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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity and venture capital deals down 11% to $923bn in 2022

S&P Global Market Intelligence indicated that private equity and venture capital (PE/VC) funds raised $922.9bn in capital commitments worldwide in 2022, constituting a decline of 10.8% from $1.03 trillion in 2021. PE/VC funds secured $242.4bn in the first quarter, $268.6bn in the second quarter, $216.8bn in the third quarter, and $181.9bn in the fourth quarter of 2022. In comparison, PE/VC funds raised globally $886.2bn in capital in 2018, $933.1bn in 2019, and $862.6bn in 2020. In parallel, it pointed out that 2,024 PE/VC deals took place worldwide in 2022, representing a decrease of 46% from 3,743 transactions in 2021. There were 650 PE/VC deals in the first quarter, 593 investments in the second quarter, 428 transactions in the third quarter, and 347 PE/VC deals in the fourth quarter of 2022. In comparison, it said that 3,367 PE/VC investments took place in 2018, 3,057 transactions in 2019, and 2,796 deals in 2020. In addition, it noted that a total of 481 private equity (PE) funds were launched globally last year, representing a decline of 67% from 1,464 funds launched in 2021. Further, it noted that that the U.S. and Canada launched 304 PE funds in 2022 and accounted for 63.2% of the total PE funds, followed by Europe with 87 PE funds (18.1%), the Asia-Pacific region with 76 PE funds (15.8%), Latin America & the Caribbean and the Middle East with five PE funds each (1% each), and Africa with four PE funds (0.8%). In parallel, it indicated that global exits by PE funds reached $391.4bn in 2022, constituting a decrease of 32% from $576.4bn in exits in 2021. It said that exits of PE funds through trade sales totaled $302.5bn in 2022, equivalent to 77.3% of total exits, followed by exits through secondary sales with $52bn (13.3%), through IPOs with $23.7bn (6.6%), and through other exits with $13.3bn (3.4%).

Source: S&P Global Market Intelligence

Global trade in services up by 14% in third quarter of 2022

Figures released by the World Trade Organization show that global trade in services grew by 14% in the third quarter of 2022 from the same period of 2021, compared to an increase of 25% in the third quarter of 2021 from the same period of 2020. It noted that the global exports of services expanded by 13% in the third quarter of 2022 from the same quarter of 2021, while the global imports of services grew by 14% in the covered period. It pointed out that the export of services increased by 18% in North America, followed by Asia (+15%), and Europe (+8%); while the export of services in other regions rose by 48% in the third quarter of 2022 from the same quarter of 2021. It also noted that the import of services surged by 22% in North America year-on-year in the third quarter of 2022, followed by Asia (+14%) and Europe (+11%); while the import of services improved by 28% in other regions in the covered period. Further, it pointed out that world travel services jumped by 54% in the third quarter of 2022 from the same quarter in 2021, followed by a surge of 22% in transport services, an increase of 4% in goods-related services, and an uptick of 2% in other commercial services.

Source: World Trade Organization

EMERGING MARKETS

Trading in Credit Default Swaps down 3% to $1.34tn in 2022

Trading in emerging markets Credit Default Swaps (CDS) reached $1.337 trillion (tn) in 2022, constituting a decrease of 3% from $1.38tn in 2021. CDS trading reached $437bn in the first quarter, $281bn in the second quarter, $382bn in the third quarter, and $236bn in the fourth quarter of 2022. Further, CDS trading levels in the fourth quarter of 2022 declined by 38.2% from the preceding quarter and decreased by 32% from $347bn in the fourth quarter of 2021. The most frequently traded sovereign CDS contracts in the fourth quarter of 2022 were those of South Africa at $25bn, followed by Turkey at $20bn, and China at $18bn. As such, traded sovereign CDS contracts on South Africa accounted for about 10.6% of the trading volume in emerging markets CDS in the fourth quarter of last year, followed by CDS contracts on Turkey (8.5%), and China (7.6%). Further, the most frequently traded corporate CDS contracts in the covered quarter were those of Mexico's state-oil company Pemex at about $1.2bn, 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

GCC

Fixed income issuance down 13% to $12.4bn in January 2023

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $12.4bn in January 2023, constituting a decrease of 12.7% from $14.2bn in the same month of 2022, and representing a surge of 377% from $2.6bn in December 2022. Fixed income issuance in the first month of the year consisted of $10bn in sovereign bonds, or 80.7% of the total, followed by $1.9bn in corporate bonds (15.3%), and $0.5bn in corporate sukuk (4%). As a result, issuance by GCC corporates reached $2.4bn, or 19.4% of the total. Further, sovereign proceeds in January 2023 consisted of $10bn in bonds issued by firms in Saudi Arabia. In parallel, corporate output in the covered month included $997.3m in bonds issued by companies based in the UAE, $50m in bonds issued by firms in Saudi Arabia, as well as $28.1m in bonds and $500m in sukuk by companies in Qatar.

