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BYBLOS BANK SAL

Economic Research & Analysis Department

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NEWS HEADLINES

WORLD

Global debt equivalent to 338% of GDP at end-2022

The Institute of International Finance (IIF) indicated that the global debt level, which includes the debt of governments, corporates and households, reached $299 trillion (tn) at the end of 2022, constituting a decrease of 4tn, or 1.3%, from $303tn at the end of 2021. The debt of advanced economies accounted for 67.2%, while the debt of emerging markets (EM) represented 32.8% of the total. It noted that the debt level reached 338% of global GDP at the end of 2022 compared 350% of global GDP at end-2021. The IIF calculated the debt-to-GDP figures based on a weighted average GDP. It added that the debt of advanced economies reached $200.8tn or 390% of GDP, while the debt level of EMs totaled $98.2tn or 250.2% of GDP at end-2022. It pointed out that the aggregate debt of corporates excluding financial institutions reached $89.7tn, or 97% of global GDP, at the end of 2022, followed by government debt with $84.1tn (97% of GDP), financial sector indebtedness with $68.1tn (80.3% of GDP), and household debt with $57tn (63% of GDP). In parallel, it indicated that EM corporate debt excluding financial institutions totaled $40.9tn or 102.3% of GDP, followed by EM government borrowing at $25tn (64.5% of GDP), financial sector indebtedness at $14.3tn (37.2% of GDP), and EM household debt at $18tn (46% of GDP). Also, it noted that the borrowing of governments in advanced economies amounted to $59.1tn or 116.4% of GDP, followed by financial sector indebtedness at $53.8tn (106.1% of GDP), corporate debt excluding financial institutions at $48.9tn (93.7% of GDP) and household debt at $39tn (73.1% of GDP).

Source: Institute of International Finance

EGYPT

Venture capital funding up 3% to $517m in 2022

Figures released by online platform Magnitt show that venture capital (VC) funding in Egypt reached $517m in 2022, constituting an increase of 3.2% from $501m in 2021. VC investments in Egypt totaled $164m in 2020, $138m in 2019, and $86m in 2018. Further, there were 160 VC deals in 2022, representing an increase of 25.6% from 165 investments in 2021, and relative to 118 deals in 2020, 140 transactions in 2019, and 114 deals in 2018. In parallel, VC investments in fintech companies amounted to $217m and accounted for 42% of aggregate VC investments in the country in 2022, followed by electronic commerce (e-commerce) firms with $148m (28.6%), transports and logistics companies with $62m (12%), retail firms with $17m (3.3%), and healthcare companies with $12m (2.3%). Also, there were 37 investments in e-commerce firms, or 23% of the aggregate number of deals in 2022, followed by 29 deals in fintech firms (18%), 18 transactions in transport and logistics companies (11.3%), 12 investments in the healthcare sector (7.5%), and 10 deals in enterprise software companies (6.3%). Further, Egypt accounted for 17.4% of VC funding in the Middle East and North Africa region in 2022, behind the UAE with $1.2bn or 40% of the total, and Saudi Arabia with $987m or 33% of the total.

Source: Magnitt, Byblos Research

MENA

Equity issuance up 59% to $23.4bn in 2022

Equity Capital Markets (ECM) issuance in the Middle East & North Africa region, which includes equity and equity-related issuances, totaled $23.4bn in 2022, constituting an increase of 59% from $14.5bn in 2021 and representing its highest level since nearly $33bn in 2019. Also, initial public offerings amounted to $20.3bn in 2022 and accounted for 87% of the region's ECM issuance, followed by follow-on issuance that totaled $3.1bn (13% of the total). In parallel, debt issuance in the MENA region reached $37.3bn in 2022, down by 65% from $107.5bn in 2021. Debt issuance in the UAE reached $15.7bn and accounted for 42% of the total, followed by Saudi Arabia with $14.9bn (40%), then Qatar with $3.7bn (10%), and Bahrain with $1.1bn (3%) during 2022. In addition, the amount of announced mergers & acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, totaled $85.2bn in 2022 and decreased by 31% from $102bn in the preceding year. Further, investment banking fees in the region reached $1.6bn in 2022, up by 5% from $1.4bn in 2021, and representing its highest level on record. Syndicated lending fees amounted to $521.2m and accounted for 32.6% of the overall fee pool, followed by fees from M&A deals with $504m (31.5%), fees from equity capital markets transactions with $450m (28%), and debt capital market fees with $124.9m (7.8%).

