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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private equity buyout funds raise $347bn in 2022

Figures released by Bain & Company indicate that private equity (PE) buyout funds raised $347bn in capital commitments worldwide in 2022, representing a decline of 5% from $413bn in 2021. It added that buyout funds raised $268bn in capital in 2016, $335bn in 2017, $281bn in 2018, $444bn in 2019, and $357bn in 2020. It pointed out that the capital raised by North American funds increased by 18% in 2022, while fundraising by Central and South America-based funds dropped by 94%, followed by Middle East and Africa-based funds (-52%), European funds (-23%), and Asian funds (-21%). In addition, it noted that investments by private equity-backed buyout funds reached $654bn in 2022, constituting a decline of 35% from $1 trillion in 2021. It said that the amount of PE-backed buyout deals totaled $339bn in 2016, $430bn in 2017, $484bn in 2018, $480bn in 2019, and $501bn in 2020. It pointed out that PE-backed buyout transactions dropped by 59% in the Asia-Pacific region in 2022, followed by a decrease of 30% in North America, and a decline of 28% in Europe, while PE-backed buyout deals in other regions contracted by 72% last year. In parallel, it said that the exits of PE buyout funds totaled $565bn in 2022, down by 42% from an all-time high of $969bn in 2021. It added that PE buyout funds' exits reached $352bn in 2016, $415bn in 2017, $416bn in 2018, $438bn in 2019, and $468bn in 2020.

Source: Bain & Company

International tourist arrivals up 102% to 917 million in 2022

Figures released by the United Nations World Tourism Organization show that international tourist arrivals reached 917 million in 2022, constituting a surge of 101.6% from 455 million global tourist arrivals in 2021 and a contraction of 37.4% from 1.47 billion arrivals in 2019. Further, tourist arrivals to advanced economies totaled 516 million last year and accounted for 56.2% of aggregate arrivals, while arrivals to emerging economies stood at 401 million or 43.8% of the total. International tourist arrivals to advanced countries climbed by 111.7% in 2022, while arrivals to emerging economies increased by 90% last year. On a regional basis, the number of tourist arrivals to Europe stood at 585 million in 2022 and accounted for 63.8% of total arrivals, followed by the Americas with 142.4 million (15.5% of the total), Asia & the Pacific with 84.4 million (9.2%), the Middle East with 60.3 million (6.6%), and Africa with 45 million (5%). In addition, the number of tourist arrivals to the Asia & Pacific region increased by 241% in 2022, followed by a rise of 144.4% in arrivals to the Middle East, then to Africa (+132.4%), to Europe (+92%), and to the Americas (+75%). In parallel, tourist arrivals to the Asia & Pacific region dropped by 76.5% in 2022 from their 2019 levels, followed by a decrease of 35% in arrivals to the Americas, to Africa (-34.6%), to Europe (-21.4%), and to the Middle East (-17.4%).

Source: World Tourism Organization

EMERGING MARKETS

Sovereign's market borrowing projected at $2.9 trillion in 2023

S&P Global Ratings projected the commercial borrowing of sovereigns in the Emerging Europe, Middle East and Africa (EEMEA) region to reach $2.9 trillion in 2023 compared to $2.84 trillion in 2022. It expected that EEMEA sovereigns in the 'B' category would issue $830.6bn in aggregate market debt in 2023, which would account for 28.7% of the region's total debt issuance, followed by sovereigns in the 'A' bracket with $546.5bn (19%), sovereigns in the 'BB' range with $467.6bn (16.2%), sovereigns in the 'AA' category with $446.1bn (15.4%), sovereigns in the 'BBB' bracket with $399.5bn (13.8%), sovereigns in the 'CCC' range with $104.6bn (3.6%), and sovereigns in the 'Selective Default' category with $94.7bn (3.3%). In parallel, it forecast the sovereigns' gross long-term commercial borrowing in the EEMEA region to total $437.2bn in 2023, which would constitute a rise of 5% from $416bn in 2022, and to account for 15% of aggregate issuance. It projected that sovereigns in the 'B' category would issue $185.9bn of aggregate long-term market debt in 2023, which would account for 42.5% of the total, followed by sovereigns in the 'BBB' bracket with $75.7bn (17.3%), sovereigns in the 'A' range with $69.3bn (15.8%), sovereigns in the 'BB' category with $49.4bn (11.3%), sovereigns in the 'AA' bracket with $34.5bn (8%), sovereigns in the 'CCC' range with $13.8bn (3.2%), and sovereigns in the 'Selective Default' category with $8.6bn (2%).