Source: KAMCO

POLITICAL RISKS OVERVIEW - January 2023

ALGERIA

Tensions between Algiers and Rabat persisted over the Western Sahara issue, while the Algerian airspace remained closed to all Moroccan flights since September 2021. Further, authorities discussed regional security with Mali and France, as the Malian Minister of Foreign Affairs visited Algiers, and discussed with his Algerian counterpart and President Abdelmadjid Tebboune issues related to the 2015 Agreement for Peace and Reconciliation in Mali between Bamako and northern armed groups. Also, the Algerian Chief of Staff of the People's National Army met with the French Minister of the Armed Forces to discuss the security situation in the Sahel, after President Tebboune criticized the presence of a Russian private military company in Mali.

ARMENIA

The ongoing blockade of the Lachin corridor that links Armenia with the disputed Nagorno-Karabakh province led to a standoff in the peace talks between Armenia and Azerbaijan. Further, the European Union announced on January 23 that it will deploy for a two-year period a civilian monitoring mission to Armenia along the Armenia-Azerbaijan borders to contribute to "stability, build confidence on the ground and ensure an environment conducive to normalization efforts". In parallel, Türkiye lifted the ban on direct cargo flights with Armenia on January 6, six months after Armenian and Turkish special envoys announced renewed efforts to normalize bilateral relations.

EGYPT

High-level officials announced security gains in the Sinai Peninsula, and noted that the security situation is stable and that state institutions are fully functional in the area. Further, the Egyptian pound hit record lows, while the government ordered ministries to cut spending for the next six months and exempted the Health and Population, Interior, Foreign Affairs, and Defense ministries from the cuts. In parallel, the national dialogue that President Abdel Fattah el-Sisi sponsored stalled as the Opposition Civil Democratic Movement urged authorities to release more political prisoners, allow political parties to operate freely, and lift restrictions on media to create a "suitable climate" for discussions.

ETHIOPIA

The peace process between the federal government and the Tigray People's Liberation Front about the conflict in the Tigray region made significant progress. As a result, humanitarian aid continued to reach the conflict area, while more services resumed in the Tigray province. In parallel, violence in the Oromia region intensified amid the federal forces' renewed resolve to defeat the armed opposition group Oromo Liberation Army (OLA). Meanwhile, the OLA published a manifesto that states its vision and goals, following the government's decision to rule out negotiations with the OLA, citing the latter's lack of "purpose and leadership". Further, Prime Minister Abiy Ahmed met with Sudan's chairman of the Sovereign Council in the Sudanese capital Khartoum, and the two sides reportedly agreed "on all matters regarding the Grand Ethiopian Renaissance Dam".

IRAN

Nuclear talks between Iran and world powers remained deadlocked and the International Atomic Energy Agency declared its willingness to meet Iranian officials to resume discussions on resolving safeguards related to past activities at undeclared nuclear sites in Iran. In parallel, the government confirmed on January 28 that a drone attacked a military facility in the Isfahan province and the Ministry of Defense and Armed Forces Logistics indicated that the site suffered only minor damage.

IRAQ

The Iraqi Prime Minister Mohammed Shia' Sabbar Al-Sudani met the Prime Minister of the Kurdistan Regional Government (KRG) Masrour Barzani in Baghdad on January 11 to discuss the KRG's share in the federal budget for 2023 and other bilateral issues. Further, PM Sudani replaced on January 23 the Governor of the Central Bank of Iraq after the Iraqi dinar depreciated to a new low of IQD1,670 per US dollar. Also, demonstrations took place across the country, as protestors demanded jobs and asked the government to take action to stabilize the currency. In parallel, in a possible indication of political comeback after months of silence, Shiite cleric Moqtada al-Sadr addressed his supporters on January 13 ahead of the Friday prayer.

LIBYA

The dialogue between the Tripoli-based High State Council and the Tobruk-based House of Representatives on amending the draft constitution to agree on a roadmap toward elections reached a dead end. Further, diplomatic initiatives to press for elections continued during January, as the director of the U.S. Central Intelligence Agency William Burns visited Libya and pressed his interlocutors to move forward with the elections before the end of the year. Also, the Head of Türkiye's National Intelligence Organization visited the country to discuss the political situation. In parallel, disputes between Libya and Greece around the demarcation of maritime boundaries continued.

