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Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise exports of intermediate goods up 28% to $9.9 trillion in 2021

Figures released by the World Trade Organization show that the global merchandise exports of intermediate goods reached $9.9 trillion (tn) in 2021, constituting an increase of 28% from $7.7tn in 2020. They stood at $2.3tn in the first quarter, $2.5tn in the second quarter and in the third quarter, and $2.6tn in the fourth quarter of 2021. Exports of intermediate goods in Asia reached $4.2tn and accounted for 43% of the aggregate exports of intermediate goods in 2021. Europe followed with $3.5tn (35.5%), then North America with $1.2tn (12%), South & Central America with $412bn (4.2%), and Africa with $262bn (2.6%), while other regions accounted for the remaining $271bn (2.7%). The value of exports of intermediate goods surged by 42.4% in Africa last year, followed by South & Central America (+38.3%), Asia (+29.8%), Europe (+25.8%), and North America (+22.2%), while exports from other regions increased by 29.7%. In parallel, the exports of industrial supplies, such as raw and semi-manufactured materials, amounted to $4.8tn and accounted for 48.7% of the aggregate exports of intermediate goods in 2021; followed by parts and accessories for consumer goods, excluding transport equipment, with $2.6tn (26.5%); parts and accessories of transport equipment with $1.05tn (10.6%), ores, precious stones, and rare earths elements with $984bn (10%), and exports of intermediate goods for the food & beverages industry with $427bn (4.3%). Global trade in industrial supplies increased by 34.7% last year; followed by intermediate goods for ores, precious stones, and rare earths elements (+26.6%); intermediate goods for the food & beverages industry (+26%); parts and accessories of non-transport equipment (+22.8%), and parts and accessories of transportation equipment (+16.4%).

Source: World Trade Organization

QATAR

Profits of listed firms up 41% to $12bn in 2021

The net income of 47 companies listed on the Qatar Stock Exchange totaled QAR43.3bn, or $11.9bn in 2021, constituting an increase of 41% from QAR30.7bn, or $8.4bn in 2020. Earnings stood at QAR11bn ($3bn) in the first quarter, QAR9.6bn ($2.6bn) in the second quarter, QAR12.9bn ($3.55bn) in the third quarter, and QAR10.4bn ($2.85bn) in the fourth quarter of 2021. Banking & financial services firms generated net profits of $6.4bn in 2021 and accounted for 54% of the earnings of publicly-listed firms. Industrial companies followed with $3.6bn, or 30.5% of the total, then transportation firms with $632.3m (5.3%), consumer goods & services providers with $504.8m (4.2%), real estate companies with $343.7m (3%), insurers with $278.5m (2.3%), and telecommunications firms with $102.8m (0.9%). Further, the net earnings of listed industrial companies surged by 252.3% in 2021, followed by insurance providers (+138%), transportation companies (+58.2%), providers of consumer goods & services (+45%), and banking & financial services providers (+12.8%). In contrast, the net income of telecommunications firms decreased by 71.5% last year, followed by the profits of real estate firms (-31.2%).

Source: KAMCO

MENA

Competitiveness level of travel & tourism sector varies across region

The World Economic Forum ranked the UAE in 25th place among 117 countries globally and in first place among 11 Arab economies on its Travel & Tourism (T&T) Competitiveness Index for 2021. Saudi Arabia followed in 33rd place, then Qatar (43rd), Egypt (51st), and Bahrain (57th) as the Arab countries with the most competitive T&T sectors; while Jordan (64th), Morocco (71st), Tunisia (80th), Kuwait (86th), Lebanon (94th), and Yemen (166th) ranked as the least competitive T&T sectors in the region. The index measures the set of factors and policies that enable the sustainable development of the T&T sector, which contributes to the development and competitiveness of a country. The index is the simple average of 17 component pillars grouped under five sub-indices that are the Enabling Environment Sub-Index, the T&T Policy and Enabling Conditions Sub-Index, the Infrastructure Sub-Index, the T&T Demand Drivers Sub-Index, and the T&T Sustainability Sub-Index. The rankings are based on scores that range from one to seven, with higher scores reflecting more competitive T&T sectors. The Arab region's average score stood at 3.84 points in the 2021 index and came lower than the global average score of 3.98 points. The Arab region's T&T competitiveness level came below the levels in Europe & Eurasia (4.34 points), Asia-Pacific (4.17 points), and the Americas (3.86 points), but it was higher than Sub-Saharan Africa's T&T competitiveness level (3.25 points).

