-

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	IHS								
Asia													
Armenia	B+	Ba3	B+	B+	B-								
	Stable	Negative	Stable	Positive	Stable	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-	A								
	Stable	Stable	Stable	-	Stable	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-	BBB								
	Stable	Negative	Negative	-	Negative	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-	BBB-								
	Stable	Positive	Stable	-	Negative	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	B-	B3	B-	-	CCC								
	Stable	Stable	Stable	-	Stable	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe													
Bulgaria	BBB	Baa1	BBB	-	BBB								
	Stable	Stable	Stable	-	Stable	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-	BBB-								
	Negative	Negative	Negative	-	Negative	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-	BBB-								
	CWN***	Negative	-	-	Stable	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Turkey	B+	B2	B+	B+	B-								
	Negative	Negative	Negative	Stable	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-	B-								
	CWN	RfD	-	-	Stable	-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, IHS Markit, 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	1.00	04-May-22	Raised 50bps	N/A
Eurozone	Refi Rate	0.00	14-Apr-22	No change	09-Jun-22
UK	Bank Rate	1.00	05-May-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	28-Apr-22	No change	17-Jun-22
Australia	Cash Rate	0.35	03-May-22	Raised 25bps	N/A
New Zealand	Cash Rate	1.50	13-Apr-22	Raised 50bps	25-May-22
Switzerland	SNB Policy Rate	-0.75	24-Mar-22	No change	16-Jun-22
Canada	Overnight rate	1.00	13-Apr-22	Raised 50bps	01-Jun-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-Apr-22	No change	20-May-22
Hong Kong	Base Rate	1.25	05-May-22	Raised 50bps	N/A
Taiwan	Discount Rate	1.375	17-Mar-22	Raised 25bps	16-Jun-22
South Korea	Base Rate	1.50	14-Apr-22	Raised 25bps	26-May-22
Malaysia	O/N Policy Rate	2.00	11-May-22	Raised 25bps	06-July-22
Thailand	1D Repo	0.50	09-Feb-22	No change	08-Jun-22
India	Reverse Repo Rate	3.35	08-Apr-22	No change	N/A
UAE	Repo Rate	2.25	04-May-22	Raised 50bps	N/A
Saudi Arabia	Repo Rate	1.75	04-May-22	Raised 50bps	N/A
Egypt	Overnight Deposit	9.25	21-Mar-22	Raised 100bps	19-May-22
Jordan	CBJ Main Rate	2.75	17-Mar-22	Raised 25bps	N/A
Turkey	Repo Rate	14.00	14-Apr-22	No change	26-May-22
South Africa	Repo Rate	4.25	24-Mar-22	Raised 25bps	19-May-22
Kenya	Central Bank Rate	7.00	29-Mar-22	No change	30-May-22
Nigeria	Monetary Policy Rate	11.50	21-Mar-22	No change	23-May-22
Ghana	Prime Rate	17.00	28-Mar-22	Raised 250bps	23-May-22
Angola	Base Rate	20.00	31-Mar-22	No change	N/A
Mexico	Target Rate	6.50	24-Mar-22	No change	12-May-22
Brazil	Selic Rate	12.75	04-May-22	Raised 100bps	N/A
Armenia	Refi Rate	9.25	03-May-22	No change	14-Jun-22
Romania	Policy Rate	3.75	10-May-22	Raised 75bps	06-July-22
Bulgaria	Base Interest	0.00	29-Apr-22	No change	27-May-22
Kazakhstan	Repo Rate	14.00	25-Apr-22	Raised 50bps	06-Jun-22
Ukraine	Discount Rate	10.00	14-Apr-22	No change	02-Jun-22
Russia	Refi Rate	14.00	29-Apr-22	Cut 300bps	10-Jun-22

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

BYBLOS BANK GROUP

LEBANON

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

IRAQ

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

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

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

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

ARMENIA

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

NIGERIA

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

ADIR INSURANCE

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