SUDAN

Efforts to install a civilian government continued with the launch of the "Phase II" negotiations between the military and civilian leaders on Sudan's transition to a civilian rule. The discussions focused on transitional justice, reforms of the security sector, the Juba Peace Agreement, the committee in charge of dismantling the former regime, and the crisis in Eastern Sudan. However, the Eastern Sudan tribal leader Mohamed al-Amin Terik, along with other Beja Tribal leaders, rejected the agreement and announced a parallel platform to address the governance of Eastern Sudan. Also, Mr. Terik warned that Eastern Sudan may seek self-determination if the final agreement for the transition period fails to address the priorities that he set forth. Meanwhile, the Forces for Freedom and Change-Central Council agreed that the Trilateral Mechanism, which consists of the United Nations mission in Sudan, the African Union and the Intergovernmental Authority on Development, would organize negotiations on the governance of Eastern Sudan and review the Juba Peace Agreement.

TUNISIA

On the 12th anniversary of the overthrow of former President Zine al-Abidine Ben Ali, thousands of citizens protested in Tunis against President Kais Saïed and the deteriorating economic conditions in the country. The second round of parliamentary polls recorded a low turnout of 11.3%, as a judicial crackdown on opposition leaders and former political officials intensified. Also, the International Monetary Fund did not reschedule a board meeting to approve a new loan program for the country, which raises the risk of a sovereign default in March or April 2023.

YEMEN

The Huthi rebels and Saudi Arabia pursued a dialogue to reinstate the truce amid a steady rise in skirmishes along front lines. However, fighting continued on a limited scale along the frontlines in Saada, Marib, Taiz, al-Dhale and Hodeida, raising the risk of renewed conflict. In parallel, the head of the Presidential Leadership Council established the Nation Shield Forces, a new military unit under his direct command.

Source: International Crisis Group, Newswires

OUTLOOK

AFRICA

Favorable medium-term outlook for West African economies, growth to average 6.8% in 2023-24

The International Monetary Fund (IMF) considered that the post-COVID-19 recovery in the economies of the West African Economic & Monetary Union (WAEMU) has withstood the new global and regional shocks, due in part to supportive macroeconomic policies and favorable initial economic conditions. It estimated that the region's real GDP grew by 5% in 2022 and projected it to expand by 6.2% in 2023 and 7.3% in 2024. In addition, it indicated that the region's inflation rate averaged 7.5% in 2022, and projected it to return to the Banque Centrale des États de l'Afrique de l'Ouest's target band of 2% by end-2024. It called on authorities to further tighten monetary policy as needed to contain inflationary pressures, and stressed the importance of a prudent fiscal and monetary policy mix and structural reforms to help strengthen the region's external reserve adequacy, and to maintain macroeconomic and financial stability.

The IMF forecast the aggregate fiscal deficit of the WAEMU countries to narrow from 6% of GDP in 2022 to 5% of GDP in 2023 and to 3% of GDP by 2025, and for the region's aggregate debt level to decline to 53% of GDP by end-2025. Further, it projected the region's aggregate current account deficit to narrow from 6.4% of GDP in 2023 to 4.4% of GDP in 2024, and anticipated it to stabilize at about 4% of GDP annually in the medium term. Also, it expected the union's gross foreign currency reserves to rise from $17.94bn at end-2023 to $20.37bn by end-2025.

The IMF considered that the WAEMU countries' economic outlook remains favorable in the medium term, and that growth prospects would benefit from more robust structural reforms and regional trade integration. But it noted that the region faces significant downside risks that include rising inflation rates, more limited access to global capital markets, the erosion of external reserve buffers, and political uncertainties.
Source: International Monetary Fund

BANGLADESH

Global headwinds could affect near-term outlook

The International Monetary Fund (IMF) considered that global headwinds will weigh on Bangladesh's near-term outlook, and projected real GDP growth to decelerate from 7.2% in the fiscal year that ended in June 2022 to 5.5% in FY2022/23, mainly due to lower domestic and external demand, but it expected growth to pick-up to 6.5% in FY2023/24. In addition, it forecast the average inflation rate to rise from 6.1% in FY2021/22 to 8.9% in FY2022/23, driven by rising domestic food and fuel prices and the significant depreciation of the Bangladeshi taka. It considered that risks to the economic outlook are tilted to the downside and include heightened spillovers from Russia's war on Ukraine, renewed volatility of global commodity prices, and a larger-than-expected economic slowdown in Bangladesh's major trading partners, including the U.S. and Europe.