Source: World Economic Forum, Byblos Research

Press freedoms regress in several Arab countries

International organization Reporters Without Borders ranked Tunisia in 94th place among 180 countries and in first place among 20 Arab countries on its Press Freedom Index for 2022. Mauritania followed in 97th place, then Qatar (119th), Jordan (120th), and Lebanon (130th) as the top five Arab countries with the highest levels of press freedom; while Egypt (168th), Yemen (169th), Palestine (170th), Syria (171st), and Iraq (172nd) had the lowest levels of press freedom among Arab economies. The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedoms. Reporters Without Borders assigns index scores from zero to 100 per country, with a higher score reflecting a higher level of press freedom in a given jurisdiction. Further, the survey classifies countries in five categories of press freedom that are "good", "satisfactory", "problematic", "difficult", and "very serious". The Arab region's average score stood at 40 points in the 2022 index relative to 50.3 points in the previous survey, and came lower than the global average score of 58.2 points. The rankings of 10 Arab countries improved from the previous survey and those of nine economies deteriorated from 2021, while the ranking of one country was unchanged year-on-year. In parallel, the scores of 19 countries regressed year-on-year, while the score of one economy improved from the 2021 survey. Also, two Arab countries came in the "problematic situation" category, while eight Arab states came in the "difficult situation" segment and the remaining 10 sovereigns were in the "very serious situation" category.

Source: Reporters Without Borders

OUTLOOK

EMERGING MARKETS

Impact of Ukraine war on banking sectors varies across countries

Moody's Investors Service considered that banks in emerging markets (EMs) face heightened risks in the near term as a result of Russia's invasion of Ukraine, but noted that some EM banking sectors are better positioned than others to deal with the crisis. It anticipated banks in Saudi Arabia to benefit from rising global oil prices, as higher oil revenues will lift investor confidence, increase deposits at banks, and improve the sector's liquidity. As such, it expected the additional liquidity in the banking sector to support lending and to maintain low funding costs. Also, it forecast higher interest rates to boost the banks' profitability as the latter reprice their loan portfolios and benefit from higher yields. However, it anticipated that sustained elevated inflation rates could increase problem loans due to the reduced ability of borrowers to repay their debt. It expected the banks' higher profits to mitigate any increase in loan-loss provisioning costs in case of a deterioration of asset quality at banks.

In parallel, the agency expected that stronger economic activity in Nigeria over the coming 18 months would boost the banks' business volumes and earnings, and support their lending. It anticipated that the ongoing implementation of the Basel III capital standards will likely improve capital metrics at Nigerian banks, and that the strong increase of deposits, as a result of accelerating economic growth and rising financial inclusion, will continue to provide banks with ample funding. It added that the economic recovery in the country will allow banks to reduce their provisioning for weaker asset quality.

Further, Moody's anticipated that asset quality at Turkish banks will deteriorate in 2022 as weaker economic growth and elevated inflation weigh on the repayment capacity of borrowers. It also expected a weaker Turkish lira and aggressive credit growth to put pressure on the banks' capital metrics. In addition, it considered that Turkish banks are exposed to liquidity and funding risks, given their high reliance on market funding, and that a depreciating lira could create mismatches on the banks' balance sheets.
Source: Moody's Investors Service

IRAQ

Economic activity to expand by 10% in 2022

The International Monetary Fund indicated that the economic recovery in Iraq is underway amid higher global oil prices. It projected real GDP growth at 10% in 2022, as it expected oil output to recover to its pre-pandemic level this year. Also, it anticipated activity in the non-oil sector to expand by about 5% in 2022, supported by the resumption of economic activity in the country, a more accommodative fiscal stance, and the Central Bank of Iraq's (CBI) stimulus measures. It noted that the war in Ukraine is affecting Iraq mainly through its impact on global food prices. It forecast the inflation rate to rise from an average of 6% in 2021 to 6.9% in 2022, due in part to higher food prices, which are adversely affecting the poorest segments of the population. However, it expected surging oil revenues this year to more than offset the increase in the food and energy import bills. As such, it projected the fiscal and current account balances to post double-digit surpluses in 2022.

