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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Trading in Credit Default Swaps up 2% to $437bn in first quarter of 2022

Trading in emerging markets Credit Default Swaps (CDS) reached $437bn in the first quarter of 2022, constituting an increase of 2% from $431bn in the first quarter of 2021 and a rise of 26% from $347bn in the fourth quarter of 2021. The most frequently traded sovereign CDS contracts in the first quarter of 2022 were those of China at $46bn, followed by Indonesia and Russia at $31bn. As such, traded sovereign CDS contracts on China accounted for about 10.5% of the trading volume in emerging markets CDS in the covered quarter, followed by CDS contracts on Indonesia and Russia (7.1%). Further, the most frequently traded corporate CDS contracts in the covered quarter were those of Mexico's state-oil company Pemex at about $2bn, which accounted for about 0.5% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 21 emerging economies and nine emerging market corporate issuers, from 12 major international banks and broker-dealers.

Source: EMTA

Tradable debt up 12% to $38.4tn in 2021

Bank of America indicated that the outstanding tradable debt of emerging markets (EM) reached $38.4 trillion (tn) at the end of 2021, constituting an increase of $4tn, or of 12%, from $34.1tn at the end of 2020. It said that the tradable domestic debt of EMs totaled $33.4tn and the region's external debt amounted to $5tn at the end of 2021, with domestic debt growing by 14% and external debt increasing by 5% last year. The distribution of the domestic debt shows that the debt of governments amounted to $16.4tn and accounted for 49% of the total in 2021, followed by the tradable debt of financial institutions $10.5tn at (31.3%), and the outstanding debt of corporations at $6.5tn (19.6%). In parallel, the distribution of the external tradable debt of EMs shows that the debt of financial institutions reached $1.9tn and represented 37.7% of the total last year, followed by government debt at $1.6tn (32.5%), and the debt of companies at $1.5tn (29.8%). Regionally, Asia's tradable debt amounted to $30tn in 2021 and accounted for 78% of the total, followed by the debt of Latin America at $4.2tn (11%), the Middle East & Africa at $2.3tn (6%), and Emerging Europe at $1.9tn (5%). Also, Asia's domestic debt totaled $27.6tn and represented 82.5% of the aggregate amount, followed by the domestic debt of Latin America at $3.2tn (9.5%), Emerging Europe at $1.4tn (4.1%), and the Middle East & Africa at $1.3tn (3.9%). Asia's external debt amounted to $2.3tn and accounted for 46.7% of the total, followed by the external debt of Latin America at $1.1tn (22.7%), the Middle East & Africa at $878bn (17.6%), and Emerging Europe at $651bn (13%). Further, it pointed out that the outstanding debt of EMs accounted for 25.1% of the tradable debt globally in 2021 compared to 23% in 2020, with EM domestic debt representing 25.7% of the domestic debt worldwide and the external debt of EMs accounting for 21.6% of global external debt.

Source: Bank of America, Byblos Research

MENA

Travel and tourism contributes 5% of GDP in 2021

The World Travel & Tourism Council (WTTC) estimated that the travel and tourism sector in North Africa contributed 5.2% of the region's GDP in 2021 compared to 4.4% of GDP in 2020 and 8.1% of GDP in 2019. It also estimated that the broad travel & tourism (T&T) sector generated $42.8bn in revenues in 2021, constituting an increase of 26.8% from $33.8bn in 2020 and relative to $66.8bn in 2019. It noted that the T&T sector's contribution to GDP in North Africa accounted for 0.7% of the contribution of the worldwide T&T industry to global GDP last year, nearly unchanged from 2020 and 2019. It pointed out that the T&T industry gained 410,000 jobs in 2021 as it employed 4.27 million persons last year, up by 7.9% from 3.86 million jobs in 2020 and relative to 4.82 million jobs in 2019. As such, the industry accounted for 7.9% of total employment in North Africa in 2021 compared to a share of 7.3% in 2020 and of 9% in 2019. In parallel, the WTTC estimated the aggregate spending by visitors in North Africa at $13.2bn in 2021 relative to $10.9bn in 2020 and $30.7bn in 2019, which accounted for 7% of the region's exports of goods and services last year, 8.3% in 2020 and 14.6% in 2019. Further, spending by local visitors on T&T reached $23.2bn in 2021, up by 38.6% from $16.8bn in domestic spending in 2020 and compared to $28.3bn in 2019. Also, leisure spending by visitors in North Africa totaled $30.9bn in 2021 compared to $49.9bn in 2019, while business spending reached $5.5bn relative to $9.1bn in 2019.