Further, the IMF projected the fiscal deficit to widen from 3.8% of GDP in FY2021/22 to 5.6% of GDP in FY2022/23, due to lower tax receipts and elevated public expenditures, including on subsidies. As such, it anticipated the public debt level to rise from 39% of GDP at the end of June 2022 to 42% at end-June 2023. It considered the risk of external and overall public debt distress is low. It expected that, despite increased external borrowing in the near term, favorable debt dynamics will keep the public and publicly-guaranteed external debt levels on a declining path, and for the overall public debt level to stabilize at about 42% of GDP in the medium term. Further, it forecast the current account deficit to narrow from 4.1% of GDP in FY2021/22 to 3.2% of GDP in FY2022/23, supported by strict import controls. It also expected foreign currency reserves to decline from $33.4bn at end-June 2022 to $30bn at end-June 2023. It anticipated that a financing gap of about $9.1bn will emerge in the coming three fiscal years, given Bangladesh's large financing needs for pursuing development goals and the authorities' efforts to maintain an adequate level of foreign currency reserves.

In parallel, the IMF indicated that its arrangements with Bangladesh aim to maintain macroeconomic stability and rebuild buffers, and help advance the country's reforms agenda. It urged authorities to carry out structural reforms to create a conducive environment to expand trade and foreign direct investments, deepen the financial sector, and improve governance.
Source: International Monetary Fund

NIGERIA

Near-term outlook facing downside risks

The International Monetary Fund (IMF) projected real GDP growth in Nigeria to decelerate from 3.6% in 2022 to 3% in 2023, mainly due to weaker activity in the non-oil economy. However, it expected real GDP growth to recover to 3.2% in 2024, as activity in the hydrocarbon sector expands by 5.6% next year following a contraction of 8.2% in 2022. It considered that Nigeria's near-term outlook faces downside risks from higher global food and fertilizer prices, as well as from the sustained depreciation of the Nigerian naira in the parallel market that would fuel inflationary pressures. It also anticipated that the uncertainties about oil production will continue to weigh on the hydrocarbon sector. However, it expected the upside risks to the medium term outlook to include a potentially stronger momentum for reforms and a larger-than-expected rebound in oil and gas production. It urged authorities to step up efforts to implement fiscal and monetary tightening, as well as structural reforms to improve governance, strengthen the agricultural sector, and boost sustainable growth prospects. In addition, it encouraged the Central Bank of Nigeria (CBN) to cap the CBN's financing of fiscal deficits to the statutory limit and to phase out credit intervention programs.

In parallel, the IMF projected the fiscal deficit to narrow to 6.2% of GDP in 2023 and to 5.6% of GDP in 2024, in case authorities deliver on their commitment to remove fuel subsidies by mid-2023. Still, it forecast the public debt level to rise from 37.3% of GDP at the end of 2023 to 38.2% by end-2024, and anticipated that further increases in sovereign yields could raise the public debt's servicing costs. Further, it projected the current account balance to shift from a surplus of 0.1% of GDP in 2023 to a deficit of 0.3% of GDP in 2024, and for foreign currency reserves to average $37.2bn in the 2023-24 period. It encouraged authorities to step up efforts towards a unified and market-clearing exchange rate in order to boost investor confidence, contain the pressure on capital outflows, and rebuild Nigeria's external buffers.
Source: International Monetary Fund

ECONOMY & TRADE

IRAQ

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Iraq's short- and long-term foreign and local currency sovereign credit ratings at 'B' and 'B-', respectively, and maintained a 'stable' outlook on the long-term ratings. It pointed out that the ratings are supported by Iraq's significant foreign currency revenues from elevated oil export receipts that strengthen the Central Bank of Iraq's foreign currency reserves, as well as by the moderate public and external debt levels. But it noted that the ratings are constrained by weak institutions, a high level of corruption, domestic political tensions, elevated security risks, limited monetary policy flexibility, and the government's volatile fiscal position. It expected the fiscal balance to shift from a surplus of 10% of GDP in 2022 to a deficit of 2% of GDP in 2023 due to high domestic spending. It expected that the country's high oil export capacity would support its external asset position in 2023 and 2024, which, in turn, will increase the country's already elevated foreign currency reserves. In parallel, it noted that the 'stable' outlook reflects the sovereign's ability to meet its external debt obligations in the next 12 months due to its high level of foreign currency reserves. It forecast the country's gross external financing needs at 48% of current account receipts and usable reserves in 2023, as well as at 49.8% and 51% of such receipts and reserves in 2024 and 2025, respectively. Moreover, it said that it could upgrade the ratings if the government's fiscal and external positions improve, if economic growth and GDP per capita increase, and/or if the authorities implement institutional reforms. In contrast, it noted that it could downgrade the ratings if the government's fiscal and external positions deteriorate, and if weaknesses in Iraq's institutional framework reduce the government's ability or willingness to service its debt.

