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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Nearly 30% of rated sovereigns have investment-grade rating at end-2022

S&P Global Ratings indicated that 27.3% of the sovereigns that it rates in the Emerging Europe, Middle East and Africa (EEMEA) region had an investment grade rating as at the end of 2022, the second lowest such ratio since the end of June 2017 when it stood at 27.1%. It noted that 22 of the sovereigns that it rates in the EEMEA region were in the 'B' category at end-2022 and accounted for 40% of total rated sovereigns, followed by nine non-investment-grade sovereigns in the 'BB' range, another nine in the 'CCC' category or lower (16.4% each), eight sovereigns in the 'BBB' range (14.5%), four sovereigns in the 'A' category (7.3%), and three sovereigns in the 'AA' bracket (5.5%). In addition, it pointed out that the ratings of 42 sovereigns carried a 'stable' outlook at end-2022, six countries had a 'negative' outlook, and three economies carried a 'positive' outlook, while it changed the outlook of four sovereigns to 'non meaningful' due to the payment default on their financial obligations. Also, it said that 15 sovereigns in Sub-Saharan Africa (SSA), 11 countries in Emerging Europe, 11 sovereigns in the Middle East and North Africa (MENA), four economies in the Commonwealth of Independent States (CIS), and one sovereign in Emerging Asia carried a 'stable' outlook on their ratings at end-2022. It added that three countries in SSA and one economy in each of the CIS, MENA, and Emerging Europe had a 'negative' outlook on their ratings at end-2022, while two sovereigns in the MENA region and one country in SSA carried a 'positive' outlook on their ratings.

Source: S&P Global Ratings

GCC

Projects awarded down 19% to $93.6bn in 2022

Figures released by KAMCO indicate that the aggregate value of projects awarded in Gulf Cooperation Council (GCC) countries reached $93.6bn in 2022, constituting a decline of 19.2% from $116bn in 2021. The value of projects awarded in the GCC stood at $18.7bn in the first quarter, $25.2bn in the second quarter, $18.5bn in the third quarter, and $31.1bn in the fourth quarter of 2022. The value of awarded projects in Saudi Arabia stood at $58.2bn in 2022 and accounted for 58% of the total, followed by the UAE with $19.2bn (20.6%), Qatar with $14.2bn (15.2%), Kuwait with $2.8bn (3%), Oman with $2.2bn (2.4%), and Bahrain with $1bn (1.1%). Further, the value of projects awarded in Saudi Arabia increased by 0.5% in 2022 from the preceding year, while the value of projects in Bahrain dropped by 62.6%, followed by a decrease of 46.6% in new projects in Kuwait, a contraction of 43.7% in projects in Qatar, a reduction of 27% in projects awarded in Oman, and a downturn of 25.8% in such projects in the UAE. In parallel, the construction sector accounted for 36.6% of the total value of projects awarded in GCC economies in 2022, followed by the transportation sector (20.3%), the gas industry (10%), the power industry (9.4%), the oil sector (8.3%), the water industry (8%), the chemical sector (4.2%), and the industrial sector (3.3%).

Source: KAMCO

MENA

Stock markets up 1% in January 2023

Arab stock markets and Gulf Cooperation Council equity markets grew by 1.2% each in January 2023, relative to increases of 6% and 7.2%, respectively, in January 2022. In comparison, global stock markets expanded by 7% and emerging market equities improved by 6.7% in January 2023. Activity on the Damascus Securities Exchange advanced by 16% in January 2023, the Egyptian Exchange appreciated by 12.7%, the Beirut Stock Exchange, based on the official stock market index, yielded 10%, the Amman Stock Exchange gained 7%, and the Iraq Stock Exchange grew by 4.4%. In addition, the Saudi Stock Exchange increased by 3%, the Qatar Stock Exchange improved by 2.4%, the Tunis Bourse advanced by 2%, the Bahrain Bourse appreciated by 1.7%, and the Palestine Exchange gained 0.8% in January 2023. In contrast, activity on the Khartoum Stock Exchange dropped by 19.7%, the Casablanca Stock Exchange declined by 4.1%, the Abu Dhabi Securities Exchange decreased by 3.9%, the Muscat Securities Market regressed by 3.2%, and the Dubai Financial Market retreated by 1% in January 2023. Further, activity on the Boursa Kuwait was nearly unchanged in January 2023.