Source: Refinitiv

Democracy level in Arab world nearly unchanged in 2022

The Economist Intelligence Unit ranked Tunisia in 85th place among 167 countries worldwide and in first place among 20 Arab countries on its Democracy Index for 2022. Morocco followed in 95th place, then Mauritania (108th), Palestine (110th) and Kuwait (111th) as the five countries that have the most democratic systems in the region. In parallel, Sudan (144th), Saudi Arabia (150th), Libya (151st), Yemen (155th) and Syria (163rd) have the least democratic systems among Arab countries. The index measures 60 indicators that are grouped in five categories that are the Electoral Processes & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The Arab countries' average score stood at 3.2 points in the 2022 index, relative to 3.26 points in the 2021 index, and came lower than the global average score of 5.3, as well as below the average score of all other regions around the world. Further, the rankings of eight Arab countries improved, eight declined and four were unchanged; while the scores of two Arab countries improved, seven regressed and 11 were unchanged from the 2021 survey. Oman's rank jumped by five spots in 2022 and posted the best improvement in the Arab region, while Tunisia's rank registered a decline of 10 notches from the 2021 survey, the steepest drop among Arab peers. In parallel, Mauritania, Morocco and Tunisia remained in the "hybrid regime" category in the 2022 index, while the other 17 Arab countries fell in the "authoritarian regime" segment.

Source: Economist Intelligence Unit, Byblos Research

OUTLOOK

EGYPT

Upcoming 12 to 18 months to determine outlook on reforms and scale of external challenges

Bank of America (BofA) considered that Egypt's current economic *status quo* is fragile, and that the next 12 to 18 months will be crucial to evaluate the authorities' reforms momentum and the scale of the country's external challenges. It assumed in its base case scenario that the authorities could close the country's external funding gap through a mixture of further currency adjustment, lower imports for capital projects, tight monetary policy to support portfolio flows, and financial support from strategic partners. It expected the authorities to allow the Egyptian pound to significantly weaken in order to bring about a current account surplus and narrow the external funding gap, given that a weaker pound would generate enough hard currency inflows to help the servicing of upcoming large external debt maturities. Also, it noted that a tighter monetary policy would allow sufficiently high domestic rates to offset the risks associated with a weaker currency.

Also, it indicated that its best case scenario takes into account the authorities' strong momentum on structural, fiscal and monetary reforms, the timely and robust mobilization of external financing through asset sales and privatization, as well as broadly supportive external conditions. It expected that this scenario would result in a rebound of economic activity, a recovery in the tourism sector, a narrower current account deficit, as well as an increase in foreign direct investments, higher foreign currency reserves and improving competitiveness.

Further, BofA said that its worst-case scenario consists of the deterioration of liquidity conditions that would lead to solvency issues for Egypt. It noted that this scenario takes into account slippages in reforms, an insufficient external adjustment, a sustained decline of foreign currency reserves, and the continued lack of market access. It did not expect the authorities to face solvency concerns in the near term, as it anticipated fiscal reforms to reduce the public debt level in case of negative real interest rates. But it considered that a further significant deterioration of economic conditions could result in insolvency risks for Egypt, which increases the likelihood of a debt restructuring.
Source: Bank of America

NIGERIA

Economy facing major challenges

Fitch Ratings considered that Nigeria faces major economic challenges as the date of the general elections approaches, and expected that policy choices by the incoming administration could have a significant impact on the country's credit profile. It anticipated that the authorities' decision to exchange old banknotes with new ones will likely intensify cash shortages in the near term and, as a result, will weigh on consumer spending and boost demand for foreign currency, which would exacerbate foreign-currency shortages.

In parallel, the agency expected that the government will phase out fuel subsidies in 2023 at a slower rate than it originally planned in this year's budget. It anticipated that the next administration will face pressures to maintain the subsidies, which would continue to weigh on public finances. It considered that Nigeria's fiscal profile will remain weak in the medium term, given the low level of revenue mobilization, the elevated public debt level and high interest rates, and as debt servicing absorbs about 47% of public revenues. It also indicated that the government faces external debt amortizations of $2.5bn in each of 2023 and 2024, and that structurally low non-oil revenues, spending pressures, and weak economic growth imply substantial fiscal financing needs.