In parallel, the IMF encouraged authorities to strengthen the efficiency of public spending, maintain tight control over public hiring, and reprioritize expenditures in order to boost targeted cash transfers to the most vulnerable segments of the population. Further, it called on authorities to maintain fiscal discipline and to limit the CBI's lending to the real estate sector, in order to avoid additional inflationary pressures. In addition, it considered that the current favorable oil market conditions provide authorities with an opportunity to accelerate the structural reforms that the government included in its White Paper for Economic Reforms. It also indicated that strengthening the quality of public services and creating fiscal space for social safety nets and for investments requires reforming the civil service, reducing inefficient energy subsidies, diversifying fiscal revenues, and improving governance. It stressed that reforming the electricity sector will be crucial to reduce fiscal costs and to enable private sector productivity. Further, it stressed the need to build buffers for the future by saving a portion of oil receipts through a carefully designed sovereign wealth fund, given the country's limited near-term absorptive capacity, its fiscal vulnerability to the volatility of oil prices, and the challenges of the global energy transition.
Source: International Monetary Fund

IRAN

Economic activity to expand by 3.7% in FY2022/23, outlook subject to uncertainties

The World Bank projected real GDP in Iran to grow by 3.7% in the fiscal year that ends in March 2023 following a growth rate of 4.1% in FY2021/22. It anticipated economic activity to be modest in the medium term and to average 2.5% annually, as it expected the economy to be constrained by the sustained impact of the pandemic through weaker domestic and global demand, and the effects of the ongoing sanctions on on Iran's oil exports. Also, it forecast real non-oil GDP growth to remain below its potential as a result of sustained low investments in the economy. Further, it projected the inflation rate to decline from an average of 40.7% in FY2021/22 to 37.6% in FY2022/23, but expected it to remain elevated in the medium term and to exceed 30% annually, as fiscal and exchange rate pressures persist.

In parallel, it projected the fiscal deficit to narrow from 5.5% of GDP in FY2021/22 to 3.7% of GDP in FY2022/23, but it forecast the deficit to widen to 3.9% of GDP by FY2024/25 due to rising public expenditures from an increasing public-sector wage bill and pension spending. As such, it forecast the public debt level to regress from 49.8% of GDP at the end of March 2022 to 46.4% of GDP at end-March 2023 and to reach 43.2% of GDP by the end of March 2025. Also, it expected the current account surplus at 4.7% of GDP in FY2022/23 and to average 3% of GDP annually in FY2023/24-FY2024/25, as oil prices moderate.

Further, the World Bank considered that Iran's outlook is subject to significant risks. It said that upside risks include further increases in oil prices, and that since Iran and Russia are under sanctions, higher trade and investment with Russia could reduce the impact of sanctions on Iran. However, it pointed out that downside risks can emerge from the resurgence of new COVID-19 variants, heightened geopolitical tensions, and further increases in global food prices.
Source: World Bank

UAE

Real GDP growth to average 5.2% in 2022-23, current account surplus to average 34% of GDP

National Bank of Kuwait projected real GDP growth in the United Arab Emirates at 5.7% in 2022 and 4.9% in 2023, mainly driven by rising oil output, the normalization of business conditions, improving tourism and real estate activities, as well as further government initiatives to support investments and promote the economy's competitiveness. It indicated that a prolonged or more intense war in Ukraine could weigh on economic conditions, given the UAE's position as a business hub and a center of international trade, despite the country's limited direct exposure to Russia and Ukraine. Further, it expected the inflation rate to increase from 0.2% in 2022 to 2.5% in 2022 and 2.4% in 2023 due to disruptions to supply chains, high food and fuel prices, and the recovery in the housing rentals sector. But it expected that the increase in interest rates by the Central Bank of the UAE could help absorb some of these pressures. In parallel, it forecast the fiscal surplus, excluding investment income, at 8.2% of GDP in 2022 and 8% of GDP in 2023 in case of continuing high oil prices, solid economic activity, and as a result of revenues from the new federal tax of 9% on corporate earnings that will go into effect in June 2023. Further, it expected the UAE's external position to remain strong, and forecast the current account at 37% of GDP in 2022 and 31% of GDP in 2023, driven by higher exports and elevated oil prices. It pointed out that the main downside risks to the outlook include a deterioration in the global economy, heightened geopolitical tensions, tightening financial conditions, and a strong local currency that could affect competitiveness and investment flows.