Source: S&P Global Ratings

ARMENIA

Outlook on ratings revised to 'positive' on improved fiscal and external buffers

Fitch Ratings affirmed Armenia's short- and long-term local and foreign currency issuer default ratings (IDRs) at 'B' and 'B+', respectively, and revised the outlook on the long-term ratings from 'stable' to 'positive'. It also affirmed the Country Ceiling at 'BB-'. It attributed the outlook revision to the large influx of immigrants and capital inflows from Russia in 2022, which boosted external and fiscal buffers. Further, it estimated that the current account balance posted a small surplus in 2022, which contributed to an increase in foreign currency reserves by $880m in 2022. Still, it expected the current account balance to shift to a moderate deficit in 2023 and 2024. Moreover, it pointed out that last December's agreement with the International Monetary Fund will provide a policy anchor to the government's reforms agenda. Also, it estimated the fiscal deficit to have narrowed from 4.6% of GDP in 2021 to 2.2% of GDP in 2022 amid tax revenue growth, and expected it to stabilize at 47.4% of GDP in the medium term. In parallel, it indicated that the ratings reflect the country's strong macroeconomic and fiscal policy framework, solid external creditor support, and the authorities' credible commitment to reforms. It noted that it would upgrade the ratings if the public debt level declines in the medium term and/or if external financing needs decrease.

Source: Fitch Ratings

TÜRKIYE

Earthquake to have limited impact on the sovereign's credit metrics

Moody's Investors Service indicated that, prior to the devastating earthquake that hit Türkiye on February 6 of this year, it had expected a relatively robust economic activity in the first half of 2023, supported by an increase in public spending that would boost domestic consumption, employment and GDP growth, ahead of the general elections of June 2023, followed by a significantly more subdued second half of the year. However, following the earthquake that hit the country, it anticipated much weaker economic activity in the early months of 2023, followed by stronger growth in the second half of the year as spending on the reconstruction of the damaged regions kicks in. In parallel, it did not expect the earthquake to significantly weigh on Türkiye's credit metrics, given the government's solid public finances and the fact that the affected regions account for 9.3% of the country's GDP. It said that, prior to the disaster, it forecast the fiscal deficit to widen from 2.2% of GDP in 2022 to 4.3% of GDP in 2023, but anticipated it to be wider due to the government's relief and reconstruction efforts. Further, it expected funding for relief and reconstruction from foreign donors to support the financing of the current account deficit and to boost foreign currency reserves at the Central Bank of the Republic of Türkiye.

Source: Moody's Investors Service

PAKISTAN

Sovereign ratings downgraded on deteriorating external liquidity and funding conditions

Fitch Ratings downgraded Pakistan's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'CCC+' to 'CCC-', which is nine notches below investment grade. It also affirmed the short-term foreign and local IDRs at 'C', and the country Ceiling at 'B-'. It attributed the downgrade to the sharp deterioration of Pakistan's external liquidity and funding conditions, as well as to the country's declining foreign currency reserves to critically low levels. It indicated that foreign currency reserves decreased from a peak of more than $20bn at end-August 2021 to about $2.9bn on February 3, 2023. It added that the drop in reserves reflects the wide but narrowing current account deficits, elevated external debt servicing and earlier foreign currency intervention by the State Bank of Pakistan. It anticipated that foreign currency reserves will remain at low levels, but for a modest recovery to take place in the remainder of the fiscal that ends in June 2023, due to expected capital inflows and the recent liberalization of the exchange rate. Also, it said that the downgrade reflects large risks to the reforms momentum under the country's program with the International Monetary Fund (IMF) in the run up to the general elections that are set to take place in the second half of 2023. Further, it considered that the likelihood of a potential default or debt restructuring is increasingly elevated. In parallel, the agency said that it could downgrade Pakistan's ratings in case of a tangible probability of a sovereign default or debt restructuring, or if external liquidity and funding conditions deteriorate further. But it noted that it could upgrade the ratings if the country's foreign currency reserves increase, in case external financing risks recede, and/or if the country's performance under the IMF-supported program ensures the sustained availability of funding.