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

External debt up by 6% to $418bn at end-2021

Figures released by the World Bank show that the total external debt outstanding in the Middle East & North Africa (MENA) region reached $418bn at the end of 2021, constituting an increase of 5.8% from $395bn at end-2020, and accounted for 4.5% of the external debt in low- and middle-income countries. The bank defines external debt as the sum of public and private long-term external debt, short-term debt, and credit from the International Monetary Fund. It represents the total debt owed to non-resident creditors that is repayable in both foreign and domestic currencies. It indicated that the MENA region's external debt grew at a compound annual growth rate (CAGR) of 5% during the 2017-21 period and of 6% between 2010 and 2021, compared to a CAGR of 4.7% in the 2017-21 period and of 6.7% in the 2010-21 period for external debt in low- and middle-income countries. It added that the stock of long-term external debt in MENA economies reached $296bn at end-2021 and accounted for 70.8% of the region's total external debt outstanding. Public and publicly-guaranteed debt represented 87.5% of long-term external debt in the region, while private non-guaranteed debt accounted for the remaining 12.5%. In addition, it noted that the short-term external debt of MENA countries stood at $70bn at end-2021 and accounted for 16.7% of the region's external debt, while the use of IMF credit amounted to $52bn at end-2021 and represented 12.4% of the total.

Source: World Bank

OUTLOOK

WORLD

Global growth projected at 2.9% in 2023, advanced economies to avoid recession

The International Monetary Fund (IMF) projected global real GDP growth at 2.9% in 2023, up by 0.2 percentage points from its October 2022 forecast for this year and compared to a growth rate of 3.4% in 2022. It attributed its upward revision to the better-than-expected performance of the economies of the U.S., China, the Eurozone, India and Japan in 2023. Also, it said that the slowdown in economic activity this year reflects the increase in interest rates worldwide to face elevated inflation rates globally, as well as the impact of Russia's war on Ukraine. It projected the real GDP growth rate of advanced economies at 1.2% this year and 1.4% next year, and forecast growth in emerging markets & developing economies at 4% in 2023 and 4.2% in 2024.

Further, it projected real GDP in Emerging & Developing Asia to grow by 5.3% in 2023 and by 5.2% in 2024. Also, it expected economic activity in Sub-Saharan Africa to expand by 3.8% this year and by 4.1% next year, while it anticipated the real GDP growth rate of the Middle East & North Africa at 3.2% in 2023 and 3.5% in 2024. It also forecast economic activity in Latin America & the Caribbean to expand by 1.8% this year and by 2.1% in 2024. Further, it anticipated the growth rate in Emerging & Developing Europe at 1.5% in 2023 and at 2.6% next year.

The IMF considered that risks to the global economic outlook are tilted to the downside. It anticipated that an escalation of the war in Ukraine and an increase in geopolitical tensions could lead to further disruptions to global trade, weigh on global energy and commodity prices, exacerbate inflationary pressures, and lead to further social unrest in several lower-income economies. Also, it anticipated that tighter global financial conditions would lead to higher debt servicing costs and could induce debt distress and recession in some emerging markets and developing economies.
Source: International Monetary Fund

EGYPT

Outlook dependent on reforms and investor confidence

The Institute of International Finance (IIF) indicated that real GDP growth in Egypt peaked at 6.6% in the fiscal year that ended in June 2022, well above Egypt's potential growth rate of 4.2%, supported by natural gas production and exports, construction, and a recovery in the tourism sector. It anticipated economic growth to moderate to 4% in FY2022/23 and to expand by about 6% by FY202/26, in case the authorities implement most of the policies and deep structural reforms in Egypt's program with the International Monetary Fund (IMF). It considered that the acceleration in economic activity would be triggered by higher net exports and sizeable private investments, which it anticipated could rise from 5.5% of GDP in 2022 to 8.2% of GDP by 2026.