Further, Fitch anticipated that foreign currency reserves at the Central Bank of Nigeria will decline and that shortages of foreign currency in the domestic market will persist in the near term. It expected that authorities will allow the exchange rate to depreciate modestly in the 2023-24 period, but indicated that the naira will remain overvalued, which would hamper economic activity. It considered that the initial economic adjustment of a more flexible exchange rate regime will result in macro-fiscal risks.
Source: Fitch Ratings

TUNISIA

Economic outlook facing multiple scenarios

S&P Global Ratings considered three scenarios to assess how Tunisia could finance its fiscal and current account deficits. In its "low stress" scenario, it expected the Tunisian government to reach a deal with the International Monetary Fund (IMF) by the end of March 2023, secure additional bilateral support from Gulf Cooperation Council countries, among other sources, to finance its deficits, and successfully implement reforms. Under this scenario, it anticipated that the implementation of reforms will gradually increase investor confidence, revive private sector investments, and result in the progressive recovery of the economy, as it expected the country's public and external finances would return to a sustainable path.

In parallel, the agency said that its "moderate stress" scenario assumes that Tunisia secures a deal with the IMF, and anticipated that a lack of reform implementation would reduce bilateral and multilateral support and prevent the country from mobilizing all the necessary resources to finance its fiscal deficit. As such, it expected that authorities will aggressively cut subsidies, further reduce investments, and accumulate arrears. It also expected that the government might take measures to preserve foreign currency reserves, such as implementing strict import restrictions and/or capital controls on non-resident deposits, while it could also increase its recourse to the local market to mobilize resources from banks or other public-sector enterprises, in case external support is not forthcoming. It also expected the Tunisian dinar to depreciate and to fuel inflationary pressures, which would prompt authorities to raise interest rates significantly.

Further, S&P indicated that its "severe stress" scenario assumes that Tunisian authorities will not reach a deal with the IMF, and that the country's incapacity to mobilize external resources would lead to major balance-of-payments, fiscal, and currency instability, and to potential sovereign defaults on the local and foreign currency-denominated debt. Under this scenario, it anticipated that the dinar would significantly depreciate and lead to a major spike in inflation rates.
Source: S&P Global Ratings

KUWAIT

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Kuwait's short- and long-term foreign and local currency sovereign ratings at 'A1' and 'A+', respectively, and maintained the 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by substantial financial assets in the Future Generations Fund (FGF) and Kuwait's large net external creditor position. Also, it said that the ratings reflect the low level of public debt and the country's large hydrocarbon reserves. But it noted that the ratings are constrained by a moderate-to-high political and policy risks, as a result of the continued polarization between the government and parliament, which delays the implementation of reforms. Further, it pointed out that the ongoing deadlock over a new public debt law, the government's inability to use the FGF's assets without parliamentary authorization, and the economy's high reliance on hydrocarbon revenues are weighing on the ratings. In parallel, it said that the 'stable' outlook indicates that the ratings are likely to remain unchanged in the next 12 months. It noted that the outlook balances the improvement in the government's budget position and the build-up of reserves at the General Reserve Fund, against high risks from political and institutional constraints. Also, it said that it could revise the outlook to 'positive' in the next 12 months in case the new government addresses fiscal and economic vulnerabilities, and reduces the economy's dependence on hydrocarbons.