Source: S&P Global Ratings

MENA

Gender gap varies across region

The World Economic Forum ranked the United Arab Emirates in 68th place among 146 countries globally and in first place among 12 Arab economies on its Global Gender Gap Index for 2022. Lebanon followed in 119th place, then Tunisia (120th), Jordan (122nd) and Saudi Arabia (127th), as the five Arab economies with the narrowest gender gaps. In contrast, Egypt (129th), Kuwait (130th), Bahrain (131st), Morocco (136th), Qatar (137th), Oman (139th), and Algeria (140th) are the Arab countries with the widest gender gaps in the region. The index captures the magnitude and scope of gender-based disparities in each country and to track their progress over time. It is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Empowerment. The survey shows that the Arab region has the second widest gender gap in the world, as the region closed 63.6% of its gender gap, which is higher than the average score of 62.3% for South Asia, but below the average scores of all other regions worldwide. The scores of six Arab countries improved, those of four economies regressed, and the scores of two were unchanged from the 2021 index, while the rankings of 10 Arab countries improved, that of one Arab economy deteriorated, and the ranking of one Arab country remained the same since 2021. In parallel, Kuwait ranked in first place among Arab countries on the Economic Participation & Opportunity Sub-Index and on the Educational Attainment Sub-Index. Lebanon came first on the Health & Survival Sub-Index, while the UAE came first on the Political Attainment Sub-Index.

Source: World Economic Forum, Byblos Research

POLITICAL RISKS OVERVIEW - February 2023

ALGERIA

Tensions flared again between Algeria and France, as Algiers accused French diplomats and other personnel of participating in the "illegal and secret evacuation" on February 8 of an Algerian-French rights activist from Algeria, which it denounced as a "violation of national sovereignty" and, as a result, recalled its ambassador to Paris for consultations. President Abdelmadjid Tebboune met with officials from Russia and the United States to discuss bilateral military and economic cooperation. Relations with Morocco remained strained over the conflict in the Western Sahara, as differences between Morocco on one hand, and Algeria and the Polisario Front, an organization demanding the self-determination of the Western Sahara territory from Morocco on the other hand, blocked the appointment of a representative from a country in North Africa as the vice president of the African Union (AU) at an AU summit that was held in the Ethiopian capital Addis Ababa.

ARMENIA

Armenia sent to Azerbaijan a draft proposal of a peace treaty with the aim to end the decades-long dispute between the two countries over the Nagorno-Karabakh province. The Armenian Prime Minister Nikol Pashinyan and Azerbaijan's President Ilham Aliyev met with U.S. Secretary of State Anthony Blinken in Munich to discuss the progress on the draft, among other issues. Mr. Blinken underscored the need for an open commercial transit route through the Lachin corridor and called on the parties to open other transportation routes. The European Union deployed on February 20 a civilian monitoring mission along the Armenia-Azerbaijan border to contribute to the stability of the border and support efforts towards the normalization of bilateral relations. In parallel, Armenia opened its border with Türkiye for first time since 1988 to allow humanitarian aid to pass through, and sent a rescue team, following the earthquakes that hit the latter.

ETHIOPIA

The federal government and the Tigray People's Liberation Front (TPLF) continued to take concrete steps towards consolidating the peace process, as Prime Minister Abiy Ahmed met with TPLF leaders for the first time since 2020. The authorities announced that the National Bank of Ethiopia would send $90m to the Tigray state to provide financial support to the province, and that it has increased the number of flights to Tigray's capital city Mekelle. The TPLF formed a committee to establish a regional interim administration, and noted that Eritrean forces have mostly withdrawn from Tigray but that "small military units" remained, while the United Nations indicated that assistance to the region has increased. In parallel, despite the prolonged fighting in Oromia between the federal government and the Oromo Liberation Army, the two sides indicated a growing interest in reaching a truce.

IRAN

The United States, the European Union, the United Kingdom, Canada, and New Zealand sanctioned several Iranian individuals and entities for committing human rights abuses and for their involvement in the production of drones. Further, the U.S. imposed new export control measures that address Iran's Unmanned Aerial Vehicles and their use by Russia in its war against Ukraine. In parallel, the International Atomic Energy Agency expressed concerns that Iran made substantial changes to the design of a uranium enrichment facility regarding the production of high-enriched uranium, without informing the agency in advance. ing the Grand Ethiopian Renaissance Dam".