In parallel, it considered that the authorities' planned fiscal adjustment, which is mainly based on increasing tax revenues, will be crucial to achieve sizeable primary surpluses, reduce inflationary pressures, and trigger a reduction of the public debt level. It projected the fiscal deficit to narrow from 7.9% of GDP in FY2022/23 to 4.9% of GDP by FY2025/26, in case authorities implement most of the revenue-enhancing measures in the IMF-supported program, including removing the tax exemptions and privileges of state-owned enterprises. In this case, it forecast the public debt level to decline from 88% of GDP at the end of June 2022 to 80% of GDP by end-June 2026.

Further, the IIF expected the current account deficit to narrow from 3.2% of GDP in FY2022/23 to 2.5% of GDP by FY2025/26. It considered that, despite the projected narrowing of the deficit, the authorities will face difficulties in covering Egypt's external financing gap, which the IMF estimated at about $17bn in the 2023-26 period. It said that debt amortization will remain elevated in the coming years, and noted the significant uncertainties about the amount of financial support from bilateral sources, as well as about the proceeds that will be generated from the sale of equity in public sector companies. But the IIF indicated that the IMF-supported program targets foreign currency reserves of $64bn by the end of June 2026 compared to $34bn at end-2022. As such, it forecast Egypt's external financing gap at $19bn, or 4.7% of GDP, in the 2023-26 period.
Source: Institute of International Finance

ALGERIA

Near-term outlook contingent on hydrocarbon prices and reforms

The International Monetary Fund (IMF) indicated that the Algerian economy's near-term outlook has significantly improved, supported mainly by the elevated global energy prices. It projected real GDP growth to slightly improve from 2.9% in 2022 to 3% in 2023, as it anticipated activity in the hydrocarbon sector to expand by 0.7% compared to 1.7% in 2022 and for real non-hydrocarbon GDP growth to accelerate from 3.2% last year to 3.4% this year, driven mainly by a substantial rise in public spending. It considered that the country's economic outlook is highly contingent on hydrocarbon prices, and faces risks from a weaker global backdrop and the volatility of commodity prices. It added that the acceleration of inflation rates has become a major policy challenge, given the authorities' loose monetary policy. It forecast the average inflation rate to moderate from a 26-year high of 9.3% in 2022 to 8.1% in 2023, but expected it to remain relatively elevated in the medium term. As such, it considered that the authorities need to tighten monetary policy in order to mitigate for the sustained inflationary pressures.

In parallel, the IMF anticipated that the announced sizeable rise in public spending in the 2023 budget could reverse the progress that authorities achieved in narrowing the deficit since 2018, and would weaken the resilience of public finances and exacerbate inflationary pressures. It forecast the fiscal balance to shift from a surplus of 2.1% of GDP in 2022 to a deficit of 6.6% of GDP in 2023, and anticipated that wide fiscal deficits and increasing principal repayments on past monetary financing coming due would result in large fiscal financing needs in the medium term. It pointed out that the authorities have ruled out foreign borrowing, which would result in significant pressure on the domestic banking system and poses risks to financial and macroeconomic stability. Further, it projected the current account surplus to decline from 7.6% of GDP in 2022, the first surplus since 2013, to 2.7% of GDP in 2023. Still, it expected foreign currency reserves to rise from $62bn at the end of 2022 to $69.5bn at end-2023.
Source: International Monetary Fund

EGYPT

Sovereign rating affirmed, outlook 'stable'

S&P Global Ratings affirmed Egypt's short- and long-term local and foreign currency sovereign credit ratings at 'B', with a 'stable' outlook on the long-term ratings. It attributed the ratings' affirmation to its expectations that multilateral and bilateral financial support will be sufficient to meet Egypt's external financing needs, which it estimated at about $17bn in the fiscal year that ends in June 2023. It also expected that the prevailing shortages of foreign currency and inflationary pressures in the country will recede, once the ongoing exchange rate adjustment fully takes place. Also, it anticipated additional support from Gulf Cooperation Council (GCC) economies to help bridge the country's remaining external funding gap. In addition, the agency indicated that the 'stable' outlook reflects its expectations that the Egyptian authorities' commitment to economic reforms, the country's robust medium-term economic growth prospects, as well as the importance of Egypt's stability to the region, will encourage official and commercial lenders to provide sufficient funding to meet the country's elevated external financing needs. It forecast Egypt's gross external financing needs at 144.3% and 141.8% of current account receipts and usable foreign reserves in FY2022/23 and FY2025/26, respectively. Further, S&P indicated that it could downgrade the ratings in the next 12 months in case the authorities do not adhere in full to the conditions associated with the IMF-supported program, and if multilateral and bilateral funding support and/or additional funding from GCC countries is not forthcoming.

