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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade to increase by 1% in 2023

The World Trade Organization expected the volume of global merchandise trade to increase by 1% 2023 relative to an expansion of 3.5% in 2022. It forecast the volume of merchandise exports from the Commonwealth of Independent States (CIS) to rise by 3.3% in 2023, followed by an increase in exports from North America (+1.4%), Europe (+0.8%), and South America (+0.3%). In contrast, it projected the volume of merchandise exports from the Middle East region to regress by 1.5%, those from Asia to decrease by 1.1%, and exports from Africa to contract by 1% this year. In parallel, it expected the volume of merchandise imports to the CIS to increase by 9.4% in 2023, followed by imports to Africa and the Middle East (+5.7% each), to Asia (+2.2%), and North America (+0.8%). In contrast, it projected the volume of merchandise imports to South America to regress by 1% and those to Europe to retreat by 0.7% this year. In addition, it forecast the volume of merchandise exports from least developed countries to increase by 3.8% in 2023 and the volume of merchandise imports to expand by 9%.

Source: World Trade Organization

Sovereigns' market debt at $65 trillion at end-2023

S&P Global Ratings projected the global stock of commercial borrowing of sovereigns to reach $65 trillion (tn) at the end of 2023, which would constitute an increase of 7% from $60.8tn at the end of 2022. It forecast the debt stock of sovereigns in the 'AA' category at $33.4tn at end-2023, which would account for 51.4% of aggregate market debt, followed by sovereigns in the 'A' bracket with $15.5tn (24%), sovereigns in the 'BBB' range with $6.8tn (10.5%), sovereigns in the 'AAA' segment with $5.3tn (8%), sovereigns in the 'BB' bracket with $2.3tn (3.5%), sovereigns in the 'B' range with $970bn (31.5%), sovereigns in the 'CCC' segment with $525bn (0.8%), and sovereigns in the 'Selective Default' bracket with $154.7bn (0.2%). Also, it expected the stock of market debt of sovereigns in the 'AAA' category to increase by 12.2% in 2023, followed by a rise of 10.2% for the 'BBB' range, of 8.7% for the 'BB' bracket, of 6.6 % for the 'AA' category, of 5.5% for the 'A' range, and of 2.5% for the 'CCC' bracket, while it projected the stock of commercial debt of sovereigns in the 'Selective Default' and the 'BB' categories to decline by 6.9% and 6.8%, respectively, this year. In parallel, it forecast the long-term market debt of sovereigns at $10.46tn at the end of 2023 compared to $10.45tn at end-2022, which would account for 16% of their aggregate market debt. It expected the long-term market debt of sovereigns in the 'AA' category at $4.8tn at end-2023, which would account for 45.8% of the total, followed by long-term commercial borrowings of sovereigns in the 'A' bracket at $3.34tn (32%), sovereigns in the 'BBB' range at $967.2bn (9.2%), sovereigns in the 'AAA' category at $643.1bn (6.1%), sovereigns in the 'BB' bracket at $399.5bn (3.8%), sovereigns in the 'B' range at $196.2bn (1.9%), sovereigns in the 'CCC' category at $103.2bn (1%), and sovereigns in the 'Selective Default' bracket at $16bn (0.2%).

Source: S&P Global Ratings

MENA

Level of global connectedness varies across Arab world

The DHL Global Connectedness Index for 2022 indicated that the UAE is the most connected country in the Arab world and the sixth most connected economy among 171 countries globally. Qatar followed in 34th place, then Lebanon (41st), Saudi Arabia (44th), and Bahrain (53rd). In contrast, Mauritania (118th), Algeria (126th), Iraq (130th), Sudan (164th) and Yemen (168th) were the least connected Arab economies. The index measures the level of globalization of countries based on the international flow of trade, capital, information and people to and from a country, as measured by two sub-indicators. The Depth Sub-Indicator quantifies a country's international flows of products and services, capital, information and people, relative to the size of its domestic economy, while the Breadth Sub-Indicator measures the geographical distribution of a country's international flows of trade, capital, information and people. A country's score on the index ranges from zero to 100, with a higher score reflecting a better performance in terms of global connectedness. Further, the UAE (3rd), Bahrain (19th), Lebanon (26th), Oman (29th) and Qatar (45th) were the top ranked Arab countries on the Depth Sub-Indicator; while Saudi Arabia (31st), the UAE (34th), Qatar (37th), Egypt (51st) and Lebanon (57th) were the highest ranked countries on the Breadth Sub-Indicator.