IRAQ

Demonstrations took place in Baghdad to protest against the depreciation of the local currency and to denounce the new draft electoral law that would increase the size of the country's electoral districts and undermine independent candidates. Further, the Minister of Foreign Affairs of Saudi Arabia met with his counterpart in Baghdad and affirmed the Kingdom's commitment to support Iraq's security and stability, and underlined the need to promote bilateral relations and expand cooperation between the two countries. Also, Iran's Minister of Foreign Affairs visited Baghdad for talks on border security and on the ongoing dialogue between Iran and Saudi Arabia. In addition, Russia's Minister of Foreign Affairs met with Iraqi Prime Minister Mohammed Shia' Sabbar Al-Sudani to discuss bilateral relations, counter-terrorism, and the role of Iraq in regional mediation.

LIBYA

The Tobruk-based House of Representatives (HoR) approved a constitutional amendment that could be used as the basis for the upcoming elections. The amendment calls for general elections to take place within 240 days of the adoption of the election laws by the members of the HoR and the Tripoli-based High State Council (HSC). The President of the HoR proposed the formation of a 45-member committee that includes members from the HoR, HSC and other independent members to form a unified executive authority under international supervision.

SUDAN

The "Phase II" negotiations between the military and civilian leaders to resolve outstanding issues about Sudan's transition to a civilian rule stalled. The trilateral mechanism led by the African Union, the UN mission in Sudan and the Intergovernmental Authority on Development organized a workshop on the Juba Peace Agreement (JPA); while Saudi Arabia, the United Arab Emirates, the United Kingdom and the United States, offered to facilitate talks amid a standoff between the JPA signatories and the main opposition group Forces for Freedom and Change-Central Council. In parallel, Egypt and South Sudan hosted meetings to discuss the implementation of the JPA and the transitional period in Sudan, but the trilateral mechanism deemed the talks as an attempt to derail the transition to a civilian government. Further, General Abdel Fattah al-Burhan and Israel's Minister of Foreign Affairs agreed to move towards normalizing relations between the two sides. In response, thousands protested against the agreement in the capital city Khartoum. Also, Russia's Minister of Foreign Affairs visited Sudan to gather support against sanctions that the West imposed on Russia over its invasion of Ukraine.

TÜRKIYE

Deadly earthquakes on February 6, 2023 killed more than 40,000 people, injured more than 100,000 individuals, displaced 1.5 million persons, and resulted in the damage to about 100,000 buildings. More than 75 countries around the world offered aid and sent over 10,000 rescue workers to assist in the recovery efforts. Also, the Kurdistan Workers' Party announced a unilateral ceasefire in Türkiye for a month following the earthquakes.

YEMEN

The United Nations Special Envoy of the Secretary-General for Yemen met with military commanders of the Hadi government, as well as with tribal and civil society leaders, to discuss possible ceasefire mechanisms in hope of resurrecting the truce ahead of the start of the month of Ramadan. In parallel, Saudi Arabia signed an agreement to deposit $1bn at the Central Bank of Yemen in a move to boost the country's economy

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Economic activity to pick to 3.5% in 2023 on Chinese demand

BNP Paribas projected real GDP growth in emerging markets (EMs) at 3.5% in 2023, up by 0.2 percentage points (ppts) from its October 2022 forecast. It attributed its new projection to an upward revision of 0.4 ppts of China's real GDP growth rate to 5.1%, following the country's lifting of its lockdown measures last December and the sooner-than-previously expected rebound in Chinese domestic demand. It also forecast economic activity in EMs excluding China to expand by 2.9% in 2023, and expected China, Hong Kong, Morocco, Senegal and Thailand to be the only countries to improve their real GDP growth rate this year.

Also, it forecast real GDP growth in the Middle East region to slow down from 6.6% in 2022 to 3.4% in 2023, due mainly to weaker economic activity in oil exporters as a result of lower global oil prices and a decline in oil production. In addition, it projected real GDP in emerging Asia ex-China to grow by 3.6% this year following an expansion 4.5% in 2022, mainly due to the normalization of domestic demand, a slowdown in activity in the services sector, higher inflation rates that will weigh on domestic consumption, as well as to a significant decline in exports as a result of weaker global demand. Further, it expected economic activity in Central Europe to expand by 0.5% in 2023.