Source: S&P Global Ratings

NIGERIA

Sovereign ratings downgraded on deteriorating fiscal and external positions

Moody's Investors Service downgraded Nigeria's long-term local and foreign currency issuer ratings and foreign currency senior unsecured debt ratings from 'B3' to 'Caa1', seven notches below investment grade, and revised the outlook on the long-term ratings from 'review for downgrade' to 'stable'. Also, it downgraded the local currency country ceiling from 'B1' to 'B2' and the foreign currency country ceiling from 'B3' to 'Caa1'. It attributed the downgrades to the government's deteriorating fiscal and debt positions, due mainly to lower oil production, rising borrowing costs, as well as to higher interest rates globally. As such, it expected the servicing of the public debt to absorb nearly 50% of public revenues in the medium term. It noted that the ratings take into account the widening of the fiscal deficit in 2023, as well as the government's narrow funding options and its reliance on financing from the Central Bank of Nigeria. It added that Nigeria's institutional capacity to implement a fiscal consolidation strategy remains very weak. Further, it noted that the uncertainty about oil production, as well as ongoing capital outflows and limited access to external funding, would continue to weigh on Nigeria's external position in 2023. In parallel, it indicated that the 'stable' outlook balances the potential of implementing reforms after the 2023 elections against persisting fiscal pressures. It added that it could upgrade the ratings if authorities step up efforts to carry out reforms, while it could downgrade the ratings if the government faces limited access to funding at manageable borrowing costs.

Source: Moody's Investors Service

TUNISIA

Sovereign ratings downgraded on risk of government default

Moody's Investors Service downgraded Tunisia's long-term foreign- and local-currency issuer ratings from 'Caa1' to 'Caa2', or eight notches below investment grade, and changed the outlook on the long-term ratings from 'review for downgrade' to 'negative'. It also lowered the country's foreign and local currency country ceiling from 'B3' to 'Caa1' and from 'B1' to 'B2', respectively. It attributed the downgrades to its assessment that the government's external funding needs raise the risk of default on its foreign currency obligations. It urged authorities to reach an agreement with the International Monetary Fund (IMF) due to the increased pressure on Tunisia's foreign currency reserves. It said that tight domestic and external funding conditions and the government's challenging debt servicing cost would elevate refinancing risks. As such, it considered that the low level of foreign currency reserves and high debt servicing cost would exacerbate balance-of-payment risks, and added that a debt restructuring scenario would result in losses for private sector creditors. Also, it said that the ratings are constrained by weak public institutions, and by the challenging political and social environment. In parallel, it pointed out that the 'negative' outlook reflects the social, political and institutional challenges that constrain the prospects of implementing reforms, as well as the probability of default that may rise further. It noted that it would change the outlook to 'stable' if authorities step-up reform efforts with the support of the IMF, which would strengthen Tunisia's credit profile. It said that it could upgrade the ratings if the government's liquidity and external vulnerability risks diminish. In contrast, it said that it would downgrade the ratings if constraints on the availability and/or cost of funding persist.

Source: Moody's Investors Service

MAURITANIA

IMF program to support macroeconomic stability

The International Monetary Fund (IMF) estimated that Mauritania's economic growth reached 5.3% in 2022, driven mainly by the recovery in the mining, agriculture, and fisheries sectors. It forecast the inflation rate in the country to stabilize at 11% in the near term as a result of tight monetary policy. It noted that Mauritania's economic reforms program, which the IMF supports, aims to preserve macroeconomic stability, strengthen the fiscal and monetary policy frameworks, and consolidate the foundations for sustainable growth. It pointed out that the IMF program, which consists of a 42-month Extended Credit Facility and Extended Fund Facility arrangements of about $87m, aims to promote fiscal sustainability, gradually reduce the public debt level and decrease the volatility of revenues from the extractive industry, and protect social spending. Also, it said that the program intends to strengthen the monetary and foreign currency policy frameworks in order to contain inflation rates and to ensure that the economy is more resilient to external shocks. In addition, it urged authorities to implement structural reforms to strengthen governance and transparency in the country, and to support the private sector through improving the business climate and expanding financial inclusion. It added that the deal with the IMF would also contribute to poverty reduction and to private sector growth.

