Bank Audi

MENA WEEKLY MONITOR

APRIL 10 - APRIL 16, 2022
WEEK 15

CONTACTS

Treasury & Capital Markets

Bechara Serhal
(961-1) 977421
bechara.serhal@bankaudi.com.lb

Corporate Banking

Carol Ayat
(961-1) 959675
carol.ayat@bankaudi.com.lb

Mohamad Baydoun
(961-1) 959703
mohamad.baydoun@bankaudi.com.lb

Marketing and Communications

Marion Abou Jaoudé
(961-1) 977356
marion.abou-jaoude@bankaudi.com.lb

RESEARCH

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Farah Nahlawi
(961-1) 959747
farah.nahlawi@bankaudi.com.lb

Zeina Labban
(961-1) 952426
zeina.labban@bankaudi.com.lb

Michele Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Economy

p.2 STRATEGY& SAYS GREEN INVESTMENTS IN SIX KEY GCC INDUSTRIES COULD UNLOCK UP TO US$ 2 TRILLION IN CUMULATIVE GDP CONTRIBUTION BY 2030

A new report on Middle East green Finance was issued by Strategy& which is part of the PwC network. The report says Green finance represents a significant, and currently untapped, opportunity for the countries of the Middle East, in particular the Gulf Cooperation Council (GCC) countries, which have well-developed capital markets.

Also in this issue

Surveys

p.5 MORE THAN 50% OF ABU DHABI'S POPULATION READS ON REGULAR BASIS, AS PER SCAD

Statistics Center Abu Dhabi (SCAD) released the results of Reading Opinion Poll 2022 which show an increasing interest of developing reading habit over the past three years from 38% to more than 55% in 2022 and 79% of population prefer reading online.

Also in this issue

Corporate News

p.7 ADQ TAKES STAKES IN COMMERCIAL INTERNATIONAL BANK THROUGH ITS US$ 20 BILLION INVESTMENT FUND

The Abu Dhabi ADQ Investment Company is acquiring stakes in multiple companies in Egypt, including Commercial International Bank, as part of its US$ 20 billion joint strategic investment platform, as mentioned in a statement.

Also in this issue

Markets In Brief

p.9 MARKETS IN BRIEF: MENA EQUITIES CONTINUE UPWARD STREAK, BOND MARKETS DIP FURTHER INTO RED

Activity in MENA equity markets remained tilted to the upside this week, as reflected by a 0.9% rise in the S&P Pan Arab Composite index, bucking global equity weakness (-1.5%), mainly driven by an oil price rebound as investors grew more discouraged about peace talks between Russia and Ukraine, and due to upbeat corporate earnings and prospects of increased banks' profitability following recent interest rate hikes, in addition to some favorable market-specific factors. In contrast, MENA fixed income markets remained under downward price pressures, as investors priced in a more aggressive monetary policy tightening on bets that the US Federal Reserve would hike interest rates by a half percentage point in the May 2022 FOMC meeting to curb high inflationary pressures.

MENA MARKETS: APRIL 10 - APRIL 16, 2022

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.9%	Weekly Z-spread based bond index	+0.9%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↑
YTD stock price performance	+17.2%	YTD Z-spread based bond index	-9.7%

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

ECONOMY

STRATEGY& SAYS GREEN INVESTMENTS IN SIX KEY GCC INDUSTRIES COULD UNLOCK UP TO US$ 2 TRILLION IN CUMULATIVE GDP CONTRIBUTION BY 2030

A new report on Middle East green Finance was issued by Strategy& which is part of the PwC network.

The report says Green finance represents a significant, and currently untapped, opportunity for the countries of the Middle East, in particular the Gulf Cooperation Council (GCC) countries, which have well-developed capital markets. Investors around the world are pouring capital into projects with a strong environmental, social, and governance (ESG) angle, precisely the area in which the GCC countries have an advantage because of their abundant and low-cost renewable energy. The analysis has found that green investments in six key GCC industries could have a profound impact by 2030, unlocking up to US$ 2 trillion in cumulative GDP contribution, creating more than 1 million jobs, and encouraging foreign direct investment (FDI).

To capitalize on this opportunity, and continue the process of diversifying regional economies away from fossil fuel–based industries, governments in the region need to focus on four priorities: promoting environmental sustainability; creating a green sovereign wealth fund; strengthening capital markets; and developing standard and transparent reporting mechanisms for environmental performance according to the report. The report looked at six major non-oil sectors in the GCC to quantify the benefits of green investing in terms of economic diversification and growth. These were agriculture and food, construction, power, transport, water, and waste management.

For example, in the agriculture and food sector, governments can take steps to restructure supply chains, safeguard imports, and make the overall sector more sustainable—a critical need following the COVID-19 pandemic. Today, GCC countries recycle, reuse, or recover only around 10 percent of plastic and metal waste, resulting in significant waste. Increasing recycling rates in the GCC to an achievable 40% would create about 50,000 new jobs to support a US$ 6 billion market. Investors in the sector can expect healthy operating margins of above 15 percent in various opportunities across the value chain, such as waste electrical and electronic equipment recycling, plastics and packaging recycling, secondary metal semi-finished producers, or car spare parts manufacturing.