In parallel, BNP Paribas anticipated that EMs will continue to face major external headwinds in the near term as a result of weaker economic activity in advanced economies. As such, it expected weaker global demand for goods to affect EM manufacturing countries and commodity exporters. Also, it anticipated borrowing costs for emerging sovereigns to remain elevated in the short term as a result of the rise in U.S. interest rates and higher country risk premia.
Source: BNP Paribas

KUWAIT

Rise in public spending to drive growth in 2023

The National Bank of Kuwait projected Kuwait's real GDP growth rate to decelerate from 7.8% in 2022 to 0.8% in 2023, due mainly to oil production cuts under the OPEC+ agreement, as it anticipated output from the oil sector to shrink by 1.1% this year relative to an expansion of 12.1% in 2022. It also forecast activity in the non-oil economy to grow by 3.2% in 2023 compared to 3.1% last year, as it expected the government's expansionary budget for the fiscal year that ends in March 2024 to support consumption and economic activity in 2023. In addition, it anticipated the U.S. Federal Reserves to hike its Fed Fund rate by a cumulative 75 basis points in the first half of 2023, which would result in further policy rate hikes by the Central Bank of Kuwait.

In parallel, it anticipated the fiscal surplus to decline from 9.6% of GDP in FY2021/22 to 1% of GDP in FY2022/23 due to lower oil export receipts, and forecast the public debt level at 3.3% of GDP at the end of March 2023. It indicated that the Kuwaiti government unveiled an expansionary draft budget for FY2023/24, which includes record levels of public spending. It expected that the rise in public expenditures will support demand in the economy in the near term, but anticipated it to constitute a risk to medium- and long-term fiscal sustainability, given the economy's continued over-reliance on volatile oil revenues, limited non-oil revenue streams, a lower target for capital expenditures, and slow progress on reforms due to legislative gridlock. It noted that authorities are targeting a deficit of KD5.1bn in FY2023/24, but expected the fiscal balance to post a surplus of KD600m, or 1.2% of GDP, in the next fiscal year, as it projected higher-than-budgeted oil prices and receipts, as well as given the government's track record of not spending its entire budget allocation. Also, it did not expect Parliament to approve the budget in the coming months, which would delay the impact of higher spending on the economy until the second half of 2023. Further, it projected the current account surplus to decrease from 33.3% of GDP in 2022 to 27.4% of GDP in 2023, due mainly to lower oil export receipts.
Source: National Bank of Kuwait

PAKISTAN

Government facing significant financing needs

The Institute of International Finance (IIF) projected Pakistan's real GDP to shrink by 0.8% in the fiscal year that ends in June 2023 relative to an expansion of 6% in FY2021/22. It attributed the slowdown in economic activity mainly to the deadly floods that led to a 3% contraction in agricultural production, to elevated inflation rates, as well as to lower imports from the recent depreciation of the Pakistani rupee and to the State Bank of Pakistan's (SBP) directive that prohibited commercial banks from issuing letters of credit. In addition, it forecast the inflation rate to continue to increase due to the upward adjustment in electricity and gas tariffs, higher taxes on cigarettes and other luxury items, and the authorities' move to a market-determined exchange rate, which could result in the depreciation of the rupee and lead to higher import prices. As such, it forecast the inflation rate to rise from an average of 12.2% in FY2021/22 to 28.8% in FY2022/23, well above the SBP's target of between 5% and 7% in FY2023/24. It anticipated that authorities will raise the policy rate by an additional 400 basis points before the end of FY2022/23 in order to rein in inflationary pressures.

In parallel, the IIF expected the fiscal deficit to narrow from 7.9% of GDP in FY2021/22 to 6.6% of GDP in FY2022/23, and forecast the public debt level to decline from 71.4% of GDP at the end of June 2022 to 68.3% of GDP at end-June 2023. Also, it projected the current account deficit to narrow from 4.6% of GDP in FY2021/22 to 1.4% of GDP in FY2022/23, despite an anticipated 20% decline in remittance inflows. It did not expect Pakistan to default on its sovereign obligations in the near term, but considered that the country is facing a severe balance of payments crisis and has urgent needs for external financial support. It estimated the government's total financing needs at about $33bn in FY2022/23, and that Pakistan would need to secure at least $5.5bn in the second half of FY2022/23 to bring foreign currency reserves up to $9.3bn by the end of June 2023. It also expected the International Monetary Fund (IMF) and other multilateral sources to provide $11.5bn in financing, while authorities will target the rollover of nearly 75% of loans to foreign creditors. As a result, it estimated that the government would need an additional $6.5bn in official loans in FY2022/23, despite the anticipated disbursements from the IMF.
Source: Institute of International Finance

