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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade up by 12% in 2022

The World Trade Organization indicated that the value of global merchandise trade increased by 12% in 2022 relative to a surge of 27% in 2021. It pointed out that the trade of fuels and mining products jumped by 42% in 2022, followed by a rise of 12% in the trade of iron and steel and of chemical products, an increase of 11% in the trade of agricultural products, a growth of 9% in trade in clothing, an expansion of 8% in the trade of energy generating machinery, electrical machinery and non-electrical machinery, an improvement of 7% in the trade of manufactured goods, an uptick of 6% in the trade of automotive products, and an increase of 2% in the trade of office and telecommunications equipment. In contrast, it said that trade in textiles regressed by 1% last year. In parallel, it pointed out that the value of trade in commercial services grew by 15% in 2022 relative to a rise of 17% in 2021. It noted that travel services jumped by 79% in 2022, followed by a surge of 25% in transport services, an increase of 6% in goods-related services, and an uptick of 2% in other commercial services. In addition, it indicated that trade in computer and information services as well as in other business services increased by 6% worldwide last year, followed by a rise of 5% in trade in personal, cultural, and recreational services, and a growth of 4% in trade in telecommunications services. In contrast, it said that trade in financial services declined by 3%, intellectual property-related services decreased by 2%, and trade in insurance and pension services regressed by 1% in 2022.

Source: World Trade Organization

GCC

Fixed income issuance down 19.5% to $29.4bn in the first quarter of 2023

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $29.4bn in the first quarter of 2023, constituting a decrease of 19.5% from $36.5bn in the same period of 2022. Fixed income issuance in the first quarter of the year consisted of $13.6bn in corporate bonds, or 46.3% of the total, followed by $11.1bn in sovereign bonds (37.8%), $4.6bn in corporate sukuk (15.6%), and $0.1bn in sovereign sukuk (0.3%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $18.2bn in the first quarter of 2023, or 62% of fixed income output in the region; while issuance by GCC sovereign reached $11.2bn, or 38% of the total. GCC sovereigns issued $10bn in bonds and sukuk in January, $1.1bn in February, and $0.1bn in March 2023. In parallel, companies in the GCC issued $2.4bn in bonds and sukuk in January, $13.7bn in February, and $2.1bn in March 2023. In parallel, corporate output in March included $650m in bonds issued by companies based in the UAE, $417m in bonds issued by firms in Qatar, $262.2m in bonds issued by companies in Kuwait, $233m in sukuk and $100m in bonds issued by firms based in Saudi Arabia. In parallel, sovereign proceeds in the covered month consisted of $80.1m in bonds issued by Saudi Arabia.

Source: KAMCO

MENA

Stock markets down 2% in first quarter of 2023

Arab stock markets decreased by 2.3% and Gulf Cooperation Council equity markets regressed by 1.7% in the first quarter of 2023, relative to increases of 14% and 16%, respectively, in the same period of 2022. In comparison, global stocks increased by 6.4% and emerging market equities grew by 2.5% in the first quarter of 2023. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 105.4% in the first quarter of 2023; the Egyptian Exchange appreciated by 12.5%, the Iraq Stock Exchange improved by 9.5%, the Damascus Securities Exchange expanded by 8.7%, and the Amman Stock Exchange advanced by 4%. In addition, the Palestine Exchange yielded 2.7%, the Dubai Financial Market gained 2.1%, the Saudi Stock Exchange increased by 1.1%, the Tunis Bourse grew by 0.2%, and the Muscat Securities Market improved by 0.1% in the covered quarter. In contrast, activity on the Khartoum Stock Exchange dropped by 22%, the Abu Dhabi Securities Exchange declined by 7.6%, the Qatar Stock Exchange decreased by 4.4%, the Casablanca Stock Exchange contracted by 3.1%, the Boursa Kuwait regressed by 2.2%, and the Bahrain Bourse retreated by 0.5% in the first quarter of 2023.