Similarly, in the power and construction sectors, governments can unlock the most value through a combination of low-environmental-impact hydrocarbon resources and low-cost renewable resources. Further, they can consider using the region's abundant renewable resources to manufacture carbon-neutral, or even carbon-negative, industrial products for export.

Green hydrogen is a clear opportunity. Production technology for green hydrogen is easily accessible, reducing the barriers to entry. According to our global supply and demand analysis, exporting countries can potentially capture a market of approximately 200 million tons of green hydrogen by 2050, worth US$ 300 billion yearly. The green hydrogen export market can also create up to 400,000 operations and maintenance jobs. Supported by the right investments, GCC countries can take advantage of their high-yield renewables, ample usable land, ready access to seawater, and low domestic consumption in order to maximize their export potential.

Another promising sector is transport. GCC governments can develop smart charging infrastructure for electric vehicles (EVs). In addition to reducing emissions, EVs save money and introduce renewables into the overall energy mix. Smart charging infrastructure can accelerate EV adoption and can be powered through the region's abundant, low-cost renewables.

The region can lead the world in dealing with water scarcity, a particular problem for the GCC, by building the world's first low-carbon urban water utility. Such a utility would reduce wastewater discharge by treating wastewater through a full-resource-recovery approach, thereby reducing the need for more energy-intensive sources of water such as desalination or the treatment of brackish water. The utility would use more energy-efficient treatment technologies like reverse osmosis and would rely on renewable energy sources including solar photovoltaic and wind according to the report.

UAE CONSUMER PRICES RISE AS ECONOMIC GROWTH IS EXPECTED TO HIT 4.2% IN 2022

The prices of consumer goods and services in the UAE accelerated in the past few months and continue to face upward risks this year due to the Russia-Ukraine crisis, but the economy is poised to improve further, according to a new report by the UAE Central Bank.

The headline consumer price index (CPI) inflation stood at 3.3% in the first quarter of 2022 after reaching 2.3% in the last quarter of 2021, and could average around 2.7% for the whole year, the UAE Central Bank said in its latest quarterly review.

The real gross domestic product (GDP), a measure of goods and services produced by a nation, grew 2.3% during 2021 and is on track to hit 4.2% this year. Conditions are also looking positive on the labor front, with the employment rate rising by 3.1% year-on-year in December 2021 and average salary rising by 7.8%.

According to the Central Bank, the main drivers for inflation this year would be the increase in energy prices, imported inflation and rising wages, although housing rents are expected to continue their decline.

Upward risks remain significant due to the war in Ukraine, with potential disruption in the oil markets and supply chains, in addition to higher food prices, the Central Bank said.

Within the non-oil sector, the upward trend continued in the fourth quarter of 2021, as the lifting of lockdowns and travel restrictions fueled an increase in both local and global demand.

Oil production went up by 9.3% year-on-year in the fourth quarter of 2021, in line with the agreement with OPEC+.

The tourism and hospitality sector in the UAE continued to recover, with data in Dubai showing hotel occupancy rising to 82% in the fourth quarter, from 63% and 80.6% in the last quarters of 2020 and 2019, respectively.

Property prices in Dubai increased by 9.1% on average in the fourth quarter, while rents declined by 1.9% over the same period. In Abu Dhabi, the implied rental yield fell to 6.2%, while the average price per square meter rose for a fourth consecutive quarter, recording a 1.4% year-on-year increase.

EGYPT'S NON-OIL ECONOMIC ACTIVITY HITS 21-MONTH LOW ON INFLATION

The headline seasonally adjusted S&P Global Egypt Purchasing Managers' (PMI), an indicator of the performance of the non-oil private sector, hit 46.5 points in March, down from 48.1 points in February, marking the highest decline since June 2020, data collected in S&P Global Egypt PMI's survey showed.

Egypt's non-oil sector was greatly impacted by additional pressures of inflation on energy, food, and raw material, as the Russian-Ukrainian war continues to weigh on the economy, leading to a drop in output.

Egypt's non-oil companies recorded lowest output, new orders, and stocks levels since the outbreak of COVID-19 in March 2020, which was the result of lower demands caused by inflated prices.

The devaluation of the LE in March pushed up import costs which led to inflated purchase prices (investment costs) for businesses.

To tackle the increase in prices and the decline in demand, Egyptian companies reduced their purchases at the end of the first quarter of 2022. Inventories registered lowest level since May 2020.

The survey further showed that 23% of companies suffered increases in input costs, while only 6% addressed that by raising client fees, as decline in sales compromised efforts to maintain profit margins.