Source: DHL, Byblos Research

Female empowerment varies across Arab world

The World Bank ranked the UAE in 79th place globally and in first place in the Arab world on its Women, Business and the Law Index for 2023. Morocco followed in 118th place, then Saudi Arabia and Djibouti (135th each), and Bahrain (143rd), as the five highest ranked Arab economies where legislation empowers women the most. In contrast, Kuwait (184th), Qatar and Sudan (187th each), Yemen (189th), and the West Bank & Gaza (190th) are the five lowest ranked Arab countries in the survey. The index assesses how a country's legislation influences the equality of opportunities for women during different phases of their working lives and how this, in turn, affects female participation in the labor force. The index is an unweighted average of eight indicators that are Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets and Pension. The Arab region's average score stood at 50.9 points compared to 51.1 points in the previous survey, but it remained significantly lower than the global average score of 77.1 points. The region's average score shows that legislation in Arab countries provides women with nearly 51% of the legal rights provided to men on the eight indicators. In comparison, legislation in in OECD high income countries provides females with 95.3% of the legal rights it extends to males, followed by Europe and Central Asia (84.4%), Latin America and the Caribbean (81%), Sub-Saharan Africa and East Asia & the Pacific (72.6% each), and South Asia (63.7%). Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Latvia, Luxembourg, the Netherlands, Portugal, and Spain are the only countries in the world that provide females with 100% of the legal rights that males have.

Source: World Bank, Byblos Research

OUTLOOK

EMERGING MARKETS

Balance of risks for sovereigns on the downside

S&P Global Ratings anticipated that the lack of clear policy direction or continually high interest rates in advanced economies (AEs) could make financing conditions tougher for emerging market (EM) sovereign and corporate issuers, which would restrict their market access and increase financing costs. It added that a deep recession in the U.S. could have a material impact on economic activity across EMs, mainly in countries with close trade links with the U.S. In addition, it pointed out that inflation rates in most EMs remain above their central bank's targets, but expected them to decline in 2023. Still, it anticipated that steep wage hikes and their effect on services prices, as well as higher food prices in EM economies, will keep inflation rates elevated. It also expected the U.S. Federal Reserve's monetary tightening to weaken EM currencies, which could exacerbate inflationary pressures. As a result, it expected that financing costs could rise for many EM sovereigns, and that the political pressure to maintain or increase subsidies due to higher commodity and energy prices will likely reduce the available fiscal space.

In parallel, the agency anticipated that a deeper-than-expected recession in AEs could hurt key EM exporters by reducing trade, portfolio flows, and foreign direct investments from AEs. Also, it considered that the Russia's war in Ukraine will keep energy and food prices under pressure, which could undermine confidence and growth in EMs. Further, it anticipated that muted business and household sentiment could slow the recovery of the Chinese economy in 2023, and for subdued domestic consumption to dampen the services sector. It expected these developments to affect EM countries that are reliant on China for tourism, exports, imports, finance, or supply chains. Finally, it said that efforts by EM authorities to step up the adaptation to climate change could increase the fiscal burden for the most vulnerable countries, and lead to higher costs for private sector entities.