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

Liberal democracy level varies across region

Varieties of Democracy, an independent research institute based at the University of Gothenburg in Sweden, ranked Kuwait in 100th place among 179 countries globally and in first place among 21 Arab economies on its Liberal Democracy Index for 2023. Lebanon followed in 107th place, then Morocco (109th), Jordan (110th), and Tunisia (117th) as the Arab countries with the most developed liberal democratic systems in the region. In contrast, Sudan (158th), Bahrain (165th), Yemen (169th), Saudi Arabia (170th), and Syria (175th) had the least developed liberal democratic systems among Arab economies. The index captures the liberal and electoral aspects of democracy based on 20,000 variables that are grouped in five indices that are the Electoral Democracy, the Liberal Component, the Egalitarian Component, the Participatory Component, and the Deliberative Component. A country's overall score ranges from zero to one, with a higher score reflecting a more developed liberal democratic system. In addition, it classifies countries within four electoral systems that are Liberal Democracy, Electoral Democracy, Electoral Autocracy, and Closed Autocracy. As such, it classified eight Arab economies in the Electoral Autocracy regime and 13 Arab jurisdictions in the Closed Autocracy system. The Arab region's average score stood at 0.14 points in the 2023 index compared to 0.15 points in the 2022 survey and came lower than the global average score of 0.39 points. The rankings of 13 Arab countries improved from the previous survey and those of seven economies deteriorated from 2022, while the ranking of one country was unchanged year-on-year. In parallel, the scores of seven countries improved year-on-year and those of eight economies regressed, while the scores of six Arab jurisdictions were unchanged from the 2022 survey.

Source: Varieties of Democracy, Byblos Research

POLITICAL RISKS OVERVIEW - March 2023

ALGERIA

President Abdelmadjid Tebboune reshuffled the Cabinet ahead of the 2024 presidential elections, which affected 11 ministerial portfolios as he dismissed the Minister of Foreign Affairs, the Minister of Finance and the Minister of Industry, Trade and Small Industries. He replaced the head of the Algerian People's National Army. In parallel, the president met with the U.S. Under Secretary of State for Arms Control and International Security as Algeria plans to spend about $21bn in 2023 to purchase weapons and military equipment, and with the European Union's High Representative of the Union for Foreign Affairs and Security Policy to discuss trade and energy issues, and relations between Algeria and Spain. Further, Algeria's ambassador to France, whom Algiers recalled in February 2023, returned to his post, while tensions with Morocco remained high over the Western Sahara issue.

ARMENIA

Tensions escalated between Armenia and Azerbaijan, as the two countries reported multiple incidents along their borders. Further, Yerevan and Baku continued to negotiate a draft peace treaty, despite hostile public statements indicating little progress on the diplomatic front. Further, the Armenian Minister of Foreign Affairs met with his Russian counterpart in Moscow and discussed bilateral relations. The former underlined the need for the effective work of the Russian peacekeeping forces in the Nagorno-Karabakh province in preventing provocations from the Azerbaijani side, maintaining the ceasefire in the area of responsibility of the peacekeepers, and ensuring security in the region.

ETHIOPIA

The peace process between the federal government and the Tigray People's Liberation Front (TPLF) about the conflict in the Tigray region made significant headway, and authorities lifted the TPLF's terrorist designation and dropped charges against its political and military leaders. At a conference in the regional capital Mekelle, Tigray leaders agreed on the composition of the Interim Regional Administration (IRA), while three opposition parties boycotted the conference and accused the TPLF of monopolizing power. Meanwhile, the Prime Minister Abiy Ahmed formally appointed the chief negotiator of the peace deal, who was nominated by the TPLF, as the head of the IRA. In parallel, the prime minister raised hopes for peace talks with the armed opposition group Oromo Liberation Army (OLA) when he announced the formation of a committee to negotiate the cessation of hostilities, despite the ongoing conflict between security forces and the OLA in the Oromia region.

IRAN

Iran agreed to enhance cooperation with the International Atomic Energy Agency (IAEA), following the visit of the director general of the IAEA to Tehran. Further, the United States imposed additional sanctions on Iranian petroleum and petrochemical export companies, while the European Union sanctioned an Iranian prison over human rights concerns. In parallel, Iran and Saudi Arabia agreed on March 10, 2023 to restore diplomatic relations following undisclosed talks in Beijing, after years of hostility that had threatened the stability and security in the Gulf Cooperation Council region. Riyadh and Tehran agreed to re-open their embassies in the two countries within two months of the agreement.

IRAQ

The Iraqi Council of Ministers enacted on March 13, 2023, the 2023-25 federal budget. Further, Parliament ratified 15 articles of the new draft electoral law for the November 2023 provincial council and parliamentary elections. In addition, Prime Minister Mohammed Shia' Sabbar Al-Sudani announced that the government reached an agreement with the Kurdistan Regional Government to deposit Kurdistan's oil revenues in a bank account under the supervision of the federal government. In parallel, Iraq and Iran signed an agreement on March 19 aimed at securing the frontier between Iran and Iraq's Kurdish region.