Sentiments hit record-low, as the outlook for the rest of 2022 was the most negative since April 2012, affected by worries over the inflationary impact of the Russian-Ukrainian war.

Decline in sales and the grim outlook caused companies in Egypt to cut jobs for the fifth consecutive month in March.

The non-oil economy was clearly hit by the effects of the Russia-Ukraine war during March, with firms often seeing clients pull new orders back amid increased prices and economic uncertainty. Output levels followed suit with the sharpest fall since June 2020 during the first global COVID-19 lockdown, as per S&P Global.

The downturn was clearest to see in industrial sectors such as manufacturing and construction, where businesses and clients were more greatly exposed to energy and material price rises due to the war. Wholesale & retail firms were also hit by a sharp increase in food prices, as per the same source.

UAE AIMS AT 5%-6% ECONOMIC GROWTH IN 2022 AND BEYOND

The UAE is hoping the economy will grow by 5% to 6% this year as it recovers from the pandemic, and by the same pace over the next few years to help double the economy by 2031, its Economy Minister said.

The UAE's non-oil economy has benefited from public spending, credit growth and improving business sentiment, and its hosting of the Dubai World EXPO has boosted tourism.

BAHRAIN'S REAL GDP GROWS 4.3% IN Q4, SAYS IGA

Bahrain's GDP grew by 4.3% at real prices and 18.4% at current prices in the Q4 of 2021, according to national accounts estimates issued by the Information & eGovernment Authority (iGA).

The report, which shows the growth of both the oil and non-oil sectors, revealed that the oil sector grew by 4.67% at constant prices and 64.2% at current prices, reflecting the rise in fuel prices.

The non-oil sector recorded a growth of 4.2% at constant prices and 13.0% at current prices from Q4 of last year, stated the iGA report.

Economic sectors for Q4 2021, compared to the corresponding quarter of 2020, showed evident recovery from the pandemic in hotel and restaurant activity, which recorded an increase of 31.7% in constant prices and 39.8% at current prices.

According to iGA, the results also showed a rise in transportation and communications which grew 11.5% at constant prices and 5.5% at current prices. Agriculture and fishing activity posted growth, rising 10.2% at constant prices but fell 0.06% on current prices. Electricity and water grew by 9.6% in constant prices and 8.3% at current prices, it added.

Government and private health services witnessed a 7.9% and 6.9% growth at constant and current prices, respectively, while other social and personal services rose 7.1% at constant prices and 13.8% at current prices. Financial projects increased by 5.2% at constant prices and 2.6% at current prices. Mining and quarrying activity grew to 4.8% and 58.4% at constant and current prices, respectively.

Real estate and business services achieved 4.8% at constant prices and 2.5% at current prices. Manufacturing grew by 1.8% at constant prices and 47.2% at current prices.

Comparing the economic performance for Q4 2021 to the previous quarter, iGA report said that it had seen an economic growth of 1.5% at constant prices and 9.6% at current prices.

The oil sector fell by 4.5% at constant prices while it grew by 2.1% at current prices, while the non-oil sector achieved an increase of 2.9% and 11.0% at constant and current prices, respectively.

The report also revealed a rise in educational services, hotels, and restaurants. Government and private educational services recorded a growth of 28.8% at constant prices and 31.7% at current prices.

Hotels and restaurants increased by 20.6% and 28.8% at constant and current prices because of the continued recovery of the tourism sector in the Kingdom, stated the report.

According to iGA, transportation and communications sector witnessed a 2.6% and 1.8% growth at constant and current prices, respectively, followed by real estate activity and business services by 1.8% in real prices and 1.3% at current prices.

Other social and personal services were 1.3% at constant and 2.1% at current prices, followed by construction at 1.6% and 0.8% at constant and current prices, respectively, it stated.

The report showed recovery in other government services, financial projects, trade activity, manufacturing, government, and private health services in varying proportions when comparing the fourth quarter with the one from the previous year, it added.

SURVEYS

MORE THAN 50% OF ABU DHABI'S POPULATION READS ON REGULAR BASIS, AS PER SCAD

Statistics Center Abu Dhabi (SCAD) released the results of Reading Opinion Poll 2022 which show an increasing interest of developing reading habit over the past three years from 38% to more than 55% in 2022 and 79% of population prefer reading online.

According to the poll results, 92% of the population think that Abu Dhabi government entities have done their part in instilling the culture of reading. In 2022, the average number of reading hours devoted to performing work tasks reached 20 hours per month, while the average leisure reading time reached 25 hours per month.

According to the poll results, 61% of the respondents who do not read regularly said they do not have enough time to develop a reading habit, 51% stated that they cannot read regularly due to work stress, 22% noted they have no suitable atmosphere to develop a reading habit, while 19% consider reading is not their hobby, and 10% pointed that the preferred reading materials are not available.

The poll showed that 79% of respondents prefer reading from the internet, while more than half of the population consider print books still among the preferred source for reading.