Source: Capital Intelligence Ratings

ANGOLA

Sovereign ratings' upgrade contingent on further economic and fiscal reforms

S&P Global Ratings indicated that Angola's short- and long-term sovereign credit ratings of 'B/B-' reflect the country's favorable economic prospects as the economy continues to benefit from satisfactory oil sector dynamics and improvements in the activity of the non-oil sector. Also, it expected that higher oil receipts and gains from the authorities' economic and governance reforms will gradually improve the macroeconomic environment as exchange rate pressures moderate. It added that high global oil prices have resulted in fiscal and external surpluses in the past two years, which have supported the government's liquidity position. Still, it considered that the ratings are constrained by the government's elevated external debt-servicing burden through 2026. It projected external principal redemptions to increase from $2.3bn in 2022 to about $4.3bn over the 2023-24 period and $5.1bn in 2025, equivalent to 30% of public revenues over the three-year period. Also, it forecast gross external financing needs to be equivalent to 108.6% of current account receipts plus usable reserves annually in the 2023-26 period. Further, the agency indicated that the 'stable' outlook on the long-term ratings balances the country's high external funding needs and financing risks in the next 12 months, against expectations of stabilizing public debt levels during the 2023-26 period. In parallel, S&P noted that it would upgrade the ratings if the authorities' economic and fiscal reforms support a sustained recovery in the non-oil economy, reduce debt-serving costs, and increase foreign currency reserves. In contrast, it said that it could downgrade the ratings in case the authorities face difficulties in accessing external funding, which could limit the country's ability to service its external commercial debt.

Source: S&P Global Ratings

DEM REP CONGO

Real GDP growth projected at 8% in 2023

The International Monetary Fund (IMF) estimated that real GDP growth in the Democratic Republic of the Congo (DRC) reached 8.5% in 2022, mainly due to stronger-than-expected mining production that more than compensated for weaker activity in the non-extractive sectors. It expected economic prospects to remain favorable in 2023 and projected real GDP growth to moderate to 8% this year. But it considered that key downside risks to the outlook include an escalation of the armed conflict in the East of the country, uncertainties ahead of the upcoming elections, the protracted Russian war in Ukraine, and adverse terms-of-trade shocks. As such, it stressed that advancing prudent macroeconomic policies will help bolster the DRC's resilience to external shocks, and urged authorities to implement structural reforms to sustain macroeconomic stability. In parallel, it noted that the fiscal balance deteriorated in 2022 due to higher public spending for the repayment of government arrears and to address security conditions in the country. It urged authorities to reform the management of public finances in order to strengthen the budget process and its credibility, enhance fiscal governance, and improve spending efficiency. In addition, it stated that the current account deficit widened in 2022 due to strong import growth and worsening terms of trade. Still, it indicated that foreign currency reserves at the Central Bank of Congo reached $4.6bn, which is about $300m higher than-previously-anticipated. Further, the IMF called on authorities to step up efforts to strengthen the anti-corruption framework, rationalize the tax system, enhance transparency in the mining sector, and improve the business climate.

Source: International Monetary Fund

GHANA

Sovereign ratings downgraded on missed Eurobond coupon payment

Fitch Ratings downgraded Ghana's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'C' to 'Restricted Default' (RD). It also affirmed the short-term local and foreign currency IDRs at 'C', and maintained the Country Ceiling at 'B-'. It affirmed the long-term senior unsecured foreign currency-denominated issue ratings at 'C' and withdrew the ratings. It attributed the downgrade of the long-term foreign currency IDR to the expiration of the grace period for a missed $40.625m coupon payment on its 2026 $1bn Eurobond, as part of the suspension of payments on selected external debt that the government announced on December 19, 2022. Also, it attributed the downgrade of the long-term local currency IDR to the completion of a local currency bond exchange. Further, the agency indicated that the government asked Ghana's official creditors for a debt restructuring under the Group of 20 Common Framework for Debt Treatment. It pointed out that Ghana's external debt amounted to $28.4bn at the end of September 2022, of which 46% was in Eurobonds. In addition, it considered the exchange of the local debt to be a distressed exchange, as authorities have not decided when they will make the principal and interest payments. In parallel, Fitch said that it could upgrade the ratings if the government reaches an agreement with its private creditors on the restructuring of its foreign currency debt based on the authorities' willingness and capacity to service the debt.