Source: National Bank of Kuwait

JORDAN

Real GDP growth to exceed 3% in medium term

The International Monetary Fund projected real GDP growth in Jordan at 2.4% in 2022, supported by the authorities' targeted fiscal and monetary policies amid a challenging external environment as a result of tightening global financial conditions and rising commodity prices. It forecast real GDP growth to exceed 3% in the medium term. Also, it indicated that public revenue collection has remained robust, supported by the authorities' efforts to address tax evasion and improve tax compliance. It added that the government is on track to meet its primary deficit target of 3.4% of GDP, excluding grants, for 2022. It called on authorities to step up efforts to broaden the tax base, and noted that the recent passage of legislation unifying the tax and customs administrations has delivered an important long-standing reform, but stressed on the need to maintain the reform momentum in the medium to long terms. It pointed out that Jordan is better-placed than many emerging markets to deal with the rise in global food and fuel prices, due to the country's long-term fixed price gas import contracts for electricity generation, and adequate wheat reserves to hedge against possible global shocks. But it called on authorities to contain the cost of untargeted fuel subsidies. In parallel, the IMF projected the current account deficit to narrow from 8.8% of GDP in 2021 to 6.5% of GDP in 2022, supported by a stronger rebound in tourism receipts and robust exports. Further, it forecast foreign currency reserves to remain at an adequate level in the medium term.

Source: International Monetary Fund

CÔTE D'IVOIRE

Outlook dependent on addressing tin deficits

S&P Global Ratings indicated that Côte d'Ivoire's short- and long-term local and foreign currency sovereign credit ratings of 'B' and 'BB-', respectively, are supported by strong economic growth prospects. It expected that, starting in 2023, economic activity will pick up, in case the authorities implement the new National Development Plan that aims to boost investments, support economic diversification, and improve governance and the business environment. Further, it anticipated that external challenges will put pressure on the fiscal and current account deficits in the near term. However, it expected authorities to implement structural economic and budgetary reforms to diversify exports, boost public revenues and contain the government's current spending, in order to narrow the country's twin deficits over the 2023-25 period. It forecast the country's gross external financing needs at 110.3% of current account receipts and usable reserves in 2022, as well as at 109.4% and 107.7% of such receipts and reserves in 2023 and 2024, respectively. In parallel, S&P indicated that it could downgrade Côte d'Ivoire's ratings if fiscal deficits do not narrow as anticipated and/or in case of a significant rise in sociopolitical tensions that hinder economic stability. But it said that it would upgrade the ratings in case of a better-than-expected improvement in the country's fiscal metrics, and/or in case of a steeper-than-anticipated decline in external financing needs.

Source: S&P Global Ratings

PAKISTAN

Economic prospects contingent on commitment to reforms and IMF program

Standard Chartered Bank indicated that Pakistan faces persistent economic challenges that include a widening current account deficit, elevated external debt-servicing payments, shrinking foreign-currency reserves and a depreciating Pakistani rupee. It considered that the political backdrop has dominated economic decision-making. Further, it said that the recent deterioration in the trade balance amid a higher fuel import bill and the government's ongoing fuel subsidies has led to renewed pressures in the past few months on Pakistan's external sector. In parallel, it considered that the authorities' sustained reform efforts and commitment to the International Monetary Fund's (IMF) program are necessary to avoid the deterioration of economic prospects in the near-term. It considered that the resumption of the $6bn Extended Fund Facility (EFF) with the IMF remains key to support the economic reform program amid increasing economic and political obstacles. It pointed out that the lifting of fuel subsidies, the approval of the budget for the fiscal year that ends in June 2023, as well as a request for an extension to EFF program to June 2023 and an increase in the size of borrowing under the EFF are likely to be key topics in the discussions with the IMF that started on May 18, 2022. It considered that obtaining the approval of the IMF on a reforms plan may be the only viable option for the stability of the external sector in Pakistan, as support from other bilateral and multilateral sources is contingent on this approval. But it stated that heightened domestic political uncertainties, a lack of political ownership of the proposed structural reforms given the transition to a new administration, and fiscal slippages, constitute major risks to the EFF-supported program.