In the same context, nearly nine out of ten people see that the best place to read is at home, representing 92% of the respondents.

NEARLY HALF OF UAE RESIDENTS HAVE NO RETIREMENT SAVINGS

Many residents in the UAE appear to be financially unprepared for their golden years, with nearly half of them having nothing saved for their retirement, according to a survey by financial services firm Friends Provident International (FPI).

Out of more than 1,000 respondents polled for the FPI study, 45% said they have not even started saving for retirement yet, although most of them (63%) are looking to retire early, or before they reach 60.

Among those who did manage to put away some funds for retirement, 53% said the savings are in the form of general bank deposits.

According to FPI's study, many respondents in the UAE think that they don't need to plan early for their retirement. Nearly 40% of those polled said they will start saving either ten years or less before they retire.

More than a quarter (27%) of respondents think they can continue living in their golden years with just less than US$ 2,500 monthly allowance, while a similar percentage of people believe that US$ 5,000 will be enough. Another 15% said they don't know or are unsure of the amount required to retire.

The findings indicate a "strong disconnect" between people's aspirations and the reality of how much they need to survive during their retirement years, according to at FPI.

SAUDI START-UPS REWRITING THE BIG MENA GROWTH STORY

Start-ups from across the Middle East and North Africa (MENA) had raised nearly US$ 375 million during the past month, with the Saudi firms taking a sizeable chunk of the pie, netting US$ 219 million across 23 investment deals in February, according to a report by Robert Walters Group.

With 58% of overall funding in the wider region going towards Saudi Arabia, it is no surprise to hear that headcount has grown by 20% within the Kingdom's start-ups over the past 12 months, said the report by recruitment consultancy Robert Walters Group, adding that this figure is expected to grow further this year as the government continues to create the ideal environment for start-up growth and international investment.

The competitive recruitment landscape between big corporates and start-ups continues to grow, with approximately 3 times the number of jobs posted vs available talent.

With relatively flat structures and hands-on founders and CEOs - new starters can find themselves lining up into the senior leadership team from day one, as per the same source.

By taking on several different responsibilities and working closely with senior members of the team, start-up environments enable you to prove your worth early on, as well providing an opportunity for your work will be recognized if it has had a direct impact on the business, he stated.

Unlike within corporate structures, leaders will be able to clearly see your involvement in a project's initial stages to completion, and as a result, the rate of advancement at start-ups tends to be much faster.

According to the Robert Walters Report - Act Like a Start-Up and Win the War on Talent – 50% of professionals in Saudi Arabia are interested in working for a start-up for their next career move.

This is not surprising therefore to see that the survey found that over half of professionals (52%) would be willing to take a pay cut and join a start-up if they saw an opportunity to progress much quicker than they would do within a corporate set-up, as per the same source.

After any period of economic change, a wave of entrepreneurial or start-up activity is seen – and so it is not surprising to hear of the success of this sector, so much so that Saudi Arabia now ranks sixth in global entrepreneurial competitiveness, as per the same source.

DUBAI'S HOTEL OCCUPANCY HIT 15-YEAR HIGH IN MARCH, AS PER STR

Hotel occupancy in Dubai reached a 15-year high last month on the back of Expo 2020.

Dubai's hotel industry reported 90% or better occupancy in any given month for the first time since 2007 in March, driven by the final weeks of Expo 2020, which concluded on March 31.

Expo 2020 Dubai recorded over 24 million visits during the six-month-long event and welcomed 192 countries. The mega event expedited the recovery of the local economy after the COVID-19 pandemic. In addition to the hospitality sector, retail, tourism, aviation, and many other industries benefited from the Expo.

A recent report commissioned by the Dubai Chamber of Commerce found that 76.5% of companies in Dubai said Expo 2020 Dubai boosted business growth, while 73.5% entered into new partnerships.

According to STR, occupancy level reached 91.7% in March while average daily rates hit AED 891.5 and revenue per available room (RevPAR) at AED 817.9.

Additionally, the ADR level was Dubai's second-highest of the pandemic era, behind December 2021, when it reached AED 948.6, and market RevPAR was the highest since December 2015.

When looking at daily data, occupancy was higher than 90% for 25 days during the month with a peak of 96.0% on March 24, STR said.

There were 759 hotels and hotel establishments accounted for in Dubai in January 2022 as compared to 711 in January last year.

Guest nights in January were at 3.04 million during the same month this year compared to 2.65 million in January 2021, according to a Dubai Chamber's recent report.

CORPORATE NEWS

ADQ TAKES STAKES IN COMMERCIAL INTERNATIONAL BANK THROUGH ITS US$ 20 BILLION INVESTMENT FUND

The Abu Dhabi ADQ Investment Company is acquiring stakes in multiple companies in Egypt, including Commercial International Bank, as part of its US$ 20 billion joint strategic investment platform, as mentioned in a statement.