Source: Fitch Ratings

BANKING

SAUDI ARABIA

Banks start implementation of Basel III rules

Fitch Ratings considered that the implementation of the Basel III rules by the Saudi Central Bank (SAMA) starting on January 1, 2023 will favor Saudi banks that are exposed to residential and commercial mortgages, and to high-quality project finance. However, it said that banks with significant exposure to land acquisition, construction and development, as well as financial guarantees and equities, will need additional capital. It noted that banks exposed to the wholesale market will consume more capital, but that the largest banks will be able to absorb the impact of risk-weight requirements given their solid capital buffers. It added that the capital ratios of banks that are highly exposed to the retail sector will benefit from more granular risk-weightings. Further, it expected the risk-weights for most mortgages to be between 20% and 30%, but pointed out that the risk-weights on residential mortgages could rise if the revaluation of real estate collateral increase the loan-to-value ratios, as SAMA may require banks to revise downwards the valuations of the properties. It said that the risk-weights for commercial real estate loans will generally be lower if the repayments are dependent on the cash flow from the property; while banks exposed to land acquisition, and development and construction, will face higher risk-weights if equity and pre-sales will not cover the repayments. Also, it indicated that banks exposed to high-quality project finance will benefit from a reduced risk-weight in the operational phase. In addition, it noted that the risk-weight for most types of equity investments will increase gradually from 100% to 250% over a five-year period. In parallel, it do not expect the revised standardized approaches for operational and market risk to have a material impact on the capital metrics of Saudi banks.

Source: Fitch Ratings

QATAR

Ratings on four banks upgraded on solid fundamentals

Capital Intelligence Ratings (CI) upgraded the long-term foreign currency rating of Qatar National Bank (QNB) from 'AA-' to 'AA', the rating of Qatar Islamic Bank (QIB) from 'A+' to 'AA-', and the ratings of Qatar International Islamic Bank (QIIB) and Al-Ahli Bank from 'A' to 'A+'. It attributed the upgrades to its similar action on the sovereign ratings. It noted that the banks' ratings reflect the high probability of support from the government in case of need. In addition, it affirmed the Bank Standalone Ratings (BSRs) of QNB and QIB at 'a-', and those of QIIB and Al-Ahli Bank at 'bbb+', due to the banks' solid financial fundamentals. Also, it maintained the outlook on the four banks’ the long-term ratings at 'stable', which indicates that the ratings are unlikely to change in the next 12 months. Further, it pointed out that the ratings of the four banks are supported by strong financial metrics, solid capitalization, sound asset quality, and good profitability metrics. Also, it said that the ratings of QIIB, QIB, and QNB are underpinned by their high loan-loss reserves coverage and sound liquidity. But it noted that the ratings of Al-Ahli Bank and QIB are constrained by their elevated exposure to the real estate sector and high concentrations of customer deposits. Further, it said that the ratings of QIIB and QNB take into account their small size and position in the Qatari market.

Source: Capital Intelligence Ratings

JORDAN

Construction and general trade account for nearly 40% of lending at end-2022

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD32.6bn, or $46bn at the end of 2022, constituting an increase of 8.5% from JD30bn ($42.4bn) at end-2021. Loans in foreign currency represented 12.6% of the total at the end of 2022 relative to 12.3% a year earlier. The resident private sector accounted for 88.6% of total credit at the end of 2022 relative to 88.9% at the end of 2021, followed by the central government with 6.3% compared to 6% a year earlier; public entities with 2.8%, the non-resident private sector with 2%, and financial institutions with 0.3%. Also, the distribution of credit by main sectors shows that construction represented JD8.23bn, or 25.3%, of the total at the end of 2022 relative to 25.7% a year earlier; followed by public services & utilities with JD5.3bn (16.2%); general trade with JD4.7bn (14.4%); industry with JD3.8bn (11.6%); financial services with JD791.9m (2.4%); tourism, hotels & restaurants with JD685.1m (2.1%); agriculture with JD534.6m (1.6%); transportation with JD368.5m (1.1%); and mining with JD130.7m (0.5%). In parallel, loans & advances reached JD20.3bn at the end of 2022 and increased by 7.6% last year, followed by receivables of Islamic banks with JD8.9bn (+10.2%), overdrafts with JD2.95bn (+9.6%), credit cards with JD294.4m (+33.4%), and discounted bills with JD179.5m (-15.5%).