Source: Standard Chartered Bank

WORLD

Cryptocurrency adoption poses risks to sovereigns with weak policy effectiveness

Moody's Investors Services indicated that cryptocurrencies pose material risks to economies that have weak macroeconomic policies, as individuals could use these assets as an alternative to domestic currencies. It pointed out that the adoption of cryptocurrencies could limit the monetary policy effectiveness and the ability of a central bank to control domestic money supply in smaller economies. It added that risks will be higher in countries where cryptocurrencies are utilized to evade capital controls. Also, it said that lower transaction costs and faster payment transfers will continue to support the increasing usage of digital assets, as cross-border payments can take time to be settled in developing countries due to offshore clearance and settlement. It considered that the increase in digitization, as well as facilitating access to cheaper and more reliable internet data, will contribute to the adoption of cryptocurrencies in many lower-income emerging markets. It said that capital and foreign exchange restrictions, high and volatile inflation rates, and low levels of confidence in macroeconomic policies in lower-income developing countries could encourage individuals to use cryptocurrencies, which might result in excessive financial fragmentation in the countries' payment systems. Further, the agency stated that the adoption of cryptocurrencies to facilitate remittance flows or cross-border commercial transfers could expand financial inclusion, reduce transaction costs, and make it harder for banks to retain their customers. In parallel, it considered that the anonymity of crypto-assets makes them attractive to individuals looking to circumvent sanctions, which can complicate the implementation of sanctions.

Source: Moody's Investors Service

OMAN

Ratings on four banks affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Bank Muscat (BM), the National Bank of Oman (NBO), and Oman Arab Bank (OAB) at 'BB', and maintained the long-term National Scale Rating of Alizz Islamic Bank at 'omAA'. It also affirmed at 'bb' the Bank Standalone Ratings of BM, NBO and OAB, and maintained the 'stable' outlook on all the ratings. It attributed the 'stable' outlook to expectations that the four banks will maintain a broadly stable business and sound financial metrics. It said that the ratings take into account the improving macroeconomic environment in Oman. Further, the agency indicated that the banks' ratings benefit from a moderate probability of government support in case of need, and added that the ratings of OAB reflect the support of its major shareholder the Arab Bank. It pointed out that the well-regulated environment and prudent policies of the Central Bank of Oman support the ratings of the four banks. It stated that the ratings of BM, NBO and OAB are underpinned by their sound asset quality, solid capital ratios and large customer deposit base, while the ratings of Alizz Islamic Bank and OAB reflect their comfortable liquidity position. Also, it pointed out that sizeable Stage 2 loans, which include a rising level of restructured loans and high customer concentrations in funding and lending, are weighing on the ratings of the four banks due to the small size of the Omani market and the high level of government deposits in the banking system.

Source: Capital Intelligence Ratings

EGYPT

Banks vulnerable to weakening asset quality

Fitch Ratings anticipated that the recent rise in interest rates globally and domestically will weigh on the net interest margins (NIMs) of Egyptian banks. It expected funding costs in the sector to increase as banks compete for deposit funding, following the issuance of certificates of deposits by the National Bank of Egypt and Banque Misr that carry interest rates of 18%. However, it projected the banks' NIMs to improve in 2023 as they reprice their assets faster than their liabilities. Further, it anticipated asset quality at Egyptian banks to deteriorate in the 2022-23 period, given that the trade, industry and retail sectors are the most vulnerable to inflation and supply-chain disruptions. It added that banks have increased their exposure to micro-, small- and medium-sized enterprises, which raises their vulnerability to weaker asset quality. It forecast the sector's non-performing loans ratio to rise from 3.5% at the end of 2021 to about 4.1% at end-2023, as credit growth weakens and interest rates further increase. However, it noted that banks have increased their provisions for credit losses in recent years, which mitigates the impact of a deterioration in asset quality. In parallel, it noted that most of the banks in Egypt carry external debt with long-term maturities, which limits refinancing risks, and that the banks' foreign assets covered more than five times the banking sector's short-term external debt as at end-September 2021. It considered that the devaluation of the Egyptian pound would not affect the banks' capital ratios significantly given their low open foreign currency positions.