Source: International Monetary Fund

SAUDI ARABIA

High interest rates and tight liquidity to slow lending growth

S&P Global Ratings expected lending growth at Saudi banks to decelerate from nearly 14% in 2022 to between 10% and 12% in the 2023-24 period, due to elevated interest rates and tighter liquidity conditions. However, it expected lending to corporates to grow further in the near term due to the implementation of projects related to Vision 2030. Further, it pointed out that the banking sector's loans-to deposits ratio increased from 85% at the end of 2018 to 102% at the end of September 2022, due to low interest rates that prevailed during most of the period, and given that the rapid growth in lending outpaced the increase in deposits. It indicated that the rapid growth in credit in past years and the allocation of additional provisions in 2020 have reduced the availability of liquidity in the Saudi banking sector in 2022. It expected the banks' non-performing loans ratio to increase from nearly 1.8% in 2022 to 2% in 2023, and anticipated the banks' cost of risk to rise from nearly 55 basis points (bps) in 2022 to 75 bps in 2023, due to high interest rates at banks and the repricing of corporate portfolios that carry floating interest rates. As such, it expected that rising interest rates will weigh on the banks' asset quality in the near term and will support the migration of current and savings accounts toward term deposits, which would put pressure on the banks' margins. Also, it noted that the liquidity injections by the Saudi Central Bank during the COVID-19 pandemic and in 2022 helped banks avoid a shortage of funds and facilitated the economic recovery. It pointed out that Saudi banks have maintained strong capital levels, due in part to the allocation of proceeds from sukuk issuances to their Tier One capital.

Source: S&P Global Ratings

OMAN

Banks' profitability to improve in 2023

Fitch Ratings considered that the projected real GDP growth rate of 2.8% for Oman in 2023 will moderately support revenue and business generation for banks. It expected the banks' lending to grow by 4% in 2023, driven by higher credit demand from the retail and corporate segments, despite the authorities' strong commitment to fiscal consolidation under the government's Medium-Term Fiscal Plan. Further, it anticipated a minor deterioration in the banks' asset quality metrics in 2023, in spite of the high stock of restructured loans as a result of the COVID-19 pandemic. Also, it estimated that the banks' exposure to the real estate, contracting and hospitality sectors would put pressure on asset quality, even though the activity of these sectors is improving. It said that banks remain exposed to event risk due to the elevated concentration of loans to single borrowers and sectors. In addition, it expected the profitability of the banking sector to improve in 2023 and to potentially return to its pre-pandemic levels. It said that Omani banks will benefit from rising interest rates and lower impairment charges in 2023, as well as from higher business volumes and increased trade activity. Further, it noted that high oil prices will support the growth of customer deposits, which account for about 88% of the sector's non-equity funding. It pointed out that the deposits of the government and of government-related entities will maintain liquidity buffers at banks. Also, it considered that the banks' capitalization will remain stable at nearly 18% in 2023.

Source: Fitch Ratings

PAKISTAN

Banking sector has negative outlook

Moody's Investors Service considered that the outlook for the banking sector in Pakistan is negative due to the challenging state of government finances, as well as to the severe deterioration of macroeconomic conditions in the country following the devastating floods in the country between June and October 2022. It indicated that the heavy exposure of Pakistani banks to government securities, as well as rising bond yields and concerns about the restructuring of the public debt will weigh on the banks' asset quality in 2023. It pointed out that the non-performing loans (NPLs) ratio of banks stood at 7.6% at the end of September 2022, with their loan-loss provisions covering 92% of NPLs. It expected the NPLs ratio to increase to between 8% and 10% in the near term, due to weaker activity in the agriculture and energy sectors. Also, it said that the introduction of international accounting standard IFRS 9 in January 2023 will increase the banks' provisioning needs. In addition, it noted that the stable deposit-based funding of banks will continue to support the sector's financial stability, and that customer deposits accounted for 65% of total assets at the end of September 2022. Further, it considered that the shortages of foreign currency in the Pakistani economy will not affect the banks' liquidity, given that they have limited reliance on foreign-currency funding. In parallel, it expected elevated provisioning needs, higher tax charges following the increase in tax rates, as well as lower non-interest income, to weigh on the banks' earnings in 2023. Also, it expected the capital buffers of banks to decrease in 2023 in case of material losses on government securities, which would affect the solvency of the banking sector.