LIBYA

The Tobruk-based House of Representatives and the Tripoli-based High State Council agreed to form a committee of 12 members to draft electoral laws. They said that the general elections could be held by the end of 2023, in case a clear roadmap and electoral laws are in place by June. In parallel, the United Nations Special Envoy of the Secretary-General for Libya hosted a meeting of the 5+5 Joint Military Commission and a number of commanders of the military and security units in Tunis to discuss ways to move forward on the security track in Libya and the reunification of military institutions in the country.

SUDAN

The civilian groups that signed the December 2022 Framework Agreement, as well as the military and paramilitary Rapid Support Forces (RSF), convened in the capital Khartoum, along with the trilateral mechanism that consists of the African Union, the UN mission in Sudan and the Intergovernmental Authority on Development, to resolve outstanding issues about Sudan's transition to a civilian rule. The civilian leaders aimed to sign the final agreement on the political transition by April 1, 2023, to adopt a transitional constitution by April 6, and to form a civilian transitional government by April 11 of this year. They also formed an 11-member committee composed of nine pro-democracy leaders, one army representative and one RSF representative to draft the final agreement on political transition. However, the committee missed its deadline, suggesting that the political impasse could drag on, while "Phase II" consultations on outstanding issues, including transitional justice and security sector reforms, continued. In parallel, longstanding tensions between the chairman of the Sovereign Council and the leader of the RSF escalated, which raised concerns of a potential military conflict amid the mobilization of their respective forces in and around Khartoum. But the two leaders agreed to de-escalate tensions and to establish a joint committee to oversee security throughout country. Further, Sudan opened its border with the Central African Republic after a two-month closure.

TUNISIA

President Kais Saïed vowed to dissolve municipal councils elected in 2018 ahead to the upcoming local elections, and to replace them with "special councils" that would be elected under new rules. The new parliament held its first session on March 13, 2023 and elected the former president of the Bar Association Ibrahim Bouderbala as speaker. Further, violent attacks in Tunisia against migrants from Sub-Saharan Africa caused international outcry, as several countries including Côte d'Ivoire, Guinea, and Mali began the repatriation of nationals who submitted voluntary return applications. As a result, the World Bank suspended its partnership framework with Tunisia until further notice, as it considering the president's statements condemning the hordes of illegal migrants as unacceptable.

YEMEN

The government and Huthi rebels delegations reached a deal on March 20, 2023 to exchange 887 detainees in United Nations-facilitated talks in Switzerland. In addition, the Huthis doubled their efforts to remove the restrictions that they imposed on the movement of oil tankers at the Hodeida port.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Global growth projected at 2.8% in 2023, risks tilted to the downside

The International Monetary Fund (IMF) projected global real GDP growth to decelerate from 3.4% in 2022 to 2.8% in 2023, constituting the weakest growth level since 2001, except for the global financial crisis and the acute phase of the COVID-19 pandemic. It forecast the real GDP growth rate of advanced economies (AEs) to decelerate from 2.7% in 2022 to 1.3% in 2023 and to reach 1.4% in 2024, and anticipated economic activity to contract in about 90% of AEs this year. Also, it projected real GDP growth in emerging market and developing economies to slightly slow down from 4% in 2022 to 3.9% in 2023, and to accelerate to 4.2% in 2024. It considered that prospects for these economies vary across regions.

Further, it projected real GDP in Emerging & Developing Asia to grow by 5.3% in 2023 and by 5.1% in 2024. Also, it expected economic activity in Sub-Saharan Africa to expand by 3.6% this year and by 4.2% next year, while it anticipated the real GDP growth rate of the Middle East & North Africa region at 3.1% in 2023 and 3.4% in 2024. It also forecast economic activity in Latin America & the Caribbean to expand by 1.6% this year and by 2.2% in 2024. Further, it anticipated the growth rate in Emerging & Developing Europe at 1.2% in 2023 and at 2.5% next year.

The IMF considered that risks to the global economic outlook are tilted to the downside. It anticipated that more persistent-than-expected inflation rates could result in tighter monetary policies worldwide, and noted that depressed activity in the most affected economies could spill over to the rest of the world through lower demand for imports and lower commodity prices. It added that an escalation of the war in Ukraine and an increase in geopolitical tensions could lead to further disruptions to global trade, weigh on global energy and commodity prices, exacerbate inflationary pressures, and lead to further social unrest in several lower-income economies. Also, it anticipated that tighter global financial conditions would lead to higher debt servicing costs and could induce debt distress and recession in some emerging markets and developing economies amid depreciated currencies, while it noted that the recent stress in the U.S. banking sector could intensify with contagion effects.