SAUDI ARABIA

Insurance premiums to increase by 13% in 2023

S&P Global Ratings attributed the rise in gross written premiums (GWP) in Saudi Arabia in 2022 to the Kingdom's rapid economic recovery from the fallout of the COVID-19 pandemic, the expansion of mandatory medical policies, and to the introduction of the Inherent Defects Insurance plan, among other initiatives. It indicated that the total shareholders' equity of insurers in Saudi Arabia increased by 3% in 2022 and expected the growth in GWP to continue to outpace the build-up of capital this year. It added that the implementation of international standards IFRS17 and IFRS9, as well as the adoption of new regulations with higher minimum capital requirements, will lead to material changes in financial reporting and business strategies and, consequently, raise operational costs for insurers. It said that the underwriting performance of insurers was weak in 2022, with about two thirds of insurers reporting underwriting losses, due mainly to the increase in motor and medical claims to pre-pandemic levels. But it expected underwriting performance to improve in 2023, as insurers reprice underperforming accounts. Still, it pointed out that the net combined ratio, which is the ratio of incurred losses and expenses to earned premiums, will remain lower than in other GCC markets due to weaker underwriting results and profitability. Also, it projected the gross written premiums in the Kingdom to reach about $15.8bn in 2023, which would constitute an increase of 13% from nearly $14bn in 2022. It estimated medical insurance to account for 59.5% of total premiums, followed by property & casualty insurance with 36.7%, and life and savings with 3.8% in 2023.

Source: S&P Global Ratings

GHANA

Local currency ratings upgraded on debt exchange

S&P Global Ratings upgraded Ghana's short- and long-term local currency sovereign credit ratings from 'C/Selective Default (SD)' to 'C/CCC+', which are 11 and seven notches below investment grade, respectively. Further, it affirmed the country's short- and long-term foreign currency sovereign credit ratings at 'SD', and the Country's Transfer & Convertibility assessment at 'CCC+'. It also maintained the 'stable' outlook on the long-term ratings. It attributed the upgrade to the successful exchange of the local currency bonds, and considered the swap of the local debt to be a distressed exchange, given the government's weak access to finance from the local market or from official sources. Further, it said that the affirmation of the foreign currency ratings reflects Ghana's declining net foreign currency reserves and the depreciation of the exchange rate of the Ghanaian cedi. Further, it said that authorities aim to reduce the public debt level to 55% of GDP in the next five years, which would improve debt sustainability. In parallel, it noted that the 'stable' outlook balances the government's improved refinancing profile and reduced cost of debt as a result of its domestic debt rescheduling, against the still-challenging domestic and external liquidity conditions, elevated inflation rates, the volatility of the local currency, and the uncertainties of the authorities' ongoing efforts to restructure the sovereign's external foreign currency debt. Also, it said that it could upgrade the long-term local currency rating in the next 12 months if the economy recovers and the balance of payments improves.

Source: S&P Global Ratings

EGYPT

Outlook on ratings revised to 'negative'

Capital Intelligence Ratings affirmed Egypt's short- and long-term local and foreign currency ratings at 'B' and 'B+', respectively, and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the revision of the outlook to the deterioration of the sovereign's capacity to absorb external shocks, which has been exacerbated by negative trade and investment spillovers from the war in Ukraine and by the tightening of global monetary policies. It noted that non-resident portfolio investment outflows, the decrease in foreign currency reserves, and the high cost of access to capital market are weighing on the outlook. In parallel, it said that the ratings are supported by the sovereign's still moderate external indebtedness and the availability of international financial support from the International Monetary Fund (IMF) and Gulf Cooperation Council countries. It added that the ratings are underpinned by the government's commitment to implement reforms, the authorities' ongoing efforts to reduce the state's involvement in the main sectors of the economy and to increase the role of the private sector, to support international competitiveness, and to shift to a fully flexible exchange rate regime that would help absorb external shocks. But it noted that the ratings are constrained by substantial socioeconomic imbalances, a limited tax base and high expenditures rigidity, an elevated public debt level, and large gross financing needs. It said that it could revise the outlook from 'negative' to 'stable' in the next 12 months if the government manages to reduce its external financing risks and/or if the authorities implement structural and fiscal reforms.