Source: S&P Global Ratings

PAKISTAN

Economy facing public finance challenges

European credit insurance group Credendo indicated that Pakistan is facing a multi-faceted crisis, which could result in the country defaulting on its sovereign debt. It considered that the economy will not be able to reduce its reliance on additional foreign funding without deep reforms and significant financial support, including the restructuring of its public debt. It also expected authorities to request further assistance from the International Monetary Fund (IMF) after the general elections of August 2023. It pointed out that Russia's war in Ukraine has resulted in the widening of Pakistan's current account deficit due to higher global food and fuel prices. It added that the authorities liberalized the exchange rate at end-January 2023, and then cut fuel subsidies and announced additional tax increases. As such, it said that the rupee has been trading at a historically low level against the dollar, which has made essential imports much more expensive and has resulted in soaring inflation rates. As such, it expected the authorities to further raise policy rates in the near term to rein in inflationary pressures. It anticipated that higher interest rates will weigh on debt servicing amid low public revenues, which would lead to an unsustainable debt level in the medium to long terms, in the absence of drastic reforms and a large public debt relief package. It considered that any funding from foreign sources would have to be combined with a debt restructuring, which would affect domestic and external creditors.

In parallel, it anticipated Pakistan's external debt level to rise in the fiscal year that ends in June 2023, given that the authorities secured new foreign loans in the previous two fiscal years. It pointed out that the short-term external debt and external debt servicing significantly exceed foreign currency reserves, as the latter covered less than one month of import coverage at end-2022. It added that the steady depletion of reserves has led to foreign currency shortages and forced authorities to prioritize the imports of basic goods. As such, it expected foreign currency liquidity to remain under pressure, amid high energy prices and elevated debt repayments. It noted that potential talks about the restructuring of the public debt amid a politically unstable environment could exacerbate these risks.

Source: Credendo

ETHIOPIA

Liquidity shortages cloud external sector outlook

S&P Global Ratings projected Ethiopia's real GDP growth rate at 6% in the fiscal year that ends in June 2023 and 6.5% in FY2023/24, compared to growth rates of between 8% and 10% prior to the COVD-19 outbreak. It attributed the slowdown in economic activity to the government's efforts to reallocate public spending away from productive projects towards rehabilitation and reconstruction needs as a result of the conflict in the Tigray region. It expected that a gradual recovery in private and public sector investments will boost real GDP growth to 7% in FY2024/25 and FY2025/26, but noted that risks to the outlook are contingent on the public and private sectors' commitment to such investments. Also, it forecast the inflation rate to decline from an average of 33.7% in FY2021/22 to 28% in FY2022/23 and to continue on a downward path afterwards, as it anticipated commodity prices and supply side constraints to moderate.

In parallel, the agency anticipated that priority reconstruction and development needs will keep the fiscal deficits at about 3% of GDP in the medium- to long terms, compared to 1% to 2% of GDP historically. It also expected the authorities to finance the deficit almost exclusively from domestic sources. In addition, it estimated that the overall public debt level, including the government-guaranteed debt of state-owned enterprises and the National Bank of Ethiopia's external liabilities, stood at 53% of GDP at end-2022, which exposes the sovereign to sizable contingent liability risks, mainly in the sugar, railway, and energy sectors.

Further, S&P anticipated Ethiopia's external balance to continue to deteriorate due to wide current account deficits and elevated foreign debt service repayments, in the absence of strong inflows of concessional external financing. As such, it considered that the government will maintain its current policy of curbing discretionary consumer imports to allocate its limited foreign currency reserves for external debt-servicing and other priority sectors such as agriculture, energy and pharmaceuticals. Also, it forecast Ethiopia's gross external financing needs to remain elevated at about 167% of current account receipts plus usable reserves annually between FY2022/23 and FY2025/26.