Source: International Monetary Fund

GCC

Real GDP growth in 2023 revised downward on unexpected cuts to oil output

JPMorgan Chase & Co estimated that real GDP growth in the Gulf Council Cooperation (GCC) countries reached 7.7% in 2022, the largest expansion in economic activity since 2011. It attributed the strong growth in the region last year to higher oil production and robust activity in the non-hydrocarbon sectors of GCC countries. It added that Saudi Arabia and the UAE, the region's two largest oil producers, saw their hydrocarbon sectors expand by 15.3% and 10.1%, respectively, in 2022. But it anticipated that the oil production cuts that the OPEC+ coalition recently announced will weigh on the growth prospects of GCC economies in the near term. It expected that the lower oil output will start to affect economic activity in the second quarter of 2023, and will reduce the GCC region's real GDP growth rate this year by about one percentage point to 1.8%, relative to a previous forecast of 3% for 2023. Also, it forecast the region's real GDP growth to accelerate to 3.6% in 2024, as oil production rebounds.

In parallel, it projected the weighted fiscal and current account surpluses of GCC countries at 3.2% of GDP and 11.1% of GDP, respectively, in 2023 compared to previous forecasts of 3.6% of GDP and 11.7% of GDP, respectively, this year. As such, it considered that downside risks to the region's outlook have diminished, given that global oil prices rose by 8% since the OPEC+ announcement, and expected the higher oil prices to more than offset the lower oil output and to lead to higher oil export receipts. It also anticipated authorities in GCC countries to channel the higher oil revenues to support activity in their non-hydrocarbon sectors in case of need.

Source: JPMorgan Chase & Co

EGYPT

Economic outlook dependent on deep reforms

The Institute of International Finance (IIF) projected Egypt's real GDP growth to accelerate from 4% in the fiscal year that ends in June 2023 to 5% in FY2023/24. It considered that, in order to regain investor confidence, the government has to step up reform efforts in line with its program with the International Monetary Fund (IMF). It indicated that the authorities' IMF-supported program aims to achieve macroeconomic stability, restore financial buffers, and pave the way for private sector-led growth. It added that the program focuses on improving the economy's competitiveness to boost non-hydrocarbon exports, to attract additional foreign direct investments (FDI), to reduce the country's reliance on volatile portfolio inflows, and to increase private sector participation in state-owned assets, which would help Egypt bridge its surging external financing needs.

In parallel, it expected the authorities' fiscal adjustment to narrow the fiscal deficit from 7.6% of GDP in FY2022/23 to 5.6% of GDP in FY2023/24, and to reduce the public debt level from 92% of GDP at the end of June 2023 to 87.3% of GDP by end-June 2024. Further, it forecast the current account deficit to narrow from 2.6% of GDP in FY2022/23 to 1.8% of GDP in FY2023/24 as it anticipated FDI, to drive the gradual recovery in non-resident capital inflows, and for foreign currency reserves at the Central Bank of Egypt to increase from $36.8bn at the end of June 2023 to $45.5bn at end-June 2024. It considered that liberalizing the exchange rate would be critical to achieving macroeconomic stability and to cushion the economy against external shocks. However, it noted that Egypt's sizable current account deficits and the sharp fall in non-resident inflows, have increased the country's external financing needs. It anticipated that the authorities will face difficulties in securing the necessary external funding, given the elevated debt amortizations in coming years, the uncertainties about the level of financial support from bilateral sources, and the amount that the sale of equity in state-owned enterprises will generate.

Further, the IIF considered that reducing the footprint of the public sector, including that of the military, in the economy is a key element of Egypt's IMF-supported program and will be critical for its success.

Source: Institute of International Finance

ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings upgraded on strong fiscal and external positions

Fitch Ratings upgraded Saudi Arabia's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'A' to 'A+', and maintained the 'stable' outlook on the long-term ratings. It also affirmed the Kingdom's short-term foreign and local currency IDRs at 'F1+'. It attributed the upgrade to the country's strong fiscal and external balances, low government debt, and solid net foreign assets position. It indicated that the ratings reflect the government's ongoing commitment to fiscal, economic and governance reforms. But it noted that high reliance on the oil sector, weak governance indicators, and vulnerability to geopolitical shocks constrain the ratings, despite some indications of improvement in these factors. Further, it forecast foreign-currency reserves to decline from $459bn in 2022 to $445bn in the 2023-24 period, as it anticipated the current account surplus to narrow from 13.6% of GDP in 2022 to 7.5% of GDP in 2023 and 4% of GDP in 2024, due to lower oil export revenues and moderate outward investments by large institutions and pension funds. Also, it considered that non-oil revenues will increase in the near term, but will not offset the decline in oil receipts. In parallel, it noted that it could upgrade the ratings if fiscal reforms increase the budget's resilience to oil price volatility, or in case governance scores improve. In contrast, it said that it could downgrade the ratings if the Kingdom's overall public finance position deteriorates or if geopolitical tensions escalate.