Source: Capital Intelligence Ratings

CÔTE D'IVOIRE

IMF stresses fiscal and debt sustainability

The International Monetary Fund (IMF) indicated that Côte d'Ivoire's economy proved resilient in the face of the COVID-19 pandemic, but said that the economic rebound moderated due to the adverse spillovers from the war in Ukraine and global monetary tightening. It noted that the government's subsidies to curb inflationary pressures, higher spending on security, and worsening terms-of-trade amid robust domestic demand, led to a widening of macroeconomic imbalances in 2022. Further, it said that the Ivorian authorities and the IMF reached a broad agreement on the authorities' economic reform program that could be supported by an IMF financial arrangement. It noted that the authorities stepped up efforts to implement reforms under the 2021-25 National Development Plan (NDP), as they took measures to strengthen macroeconomic stability and reverse the widening fiscal and external imbalances. It noted that it strongly supports the authorities' deep commitment to fiscal and debt sustainability and to building inclusive growth amid rapid demographic change and significant external challenges. It stressed the importance of preserving fiscal and debt sustainability, and of anchoring the 2021-25 NDP to facilitate Côte d'Ivoire's transition towards a middle-income economy. In addition, it noted that the government's structural reforms should include strengthening social protection for vulnerable households, improving public financial management and investment efficiency, and promoting private-sector led growth. In parallel, it expected to finalize in the near term a Staff-Level Agreement with Côte d'Ivoire on about $2.6bn in IMF funding.

Source: International Monetary Fund

TUNISIA

Banking sector facing liquidity risks

Fitch Ratings indicated that Tunisian banks are facing increased liquidity risks due to the delays in reaching an agreement between the government and the International Monetary Fund (IMF) on a 48-month program of about $1.9bn. It considered that the government will increase its reliance on borrowings from Tunisian banks in case the IMF deal stalls, which, in turn, will raise the exposure of banks to sovereign risk, tighten their liquidity conditions, and crowd-out lending to the private-sector. It added that the delays or the absence of an IMF deal could lead to a downgrade of Tunisia's sovereign ratings, put at risk the planned external financing disbursements from the IMF and foreign donors, and raise the risk of a balance-of-payments crisis. It pointed out that the government's borrowing needs would total TND25.3bn, or the equivalent of $8.2bn, in 2023. It considered that local banks, whose total sovereign exposure exceeds TND40bn ($13bn), could bridge part of the government's funding gap, but that this will put significant pressure on their liquidity and substantially heighten their solvency risks in case of a sovereign default. It said that the capacity of the banking sector to meet the government's elevated financing needs will be limited due to the deceleration in deposit inflows. As a result, it said that banks could become more reliant on funding from the Banque Centrale de Tunisie through open-market operations. In parallel, it considered that, in case of a sovereign default, the complete write-down of the sovereign Eurobonds and the restructuring of local currency debt could significantly affect the banks' capitalization. But it noted that banks would remain solvent in the event of a default on sovereign Eurobonds only.

Source: Fitch Ratings

PAKISTAN

Ratings on five banks downgraded

Moody's Investors Service downgraded the long-term deposit ratings of Habib Bank, National Bank of Pakistan, United Bank Limited (UBL), MCB Bank, and Allied Bank Limited (ABL) from 'Caa1' to 'Caa3', which are nine notches below investment grade. Also, it downgraded the Baseline Credit Assessments (BCAs) of the five banks from 'caa1' to 'caa3'. Further, it revised the outlook from 'negative' to 'stable' on the banks' long-term ratings. It attributed the downgrades to Pakistan's deteriorating operating environment, which reflects the elevated government liquidity and external vulnerability risks, low foreign currency reserves, as well as the high cost of living, which in turn would put pressure on the banks' earnings, asset quality and capital metrics, and threaten financial stability. In parallel, it noted that the 'stable' outlook reflects the banks' stable local currency funding, sound liquidity, and resilient earnings-generating capacity that partly mitigate macroeconomic and sovereign-driven risks. In addition, it indicated that it could further downgrade the banks' ratings if it lowers the sovereign rating, given the banks' sizeable holdings of government securities, and/or if the banks' asset quality, profitability and capital adequacy deteriorate. In contrast, it said that it could upgrade the ratings if the banks maintain their resilient financial performance and/or if the operating environment improves.

Source: Moody's Investors Service

NIGERIA

FATF grey-listing to increase costs for banks

S&P Global Ratings expected that Nigeria's inclusion on the Financial Action Task Force's (FATF) grey list last February could raise financial transaction and compliance costs for the Nigerian banking sector and exacerbate already severe foreign currency shortages in the domestic market. It indicated that the grey listing reflects deficiencies that the FATF identified in the country's anti-money laundering/combating the financing of terrorism (AML/CFT) framework, and pointed out that the local authorities have committed to addressing the legislative and regulatory gaps. Still, it anticipated that the protracted militant insurgency in the north of the country, tensions in the Niger Delta, issues in neighboring countries and the large informal sector, will exacerbate risks of illicit domestic and cross-border transactions. It added that Nigeria's financial system is highly reliant on cash transactions due to the large informal sector, which constitutes a challenge to the country's AML/CFT regime. It expected Nigerian banks to maintain their correspondent banking relationships, but anticipated that reputational risks, as well as due diligence, compliance, and transactions costs to increase. It also expected the implications of the grey listing to be contained, as it forecast the banking sector's net external asset position to remain broadly stable in 2023. In parallel, the agency considered that the Nigerian banks' digital capabilities could help facilitate the identification and reporting of AML/CFT gaps in their risk-management frameworks. It also anticipated that governance deficiencies and the lack of transparency in the broader economy will affect the banking sector, which could create systemic risks, given the high single-name and sector concentrations on the banks' balance sheets.