Source: S&P Global Ratings

ECONOMY & TRADE

EMERGING MARKETS

Probability of sovereign defaults on the rise

Fitch Ratings indicated that there were 14 separate default events across nine emerging market (EM)-rated sovereigns since 2020, compared to 19 default events that took place in 13 EM countries between 2000 and 2019. It added that it currently rates nine sovereigns at 'B-' and eight countries at 'CCC+ or lower, which suggests further upcoming defaults. It noted that the average EM sovereign rating fell to an all-time low of 'BB-' at the beginning of 2023, while the average cumulative five-year default rate between 1995 and 2021 for sovereigns rated 'C' to 'CCC+' was 40.6%. In parallel, it indicated that the median public debt level of Fitch-rated sovereigns rose steadily from 31% of GDP at the end of 2008 to 48% of GDP prior to the COVID-19 outbreak, due in part to the easier access of frontier markets to the Eurobond market and to borrowing from China. As a result, it considered that frontier markets with higher debt levels and limited buffers were poorly placed to cope with the severe shocks from the pandemic and the rise of global food and energy prices, as well as with higher inflation rates worldwide and the subsequent abrupt tightening in monetary policy globally. Further, it noted that sovereign defaults for Fitch-rated sovereigns in the 2020-22 period are taking longer to resolve, and that the median duration of defaults since 2020 is 107 days compared to 35 days for all defaults since 2000. It considered that the slow restructuring of public debt does not serve the interests of debtors or creditors, and that it adds to the cost of financing of debtor sovereigns.

Source: Fitch Ratings

GCC

Agencies revise outlook to 'positive' on sovereigns

Fitch Ratings affirmed Qatar's short- and long-term foreign and local currency Issuer Default Ratings (IDRs) at 'F1+' and 'AA-', respectively, and revised the outlook on the long-term ratings from 'stable' to 'positive'. It attributed the outlook revision to the agency's expectation that the public debt level will decline, and the external balance sheet will substantially improve, as well as to additional liquefied natural gas export capacity. It indicated that the ratings are supported by a high level of net foreign assets, one of the highest GDP per capita globally, and a flexible public finance structure. But it noted that the ratings are constrained by an elevated public debt level and considerable contingent liabilities, as well as a high dependence on the hydrocarbon sector and low scores on governance and doing business metrics. In parallel, Capital Intelligence Ratings affirmed Oman's short- and long-term local and foreign currency issuer ratings at 'B' and 'BB', respectively and revised the outlook on the long-term ratings from 'stable' to 'positive'. It attributed the outlook revision to the decline of the government's debt level and to the agency's expectation that fiscal and external balances will remain in surplus in the coming years, which would lead to the further decline in the government and external debt levels. Also, it noted that the ongoing improvement in the public and external finances is supported by an increase of global oil prices and more prudent fiscal and debt management policies. Further, it said that the ratings are supported by Oman's sound banking system, as well as by its expectations that countries in the Gulf Cooperation Council will provide support to Oman in case of need.

Source: Fitch Ratings, Capital Intelligence Ratings

TUNISIA

Economy at risk of balance of payments and debt crisis

The Institute of International Finance (IIF) considered that the Tunisian authorities urgently need to implement a comprehensive medium-term reform program that is supported by the International Monetary Fund (IMF), in order to avert a full-fledged balance-of-payments and debt crisis, as well as to restore the country's macroeconomic stability and debt sustainability. It said that Tunisia and the IMF reached a Staff-Level Agreement in October 2022 to support the country's economic policies with a $1.9bn 48-month Extended Fund Facility. But it noted that the authorities have not sent any signals that they are willing to implement the needed fiscal and structural reforms, which has delayed the ratification of the final agreement. Further, it considered that, in order for the economy to reach higher and sustainable growth rates, the authorities need to focus on structural challenges that remain unaddressed, such as the large footprint of the State in the economy, the lack of competition in the domestic market, as well as governance and institutional weaknesses. In parallel, the IIF pointed out the need for strong fiscal consolidation in order to put the public debt level on a downward path. It noted that the 2023 budget targets the narrowing of the fiscal deficit from 7.6% of GDP in 2022 to 5.2% of GDP in 2023, but fails to fully correct the authorities' loose fiscal policy in the past three years. It considered that the authorities need to implement additional revenue measures and further cuts in non-priority spending, as well as restrain the public sector wage bill through the streamlining of public employment, in order to achieve a narrower primary deficit and significantly reduce the public debt level.