Source: Fitch Ratings

BAHRAIN

Banking sector assessment maintained

S&P Global Ratings maintained Bahrain's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest sectors. Other countries in 'Group 7' consist of Guatemala, Morocco, Oman, and Thailand. The agency said that Bahrain's economic risk score reflects its "very high" credit risk in the economy, as well as "high risk" in economic resilience and economic imbalances. It noted that the economic risk score takes into account the country's relatively diversified economy compared to its Gulf Cooperation Council peers, against high credit concentrations to the commercial real estate and construction sectors. It projected the non-performing loans ratio to increase from 4.5% at the end of 2021 to between 6% and 6.5% at end-2022 following the lifting of regulatory forbearance measures, due mostly to the banks' exposure to the real estate sector that accounted for 18% of total lending at end-2021. But it considered that the banks will be able to manage the deterioration in their asset quality. In parallel, the agency pointed out that the industry risk score reflects the sector's "high risk" in its competitive dynamics and its system-wide funding, as well as "intermediate risk" in its institutional framework. It considered that funding risks for retail banks are rising, given the increase in their net external liabilities. S&P indicated that the trend for economic and industry risks is "stable".

Source: S&P Global Ratings

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

ICE Brent crude oil front-month prices reached $114 p/b on May 25, 2022, constituting an increase of 11.3% from a low of $102.5 p/b on May 5, 2022. The rise in oil prices is mainly due to tight global supply conditions, as buyers have been avoiding purchasing oil from Russia, the world's second largest oil exporter, as well as to prospects of rising demand during the summer season in the United States, the world's largest consumer of crude oil. Also, tight gasoline supply from the U.S. amid a drop in inventory levels by 4.2 million barrels last week, put upward pressure on oil prices. In parallel, Moody's Investors Service expected that elevated and volatile oil prices, as well as extremely high fuel prices over the summer of 2022, would undermine the growth in oil demand, which would reduce the projected supply deficit and cause a decline in oil prices in the 2022-23 period. It expected demand for oil to decrease in the near term, as high oil prices along with rising interest rates would depress global economic growth. It indicated that Russia's invasion of Ukraine has amplified the uncertainties about oil supply and considered that it will remain the source of high volatility in oil prices in the 2022-23 period. Also, it pointed out that oil prices could rise sharply for an extended period of time, if the decline in oil supply exceeds global spare production capacity. In addition, Refinitiv projected, through its latest crude oil price poll of 34 industry analysts, oil prices to average $107.4 p/b in the second quarter, $101.7 p/b in the third quarter, and $96.3 p/b in the fourth quarter of 2022.

Source: Moody's Investors Service, Refinitiv, Byblos Research

Global steel output up 1% in April 2022

Global steel production reached 162.7 million tons in April 2022, constituting a rise of 1.1% from 161 million tons in March 2022 and a decline of 4% from 169.5 million tons in April 2021. Production in China totaled 92.8 million tons and accounted for 57% of global output in April 2022. India followed with 10.1 million tons, or 6.2% of the total, then Japan with 7.5 million tons (4.6%), the U.S. with 6.9 million tons (4.2%), Russia with 6.4 million tons (3.9%), and South Korea with 5.5 million tons (3.4%).

Source: World Steel Association, Byblos Research

Gold demand in Middle East up 18% in first quarter of 2022

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 63.6 tons in the first quarter of 2022, constituting a rise of 18% from 53.9 tons in the same quarter of 2021. Gold demand in the region accounted for 9.2% of the global consumption of the precious metal in the first quarter of 2022. Consumer demand for gold in Iran reached 17.7 tons and represented 28% of the region's aggregate demand in the first quarter of the year, followed by the UAE with 14.5 tons (22.7%), Saudi Arabia with 11.7 tons (18.4%), Egypt with 8.5 tons (13.4%), and Kuwait with 4.1 tons (6.5%).

Source: World Gold Council, Byblos Research

ME&A's oil demand to grow by 3% in 2022

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 12.51 million barrels per day (b/d) in 2022, which would constitute an increase of 3.3% from 12.11 million b/d in 2021. The region's demand for oil would represent 23.3% of demand in non-OECD countries and 12.5% of global consumption this year.