Source: S&P Global Ratings

ANGOLA

Banking sector's liquidity at 32% of assets at end-September 2022

The International Monetary Fund indicated that Angola's banking sector is well capitalized, but that the sector's capital adequacy ratio regressed from 23.8% at end-2021 to 18.8% at the end of September 2022. It said that the banks' lending growth slowed to 4.9% last year, due in part to the valuation impact of the appreciation of the Angolan kwanza and the ongoing restructuring of two large banks in the country. Further, it pointed out that the aggregate non-performing loans (NPLs) ratio stood at 21.1% at the end of September 2022, up from 20.3% at end-2021, and that NPLs are largely concentrated in the two large banks that are under restructuring. In addition, it expected the other 21 Angolan banks to have sufficient capital and liquidity in order to support moderate credit growth. It pointed out that the banks' liquid assets were equivalent to 32.2% of total assets at end-September 2022 compared to 35.8% at end-2021, and that they were equivalent to 40% of short-term liabilities, down from 43.6% of such liabilities at end-2021. In parallel, it indicated that the Banco Nacional de Angola plans to complete targeted onsite inspections at all banks with elevated NPLs, and will focus on provisioning levels, collateral valuations, and resolution strategies. In parallel, it said that authorities are introducing stricter regulations to encourage banks to reduce their NPLs, which are mainly concentrated in weaker banks.

Source: International Monetary Fund

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

ICE Brent crude oil front-month prices reached $73.7 per barrel (p/b) on March 15, 2023, their lowest level since December 17, 2021, and constituting a decrease of 11% from $82.7 p/b a week earlier, as investors feared that a brewing banking crisis in the U.S. could affect global economic growth. In parallel, the Oxford Institute for Energy Studies expected global oil demand to increase by 150,000 barrels per day (b/d) to 1.6 million b/d in 2023, due to the recovery in Chinese demand. Also, it forecast global oil supply to rise by 500,000 b/d to 1.6 million b/d this year, but anticipated the supply growth to slow down due to the decrease in Russian oil production. Further, Fitch Ratings projected the global oil market to post a surplus of 1.5 million b/d in the first half of 2023 and to shift to a deficit of 900,000 b/d in the second half of the year, but considered that uncertainties about the oil market will remain elevated in the near term. In addition, the U.S. Energy Information Administration (EIA) indicated that the global oil market is broadly balanced despite the gradual reopening of economic activity in China, which could increase demand for oil, while Russia has re-routed its oil exports rather than materially reducing them. In addition, it expected that high demand for crude oil from refineries will support oil prices in the second quarter of 2023, but that increasing global oil inventories will weigh on oil prices in the third quarter of 2023. Also, it anticipated global oil demand to decline in the long-term due to the energy transition. Further, it projected oil prices to average $83.5 p/b in the first quarter and $84 p/b in the second quarter of 2023.
Source: Oxford Institute for Energy Studies, Fitch Ratings, EIA, Byblos Research

OPEC's oil basket price up 0.3% in February 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $81.88 per barrel (p/b) in February 2023, constituting a marginal increase of 0.3% from $81.62 p/b in January 2023. The price of Angola’s Girassol was $84.05 p/b, followed by Algeria's Sahara blend at $84.05 p/b, and Saudi Arabia’s Arab light at $83.56 p/b. Three out of 13 prices in the OPEC basket decreased between $0.24 p/b and $0.36 p/b in February 2023, while the remaining prices increased between $0.21 p/b and $2.01 p/b.
Source: OPEC

Global petroleum and liquid fuels consumption to grow by 1.5% in 2023

The U.S. Energy Information Administration projected the global consumption of petroleum and liquid fuels at 100.9 million barrels per day (b/d) in 2023, constituting a rise of 1.5% from 99.42 million b/d in 2022. It forecast the consumption of petroleum and liquid fuels from non-OECD economies at 54.9 million b/d, or 54.4% of global demand, and for the consumption by OECD countries to reach 46.01 million b/d, or the balance of 45.6%.
Source: U.S. Energy Information Administration