Source: World Travel & Tourism Council

KUWAIT

Profits of listed companies up 57% to $2.4bn in first quarter of 2022

The cumulative net profits of 153 companies listed on Boursa Kuwait totaled KD737.3m, or $2.4bn, in the first quarter of 2022, constituting increases of 57% from KD469.8m ($1.5bn), in the same quarter of 2021, and of 62.8% from KD452.8m ($1.47bn) in the fourth quarter of 2021. Listed banks generated net profits of $1.1bn in the covered quarter and accounted for 45.2% of total earnings, followed by financial services providers with $510.2m (21.2%), telecommunications firms with $206m (8.6%), industrial companies with $166.3m (7%), basic materials firms with $164.3m (6.8%), real estate companies with $116.7m (4.9%), insurers with $78.2m (3.3%), consumer services firms with $32.3m (1.3%), healthcare providers with $11.7m (0.49%), utilities companies with $11.4m (0.47%), consumer goods firms with $10.8m (0.45%), and oil and gas corporates with $7.8m (0.3%). Further, the net earnings of basic materials firms rose by 158.5% in the covered quarter, followed by the income of financial services providers (+140.4%), real estate companies (+54.3%), banks (+42.4%), insurers (+31.9), utilities providers (+25%), telecommunications firms (+18%), and industrial companies (+16%). In contrast, the income of the oil and gas sector decreased by 50% in the first quarter of 2022, followed by the net earnings of consumer goods firms (-5.7%), and of healthcare providers (-2.7%). Further, the results of listed consumer services firms shifted from aggregate losses of $8.8m in the first quarter of 2021 to net profits of $32.3m in the same quarter of 2022.

Source: KAMCO

OUTLOOK

AFRICA

Growth to decelerate to 3.7% in 2022, risks tilted to the downside

The World Bank projected real GDP growth in Sub-Saharan Africa (SSA) to decelerate from 4.2% in 2021 to 3.7% in 2022, mainly due to elevated inflation rates and tighter monetary policy in the region that are expected to weaken domestic demand, as well as to slower growth in major trading partners. It forecast real GDP growth to reach 3.9% annually in the 2023-24 period, amid expectations of favorable terms of trade in commodity exporters and a gradual easing of global food price pressures, and if authorities step up efforts to further contain the COVID-19 pandemic.

It projected real GDP growth in Nigeria at 3.4% in 2022 and 3.2% in 2023, supported by elevated oil prices, the further recovery in agriculture and manufacturing, and structural reforms,. Also, it expected economic activity in Angola to expand by 3.1% this year and 3.3% next year, amid higher oil and positive spillovers to the non-oil economy. It also projected real GDP growth in South Africa at 2.1% in 2022 and to average 1.7% in the 2023-24 period. Further, it forecast real GDP growth in the SSA region, excluding the three countries, at 5.3% annually in the 2022-23 period. It expected higher commodity prices to underpin the recovery of the extractive sectors and to strengthen export and fiscal revenues in some exporters of energy and industrial metals, but anticipated that other producers will struggle to boost mining production due to aging facilities and elevated security risks. It added that agricultural commodity exporters stand to benefit from higher global food prices as well, but expected agricultural production to be constrained in the short term by the surging cost of farm inputs and irregular rainfall. Still, it projected real GDP growth at about 7% annually in the 2023-24 period in the more diversified economies.