Source: Fitch Ratings

UAE

Elevated liquidity and strong capital buffers support banking sector

S&P Global Ratings considered that the slowdown in non-oil economic activity in the UAE and a tighter monetary policy will lead to lower credit demand in 2023. It anticipated the sector's non-performing loans (NPLs) ratio to increase from 5.7% in 2022 to 6% in 2023, mainly from the deterioration in asset quality in the construction and trade sectors, as well as at several small- and medium-sized enterprises. But it considered that the still supportive domestic economic environment will help contain the generation of new NPLs and anticipated that UAE banks will prudently increase their NPLs coverage ratio from 90% in 2022 to 100% in 2023, while it estimated the cost of risk to rise from 90 basis points (bps) in 2022 to 100 bps in 2023. Further, it noted that the funding structure of UAE banks benefit from a strong core customer deposit base and limited reliance on external funding. Also, it pointed out that the banks have sufficient liquidity on their balance sheets to fund loans, which makes them less vulnerable to ongoing uncertainties in international capital markets. It said that UAE banks have a strong net external asset position, as they placed their excess liquidity at correspondent banks in the form of interbank deposits, and that these deposits increased by 32% last year. In parallel, it indicated that the aggregate capital adequacy ratio of banks stood at 17.3% at the end of September 2022, unchanged from end-2021. It said that strong capital buffers supported the banking sector in the last few years and expected banks to strengthen their capital positions in the near term due to strong internal capital generation.

Source: S&P Global Ratings

MOROCCO

Ratings on four banks affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term foreign- and local currency Issuer Default Ratings (IDRs) of Attijariwafa Bank (AWB), Bank of Africa (BOA), and Crédit Immobilier et Hôtelier (CIH) at 'BB'. Also, it maintained the national long-term ratings of Banque Marocaine pour le Commerce et l'Industrie (BMCI) at 'AAA(mar)', the national ratings of BOA and CIH at 'AA-(mar)', and the national rating of AWB at 'AA(mar)'. It kept the 'stable' outlook on all the banks' ratings, in line with the outlook of the sovereign. Further, it maintained the Viability Rating (VR) of BOA at 'bb-', the ratings of AWB at 'bb' and the VR of CIH at 'b+'. The agency noted that the ratings of AWB, BOA, and CIH are driven by the potential support from the Moroccan government, in case of need. It indicated that the ratings of BMCI reflect the strong ability and willingness of support from its major shareholder, BNP Paribas. It pointed out that the ratings of BMCI, BOA, and CIH are supported by the banks' healthy funding and sound liquidity. It said that the rating of BMCI balances the bank's adequate capitalization, against its modest profitability and high loan impairment charges. Also, it indicated that the VR of AWB takes into account the bank's dominant market share in Morocco, stable business model, weakness in asset quality, and only modest core capitalization. It noted that the ratings of BOA are underpinned by the bank's solid franchise, while its exposure to developing markets, weak capital position and deteriorating asset quality are weighing on its ratings.

Source: Fitch Ratings

JORDAN

Private sector lending up 8% in 2022

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD64.1bn, or $90.5bn, at the end of 2022, constituting an increase of 5.1% from JD61.1bn ($86bn) at end-2021. Claims on the resident private sector grew by 8% from the end of 2021 to JD29.7bn and credit to the non-resident private sector declined by 3.3% to JD665m, leading to an expansion of 7.7% in overall private sector credit facilities in 2022. Lending to the resident private sector accounted for 46.4% of total assets at end-2022, relative to 45% a year earlier. In parallel, resident private sector deposits reached JD33.2bn at the end of 2022 and increased by 7.2% from JD31bn a year earlier; while non-resident private sector deposits stood at JD5.3bn, up by 0.6% from end-2021. Also, the government's deposits totaled JD1.2bn and those of public non-financial institutions reached JD291m at end-2022, while claims on the public sector accounted for 24.3% of total assets compared to 23.4% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.2bn, or $10.1bn, at the end of 2022 and declined by 2% from JD7.3bn at end-2021; while capital accounts and allowances stood at JD9.4bn, or $13.2bn, and increased by 3.7% in 2022. Also, deposits at foreign banks reached JD3.9bn, or $5.5bn, at end-2022, and decreased by 11.8% in 2022; while the sector's foreign liabilities stood at $14.7bn at end-2022.