Source: Fitch Ratings

TÜRKIYE

Outlook on ratings revised to negative on unsustainable policies

S&P Global Ratings affirmed Türkiye's short- and long-term foreign currency sovereign credit ratings at 'B', and revised the outlook on the long-term ratings from 'stable' to 'negative'. It also affirmed the Transfer & Convertibility assessment at 'B'. It attributed the outlook revision to risks to Türkiye's creditworthiness from the unsustainable monetary, financial, and economic policy settings. It considered that the vulnerabilities of the balance of payments and of the exchange rate remain elevated. It noted that low policy rates, directed lending, and the regulatory controls on foreign-currency positions and interest rates make the Turkish economy and banking system more vulnerable to external shocks. It considered that the country's wide current account deficits, limited usable reserves, high inflation rates and the reliance on capital inflows, could undermine the stability of the exchange rate in the short term. Also, it said that the renewed depreciation of the Turkish lira would have negative implications for Türkiye's financial stability and public finances, given that 65% of the public debt is denominated in foreign currency. Further, it forecast the country's gross external financing needs at 154.8% and 164.6% of current account receipts and usable reserves in 2023 and 2024, respectively. In parallel, it noted that it could downgrade the ratings if the pressure on Türkiye's financial stability escalates and if the exchange rate of the lira depreciates. It said that it could upgrade the ratings if the credibility of monetary policy improves, if the country's foreign exchange reserves rise, and if the balance of payments' position strengthens.

Source: S&P Global Ratings

GHANA

Prospects for IMF deal highly uncertain

European credit insurance group Credendo indicated that severe external shocks, and the elevated borrowing of Ghana's government as a result of consecutive electoral cycles, have resulted in unsustainable public finances. It said that the country lost access to international capital markets in March 2022, and the government defaulted on its external debt last December. It added that the international community welcomed the authorities' recent domestic debt exchange deal, as it constitutes a step towards unlocking $3bn in funding as part of a support program with the International Monetary Fund (IMF). It noted that the Ghanaian cedi lost about 50% of its value to the US dollar and that foreign currency reserves contracted by more than 40% last year, but that the decline in reserves slowed down during the last two months of 2022. However, it expressed concerns that the government's drawdown of foreign currency reserves to meet its most urgent financing needs would lead to the gradual depletion of reserves. In parallel, it considered that financial support from the IMF has become critical amid Ghana's ongoing liquidity crisis, but that the prospects for authorities to secure a deal with the IMF are highly uncertain. It noted that Ghana might opt for bilateral discussions with China and its Eurobond holders, given the very slow resolution pace of previous treatments under the G20 Common Framework for Debt Treatments. It considered that long delays in finding a debt treatment deal, and the lengthy absence of investments and capital inflows, would have detrimental effects on the economy.

Source: Credendo

MOROCCO

IMF deal of $5bn to support external buffers

The International Monetary Fund indicated that its Executive Board approved a $5bn two-year arrangement for Morocco under the Flexible Credit Line (FCL), which would support the country's external buffers. It indicated that the country's very strong macroeconomic policies and institutional framework have allowed the economy to be resilient to the multiple negative shocks that have occurred in the past three years, including the COVID-19 pandemic and the spillovers from Russia's war in Ukraine. It added that Morocco qualified for the FCL due to its very strong policies, institutional policy frameworks, economic fundamentals, and its continued commitment to implement structural reforms and to deliver a comprehensive policy response to new shocks. But it said that the economy remains vulnerable to a worsening of global economic and financial conditions, to the volatility of commodity prices, and to recurrent droughts. In parallel, S&P Global Ratings affirmed Morocco's long- and short-term local and foreign currency ratings at 'BB+/B', and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to the agency's expectations that the authorities' structural reforms would reduce the external and budget deficits and would gradually lead to a more inclusive economy. But it noted that the ratings are constrained by Morocco's low income per capita, persistent structural weaknesses, a large informal economy, and a high unemployment rate. It said that it will downgrade the ratings in case economic and external imbalances widen, and/or if the government's budget underperforms the agency's expectations.