In parallel, the World Bank considered that risks to the SSA region's outlook are tilted to the downside. It said that the most significant risk stems from the uncertainties originating from Russia's invasion of Ukraine. It anticipated that further disruptions to the global supply of staple crops would lead to even higher food prices and increased spending on food imports in SSA countries. Further, it expected that tighter global financial conditions will limit access to financing for many SSA countries.
Source: World Bank

GCC

Higher interest rates to have limited impact on economies in the region

The Institute of International Finance indicated that interest rates in Gulf Cooperation Council (GCC) countries move simultaneously with interest rates in the United States, given the peg of currencies in the region to the US dollar. It added that elevated real interest rates, in the absence of higher global oil prices, lead to reduced credit to the private sector and to weaker non-oil GDP growth. However, it considered that the recent increases in U.S. interest rates will have a limited impact on GCC economies, given the high oil price environment. It anticipated the elevated oil prices to provide a boost to economic activity in GCC countries through higher public spending and additional liquidity in the region's banking systems. It projected the expansion of activity in the non-oil sector of the GCC region to exceed 4.5% in 2022. It also expected sound macroeconomic policies and strong fundamentals in GCC economies, combined with elevated oil prices and reforms, to more than offset the negative spillovers of higher interest rates on external borrowing costs, especially for GCC banks and non-financial corporations involved in large-scale investment projects.

In parallel, it projected the inflation rate to average less than 4% in 2022 in the GCC region. It anticipated that GCC authorities will further raise interest rates in case of additional hikes in U.S. rates, and considered that the tighter monetary policy stance in the region is necessary to contain inflationary pressures. Further, it expected the impact of tighter U.S. monetary conditions on GCC banks to be limited due to high oil prices. It noted that the banking systems in GCC countries have a low level of wholesale funding and a high level of non-interest bearing deposits. As a result, it considered that further interest rates hikes in the region, could have a favorable effect on the profitability of GCC banks.
Source: Institute of International Finance

GHANA

External financing risks on the rise

Goldman Sachs considered that Ghana's lack of access to international markets since the third quarter of 2021, as well as the depreciation of the Ghanaian cedi and Bank of Ghana's interest rate hikes would exacerbate pressures on the government's external financing needs. Also, it indicated that the country is facing risks related to capital outflows from the domestic market, given the high level of foreign investor participation in the market.

In its baseline scenario, it assumed capital outflows of $400m from the local debt market and $1.2bn in external payments related to the energy sector's liabilities in 2022. As such, it forecast Ghana's external financing requirements at $2.5bn for 2022 based on a projected current account deficit of $2.5bn this year, or about 3% of GDP, as a result of high external debt service payments and lower production of gold and oil, as well as to the energy sector's liabilities. It considered that this scenario is contingent on the authorities obtaining $1bn in foreign funding in the third quarter of 2022 and $500m by the end of the year. Further, it forecast gross foreign-currency reserves to decline from $8.3bn at the end of April 2022 to $5.8bn at end-2022, as authorities use the reserves to finance their external obligations given their inability to secure alternative funding sources.

Under its optimistic scenario, it projected Ghana's external financing requirements at $1.2bn in 2022 and it expected a narrower current account deficit of $2.3bn due to the recovery in oil and gold production, as well as to loans of $1bn from multilateral lenders in the third and fourth quarters of 2022. Further, under its pessimistic scenario, it forecast external financing needs at $5.2bn this year based on portfolio outflows of $1.4bn and energy sector liabilities of $1.5bn. Also, it anticipated the official foreign currency reserves to decline to $3bn, as it did not expect the government to obtain alternative financing in the near term. As such, it projected Ghana's gross foreign currency reserves at less than two months of import coverage at end-2022, which may limit the ability of the authorities to mitigate external shocks without securing additional financing or restoring market access.
Source: Goldman Sachs

SAUDI ARABIA

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Saudi Arabia's short- and long-term foreign and local currency ratings at 'A1/A+', and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to improved prospects for the country's public and external finances as a result of the strong rebound in global oil prices, as well as to the agency's expectation that oil production volumes will rise significantly in 2022. As such, it expected the central government's budget balance to shift from a deficit of 2.4% of GDP in 2021 to a surplus of 9.1% of GDP in 2022, and to average 6.7% of GDP in the 2023-24 period. It indicated that the ratings are supported by large, yet declining, fiscal and external buffers, as well as by the recovery in non-oil economic activity, significant oil reserves, and a sound banking sector. However, it pointed out that the ratings are constrained by the government's high reliance on hydrocarbon revenues, elevated geopolitical risks, and a moderate-to-high level of policy risks. It forecast the current account surplus to widen from 5.4% of GDP in 2021 to 19.5% of GDP in 2022, and to average 13% of GDP in the 2023-24 period. It noted that it could revise the outlook to 'positive' if the government embarks on further fiscal and structural reforms to reduce its reliance on hydrocarbon exports, and if geopolitical tensions decline. In contrast, it noted that it could downgrade the ratings if geopolitical risks escalate or if public and external finances deteriorate.