Source: Central Bank of Jordan

NIGERIA

Foreign currency shortages put pressure on banks' liquidity

Moody's Investors Service indicated that the shortages of foreign currency that Nigerian companies are facing may threaten the liquidity of local banks. But it said that the banks reduced the size of their exposure to trade finance and collected more cash collateral from their corporate clients in the last 12 months to mitigate the risk of foreign currency shortages. Also, it estimated that rated Nigerian banks placed an aggregate of $10.4bn in foreign-currency derivative contracts at the Central Bank of Nigeria (CBN) as at end-June 2022, and considered that the CBN would extend the maturity of several contracts and postpone their repayment due to the decline in its foreign currency reserves. Further, it pointed out that the rollover risk of derivatives contracts is partly moderated by the CBN's strong track-record of repaying its foreign currency derivative obligations. In addition, it noted that rated Nigerian banks carry sound levels of foreign currency liquidity, which provides a buffer to meet liabilities in foreign currency and help partly reduce the risk from their trade finance exposure and foreign-currency placements at the CBN. It indicated that rated banks had $18.2bn in foreign currency liquid assets at end-June 2022, which covered 45% of their aggregate foreign currency liabilities. Further, it said that the risk that the CBN would prevent banks from using their foreign currency deposits at the CBN remains contained, as it considered that such a decision would potentially undermine the financial stability of the banking sector. In parallel, it expected the capital ratios of the banks to remain above the minimum regulatory requirement, even in the case of a material depreciation of the naira.

Source: Moody's Investors Service

ENERGY / COMMODITIES

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

ICE Brent crude oil front-month prices reached $80.6 per barrel (p/b) on February 22, 2023, constituting a decrease of 5.6% from $85.4 p/b a week earlier, mainly due to expectations of further increases in interest rates by central banks in advanced economies, which would put pressure on global economic growth and demand for oil. In parallel, Goldman Sachs expected global oil demand to increase from 100.2 million barrels per day (b/d) in 2022 to 101.6 million b/d in 2023, mainly due to the reopening of the Chinese economy and a more positive global economic outlook. Further, it anticipated the global oil market to shift to a deficit this year, given that oil inventory levels are low and spare production capacity is limited. Also, it considered that the ongoing underinvestments in certain oil fields and the decision of the OPEC+ coalition to cut oil production constitute obstacles to meeting global demand for oil in the near term. As such, it forecast oil prices to rise gradually to $100 p/b by the end of 2023. In addition, it expected further tightening of monetary policy by the U.S. Federal Reserve to weigh on the oil market, as it would increase economic headwinds. In parallel, it forecast oil prices to average $84 p/b in the first quarter and $90 p/b in the second quarter, $95 p/b in the third quarter, and $99 p/b in the fourth quarter of 2023.

Source: Goldman Sachs, Refinitiv, Byblos Research

OPEC oil output up 3% in January 2023

Members of OPEC, based on secondary sources, produced 28.88 million barrels of oil per day (b/d) on average in January 2023, nearly unchanged from 28.93 million b/d in December 2022, and representing an increase of 3.2% from 27.98 million b/d in January 2022. On a country basis, Saudi Arabia produced 10.3 million b/d, or 35.7% of OPEC's total output, followed by Iraq with 4.4 million b/d (15.3%), the UAE with 3.04 million b/d (10.5%), Kuwait with 2.7 million b/d (9.3%), and Iran with 2.56 million b/d (8.9%).

Source: OPEC

Global steel output up 3.3% in January 2023

Global steel production reached 145.3 million tons in January 2023, constituting an increase of 3.3% from 140.7 million tons in December 2022 and a decrease of 6.3% from 155 million tons in January 2022. Production in China totaled 79.5 million tons and accounted for 54.7% of global steel output in January 2023. India followed with 10.9 million tons, or 7.5% of the total, then Japan with 7.2 million tons (5%), the U.S. with 6.5 million tons (4.5%), Russia with 5.8 million tons (4%), and South Korea with 5.5 million tons (3.8%).

Source: World Steel Association, Byblos Research

Saudi Arabia's oil export receipts up 11% in December 2022

Total oil exports from Saudi Arabia amounted to 8.84 million barrels per day (b/d) in December 2022, constituting increases of 4.5% from 8.46 million b/d in November 2022 and of 2.7% from 8.6 million b/d in December 2021. Further, oil export receipts reached $22.8bn in December 2022, representing a decrease of 5% from $24bn in November 2022 and an increase of 11% from $20.5bn in December 2021.