In details, ADQ acquired 85.5% stake in the Egyptian real estate company SODIC along with Aldar. ADQ also staked in Amoun Pharmaceutical Company. The other recent investments were in Fawry, Alexandria Container & Cargo Handling Company, the Misr Fertilizers Production Company and Abu Qir Fertilizers & Chemical Industries.

It is worth mentioning that the Egyptian economy revealed resilience and real GDP growth continues to outpace the majority of emerging market economies. The current year projections estimate GDP growth to reach 5.5%.

Since the inception of ADQ's US$ 20 billion strategic investment platform with the Sovereign Fund of Egypt, ADQ executed several investment opportunities in Egypt, with the aim to deliver robust commercial benefits and sustainable growth, said the Managing Director and CEO of ADQ.

MENA VENTURE CAPITAL FUNDING TO A RECORD US$ 3 BILLION IN 2021 AS FINTECH, E-COMMERCE CLAIM A THIRD OF THE DEALS

The MENA region achieved US$ 2.6 billion in Venture Capital (VC) funding in 2021, marking a record high for the region, according to MAGNiTT's 2022 Middle East and North Africa (MENA) Venture Report.

The report also noted that VC funding increased more than 138% in 2021 when compared to 2020, to hit a total number of 590 deals.

In details, three mega deals – each of more than US$ 100 million closed across MENA in 2021 were mainly in the most active markets, UAE, KSA and Egypt. UAE start-ups accounted for 26% of all deals closed across the MENA region and 45% of all funding raised across the region in 2021.

While fintech start-ups closed more than 100 deals in 2021, the fintech and e-commerce sectors together closed a third of all deals across the region.

The MENA region witnessed a record-high number of 35 start-ups announce exits in 2021.

The MAGNiTT's 2022 Middle East and North Africa (MENA) Venture Report provides a comprehensive overview and a deep dive into the Middle East and North Africa Venture Capital and Funding investment space. It also encompasses a five-year analysis of MENA venture funding evolution, with a focus on 2021 country and industry performance benchmarks.

BLACKROCK, MUBADALA TO INVEST US$ 525 MILLION IN TATA POWER'S ENERGY UNIT

BlackRock Real Assets joined forces with Mubadala to invest US$ 525 million by way of equity/compulsorily convertible instruments for a 10.5% stake in Tata Power Renewables, translating to a base equity valuation of US$ 4.5 million, Tata Power Company said in a statement.

The first round of capital infusion is expected to be completed by June 2022, where JP Morgan is the financial advisor to BlackRock Real Assets.

Tata Power Renewables is one of the largest renewable energy companies in India.

NESR SEALS US$ 300 MILLION SAUDI ARAMCO FRACTURING CONTRACT

National Energy Services Reunited Corporation (NESR), a global industry-leader in provision of integrated energy services in the Middle East and North Africa (Mena) region, seals contracts for US$ 300 million for integrated rig-less stimulation and testing services (Conventional Fracturing) across Saudi Arabia, as mentioned in a statement.

These contracts are over a total period of three years with an option for a further extension of two years, covering fracturing, testing, wireline, coiled tubing, slickline services and all associated chemistry, logistics and site services to conduct these operations, NESR said in a statement.

NESR aims to deliver innovative processes and technologies to take this project to the next level as Saudi Aramco leads the way in technology adoption and efficiency, according to a statement.

NESR looks forward to work closely with Saudi Aramco, in line with its net-zero and sustainability goals, to minimize the carbon footprint of these operations, introduce breakthrough Zero Liquid Discharge technologies to recycle the produced water and to provide minerals and freshwater not only to the operations but to the community, said the CEO and Chairman of NESR in a statement.

PALM HILLS TO SPEND US$ 243 MILLION ON CONSTRUCTION WORKS IN 2022

Egypt's Palm Hills Developments (PHD), allocated EGP 4.5 billion (US$ 243 million) for construction work in 2022, the Chairman of Palm Hills Developments said in a statement.

It is worth highlighting that Palm Hills Developments, in cooperation with Sarwa Capital, raised EGP 3.3 billion (US$ 176 million) through Sukuk to fund Badya project in West Cairo.

PHD is aiming to deliver 2,000 units across all its projects and launch four phases of its new Badya project in West Cairo this year.

ORASCOM APPROVES US$ 135 MILLION CONTRACTS WITH RED SEA CONSTRUCTION

Orascom Development Egypt (ORHD) (ODE) approved to sign contracts worth EGP 2.5 billion with Red Sea Construction and Development to implement construction and scaffolding works of projects in 2022, as mentioned in a statement.

ODE, the largest subsidiary of Orascom Development Holding (ODH), is an integrated developer of resort towns in Egypt, with a vertically integrated business model involving the devel opment of residential units, hotels and recreational facilities such as golf courses, town centers and marinas.

It is worth noting that the company’s standalone net profit after tax rose to EGP 717.7 million in 2021 from EGP 403.8 million in 2020.