Source: Capital Intelligence Ratings

DEM REP CONGO

Real GDP growth to average 6.4% in 2022-23 period

The International Monetary Fund (IMF) considered that the economy of the Democratic Republic of Congo (DRC) is facing challenges from Russia's invasion of Ukraine. As such, it revised downwards its projection for the DRC's economic growth from 6.4% to 6.1% in 2022, but noted that the outlook remains favorable and supported by improved mineral prices as it forecast real GDP growth at 6.7% in 2023. In addition, it projected the fiscal deficit to widen from 0.1% of GDP in 2021 to 1.2% of GDP in 202 and 0.8% of GDP in 2023, as greater-than-expected pubic revenues only partially offset the higher fiscal costs associated with fuel subsidies and spending on social infrastructure projects. It stressed the need for authorities to step up efforts to reduce untargeted subsidies and budget costs, and to support vulnerable households through targeted social transfers. Also, it anticipated that spillovers from the war in Ukraine may worsen the country's external and fiscal balances, and exacerbate inflationary pressures and food insecurity. It urged authorities to enhance revenue mobilization and contain current spending in order to create fiscal space for priority investments. Further, the IMF considered that stronger monetary and exchange rate policy frameworks will support price stability and external sustainability. It projected the current account deficit of 0.9% of GDP in 2021 to shift into balance in 2022 and 2023, and forecast foreign currency reserves at 8.3 weeks of import coverage eat the end of this year. It stressed the need to sustain efforts to accumulate reserves buffers and to enhance the role of the exchange rate as a shock absorber, in order to strengthen the DRC's resilience to external shocks.

Source: International Monetary Fund

CÔTE D'IVOIRE

Outlook on ratings revised to 'positive'

Moody's Investors Service affirmed the long-term issuer and senior unsecured bond ratings of Côte d'Ivoire at 'Ba3', and the short-term issuer ratings at 'Not Prime'. Also, it revised the outlook on the long term ratings from 'stable' to 'positive'. It attributed the affirmation of the ratings to the country's strong economic resilience and to the additional credit support from the West African Economic and Monetary Union, to which Côte d'Ivoire belongs. However, it noted that the ratings are constrained by the country's weak institutions and vulnerability to event risks. In parallel, the agency indicated that the change of the ratings' outlook to 'positive' reflects the improvement in Côte d'Ivoire's credit profile and its strong economic growth, supported by rising diversification and competitiveness. Also, it pointed out that the sustained progress in public finance management as well as in the structure of the public debt in terms of extending its maturity and significantly reducing exchange rate risks, support the 'positive' outlook. Further, the agency added that it would upgrade the ratings if fiscal and debt metrics improve faster than expected. In contrast, it said that it would downgrade the ratings if security conditions and political stability deteriorate, if the government's debt increases, or if the country's macroeconomic activity slows down in the medium-term.

Source: Moody's Investors Service

TUNISIA

War in Ukraine exacerbates economic imbalances

The International Monetary Fund (IMF) indicated that the spillovers from Russia's invasion of Ukraine are exacerbating Tunisia's already high economic imbalances and causing more hardship to the population. As such, it urged authorities to address fiscal imbalances and ensure macroeconomic stability by improving tax equity, containing the large civil service wage bill, replacing generalized subsidies with transfers targeting the poor segments of the population, strengthening the social safety net, and reforming the country's loss-making state-owned enterprises. In addition, it expected that stronger competition and the opening up of the economy to private sector investments would help the economy reach its growth potential. Also, it welcomed the recent publication of the government's reform program, and stressed the importance to further articulate the specific policies and reforms and discuss them with all stakeholders, which would help increase the chances of success of the authorities' reform agenda. In parallel, Bank of America anticipated the Tunisian authorities to reach a Staff Level Agreement (SLA) with the IMF as official negotiations start in the coming weeks. It expected the SLA to be based on the authorities' program, but noted that it is unlikely that the agreement will include the restructuring of the public debt. Also, it said that the lack of domestic consensus on economic reforms suggests that the stand-off with the UGTT labor union could intensify, and anticipated it to affect the implementation of a potential IMF program and, therefore, the disbursement of funds, which raises the risk that the program could go off-track. It added that the 2022 parliamentary elections could complicate reform dynamics.