Source: Moody's Investors Service

MOROCCO

Banks' capital adequacy ratio at 15.3% at end-June 2022, NPLs ratio at 8.5%

The International Monetary Fund considered that the banking sector in Morocco has weathered the recent macroeconomic shocks well. Further, it said that lending extended to the private sector accelerated in 2022, driven mainly by loans to non-financial private firms. It indicated that the forbearance measures that authorities implemented during the COVID-19 pandemic have not led to a significant deterioration in the banks' asset quality. It noted that the cost of risk improved in 2022, as reflected by a stable non-performing loans (NPLs) ratio of 8.5% at the end of September 2022 and healthy provisioning, with the NPLs coverage ratio at 67% at end-June 2022. In parallel, it indicated that the banks' capitalization remains adequate, with a capital adequacy ratio of 15.3% at the end of June 2022, well above the minimum regulatory requirement. It added that the banks' Tier One capital ratio was 11.8% and their capital-to-assets ratio was 9.5% at end-June 2022. Also, it said that banks have improved their liquidity ratios, as liquid assets were equivalent to 16.6% of total assets at the end of June 2022 compared to 16.4% at end-2021. It added that liquid assets were equivalent to 19.5% of short-term liabilities, and that the ratio of customer deposits to loans was 105% at end-June 2022. In parallel, it urged Bank Al-Maghrib to move to an inflation-targeting framework regime and to adopt a more flexible exchange rate.

Source: International Monetary Fund

Oil prices to average $93 p/b in first quarter of 2023

ICE Brent crude oil front-month prices averaged $84 per barrel (p/b) in January 2023, constituting a decrease of 1.8% from $85.6 p/b in January 2022 and compared to an increase of 3% from an average of $81.5 in December 2022. The decrease in oil prices was driven by concerns about a global economic slowdown that weighed on demand for oil, further monetary policy tightening by major central banks, and steady Russian oil exports. Also, concerns about the impact of Western sanctions on Russian oil products posed upside risks to oil prices. Further, in its latest meeting on February 1, the OPEC+ coalition agreed to maintain its current output targets of reducing oil production by 2 million barrels per day, or about 2% of world demand, until the end of 2023. In parallel, Goldman Sachs estimated that a temperature drop of 5.6°C on a given day in the winter season would boost global oil demand by above 600,000 barrels per day (b/d) for heating purposes. Also, it noted that winter heating can affect oil consumption through the direct impact on end-user demand for heating-related oil products. In addition, Standard Chartered Bank forecast demand for crude oil and inventories from OPEC+ at 28.7 million b/d in the first half of 2023 and expected it to rise to 29.5 million b/d, which would potentially increase the output targets of OPEC+. It considered that Libya's oil output is likely to support global prices without the need for additional production cuts from the OPEC+ coalition. Further, it forecast oil prices to average $93 p/b in the first quarter and $90 p/b in the second quarter of 2023.

Source: Goldman Sachs, Refinitiv, Byblos Research

Global steel output up 1% in December 2022

Global steel production reached 140.7 million tons in December 2022, constituting an increase of 1.2% from 139.1 million tons in November 2022 and a decrease of 11.3% from 158.7 million tons in December 2021. Production in China totaled 77.9 million tons and accounted for 55.4% of global steel output in December 2022. India followed with 10.6 million tons, or 7.5% of the total, then Japan with 6.9 million tons (4.9%), the U.S. with 6.5 million tons (4.6%), Russia with 5.5 million tons (4%), and South Korea with 5.2 million tons (3.7%).