Source: Institute of International Finance

ANGOLA

Public and external debt profile improves

Barclays Capital indicated that the Angolan authorities' tight fiscal and monetary policies have allowed them to stabilize the country's public debt level since 2022. It projected the public debt level at 67.9% of GDP at the end of 2023 and 67.5% of GDP at end-2024, and forecast the gross external debt at 56% of GDP at end-2023 and at 51.6% of GDP at the end of 2024. It added that, following prudent proactive engagement with its largest Chinese external creditors, Angola managed to achieve a tailor-made debt reorganization arrangement that linked its debt repayments to China to the level of global oil prices. As such, it pointed out that Angola began to repay its outstanding debt to China as oil prices recovered, and that the current geographical breakdown of Angola's external debt shows that the country has reduced its exposure to China and increased its borrowing from the United Kingdom and the United States. In parallel, it pointed out that Angola's debt to multilateral institutions has risen sharply since the beginning of the COVID-19 outbreak and now accounts for more than 16% of its total external debt stock, compared to between 4% and 7% prior to the pandemic. It attributed the increase in multilateral debt in part to the country's $3.9bn Extended Fund Facility with the International Monetary Fund in 2018, which the latter increased by $0.8bn in 2021. It anticipated that Angola could face some external funding challenges if it experiences a large exogenous shock such as a sharp drop in oil prices.

Source: Barclays Capital

AFRICA

Banks at low risk of realizing bond losses

Moody's Investors Service indicated that African banks benefit from stable deposit bases, as well as high capital and liquidity buffers. As a result, it considered that the risk of the banks realizing losses on their fixed income portfolios is low, following the deterioration of financial conditions in the United States. Also, it expected banks to be able to hold their investments to maturity without incurring losses from having to sell them at depressed market values. It added that central banks in Africa play a key role in providing liquidity to their domestic banks in the event of financial stress. Further, it said that most rated African banks have solid liquidity that can offset large deposit withdrawals, given that the banks' aggregate liquid assets accounted for 43% of their total assets at end-2022. It estimated that 20% of the banks' assets are in the form of cash, reserves with the central bank, and other interbank deposits, which are highly liquid. It indicated that African banks are significantly exposed to government securities, which links their credit profile to that of the sovereign. It noted that part of the government securities held by African banks have short maturities and that banks hedge interest rate risk for longer duration. It noted that banks can generally resell large stocks from their government securities to get access to cash, which represents an additional funding source. Also, it said that the ratio of market funding to tangible banking assets was 12.8% in 2022, which shows the banks' limited reliance on market funding.

Source: Moody's Investors Service

MENA

Solid capital buffers mitigate for global markets volatility

Goldman Sachs (GS) considered that the 18 banks under its coverage in the Middle East region have solid capital buffers and that they fare more favorably in terms of capitalization metrics than their peers in the Central & Eastern Europe, and Africa (CEE&A) region. The banks under GS coverage consist of seven banks in Saudi Arabia, five in the UAE, four in Qatar, and one bank in each of Egypt and Kuwait. It pointed out that the median total capital adequacy ratio of the banks stood at about 20% at the end of 2022, compared to an average ratio of 18% for banks in the CEE&A region. It added that their core capital ratio had a median of 15.5% at the end of last year, which exceeds the median of 14.5% for banks in the CEE&A region, and is significantly above the minimum capital requirements under Basel III and the minimum regulatory capital requirements per country in the Middle East. In parallel, it indicated that nearly 60% of the investment portfolios of the 18 banks in the region is held to maturity, which limits the volatility of capital ratios. Also, it said that about 85% of the banks' investment book is concentrated in the Middle East region, with limited exposure to Europe (6%) and North America (4%). Further, it said that the 18 banks had an average liquidity coverage ratio of about 165% at the end of 2022, which significantly exceeds the minimum required ratio of 100% and points to the banks' comfortable liquidity profile. It also pointed out that the banks' other liquidity metrics, such as cash and securities that are available for sale and trading as a percentage of deposits, are solid and reflect comfortable levels of liquidity.