Source: International Monetary Fund, Bank of America

BANKING

SAUDI ARABIA

Short-term liquidity risks subside

S&P Global Ratings indicated that the Saudi Central Bank deposited recently SAR50bn, or the equivalent of $13bn, in the Saudi banking sector in the form of time deposits, which supported the banks' short-term liquidity needs, as the increase in deposits has been lower than lending growth in the past few years. But, it considered that the current liquidity strains would stimulate the development of the domestic capital markets through a higher volume of the banks' issuance of sukuk or through divesting some of the banks' assets. It said that Saudi banks financed in past years around 60% of their lending through customer deposits, while they funded their loans in 2021 from their liquid assets and by issuing debt. It considered that lending growth may slow down without an adequate increase in deposits, as banks may resort to external liabilities amid less supportive market conditions. Further, it noted that the banks' lending expanded by about 15% annually in the 2020-21 period and expected an increase of 10% to 12% in the 2022-23 period, supported by mortgages and corporate lending. It expected banks to finance their loans through customer deposits, as it anticipated increases in corporate and government deposits amid the implementation of projects under Vision 2030. Also, it anticipated that a shift of deposits from non-interest-bearing instruments to deposits that carry interest rates, amid higher rates, is likely to reduce the banks' net interest income. In parallel, it said that Saudi banks increased their capitalization in the first quarter 2022 due to the issuance of additional Tier One instruments and profit retention.

Source: S&P Global Ratings

QATAR

High level of foreign funding poses risks to banks

The International Monetary Fund indicated that the Qatari banking sector is well capitalized, liquid and profitable, despite rising financing risks. It noted that the sector's capital adequacy ratio was 18% at the end of 2021, while the non-performing loans (NPLs) ratio stood at 2.4% at end-2021 relative to 2% at end-2020. Also, it pointed out that the provisions-to-NPLs ratio was adequate at 85% at the end 2021. Further, it said that the banks' liquid assets represented 28.2% of total assets, while they were equivalent to 66.9% of short-term liabilities at the end of 2021, nearly unchanged from the end of 2020. Also, it noted that strong lending growth outperformed the rise in deposits, which led the banks' loans-to-deposits ratio to slightly increase from 124.6% at end-2020 to 124.9% at end-2021, and added that domestic credit stood at 165.3% of total deposits at end-2021 relative to 159.5% of deposits a year earlier. In parallel, it pointed out that the banking sector's foreign funding accounted for 39% of total liabilities by the end of 2021, but that it has recently declined amid the implementation of precautionary measures. It noted that the elevated level of foreign funding poses risks to Qatari banks in case geopolitical tensions persist and the tightening of monetary policy in advanced economies continues. Moreover, the IMF stressed the importance of expanding the domestic financial market and limiting the banking sector's sizeable exposure to government-related entities. It considered that reducing the public sector's footprint in the banking system will help alleviate the banks' exposure to foreign liabilities.