ZAIN KSA Q1 2022 NET PROFIT NEARLY DOUBLES TO US$ 22 MILLION

Zain KSA, mobile communication company, generated net profit for SAR 81 million (US$ 21.6 million) in Q1-2022 against SAR 41 million (US$ 10.9 million) generated over same period last year, as mentioned in a statement.

Revenue rose by 12.4% (SAR 241 million), driven by the growth in B2B, 5G revenues and other revenue streams, according to Zain KSA.

Operating expenses rose by SAR 33 million while the amortization and depreciation decreased by SAR 56 million.

BANQUE SAUDI FRANSI PARTNERS WITH BACKBASE FOR DIGITAL SERVICES

Banque Saudi Fransi awarded Backbase to develop it’s banking platform to provide its clients with digital banking products and services, as mentioned in a statement.

This collaboration comes in line with the bank’s strategy to develop its offers and lead the digital banking revolution in Saudi Arabia.

In 2021, Banque Saudi Fransi generated net profits worth SAR 3.5 billion, a hike of 123.2% year-on-year, from SAR 1.6 billion.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES ON THE RISE ON OIL PRICE REBOUND AND SOME FAVORABLE MARKET-SPECIFIC AND COMPANY-SPECIFIC FACTORS

Activity in MENA equity markets remained tilted to the upside this week, as reflected by a 0.9% rise in the S&P Pan Arab Composite index, bucking global equity weakness (-1.5%), mainly driven by an oil price rebound as investors grew more discouraged about peace talks between Russia and Ukraine, and due to upbeat corporate earnings and prospects of increased banks' profitability following recent interest rate hikes, in addition to some favorable market-specific factors.

The heavyweight Saudi Exchange, whose market capitalization represents more than 70% of the total regional market capitalization, continued to follow an upward streak this week, as reflected by a 2.0% increase in the S&P Saudi index, mainly supported by (1) oil price gains as Brent prices hit US$ 112 per barrel on Thursday after Russia said that peace talks with Ukraine had come to a dead end and traders weighed China's demand outlook after easing some COVID-19 restrictions; (2) upbeat corporate earnings; (3) bets that interest rate hikes would lead to increased banks' profitability. Within this context, Standard and Poor's said in a recent note that for every parallel shift upward in interest rates of 100 basis points, Saudi banks' net income is likely to rise 13% and return on equity an additional 1.5%; and (4) increased investor appetite for Saudi stocks ahead of MSCI's May 2022 review. EFG-Hermes said that a minimum of US$ 815 million of passive flows are expected into Saudi Arabia ahead of MSCI's May 2022 review.

A closer look at individual stocks shows that Petrochemical giant Saudi Aramco's share price went up by 0.4% to SR 43.0. Petro Rabigh's share price rose by 2.9% to SR 30.15. Advanced Petrochemical Company's share price increased by 1.0% to SR 74.20. Sipchem's share price jumped by 7.5% to SR 57.50.

As to banking stocks, SNB's share price surged by 5.0% to SR 75.60. Al Rajhi's share price closed 4.3% higher at SR 171.40. SABB's share price climbed by 10.7% to SR 45.50. Morgan Stanley raised its recommendation on Saudi British Bank to "overweight" from "equalweight", with a price target of SR 47, which implies a 7.6% increase from last price. The Saudi Investment Bank's share price skyrocketed by 19.0% to SR 23.20. Bank Al Jazira's share price jumped by 13.3% to SR 31.15. Also, Almunajem Foods' share price climbed by 13.5% to SR 73.30. Almunajem Foods reported 2022 first quarter net profits of SR 98 million versus net profits of SR 30 million a year earlier.

EQUITY MARKETS INDICATORS (APRIL 10 - APRIL 16, 2022)

Market	Price Index	week-on-week	Year-to-Date	Trading Value	week-on-week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	94.0	-0.7%	0.0%	4.0	-48.6%	0.2	10,622.0	2.0%	-	0.38
Jordan	375.1	5.5%	7.7%	69.2	78.2%	16.8	25,252.9	14.2%	12.8	1.81
Egypt	231.2	-3.9%	-24.1%	167.2	-6.8%	754.6	36,273.2	24.0%	7.2	1.41
Saudi Arabia	618.7	2.0%	20.6%	11,765.5	-4.4%	905.2	3,229,335.1	18.9%	23.8	3.31
Qatar	237.9	0.3%	19.5%	1,005.0	-14.1%	829.7	217,389.5	24.0%	17.6	2.46
UAE	170.8	-1.8%	15.8%	3,423.3	-39.1%	3,493.9	665,108.4	26.8%	22.5	3.10
Oman	234.2	-0.1%	7.5%	47.3	2.6%	104.8	19,273.7	12.8%	12.8	0.98
Bahrain	211.7	-1.3%	15.8%	16.9	15.8%	18.0	31,721.4	2.8%	15.6	1.95
Kuwait	155.0	0.1%	16.2%	704.7	-11.4%	639.2	145,019.3	25.3%	19.8	1.91
Morocco	287.8	-0.4%	-9.2%	64.6	12.7%	3.7	68,631.3	4.9%	23.2	2.97
Tunisia	61.9	1.3%	-3.3%	9.9	50.3%	3.0	7,582.0	6.8%	10.9	1.67
Arabian Markets	**1,163.8**	**0.9%**	**17.2%**	**17,277.4**	**-14.7%**	**6,769.1**	**4,456,208.8**	**20.2%**	**22.8**	**3.13**