Source: International Monetary Fund, S&P Global Ratings

EMERGING MARKETS

Limited cross-border bank exposure reduces transmission risks

Goldman Sachs considered that cross-border bank contagion appears to be moderate for EM banks, given their limited exposure to banks in developed markets by historical standards. It added that the net foreign asset (NFA) positions of banks in emerging markets (EM) improved considerably since the global financial crisis of 2007-08 due to the reduction of their foreign liabilities and the increase in their foreign assets, which, in turn, reduced their vulnerabilities to external banking shocks. It noted that banks in Latin America are exposed the most to cross-border bank lending in foreign currency, followed by banks in Asia, and in the Central and Eastern Europe, the Middle East & Africa (CEEMEA) region. It said that banks in the CEEMEA region posted the largest surplus in their NFA position among EMs in 2022, but added that Türkiye continues to stand out among EMs, as it had one of the largest negative NFA positions in 2022. In addition, it pointed out that banks in the Middle East and North Africa region have consistently maintained positive NFA positions, driven by persistent current account surpluses and oil revenues, which makes them net creditors to the rest of the world. It said that South African banks have also remained in a positive net external position, while banks in Central Eastern Europe saw a rapid deterioration in their NFA position due to their elevated exposure to West European banks that created imbalances at the time of the global financial crisis that took a decade to unwind. In parallel, it pointed out that a systemic banking stress in developed markets would more likely transmit to EM banks through foreign exchange and financial market volatility, rather than directly through tighter lending standards, given the limited cross-border bank exposure of EMs.

Source: Goldman Sachs

GCC

Banks' profits up 27% to $45bn in 2022

Figures released by financial services firm KAMCO indicate that listed banks in the six Gulf Cooperation Council (GCC) countries posted aggregate net profits of $44.8bn in 2022, constituting increases of 27% from $35.3bn in 2021 and of 80.6% from $24.8bn in 2020. The banks' net earnings totaled $10.9bn in the first quarter, $11.1bn in the second quarter, $11.4bn in the third quarter, and $11.4 in the fourth quarter of the year. It attributed the rise in income in 2022 mainly to a decline of $2.1bn, or of 15%, in loan-loss provisions in 2021, with provisions totaling $3.3bn at end-2022. It added that the aggregate revenues of banks reached $104.8bn in 2022, representing a rise of 16.4% from $90bn last year due to higher interest rates across the GCC countries after their central banks increased policy rates following the rate hikes by the U.S. Federal Reserve. Further, it indicated that the aggregate assets of GCC banks stood at $2.97 trillion (tn) at the end of 2022 and increased by 9.5% from a year earlier. In addition, it said that the banks' aggregate net loans reached $1.77tn at the end of 2022 and expanded by 8.6% from a year earlier, while customer deposits amounted to $2.23tn and grew by 9.5% from the end of 2021. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 79.3% at the end of 2022 compared to 79.9% a year earlier, driven by the rise in deposits.

Source: KAMCO

OMAN

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

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Ahli Bank Oman, Bank Muscat (BM), the National Bank of Oman (NBO), and Oman Arab Bank (OAB) at 'BB', and maintained the long-term National Scale Rating of Alizz Islamic Bank (AIB) at 'omAA'. It also affirmed the Bank Standalone Ratings of Ahli Bank, BM, NBO and OAB at 'bb'. Further, it revised the outlook on the ratings of the five banks from 'stable' to 'positive' following its similar action on the sovereign ratings. It attributed the outlook revision to the improving operating environment that would have a positive impact on the banks' financial metrics, mainly in terms of loan and deposit expansion, as well as to its expectations that it will likely upgrade the banks' ratings in the next 12 months. It indicated that the continued economic recovery in Oman from the fallout of the COVID-19 pandemic would stabilize the banks' asset quality. It noted that the increase in interest rates will provide a boost to the banks' earnings, although high competition among banks could put some pressure on their net interest margins. In parallel, it pointed out that the ratings of the five banks are constrained by the high concentration of their loan book and deposit base. In addition, it said that the ratings of Ahli Bank, BM, NBO and OAB benefit from a moderate probability of government support in case of need, and that their ratings are supported by their strong capital ratios. It indicated that the ratings of BM are underpinned by the bank's resilient profitability metrics, while the ratings of Ahli Bank, NBO and OAB take into account their improved profitability. Also, it pointed out that the ratings of AIB balance its good Islamic franchise, sizeable market share, against moderate capital ratios and tightened liquidity position.