Source: International Monetary Fund

TURKEY

Banks' asset quality under pressure

Fitch Ratings indicated that the Turkish banks that it covers, which account for 81% of the banking sector's assets, reported strong profitability metrics in the first quarter of 2022, mainly due to higher lending volumes, gains on inflation-linked securities, and improved margins in a lower interest rate environment in the country, as banks repriced their assets faster than their liabilities. It noted that lending growth has supported the banks' asset quality, despite the write-offs of non-performing loans. However, it pointed out that increasing macroeconomic and financial stability risks, as well as the banks' exposure to vulnerable sectors and foreign-currency lending, put pressure on their asset quality. Further, it said that the dollarization rate of deposits at Turkish banks declined in the first quarter of 2022, due to the shift of foreign-currency deposits to Turkish lira deposits despite the depreciation of the lira. But it noted that the dollarization rate of deposits remains high, as the weak confidence in the lira and expectations of higher inflation rates generate rollover risks on local currency deposits. In parallel, it pointed out that regulatory forbearance measures on risk-weighted assets and strong internal capital generation in the first quarter of 2022 support the banks' capital ratios. Also, it considered the banks' capitalization to be adequate due to their sound profitability and provisioning buffers, as well as to capital increases at large state-owned banks in March 2022 despite the prevailing conditions.

Source: Fitch Ratings

EGYPT

Agency takes rating actions on four banks

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of National Bank of Egypt (NBE), Arab African International Bank (AAIB), Banque du Caire (BdC) and the Export Development Bank of Egypt (Ebank) at 'B+', which are four notches below investment grade. It upgraded the Bank Standalone Rating (BSR) of NBE from 'b' to 'b+', while it maintained the BSR of AAIB at 'b+' and the BSRs of BdC and Ebank at 'b'. It also maintained the 'stable' outlook on the banks' ratings and BSRs. It indicated that the ratings of NBE, AAIB and BdC benefit from a high probability of support from the authorities despite the moderate financial capacity of the sovereign, given the banks' strong government ownership. It attributed the improvement in the BSR of NBE to the bank's systemic importance and dominant market share across all business segments. Further, it said that the ratings of the four banks are supported by sound liquidity buffers and adequate funding. It added that the banks benefit from good asset quality amid low non-performing loans ratios, given that authorities did not lift forbearance measures. Also, it pointed out that the ratings of NBE are underpinned by a strong customer deposit base, while the bank's high exposure to government securities and the modest profitability are weighing on the ratings. It noted that the ratings of AAIB reflect the bank's strong capital position and sound liquidity buffers that provide substantial support to the bank's risk profile in the difficult operating environment. It said that the ratings of BdC take into account the bank's good profitability and comfortable capital ratios. It pointed out that the rating of Ebank is supported by its business development potential and its good operational profile.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

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

ICE Brent crude oil front-month prices averaged $104.9 per barrel (p/b) in the first half of 2022, constituting a surge of 61% from $65.1 p/b in the same period last year, mainly due to global supply disruptions and rising geopolitical risks as a result of Russia's invasion of Ukraine. However, oil prices reached $116.3 p/b on June 29, 2022, representing a decline of 6% from a recent high of $123.6 p/b on June 8, 2022, driven by worries about slower global economic growth amid the tightening of global monetary policy to mitigate surging inflation rates. In parallel, the National Bank of Kuwait indicated that fears of a global recession amid elevated commodity prices are weighing on investor sentiment, which are posing downside risks to oil prices. It considered that the protracted COVID-19 lockdowns in China, the slowdown in global economic growth, and the direct economic fallout from Russia's invasion of Ukraine may raise uncertainties about oil demand. In addition, it indicated that the inability of OPEC+ members to raise their monthly output in line with their higher quotas has been a long-running factor to supply disruptions, as it noted that the shortfalls in oil production are a consequence of underinvestment and the lack of maintenance in certain oil fields. It added that OPEC's spare capacity could drop to around 1.2 million barrels per day in 2023, leading to low inventory stockpiles, which will neither offset any potential supply shocks in the future nor prevent oil price volatility. Further, Standard Chartered Bank projected oil prices to average $107 p/b in the third quarter and $95 p/b in the fourth quarter of 2022.

Source: National Bank of Kuwait, Standard Chartered Bank, Refinitiv, Byblos Research

Global natural gas output at 4,132 billion bcm in 2022

The International Energy Agency projected global natural gas production to reach 4,132 billion cubic meters (bcm) in 2022, and to increase by 14 bcm, or 0.3%, from 4,118 bcm in 2021. It forecast production of natural gas in North America at 1,189 bcm in 2022 and to represent 28.8% of the world's aggregate output, followed by Eurasia with 925 bcm (22.4%), the Middle East with 710 bcm (17.2%), Asia Pacific with 666 bcm (16.1%), Africa with 268 bcm (6.5%), and Europe with 209 bcm (5.1%).