Source: Goldman Sachs

SAUDI ARABIA

Outlook on bank ratings revised to 'positive' on improving operating environment

Moody's Investors Service revised the outlook from 'stable' to 'positive' on the long-term deposit and senior unsecured debt ratings of the Saudi National Bank, Riyad Bank, Saudi British Bank, Banque Saudi Fransi, Arab National Bank, Bank AlBilad, The Saudi Investment Bank, Bank AlJazira, and Gulf International Bank - Saudi Arabia; while it affirmed the outlook on the long-term deposit rating of Al Rajhi Bank at 'stable'. It attributed the outlook revision to its similar action on the sovereign ratings, as well as to the government's stronger capacity to provide support for banks in case of need, and to the ongoing improvement in the banks' operating environment, which would ameliorate the banks' financial performance and credit risk profile. In addition, the agency affirmed the long-term deposit ratings of the 10 banks due to their solid funding and sound liquidity profiles. It stated that the banks' non-performing loans ratio reached 2.1%, their tangible common equity to risk-weighted assets stood at 16%, and their net income to total tangible assets was 1.8% at the end of 2022. It added that the banks' ratings benefit from a very high probability of government support, in case of need. It noted that banks still maintain liquidity coverage ratios and net stable funding ratios above the minimum regulatory limit of 100%, even though credit growth has outpaced deposit growth in recent years.

Source: Moody's Investors Service

EGYPT

Outlook on banks revised to 'negative' on weak government finances

Capital Intelligence Ratings affirmed the short- and long-term foreign currency ratings of Arab African International Bank (AAIB), Arab International Bank (AIB), Bank of Alexandria (Alexbank), Banque du Caire (BdC), Commercial International Bank (CIB), the Export Development Bank of Egypt (EBank), QNB Alahli, and the National Bank of Egypt (NBE) at 'B' and 'B+', respectively. It also affirmed the Bank Standalone Ratings (BSRs) of AAIB, AIB, Alexbank, CIB, QNB Alahli, and NBE at 'b+', and the BSRs of BdC and EBank at 'b'. Further, it revised the outlook on the banks' ratings and BSRs from 'stable' to 'negative' following its similar action on the sovereign ratings, due to the intensifying financial pressures on government finances, elevated debt levels, and rising interest rates locally and globally. It added that the outlook change reflects the agency's expectation that it may downgrade the banks' ratings by one notch in the next 12 months, in line with a possible similar action on the sovereign ratings. It said that the ratings of the banks are supported by their good capitalization metrics and sound liquidity buffers. It noted that the ratings of Alexbank, BdC, CIB, and QNB Alahli are underpinned by their high profitability, while the ratings of Ebank reflect the bank's satisfactory profitability, and that the ratings of AIB and NBE are constrained by their modest profitability. Also, it pointed out that the ratings of Alexbank, BdC, CIB, EBank and QNB Alahli take into account their comfortable funding profile. In addition, it indicated that the ratings of CIB, EBank, QNB Alahli, and NBE are supported by their sound asset quality, while the increase in non-performing loans ratio is weighing on the ratings of AIB and Alexbank.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