Source: OPEC

Base Metals: Copper prices to average $9,925 per ton in second quarter of 2022

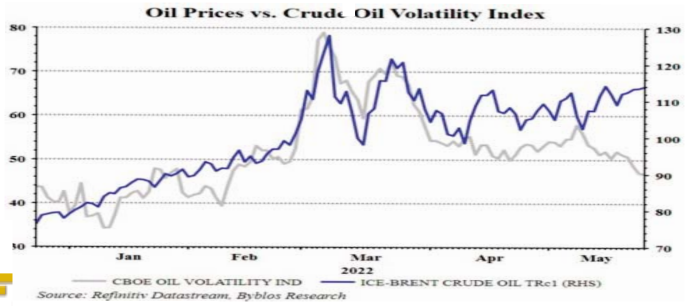
LME copper cash prices averaged $9,923.6 per ton in the year-to-May 25 period, constituting an increase of 15% from an average of $8,619.7 a ton in same period of 2021. Supply disruptions and expectations of robust global demand drove the rise in prices. Also, copper prices declined to $9,367 per ton on May 25, 2022 from an all-time high of $11,299.5 a ton on October 18, 2021. The decline in prices was due to the tightening of global monetary policy and the renewed lockdown measures in China amid a surge in the number of new coronavirus cases, which has limited the prospects of a recovery in copper demand. In parallel, the latest available figures released by the International Copper Study Group show that global demand for refined copper was 6.2 million tons in the first quarter of 2022, up by 3.2% from the same quarter of 2021, due to an increase of 1.6% in global demand excluding China. Further, demand for the metal in China grew by 4.5% in the first quarter of the year, despite a decrease of 1.8% in the imports of net refined copper. In parallel, global refined copper production grew by 2.9% to 6.3 million tons in the first quarter of 2022, as higher output from China, the Democratic Republic of the Congo, Indonesia and Peru was partially offset by lower production in Chile and Japan. In addition, Standard Chartered Bank projected copper prices to average $9,925 per ton in the second quarter, $9,750 a ton in the third quarter, and $9,600 per ton in the fourth quarter of 2022.

Source: ICSG, Standard Chartered Bank, Refinitiv

Precious Metals: Platinum prices to average $1,025 per ounce in second quarter of 2022

Platinum prices averaged $1,003.5 per troy ounce in the year-to-May 25 period, constituting a decrease of 15% from an average of $1,179.5 an ounce in the same period last year, due mainly to global chip shortages in the automotive sector that have restrained the demand for the metal. Further, platinum prices regressed from a recent high of $1,151 per ounce on March 8, 2022 to $945 an ounce on May 25, 2022, driven by the expected slowdown in global economic growth, which put downward pressure on the metal's price. In parallel, the World Platinum Investment Council projected global demand for platinum to reach 7.2 million ounces in 2022 and to increase by 1.8% from 7 million ounces in 2021. Also, it forecast the global supply of platinum to decrease by 4.6% from 8.2 million ounces in 2021 to 7.9 million ounces in 2022, with mine output representing 75.5% of global refined platinum production this year. It pointed out that persistent lockdowns in China, as well as labor and power shortages at several production plants worldwide, drove the decrease in the global supply of the metal. Moreover, Standard Chartered Bank forecast platinum prices to average $1,025 per ounce in the second quarter, $1,100 an ounce in the third quarter, and $1,200 per ounce in the fourth quarter of 2022.

Source: The World Platinum Investment Council, Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	IHS	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	-	-	-	-	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	B-	Caa1	-	-	CCC								
Congo	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-								
	-	-	-	Stable	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	07-Jun-22
New Zealand	Cash Rate	2.00	25-May-22	Raised 50bps	13-Jul-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-May-22	No change	20-Jun-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	1.75	26-May-22	Raised 25bps	14-Jul-22
Malaysia	O/N Policy Rate	2.00	11-May-22	Raised 25bps	06-Jul-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	11.25	19-May-22	Raised 200bps	23-Jun-22
Jordan	CBJ Main Rate	3.25	05-May-22	Raised 50bps	N/A
Turkey	Repo Rate	14.00	26-May-22	No change	23-Jun-22
South Africa	Repo Rate	4.75	19-May-22	Raised 50bps	21-Jul-22
Kenya	Central Bank Rate	7.00	29-Mar-22	No change	30-May-22
Nigeria	Monetary Policy Rate	13.00	24-May-22	Raised 150bps	26-Jul-22
Ghana	Prime Rate	19.00	23-May-22	Raised 200bps	25-Jul-22
Angola	Base Rate	20.00	31-Mar-22	No change	31-May-22
Mexico	Target Rate	7.00	12-May-22	Raised 50bps	23-Jun-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-Jul-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

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