OPEC oil output up 1.5% in February 2023

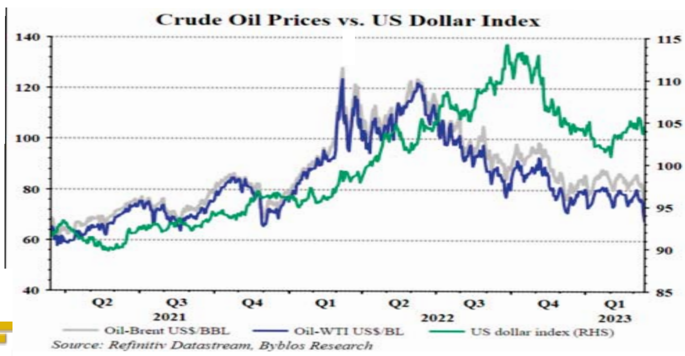
Members of OPEC, based on secondary sources, produced 28.9 million barrels of oil per day (b/d) on average in February 2023, nearly unchanged from 28.8 million b/d in January 2023, and representing a rise of 1.5% from 28.47 million b/d in February 2022. On a country basis, Saudi Arabia produced 10.4million b/d, or 35.8% of OPEC's total output, followed by Iraq with 4.4 million b/d (15.2%), the UAE with 3.04 million b/d (10.5%), Kuwait with 2.7 million b/d (9.3%), and Iran with 2.57 million b/d (8.9%).
Source: OPEC

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

The LME cash prices of zinc averaged $3174.6 per ton in the first 10 weeks of 2023, constituting a decrease of 13.6% from an average of $3,673 a ton in the same period of 2022, driven by a stronger dollar and a decrease in energy prices that led to the reopening of zinc smelters, which increased concerns of a market surplus. In parallel, the latest figures released by the International Lead and Zinc Study Group (ILZSG) show that global demand for refined zinc was 13.6 million tons in 2022, constituting a decline of 3.3% from 14.06 million tons in 2021, due to the decrease in demand for the metal from Australia, Brazil, China, Europe, Japan, South Korea, and Taiwan, which was largely offset by higher demand in Saudi Arabia, South Africa, and the United States. Also, global zinc production was 13.28 million tons in 2022, representing a decrease of 4.1% from 13.85 million tons in 2021, due to decreases in mining activity in Australia, Brazil, Burkina Faso, Canada, China, Greece, Ireland, Mexico, Kazakhstan, and Peru, which were partially offset by higher production in Bolivia, India, Pakistan, Portugal, South Africa, South Koera, and the United States. In addition, mine output accounted for 94% of global refined zinc production in 2022. Moreover, Citi Research 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: ILZSG, Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,840 per ounce in second quarter of 2023

Gold prices averaged $1,872.1 per troy ounce in the first 10 weeks of 2023, constituting an increase of 0.4% from an average of $1,864 an ounce in the same period of 2022. Further, prices regressed from a peak of $2,506 per ounce on March 8, 2022 to $1,929.1 an ounce on March 15, 2023, driven mainly by a more positive global economic outlook, a stronger U.S dollar, and the easing of supply chain restrictions around the world. In parallel, Standard Chartered Bank indicated that the rise in interest rate by major central banks in advanced economies led to the increase in gold prices recently to between $1,810 per ounce and $1,929 an ounce since the start of 2023. Further, it noted that the decrease in inflows to gold-backed exchange-traded funds, the purchase of gold from central banks, as well as heightened geopolitical risk and market uncertainties would lead to the increase in the metal’s price in the near term. However, it considered that gold’s role as a safe-haven asset does not always result in higher prices for an extended period of time. Moreover, it forecast gold prices to average $1,840 per ounce in the second quarter and $1,810 an ounce in the third quarter of 2023.
Source: 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+ Negative	-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	SD -	- -	-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+ Positive	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	Caa3 Stable	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	10-Mar-23	No change	28-Apr-23
Australia	Cash Rate	3.60	07-Mar-23	Raised 25bps	04-Apr-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	08-Mar-23	No change	12-Apr-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	09-Mar-23	No change	03-May-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	8.50	23-Feb-23	Cut 50bps	23-Mar-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	29-Mar-23
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	22-Mar-23
Armenia	Refi Rate	10.75	14-Mar-23	No change	02-May-23
Romania	Policy Rate	7.00	09-Feb-23	No change	04-Apr-23
Bulgaria	Base Interest	1.42	27-Feb-23	Raised 12bps	27-Mar-23
Kazakhstan	Repo Rate	16.75	24-Feb-23	No change	07-Apr-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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