Source: International Energy Agency, Byblos Research

Global renewable energy demand up 15% in 2021

BP estimated the consumption of global renewable energy at 39.9 exajoules (EJ) in 2021, constituting an increase of 15% from 34.8 EJ in 2020. Consumption in the Asia-Pacific region reached 17.2 EJ, or 43% of global demand for renewable energy last year, followed by Europe with 10.1 EJ (25.4%), North America with 8.4 EJ (21%), South & Central America with 3.35 EJ (8.4%), Africa with 0.5 EJ (1.2%), the Middle East with 0.2 EJ (0.5%), and the Commonwealth of Independent States with 0.10 EJ (0.3%).

Source: BP, Byblos Research

Demand for natural gas to regress by 0.3% in 2022

The International Energy Agency projected global natural gas demand to decrease by 11 billion cubic meters (bcm), or by 0.3%, to 4,086 bcm in 2022. It anticipated demand for natural gas in North America to reach 1,084 bcm in 2022 and to represent 26.5% of the world's aggregate demand, followed by the Asia Pacific region with 926 bcm (22.7%), Eurasia with 656 bcm (16.1%), the Middle East with 580 bcm (14.1%), and Europe with 524 bcm (12.8%).

Source: International Energy Agency, Byblos Research

Base Metals: Aluminum prices to average $3,450 per ton in second quarter of 2022

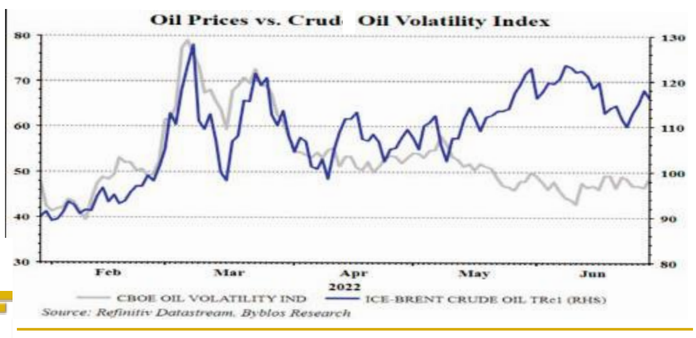
The LME cash price of aluminum averaged $3,071.9 per ton in the first half of the year, constituting a rise of 37% from an average of $2,244 a ton in the same period last year. The increase in prices was mainly driven by strong demand for the metal, decreasing LME-registered inventories, as well as by concerns about supply tightness amid China's commitment to reduce carbon emissions through production cuts in the aluminum industry. Further, prices decreased from an all-time high of $3,877.5 per ton on March 4 of this year to $2,450 per ton on June 29, 2022 amid a slowdown in economic activity in China, the world's largest consumer of the metal, due to the implementation of COVID-19-related restrictions, and to higher interest rates worldwide. Further, Fitch Ratings expected the tight supply conditions in the global aluminum market to start easing in 2022 and revised its forecast for the deficit in the aluminum market from 2.25 million tons to 0.7 million tons this year, as global inflation rates will weigh on the purchasing power of households and corporates. It expected that the market for aluminum to be balanced in the 2023-25 period and that it will turn into a surplus in 2026. In addition, it said that weaker sentiment is weighing on aluminum prices, while it noted that high energy costs and low inventories will support prices in the second half of 2022. Also, Standard Chartered Bank forecast aluminum prices to average $3,450 per ton in the second quarter, $3,325 per ton in the third quarter, and $3,180 a ton in the fourth quarter of 2022.