Source: World Steel Association, Byblos Research

Middle East demand for gold bars and coins up 42% in 2022

Net demand for gold bars and coins in the Middle East totaled 77.8 tons in 2022, constituting a rise of 42% from 54.8 tons in 2021. Demand for gold bars and coins in Iran reached 41.8 tons and accounted for 53.7% of the region’s total demand in 2022. Saudi Arabia followed with 12.2 tons (15.7%), then the UAE with 8.4 tons (10.8%), Egypt with 4.4 tons (5.7%), and Kuwait with 4.2 tons (5.4%), while demand for gold bars and coins in other countries reached 6.8 tons (8.7%).

Source: World Gold Council, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production to grow by 1.3% in 2023

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa (ME&A) region to average 4.7 million barrels per day (b/d) in 2023, constituting an increase of 1.3% from 4.65 million b/d in 2022. The supply of oil from non-OPEC producers in the ME&A region would represent 14.5% of output in non-OECD countries and 7.2% of oil production in non-OPEC countries.

Source: OPEC

Base Metals: Copper prices to average $8,732 per ton in 2023

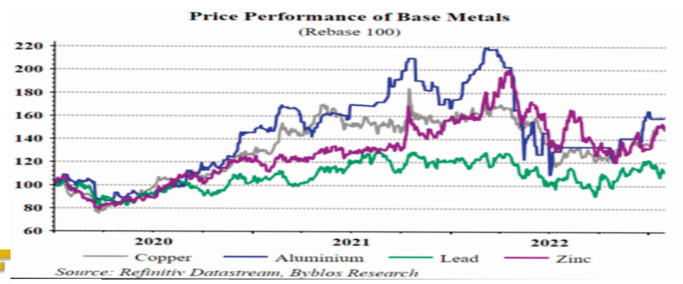
LME copper cash prices averaged $9,007.3 per ton in January of this year, constituting a decrease of 8% from an average of $9,780.4 a ton in the same month of 2022, and an increase of 7.6% from an average $8,371 per ton in December 2022. Further, S&P Global Market Intelligence attributed the surge in copper prices in January to macroeconomic developments worldwide and to positive sentiment about higher copper demand, given the relaxation of lockdown measures in China. It forecast China’s demand for refined copper to increase by 3.5% in 2023, driven by the expected economic recovery and high domestic consumption. In parallel, the latest available figures from the International Copper Study Group show that global demand for refined copper was 23.86 million tons in the first 11 months of 2022, up by 3.3% from the same period of 2021, due to an increase of 6% in Chinese demand, given that China is the world's largest consumer of the metal, and a growth of 0.5% in global demand for refined copper excluding China. Also, global refined copper production reached 23.48 million tons in the first 11 months of 2022, constituting an increase of 3.4% from 22.7 million tons in the same period of 2021, as higher output from China and the Democratic Republic of the Congo was partially offset by lower production in Chile and the European Union. In parallel, S&P Global Market Intelligence anticipated that the challenging recovery in global copper demand, as well as slowing economies in the U.S. and Europe, could affect copper prices in the near term. It projected copper prices to average $8,732 per ton in 2023.

Source: S&P Global Market Intelligence, ICSG, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,900 per ounce in first quarter of 2023

Gold prices averaged $1,896 per troy ounce in January 2023, constituting an increase of 4.4% from an average of $1,816 an ounce in the same month of 2022 and a growth of 5.5% from $1,797 per ounce in December 2022. Further, prices regressed from a peak of $2,506 per ounce on March 8, 2022 to $1,930 an ounce on February 1, 2023 due to a stronger US dollar and higher U.S. bond yields. In parallel, the World Gold Council indicated that global gold demand totaled 4,740.7 tons in 2022 and increased by 18% from 2,012.8 tons in 2021. It attributed the rise to a surge of 152.3% in net purchases by central banks, and to a growth of 2.2% in demand for bars & coin, which were partly offset by a decrease of 7% in demand from the technology sector, and to a decline of 2% in jewelry consumption. Also, global gold supply increased by 2% from 4,682.4 tons in 2021 to 4,754.5 tons in 2022, with mine output representing 76% of the total. Moreover, Standard Chartered Bank forecast gold prices to average $1,900 per ounce in the first quarter of 2023 and $1,840 an ounce in the second quarter of 2023.