Source: Central Bank of Jordan

NIGERIA

Outlook on bank ratings revised to 'negative' on rising external imbalances

S&P Global Ratings downgraded the long- and short-term national scale ratings of seven Nigerian banks from 'ngBBB/ngA-2' to 'ngBBB-/ngA-3', and affirmed the long- and short-term foreign and local currency issuer credit ratings of 12 banks at 'B-/B'. It also revised the outlook on the long-term ratings of 12 Nigerian banks from 'stable' to 'negative' following its similar action on the sovereign ratings due to rising external imbalances. It indicated that the Central Bank of Nigeria raised its policy rate by a cumulative 600 basis points since January 2022, and increased the banks' cash reserve requirements to 32.5% and the repurchase rate to 17.5% in order to control the liquidity of the banking sector and help combat high inflation rates in the country. It said that the balance sheets of Nigerian banks have been very liquid, despite the robust growth in low-cost deposits. It noted that the banking sector's earnings showed resilience in the face of the economic downturn, supported by the banks' efforts to grow through digital channels and non-interest income, and forecast the return on equity for the sector at 13% this year relative to 14% in 2021. Further, it pointed out that credit risks linked to the depreciation of the local currency and to energy transition risks persist, as lending to the hydrocarbon sector accounts for a sizable share of the banks' loans portfolio. It expected pressure on the banks' asset quality to re-emerge in 2023, amid high inflation and interest rates in the country, despite the decrease in the non-performing loan ratio from 5% in 2021 to 4.2% in 2022. In addition, it considered that the banks' capitalization would come under pressure, in case of a significant depreciation of the Nigerian naira.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $84 p/b in first quarter of 2023

ICE Brent crude oil front-month prices have been volatile in the first two weeks of February 2023, trading at between $79.9 per barrel (p/b) and $86.6 p/b, due to several factors. The tight global supply has been supporting oil prices, while the U.S. administration's announcement of a further release of crude oil from its Strategic Petroleum Reserve is weighing on oil prices. In parallel, the International Energy Agency expected global oil demand to reach 101.9 million barrels per day (b/d) in 2023, which would constitute an increase of 2 million b/d from 99.9 million b/d in 2022, driven by higher demand for oil from the Asia-Pacific region, mainly from China. It anticipated demand for oil from China to expand by 900,000 barrels per day this year. Further, it forecast global oil supply to grow by 1.2 million b/d in 2023, driven by an increase in output from non-OPEC countries, mainly from Brazil, Canada, Guyana, Norway and the United States. It projected oil supply from OPEC+ coalition to contract due to Western sanctions on Russian oil products. Also, it expected the global supply of oil to exceed demand in the first half of 2023, but anticipated the oil balance to shift to a deficit, as oil demand recovers and Russian output declines. In addition, Goldman Sachs expected the oil market to post a small surplus of 0.15 million b/d in 2023, as it projected stronger-than-expected production in the U.S. and Russia, given that the latter continues to redirect its cargoes to alternative destinations. Further, it forecast oil prices to average $84 p/b in the first quarter and $90 p/b in the second quarter of 2023.

Source: International Energy Agency, Goldman Sachs, Refinitiv, Byblos Research

OPEC's oil basket price up 2.4% in January 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $81.62 per barrel (p/b) in January 2023, constituting an increase of 2.4% from $79.68 p/b in December 2022. The price of Saudi Arabia's Arab Light was $83.8 p/b, followed by Algeria's Sahara blend at $83.76 p/b, and Kuwait Export at $82.9 p/b. All prices in the OPEC basket posted monthly increases of between $0.73 p/b and $3.57 p/b in January 2023.

Source: OPEC

Global petroleum and liquid fuels consumption to grow by 1.1% in 2023

The U.S. Energy Information Administration projected the global consumption of petroleum and liquid fuels at 100.47 million barrels per day (b/d) in 2023, constituting an increase of 1.1% from 99.36 million b/d in 2022. It forecast the consumption of petroleum and liquid fuels from non-OECD economies at 54.8 million b/d, or 54.5% of global demand, and for the consumption by OECD countries to reach 45.67 million b/d, or the balance of 45.5%.