Source: Capital Intelligence Ratings

QATAR

Outlook on bank ratings revised to 'positive'

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Qatar National Bank at 'A', and the IDRs of Qatar Islamic Bank, the Commercial Bank of Qatar, Doha Bank, Dukhan Bank, Qatar International Islamic Bank, and Ahli Bank at 'A-'. Also, it revised the outlook on the long-term ratings of the banks from 'stable' to 'positive' following its similar action on the sovereign ratings. It noted that the ratings reflect the government's high probability and capacity to support the banks in case of need, irrespective of their size or ownership. But it indicated that the banks' high reliance on external funding and the recent rapid growth of their assets are weighing on the Qatari banking sector. Further, it said that government-related deposits constitute a significant share of the funding of the banks. It considered that the government's ability to provide support to local banks could decline in case of financial stress, which would impact the banks' balance sheets, given their high exposure to the sovereign. In parallel, it noted that it could downgrade the ratings of the banks in case it downgrades the sovereign ratings, and/or in case of a negative change in the agency's assessment of the government's propensity to provide support to the banks. It said that it could upgrade the banks' ratings if it upgrades the sovereign ratings or if the probability of government support to local banks increases.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $90 p/b in 2023

ICE Brent crude oil front-month prices reached $84.2 per barrel (p/b) on April 10, 2023, constituting an increase of 7.3% from $79.8 p/b at the end of March 2023, mainly due to the April 3 decision by the OPEC+ coalition to cut oil production by 1.66 million barrels per day (b/d) starting in May until the end of 2023. According to OPEC+, this will bring the total volume of cuts to 3.66 million b/d, including a reduction of 2 million b/d from November, which is equal to about 3.7% of world demand. Also, OPEC+ indicated that Saudi Arabia would reduce its production by 500,000 b/d, followed by Iraq with 211,000 b/d, the UAE with 144,000 b/d, Kuwait with 128,000 b/d, Kazakhstan with 78,000 b/d, Algeria with 48,000 b/d, Oman with 40,000 b/d, and Gabon with 8,000 b/d. Also, members of the OPEC+ coalition considered that the voluntarily production adjustment is a precautionary measure that aims to support the stability of the global oil market. In parallel, Jadwa Investment expected the global oil market to tighten sharply starting in May, and to shift to a deficit in the second half of 2023. It anticipated that the revival of China's economy would increase demand for oil in the near term, given expectations that investments and activity in the consumer and manufacturing sectors will expand. It also forecast oil demand in the U.S. and the Eurozone to decrease this year, as rising interest rates weigh on the manufacturing activity and the purchasing power of households. Further, it forecast oil prices to average $90 p/b in 2023.

Source: Jadwa Investment, Byblos Research

Global gold reserves up 1% to 31,313 tons in 2022

Global gold reserves reached 31,313.4 tons in 2022, constituting an increase of 1.2% from 30,936.5 tons in 2021. Western Europe held 11,776.5 tons of gold reserves last year and accounted for 37.6% of gold reserves worldwide, followed by North America with 8,133.5 tons (26%), Central and Eastern Europe with 3,491.7 tons (11.2%), East Asia with 3,394.6 tons (10.8%), the Middle East and North Africa with 1,507.6 tons (4.8%), South Asia with 874.5 tons (2.8%), Central Asia with 785.4 tons (2.5%), South East Asia with 735 tons (2.3%), and Latin America and the Caribbean with 614.7 tons (2%).

Source: World Gold Council, Byblos Research

Iraq's crude oil production up 4% in January 2023

Crude oil production in Iraq totaled 4.3 million barrels per day (b/d) in January 2023, constituting an increase of 4.1% from 4.16 million b/d in January 2022. Further, total crude oil exports from Iraq reached 3.64 million b/d in January 2023, representing an increase of 0.6% from 3.62 b/d in January 2022.

Source: JODI, Byblos Research

Russian crude oil exports up 14% to 3.5 million b/d in February 2023

Russian crude oil seaborne exports reached 3.52 million barrels per day (b/d) in February 2023, constituting increases of 0.3% from 3.5 million b/d in January 2023 and of 14.2% from 3.08 million b/d in February 2022. Oil exports to China totaled 1.3 million b/d and accounted for 36.6% of total Russian crude oil seaborne exports, followed by exports to India with one million b/d (28.8%), to Europe with 447 million b/d (12.7%), to Türkiye with 257 million b/d (7.3%), and to Bulgaria with 130 million b/d (3.7%).