Source: Fitch Ratings, Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,920 per ounce in second quarter of 2022

Gold prices averaged $1,876.1 per troy ounce in the first six months of the year, constituting an increase of 4% from an average of $1,806.2 an ounce in the same period last year, driven mainly by accelerating inflation rates globally and Russia's military invasion of Ukraine, which reinforced the appeal of the metal as a safe haven amid the escalation of geopolitical tensions. Further, prices regressed from a high of $2,056 per ounce on March 8, 2022 to $1,816.6 an ounce on June 29, 2022, due to a stronger US dollar and higher U.S. bond yields. In parallel, Standard Chartered Bank indicated that the ban of the Group of Seven on the imports of Russian gold is unlikely to tighten the global gold market given that the metal has already absorbed the risks related to supply disruptions. It expected the global supply of gold to decrease, which would result in a neutral balance in the gold market, if flows into gold-backed exchange traded funds increase and if the Central Bank of Russia purchases Russian gold production. Moreover, it forecast gold prices to average $1,920 per ounce in the second quarter, $1,850 an ounce in the third quarter, and $1,750 per ounce in the fourth quarter of 2022.

Source: Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Stable	B- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Negative	B+ Stable	B+ Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa1 RfD**	CCC -	 -	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	B- Stable	Caa1 Stable	B- Negative	- -	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Positive	BB- Stable	- -	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	Caa1 Stable	- -	- -	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Negative	BB+ Stable	- -	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	B2 Stable	B Stable	- -	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Tunisia	- -	Caa1 Negative	CCC -	- -	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+ Stable	B2 Negative	B+ Stable	B+ Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Stable	BB- Negative	B+ Stable	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Negative	A1 Stable	AA- Stable	A+ Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD -	C -	C -	- -	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB- Stable	Ba3 Negative	BB- Stable	BB Negative	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA- Stable	Aa3 Stable	AA- Stable	AA- Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A- Positive	A1 Stable	A Positive	A+ Stable	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	- -	- -	- -	- -	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating 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	B-	B3	B-	-								
	Stable	Negative	Stable	-	-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
Turkey	B+	B2	B+	B+								
	Negative	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	1.75	15-Jun-22	Raised 75bps	N/A
Eurozone	Refi Rate	0.00	09-Jun-22	No change	21-Jul-22
UK	Bank Rate	1.25	16-Jun-22	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	17-Jun-22	No change	21-Jul-22
Australia	Cash Rate	0.85	07-Jun-22	Raised 50bps	05-Jul-22
New Zealand	Cash Rate	2.00	25-May-22	Raised 50bps	13-Jul-22
Switzerland	SNB Policy Rate	-0.25	16-Jun-22	Cut 50bps	22-Sep-22
Canada	Overnight rate	1.50	01-Jun-22	Raised 50bps	13-Jul-22
Emerging Markets					
China	One-year Loan Prime Rate	3.70	20-Jun-22	No change	20-Jul-22
Hong Kong	Base Rate	2.00	16-Jun-22	Raised 75bps	N/A
Taiwan	Discount Rate	1.50	16-Jun-22	Raised 12.5bps	22-Sep-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	08-Jun-22	No change	10-Aug-22
India	Reverse Repo Rate	3.35	08-Apr-22	No change	N/A
UAE	Repo Rate	3.00	15-Jun-22	Raised 75bps	N/A
Saudi Arabia	Repo Rate	2.25	15-Jun-22	Raised 50bps	N/A
Egypt	Overnight Deposit	11.25	23-Jun-22	No change	18-Aug-22
Jordan	CBJ Main Rate	3.75	16-Jun-22	Raised 50bps	N/A
Turkey	Repo Rate	14.00	23-Jun-22	No change	21-Jul-22
South Africa	Repo Rate	4.75	19-May-22	Raised 50bps	21-Jul-22
Kenya	Central Bank Rate	7.50	30-May-22	Raised 50bps	N/A
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-May-22	No change	29-Jul-22
Mexico	Target Rate	7.75	23-Jun-22	Raised 75bps	11-Aug-22
Brazil	Selic Rate	13.25	15-Jun-22	Raised 50bps	N/A
Armenia	Refi Rate	9.25	14-Jun-22	No change	02-Aug-22
Romania	Policy Rate	3.75	10-May-22	Raised 75bps	06-Jul-22
Bulgaria	Base Interest	0.00	27-Jun-22	No change	27-Jul-22
Kazakhstan	Repo Rate	14.00	06-Jun-22	No change	25-Jul-22
Ukraine	Discount Rate	25.00	02-Jun-22	Raised 1500bps	21-Jul-22
Russia	Refi Rate	9.50	10-Jun-22	Cut 150bps	22-Jul-22

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