Source: JODI, General Authority for Statistics, Byblos Research

Base Metals: Copper prices to average $8,953 per ton in first quarter of 2023

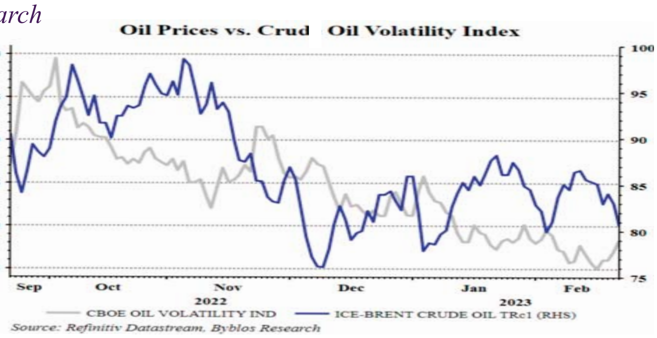
LME copper cash prices averaged $8,989.1 per ton in the first seven weeks of 2023, constituting a decrease of 8% from an average of $9,853.8 a ton in the same period of 2022. Also, copper prices reached $9,103 per ton on February 22, 2023, down from an all-time high of $11,299.5 a ton on October 18, 2021, due mainly to the tightening of global monetary policy and a stronger US dollar. In parallel, S&P Global Market Intelligence projected the global demand for copper at 26.6 million tons in 2023, which would constitute an increase of 3.5% from 25.7 million tons in 2022. In addition, it forecast global copper production at 26.7 million tons in 2023, which would represent a rise of 5% from 25.4 million tons in 2022. It noted that supply disruptions at mines in Chile and Peru, as well as a recent production halt in Indonesia due to heavy rainfall and flooding, have put pressure on copper output. It revised upward its price forecast to $8,882 per ton for the next three months due to the agency's expectations of a rise in demand for the metal starting in April of this year. Also, it revised downward its forecast for the global production of refined copper from 202,325 tons to 77,325 tons in 2023, due to limited production activity worldwide excluding China. Moreover, it forecast copper prices to average $8,953 per ton in the first quarter and $9,200 per ton in the second quarter of 2023.

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

Precious Metals: Gold prices to average $1,775 per ounce in first quarter of 2023

Gold prices averaged $1,882 per troy ounce in the first seven weeks of 2023, constituting an increase of 3% from an average of $1,829 an ounce in the same period of 2022. Further, prices regressed from a peak of $2,506 per ounce on March 8, 2022 to $1,835.1 an ounce on February 22, 2023 due to a stronger US dollar and higher U.S. bond yields. In parallel, Goldman Sachs indicated that further monetary tightening by the U.S. Federal Reserve would lead to higher U.S. real interest rates, which would make U.S.-denominated securities more appealing and reduce investments in gold-backed exchange-traded funds. It noted that a global recession, high real interest rates, and geopolitical risks constitute important factors for gold investors. Further, it expected gold demand from central banks to reach 1,200 tons in 2023, as part of their ongoing diversification efforts. Also, it anticipated stronger economic activity in China and India, the world's two largest gold buyers, to increase gold demand in the near term. Moreover, Citi Research forecast gold prices to average $1,775 per ounce in the first quarter and $1,800 an ounce in the second quarter of 2023.

Source: Goldman Sachs, Citi Research, 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 (%)
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B2	B+	B+								
	Stable	Negative	Negative	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC-									
	Negative	RfD**	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD	Ca	SD	-								
	-	Stable	-	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-								
	-	Positive	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BBB-	Ba1	BB+	-								
	Negative	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	Caa1	B-	-								
	Negative	Stable	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa2	CCC+	-								
	-	Negative	-	-	-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+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Positive	Negative	Stable	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-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Positive	Negative	Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	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	Ba3	BB	BB								
	Stable	Positive	Stable	Stable	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA								
	Stable	Positive	Stable	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A-	A1	A	A+								
	Positive	Stable	Positive	Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	B+	Ba3	B+	B+								
	Stable	Negative	Positive	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	3.35	07-Feb-23	Raised 25bps	07-Mar-23
New Zealand	Cash Rate	4.75	22-Feb-23	Raised 50bps	05-Apr-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-Feb-23	No change	20-Mar-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	23-Feb-23	No change	13-Apr-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	23-Feb-23	No change	N/A
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	11.00	09-Feb-23	Raised 50bps	30-Mar-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	09-Feb-23	No change	N/A
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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