Source: Citi Research

Base Metals: Aluminum prices to average $2,580 per ton in second quarter of 2023

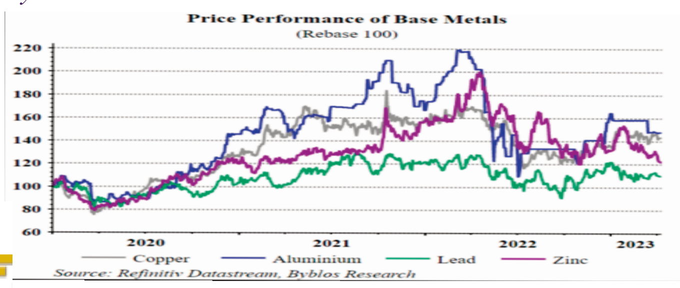
The LME cash price of aluminum averaged $2,390 per ton in the year-to-April 11, 2023 period, constituting a decrease of 26.8% from an average of $3,267 a ton in the same period last year. Further, prices decreased from an all-time high of $3,877.5 per ton on March 4 of this year to $2,257.8 per ton on April 11, 2023, driven by high production of the metal in China. In parallel, Citi Research projected the primary supply of aluminum at 69.5 million tons in 2023 relative to 69.2 million tons in 2022, and forecast the primary demand for the metal at 70.1 million tons this year compared to 68.8 million tons in 2022. It anticipated global primary aluminum consumption to grow by 1.8% in 2023, mainly driven by an increase of 2.9% in the consumption of the metal in China relative to a rise of 1.5% last year, and by an uptick of 0.2% in the consumption of aluminum in the rest of the world. Further, it expected the aluminum market to post a deficit of 599,000 tons in 2023, driven by a deficit in the Chinese market and a small surplus in other markets. Also, it forecast aluminum prices to average $2,580 per ton in the second quarter, $2,590 a ton in the third quarter, and $2,515 per ton in the fourth quarter of 2023.

Source: Citi Research, Refinitiv, Byblos Research

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

Gold prices averaged $1,900.5 per troy ounce in the year-to-April 11, 2023 period, constituting an increase of 0.9% from an average of $1,883 an ounce in the same period of 2022. The slight increase in gold prices during the period was due to a stronger U.S. dollar, as investors shifted their interest away from gold into U.S.-denominated assets. Further, prices regressed from a peak of $2,056 per ounce on March 8, 2022, to $2,004.4 an ounce on April 11, 2023, driven mainly by a stronger U.S. dollar and the easing of supply chain restrictions around the world. Also, gold prices exceeded $2,000 per ounce on April 4, 2023 for the first time since March 9, 2023, due to the recent banking turmoil in the United States and in Switzerland. In parallel, Standard Chartered Bank indicated that demand for gold from investors increased in March amid the turmoil in the U.S. and Swiss banking sectors, which put upward pressure on gold prices. It said that March marked the first month of net inflows across the physically-backed gold exchange traded funds (ETFs) in 10 months, and added that the sales of U.S. coins posted a record high in more than 20 years. Further, the World Gold Council noted that inflows into gold-backed ETFs reached 18.4 tons in Europe in March 2023, followed by inflows of 11.5 tons in North America, and inflows of 3.3 tons in Asia. As such, it pointed out that global net inflows into gold ETFs totaled 32 tons, or the equivalent of $1.9bn in March 2023. Also, Standard Chartered Bank forecast gold prices to average $1,840 per ounce in the second quarter, $1,810 an ounce in the third quarter, and $1,740 per ounce in the fourth quarter of 2023.

Source: World Gold Council, Standard Chartered Bank, Refinitiv, 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	BB+	Ba1	BB+	-								
	Stable	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								
	Positive	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	Stable	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 Negative	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	15-Jun-23
UK	Bank Rate	4.25	23-Mar-23	Raised 25bps	N/A
Japan	O/N Call Rate	-0.10	10-Mar-23	No change	28-Apr-23
Australia	Cash Rate	3.60	04-Apr-23	No change	02-May-23
New Zealand	Cash Rate	5.25	05-Apr-23	Raised 50bps	24-May-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	18.25	30-Mar-23	Raised 200 bps	N/A
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	7.75	30-Mar-23	Raised 50bps	25-May-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	11.25	30-Mar-23	Raised 25bps	18-May-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	04-Apr-23	No change	10-May-23
Bulgaria	Base Interest	1.82	27-Mar-23	Raised 40bps	28-May-23
Kazakhstan	Repo Rate	16.75	07-Apr-23	No change	26-May-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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