Gas prices to average $5.4 per million Btu in second quarter of 2023

The U.S. NYMEX natural gas Henry Hub prices reached $1.98 per million British thermal unit (Btu) on March 29, 2023, their lowest level since September 22, 2020, and constituting a decrease of 10.8% from a week earlier and a drop of 55.3% from $4.43 per million Btu at the end of 2022. The decline in prices is due mainly to fears of a global recession that would reduce demand for gas as well as to the shutdown of several gas pipelines, mainly in the United States. In parallel, the International Energy Agency indicated that the unseasonably mild winter in the northern hemisphere, combined with sustained liquefied natural gas inflows and adequate gas inventories, put downward pressure on European and Asian gas prices. Also, it considered that high levels of uncertainties in 2023 would affect the global gas market. It noted that gas-importing economies are exposed to a tight supply environment and the impact of further cuts from Russian gas exports. However, it said that the governments in Europe and other importing markets took strong policy measures to increase their energy resilience and reduce their dependence on natural gas from Russia since the onset of the war in Ukraine. Further, Standard Chartered Bank projected natural gas prices to average $5.4 per million Btu in the second quarter and $5 per million Btu in the third quarter of 2023.

Source: International Energy Agency, Standard Chartered Bank, Refinitiv, Byblos Research

Global steel output down 2% in February 2023

Global steel production reached 142.4 million tons in February 2023, constituting a decrease of 2% from 145.3 million tons in January 2023 and a marginal decline of 0.2% from 142.7 million tons in February 2022. Production in China totaled 80.1 million tons and accounted for 56.3% of global steel output in February 2023. India followed with 10 million tons, or 7% of the total, then Japan with 6.9 million tons (4.8%), the U.S. with 6 million tons (4.2%), Russia with 5.6 million tons (3.9%), and South Korea with 5.2 million tons (3.7%).

Source: World Steel Association, Byblos Research

Saudi Arabia's oil export receipts up 8.4% in January 2023

Total oil exports from Saudi Arabia amounted to 8.9 million barrels per day (b/d) in January 2023, constituting a decrease of 1% from 8.84 million b/d in December 2022 and an increase of 8.4% from 8.4 million b/d in January 2022. Further, oil export receipts reached $21.89 in January 2023, representing decreases of 4% from $22.8bn in December 2022 and of 1.7% from $22.3bn in January 2022.

Source: JODI, General Authority for Statistics, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production to grow by 1% in 2023

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa region to average 4.66 million barrels per day (b/d) in 2023, constituting an increase of 1.1% from 4.61 million b/d in 2022. The supply of oil from non-OPEC producers in the ME&A region would represent 14.4% of output in non-OECD countries and 7% of oil production in non-OPEC countries.

Source: OPEC

Base Metals: Iron ore prices to average at $119 a dmt in 2023

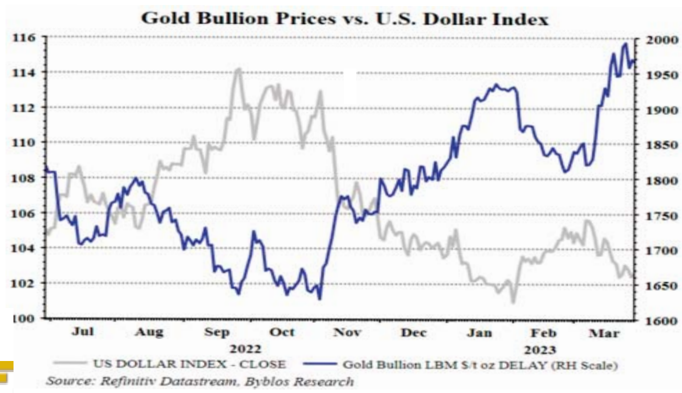
LME iron ore cash prices averaged $124.4 per dry metric ton (dmt) in the first quarter of 2023, constituting a decrease of 11.7% from an average of $141 a dmt in the first quarter of 2022, due to weak global demand and poor market sentiment. It forecast the global supply of iron ore to increase by 1.3% from 2.34 million tons in 2022 to 2.37 million tons in 2023. Also, it anticipated the global consumption of iron ore to be nearly unchanged at 1,495 million tons in 2023 relative to 1,496 million tons in 2022. It noted that iron ore prices reached a nine-month high of $133.1 dmt on March 15, 2023, driven by improved investor sentiment, increased steel output and restocking activity in anticipation of a seasonal pick-up in construction activity. Further, it expected a small surplus in the iron ore trade balance in 2023, and anticipated prices to average $118.93 per dmt in the near term, despite a seasonal pick-up in construction activity in the first half of 2023, given that iron ore is used to produce steel. Also, it revised upwards Australia's exports of iron ore to 891.2 million metric tons in 2023 and forecast China's steel output, which is derived from iron ore, to remain constrained by the economic slowdown in 2023. Moreover, it projected iron ore prices to average $118.9 per dmt in 2023 and $115 a dmt in 2024.