Values in US$ million; volumes in millions ** Market cap-weighted averages*

Sources: S&P, Bloomberg, Bank Audi's Group Research Departement.

The Qatar Stock Exchange continued to operate on a positive territory this week, registering shy price gains of 0.3%, mainly helped by an oil price rebound, and on improved sentiment after QSE listed companies announced a 41% year-on-year increase in 2021 total net profits in addition to some favorable 2022 first quarter results. 24 out of 47 listed stocks posted price gains, while 22 stocks registered price declines and one stock saw no price change week-on-week. QNB's share price rose by 0.4% to QR 24.380. QNB reported a 9% year-on-year rise in its 2022 first quarter net profits to reach QR 3.6 billion. Doha Bank's share price went up by 1.8% to QR 2.668. Al Ahli Bank's share price closed 2.3% higher at QR 4.0. Industries Qatar's share price increased by 1.0% to QR 19.80. Gulf International Services' share price rose by 2.2% to QR 1.973. Ooredoo's share price surged by 3.3% to QR 7.28.

In contrast, the UAE equity markets registered a 1.8% fall in prices week-on-week, mainly dragged by some profit-taking operations on the Abu Dhabi Securities Exchange, while the Dubai Financial Market continued to benefit from improved sentiment after DEWA's listing, which marks the EMEA's biggest IPO since Saudi Aramco's record share sale in 2019. In Abu Dhabi, ADCB' share price went down by 2.6% to AED 10.40. FAB's share price shed 6.5% to reach AED 22.30. Etisalat' share price decreased by 2.1% to AED 37.0.

In Dubai, Emirates NBD's share price went up by 2.1% to AED 14.80. Dubai Islamic Bank's share price closed 2.0% higher at AED 6.27. Commercial Bank of Dubai's share price increased by 1.9% to AED 4.79. Dubai Electricity & Water Authority's share price closed the week at AED 2.88, up from an issue price of AED 2.48 in its US$ 6.1 billion IPO. Deyaar Development's share price rose by 1.3% to AED 0.476.

FIXED INCOME MARKETS: MENA BOND MARKETS REMAIN UNDER DOWNWARD PRICE PRESSURES

MENA fixed income markets remained under downward price pressures this week, as investors priced in a more aggressive monetary policy tightening on bets that the US Federal Reserve would hike interest rates by a half percentage point in the May 2022 FOMC meeting to curb high inflationary pressures.

In the Bahraini credit space, sovereigns maturing in 2026 and 2031 registered price contractions of 0.10 pt and 1.25 pt respectively week-on-week. NOGA'27 traded down by 0.75 pt. S&P Global Ratings affirmed its "B+/B" long-term and short-term foreign and local currency sovereign credit ratings on Bahrain, with a "Stable" outlook, citing higher oil prices and tax measures, which would ease pressure on Bahrain's fiscal and external positions through 2023.

In the Saudi credit space, sovereigns maturing in 2026 and 2030 posted price retreats of 0.13 pt and 0.88 pt respectively this week. Saudi Aramco'25 closed down by 0.25 pt. Prices of SEC'24 declined by 0.13 pt. STC'29 recorded price contractions of 1.75 pt. As to credit rating changes, Fitch Ratings revised the outlook on Saudi Arabia's long-term foreign currency Issuer Default Rating to "Positive" from "Stable" and affirmed the rating at "A". The revision of the outlook reflects, according to Fitch, improvements in the sovereign balance sheet given higher oil revenue and commitment to fiscal consolidation.

In the Abu Dhabi credit space, sovereigns maturing in 2026 and 2031 posted price drops of 0.25 pt and 0.38 pt respectively week-on-week. Etisalat'24 closed down by 1.50 pt. In the Dubai credit space, sovereigns maturing in 2029 saw price contractions of 1.56 pt this week. DP World'30 was down by 1.25 pt.

In the Kuwaiti credit space, sovereigns maturing in 2027 closed down by a shy 0.09 pt week-on-week. In the Qatari credit space, sovereigns maturing in 2026 and 2030 registered price decreases of 0.50 pt and 1.75 pt respectively this week. Fitch Ratings affirmed Qatar's long-term foreign currency Issuer Default Rating at "AA-" with a "Stable" outlook. Qatar's "AA-" ratings are supported by large sovereign net foreign assets (SNFA), one of the world's highest ratios of GDP per capita, a flexible public finance structure and a favorable outlook for debt reduction.