Source: U.S. Energy Information Administration

Middle East demand for gold jewelry up 15% in 2022

Demand for gold jewelry in the Middle East totaled 190.4 tons in 2022, constituting an increase of 15.3% from 165.1 tons in 2021, and accounted for 9% of global demand for jewelry. Demand for gold jewelry in the UAE reached 46.9 tons in the covered period, representing 24.6% of the region's consumption. Saudi Arabia followed with 37.9 tons (20%), then Egypt with 33.6 tons (17.6%), Iran with 30 tons (15.7%), and Kuwait with 14.7 tons (7.7%).

Source: World Gold Council, Byblos Research

Base Metals: Zinc prices to average $3,100 per ton in first quarter of 2023

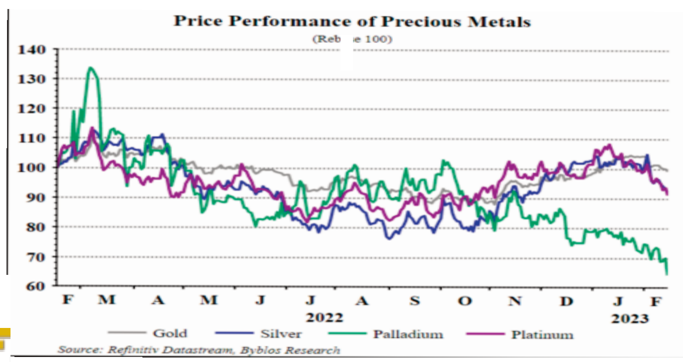
The LME cash prices of zinc averaged $3,259.1 per ton in the first six weeks of 2023, constituting a decline of 9.6% from an average of $3,605.5 a ton in the same period of 2022, as major smelters in Europe cut production due to elevated energy prices. Further, prices regressed from an all-time high of $4,563 per ton on April 19 2022, following Russia's military invasion of Ukraine, to $3,037 per ton on February 15, 2022. In parallel, Citi Research projected the global supply of zinc at 13.9 million tons in 2023 relative to 13.4 million tons last year, with mine output representing 93.5% of the total. Further, it forecast demand for the metal at 13.8 million tons in 2023 compared to 13.7 million tons in 2022. In addition, it expected the price of the metal to decrease in the first quarter of 2023 due to the prospects of improving supply, as lower European power prices would lead to the increase in smelters' activity in Europe that will boost refined output. Also, it revised downward its forecast for the metal price from $3,500 a ton to $2,900 in the next three months due to lower gas prices in Europe. Moreover, it projected zinc prices to average $3,100 a ton in the first quarter and $3,000 per ton in the second quarter of 2023.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $1,075 per ounce in first quarter of 2023

Platinum prices averaged $1,027.1 per troy ounce in the first six weeks of 2023, constituting an increase of 2.2% from an average of $1,005.3 an ounce in the same period last year, due to the increase in demand for the metal. Further, platinum prices regressed from the recent high of $1,151 per ounce on March 8, 2022 to $926 an ounce on February 15, 2022, driven by the expected slowdown in global economic growth, which put downward pressure on the metal's price. In parallel, the World Platinum Investment Council projected global demand for platinum to reach 7.77 million ounces in 2023 and to increase by 19.5% from 6.5 million ounces in 2022. Also, it forecast the global supply of platinum to increase by 2.2% from 7.3 million ounces in 2022 to 7.47 million ounces in 2023, with mine output representing 76.7% of global refined platinum production this year. It expected the platinum market to post a deficit in 2023 due to the limited supply of the metal, a strong demand growth in the automotive and industrial sectors, and a shift from outflows to inflows of investments in platinum exchange-traded funds. Moreover, Standard Chartered Bank forecast platinum prices to average $1,075 per ounce in the first quarter and $990 an ounce in the second quarter of 2023.

Source: World Platinum Investment 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- Negative	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 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+ Stable	Ba3 Negative	B+ Positive	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+ Stable	Caa1 Negative	CCC- -	- -	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C CWN***	Ca Negative	C -	- -	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B Stable	B2 Negative	B Negative	B+ Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD	CCC -	- -	-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	3.35	07-Feb-23	Raised 25bps	07-Mar-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	08-Mar-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	23-Mar-23
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	10-Feb-23	No change	N/A
UAE	Base Rate	4.65	01-Feb-23	Raised 25bps	22-Mar-23
Saudi Arabia	Repo Rate	5.25	01-Feb-23	Raised 25bps	22-Mar-23
Egypt	Overnight Deposit	16.25	02-Feb-23	No change	30-Mar-23
Jordan	CBJ Main Rate	6.75	05-Feb-23	Raised 25bps	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	10-Feb-23	No change	17-Mar-23

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