Source: S&P Global Market Intelligence, Refinitiv

Precious Metals: Platinum prices to average $975 per ounce in second quarter of 2023

Platinum prices averaged $995.2 per troy ounce in the first quarter of 2023, constituting a decrease of 3.4% from an average of $1,030.3 an ounce in the same quarter last year. Further, platinum prices regressed from their recent high of $1,151 per ounce on March 8, 2022 to $962 an ounce on March 29, 2023, driven by the expected slowdown in global economic growth, which has put downward pressure on the metal's price. In parallel, Citi Research projected global demand for platinum to reach nearly 7.9 million ounces in 2023 and to increase by 9.1% from 7.24 million ounces in 2022. Also, it forecast the global supply of platinum to increase by 2.1% from 7.28 million ounces in 2022 to 7.44 million ounces in 2023, with mine output representing 76.6% of global refined platinum production this year. It expected the platinum market to shift from a surplus in 2022 to a deficit in 2023 due to the limited supply of the metal. Further, it expected platinum prices to rise to $1,050 per ounce in the next six to 12 months, due to weaker global growth. Moreover, Citi Research forecast platinum prices to average $975 per ounce in the second quarter and $1,000 an ounce in the third quarter of 2023.

Source: Citi Research, Refinitiv, Byblos Research



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
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	Negative	-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	Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA								
	Stable	Positive	Positive	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A	A1	A	A+								
	Stable	Positive	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+ 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	5.00	22-Mar-23	Raised 25bps	03-May-23
Eurozone	Refi Rate	3.50	16-Mar-23	Raised 50bps	N/A
UK	Bank Rate	4.25	23-Mar-23	Raised 25bps	11-Apr-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	1.50	23-Mar-22	Raised 50bps	22-Jun-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-Mar-23	No change	20-Apr-23
Hong Kong	Base Rate	5.25	23-Mar-23	Raised 25bps	04-May-23
Taiwan	Discount Rate	1.75	15-Dec-22	Raised 12.5bps	15-Jun-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	1.75	29-Mar-23	Raised 25bps	31-May-23
India	Reverse Repo Rate	3.35	10-Feb-23	No change	N/A
UAE	Base Rate	4.90	22-Mar-23	Raised 25bps	03-May-23
Saudi Arabia	Repo Rate	5.50	22-Mar-23	Raised 25bps	03-May-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-Mar-23	No change	N/A
South Africa	Repo Rate	7.25	26-Jan-23	Raised 25bps	30-Mar-23
Kenya	Central Bank Rate	9.50	29-Mar-23	Raised by 75bps	N/A
Nigeria	Monetary Policy Rate	18.00	21-Mar-22	Raised 50bps	23-May-23
Ghana	Prime Rate	29.50	27-Mar-23	Raised 150bps	22-May-23
Angola	Base Rate	17.00	21-Mar-23	Cut 100bps	19-May-23
Mexico	Target Rate	11.00	09-Feb-23	Raised 50bps	30-Mar-23
Brazil	Selic Rate	13.75	22-Mar-23	No change	N/A
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	1.82	27-Mar-23	Raised 40bps	28-Apr-23
Kazakhstan	Repo Rate	16.75	24-Feb-23	No change	07-Apr-23
Ukraine	Discount Rate	25.00	16-Mar-23	No change	27-Apr-23
Russia	Refi Rate	7.50	17-Mar-23	No change	28-Apr-23

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