In the Omani credit space, sovereigns maturing in 2026 and 2029 saw price contractions of 0.55 pt and 1.13 pt respectively week-on-week. Omantel'28 was down by 0.25 pt. In the Iraqi credit space, sovereigns maturing in 2028 were down by 0.10 pt this week.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2023, 2025, 2030 and 2040 registered price falls of 0.13 pt, 1.63 pt, 3.98 pts and 2.88 pts respectively week-on-week. Euro-denominated sovereigns maturing in 2026 and 2031 closed down by 1.90 pt and 3.09 pts respectively.

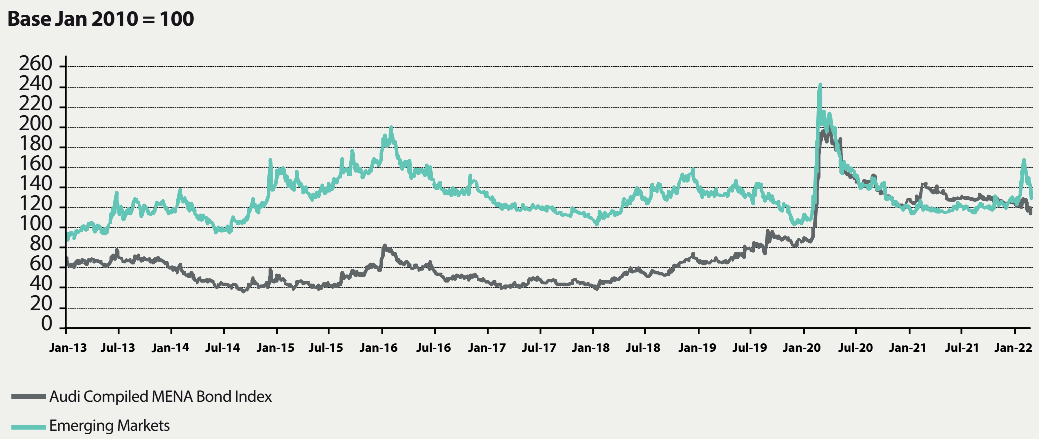
All in all, regional bond markets saw across-the-board downward price movements this week, mainly on intensified bets about aggressive interest rate hikes from the US Federal Reserve after the US consumer Price Index rose by 8.5% year-on-year in March 2022, marking its highest since 1981.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	15-Apr-22	08-Apr-22	31-Dec-21	Week-on-week	Year-to-date
Abu Dhabi	50	51	43	-1	7
Dubai	97	98	94	-1	3
Kuwait	56	54	45	2	11
Qatar	52	51	44	1	8
Saudi Arabia	53	52	49	1	4
Bahrain	295	296	294	-1	1
Morocco	109	110	95	-1	14
Egypt	603	546	498	57	105
Iraq	326	364	554	-38	-228
Middle East	182	180	191	2	-9
Emerging Markets	363	336	141	27	222
Global	462	466	183	-4	279

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS



Sources: Bloomberg, Bank Audi's Group Research Department

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/-	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Stable	BB-/Stable/B
Egypt	B/Stable/B	B2/Stable	B+/Stable/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Positive/A-2	A1/Stable	A/Positive/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA-/Stable/A-1+	Aa3/Stable	AA-/Stable/F1+
Kuwait	A+/Negative/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Stable/B	B2/Negative	B+/Stable/B
Oman	BB-/Stable/B	Ba3/Stable	BB-/Stable/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BB+/Stable/A-3	Ba1/Negative	BB+/Stable/B
Tunisia	NR	Caa1/Negative	CCC/C
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated   RWN= Rating Watch Negative   RUR= Ratings Under Review   * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	15-Apr-22	08-Apr-22	31-Dec-21	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	18.42	18.35	15.72	0.4%	17.1%
Iraqi Dinar (IQD)	1,460.00	1,460.00	1,460.00	0.0%	0.0%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.76	0.0%	-0.2%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.65	3.65	3.67	0.0%	-0.5%
Kuwaiti Dinar (KWD)	0.31	0.30	0.30	0.0%	0.8%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.39	0.0%	0.0%
Yemeni Riyal (YER)	250.00	250.00	250.00	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	142.86	142.86	138.89	0.0%	2.9%
Moroccan Dirham (MAD)	9.81	9.76	9.25	0.6%	6.1%
Tunisian Dinar (TND)	3.01	3.00	2.87	0.2%	4.7%
Libyan Dinar (LYD)	4.69	4.68	4.60	0.1%	1.9%
Sudanese Pound (SDG)	447.07	447.07	437.92	0.0%	2.1%

Sources: Bloomberg, Bank Audi's Group Research Department

DISCLAIMER