Source: World Gold Council, Standard Chartered Bank, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	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 (%)
	LT Foreign currency rating											
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- Positive	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Stable	B2 Negative	B+ Negative	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	SD -	Ca Stable	C -	- -	-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	B3 Stable	- -	- -	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB- Negative	Ba1 Stable	BB+ Stable	- -	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Tunisia	- -	Caa2 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+ Positive	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 Positive	BB- Negative	B+ Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Stable	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 Positive	BB Stable	BB Stable	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	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+ Positive	-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				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								
Asia												
Armenia	B+	Ba3	B+	B+								
	Stable	Negative	Stable	Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-								
	Stable	Stable	Stable	-	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-								
	Stable	Negative	Negative	-	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-								
	Stable	Positive	Stable	-	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+	Caa1	CCC+	-								
	Stable	Negative	-	-	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Stable	Stable	Stable	-	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-								
	Negative	Negative	Negative	-	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-								
	CWN***	Negative	-	-	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B	B2	B	B+								
	Stable	Negative	Negative	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-								
	CWN	RfD	-	-	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	4.75	01-Feb-23	Raised 25bps	22-Mar-23
Eurozone	Refi Rate	3.00	02-Feb-23	Raised 50bps	N/A
UK	Bank Rate	4.00	02-Feb-23	Raised 50bps	23-Mar-23
Japan	O/N Call Rate	-0.10	18-Jan-23	No change	10-Mar-23
Australia	Cash Rate	3.10	06-Dec-22	Raised 35bps	07-Feb-23
New Zealand	Cash Rate	4.25	23-Nov-22	Raised 75bps	22-Feb-23
Switzerland	SNB Policy Rate	1.00	15-Dec-22	Raised 50bps	23-Mar-23
Canada	Overnight rate	4.50	25-Jan-23	Raised 25bps	07-Feb-23
Emerging Markets					
China	One-year Loan Prime Rate	3.65	20-Jan-23	No change	20-Feb-23
Hong Kong	Base Rate	5.00	02-Feb-23	Raised 25bps	N/A
Taiwan	Discount Rate	1.75	15-Dec-22	Raised 0.125bps	23-Mar-23
South Korea	Base Rate	3.50	13-Jan-23	Raised 25bps	23-Feb-23
Malaysia	O/N Policy Rate	2.75	19-Jan-23	No change	09-Mar-23
Thailand	1D Repo	1.50	25-Jan-23	Raised 25bps	29-Mar-23
India	Reverse Repo Rate	3.35	08-Apr-22	No change	10-Feb-23
UAE	Base Rate	4.65	01-Feb-23	Raised 25bps	N/A
Saudi Arabia	Repo Rate	5.25	01-Feb-23	Raised 25bps	N/A
Egypt	Overnight Deposit	17.25	22-Dec-22	Raised 300bps	02-Feb-23
Jordan	CBJ Main Rate	6.50	19-Dec-22	Raised 125bps	N/A
Türkiye	Repo Rate	9.00	19-Jan-23	No change	23-Feb-23
South Africa	Repo Rate	7.25	26-Jan-23	Raised 25bps	30-Mar-23
Kenya	Central Bank Rate	8.75	30-Jan-23	No change	N/A
Nigeria	Monetary Policy Rate	17.50	24-Jan-22	Raised 100bps	21-Mar-23
Ghana	Prime Rate	28.00	30-Jan-23	Raised 100bps	27-Mar-23
Angola	Base Rate	18.00	20-Jan-23	Cut 150bps	17-Mar-23
Mexico	Target Rate	10.50	15-Dec-22	Raised 50bps	09-Feb-23
Brazil	Selic Rate	13.75	01-Feb-23	No change	N/A
Armenia	Refi Rate	10.75	21-Jan-23	No change	14-Mar-23
Romania	Policy Rate	7.00	10-Jan-23	Raised 25bps	09-Feb-23
Bulgaria	Base Interest	1.30	27-Jan-23	Raised 71bps	27-Feb-23
Kazakhstan	Repo Rate	16.75	13-Jan-23	No change	24-Feb-23
Ukraine	Discount Rate	25.00	26-Jan-23	No change	26-Mar-23
Russia	Refi Rate	7.50	16-Dec-22	No change	10-Feb-23

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

BYBLOS BANK GROUP

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

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

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

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

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

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

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

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

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

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

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