750 ISSUES+
Issue 759 | May 11, 2023

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Less than 50% of surveyed economists expect a global recession in 2023

A survey conducted the World Economic Forum between March and April 2023 indicates that 45% of respondents expected a global economic recession in 2023, compared to 45% who did not anticipate a recession this year. The survey revealed that 96% of participating chief economists forecast at least a moderate growth rate in China in 2023, relative to 93% of respondents who projected a similar trend in East Asia and the Pacific, 92% of participants who expected at least a moderate growth rate in South Asia, 64% of surveyed chief economists who forecast a similar trend in the Middle East and North Africa (MENA), 63% of respondents who forecast at least a moderate growth rate in Central Asia, 50% of participants who projected a similar trend in the United States, 48% of surveyed chief economists who expected at least a moderate growth rate in Latin America and the Caribbean (LAC), 37% of participants who anticipated the same trend in Sub-Saharan Africa (SSA), and 25% of respondents who forecast at least a moderate growth rate in Europe. In parallel, the survey pointed out that 84% of the survey's participants forecast high inflation rates in Europe in 2023, compared to 70% of surveyed chief economists who projected elevated inflation rates in SSA, 69% of respondents who anticipated high inflation rates in LAC, 68% who expected elevated inflation rates in the U.S., 52% who forecast high inflation rates in Central Asia and the MENA region, 36% who projected elevated inflation rates in South Asia, 32% who anticipated high inflation rates in East Asia and the Pacific, and 14% who expected elevated inflation rates in China. The results are based on the responses of 33 chief economists from the public and private sectors worldwide.

Source: World Economic Forum

Global trade in services up by 2% in fourth quarter of 2022

Figures released by the World Trade Organization show that global trade in services grew by 2% in the fourth quarter of 2022 from the same period of 2021, compared to an increase of 20% in the fourth quarter of 2021 from the same period of 2020. It noted that the global exports of services expanded by 1% in the fourth quarter of 2022 from the same quarter of 2021, while the global imports of services grew by 4% in the covered period. It pointed out that the export of services increased by 13% in North America. In contrast, it said that the export of services declined by 2% in each of Asia and Europe; while the export of services in other regions rose by 38% annually in the fourth quarter of 2022. It also noted that the import of services surged by 15% in North America year-on-year in the fourth quarter of 2022, followed by Asia (+3%); while the import of services improved by 24% in other regions in the covered period. It indicated that the import of services in Europe was unchanged in the fourth quarter of 2022 from the same period of 2021. Further, it pointed out that world travel services surged by 40% in the fourth quarter of 2022 from the same quarter in 2021, followed by an increase of 5% in goods-related services. In contrast, it said that other commercial services declined by 3% in the covered period, while transport services were unchanged.

Source: World Trade Organization

MENA

Stock markets down 2% in first four months of 2023

Arab stock markets increased by 1.9% and Gulf Cooperation Council equity markets expanded by 3.2% in the first four months of 2023, relative to increases of 16.5% and 20%, respectively, in the same period of 2022. In comparison, global stock markets improved by 7.6% and emerging market equities grew by 1.5% in the first four months of 2023. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 113% in the first four months of 2023; the Egyptian Exchange appreciated by 21%, the Iraq Stock Exchange improved by 18.8%, the Damascus Securities Exchange expanded by 10%, and the Saudi Stock Exchange increased by 8%. In addition, the Dubai Financial Market gained 6.3%, the Palestine Exchange yielded 2.3%, the Tunis Bourse grew by 2%, and the Bahrain Bourse expanded by 0.6% in the covered period. In contrast, activity on the Qatar Stock Exchange decreased by 4.7%, the Abu Dhabi Securities Exchange declined by 4%, the Muscat Securities Market contracted by 3%, the Casablanca Stock Exchange retreated by 1.8%, the Amman Stock Exchange regressed by 1.6%, and the Boursa Kuwait shrank by 1.3% in the first four months of 2023.

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

SAUDI ARABIA

Profits of listed firms up 41% to $203bn in 2022

The cumulative net income of 194 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR761bn, or $203bn in 2022, constituting a surge of 41% from SAR539.7bn ($144bn) in 2021. Earnings stood at $49.9bn in the first quarter, $59.3bn in the second quarter, $51.9bn in the third quarter and $40.7bn in the fourth quarter of 2022. Listed energy firms generated net profits of $159.5bn and accounted for 78.6% of total earnings in 2022. Listed banks followed with $16.7bn in net income (8.2%), then basic materials firms with $11.9bn (6%), utilities companies with $4.2bn (2.1%), telecommunications firms with $3.8bn (1.9%), diversified financials companies with $2.04bn (1%), healthcare and equipment & services providers with $833.3m (0.41%), firms in the food & beverage sector with $802.4m (0.4%), food & staples retailers with $721.4m (0.36%), software & services firms with $586.6m (0.3%), and retailers with $386.6m (0.2%); while listed companies in other sectors registered net profits of $1.4bn (0.7%). In parallel, the net earnings of insurers surged by 909% in 2022, followed by the profits of diversified financial companies (+314%), retailers (+307%), consumer services providers (+84.5%), food & staples retailers (+68.2%), food & beverage firms (+62.5%), capital goods companies (+54.7%), energy firms (+50.3%), software & services companies (+42%), media services providers (+34.2%), banks (+27.2%), and telecommunication firms (+14.1%). Further, the results of listed pharma, biotech & life sciences firms, and consumer durables and apparel companies, shifted from net profits of $7.1m and $10.2m in 2021, respectively, to aggregate losses of $43.6m and $10.2m in 2022, respectively.

Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - April 2023

ALGERIA

President Abdelmadjid Tebboune accused Morocco for the first time of orchestrating the kidnapping and murder in April 2012 of seven Algerian diplomats that were stationed at the Algerian consulate in Gao city in Mali. Also, the Algerian Minister of Interior and Local Government accused Rabat of political destabilization as he considered that "Algeria is being targeted through drugs and is facing a war from its western neighbor". In parallel, Parliament enacted a law that tightens media ownership rules and allows courts to compel journalists to reveal their sources.

ARMENIA

Renewed fighting near the contested Nagorno-Karabakh province killed four Armenian and three Azerbaijani soldiers. Further, tensions increased over the Nagorno-Karabakh province after Azerbaijan installed a border checkpoint along the Lachin corridor. In parallel, officials from the U.S. traveled to Armenia and Azerbaijan to meet the countries' officials in order to prompt the resumption of negotiations between the two countries. Prime Minister Nikol Pashinyan restated Yerevan's recognition of the territorial integrity of Azerbaijan and its readiness to sign a peace treaty with the country.

EGYPT

The long-awaited national dialogue that President Abdel Fattah el-Sisi called for in April 2022 began on May 3, 2023. Some attendees of the dialogue called for the extension of the deadline for non-governmental organizations (NGOs) to regularize their status under the 2019 NGO law, which the government rejected the next day. In parallel, as conflict broke out in neighboring Sudan, the Sudanese paramilitary Rapid Support Forces captured a group of Egyptian soldiers at the border between the two countries. Cairo said the Egyptian soldiers were on Sudanese soil to carry out military drills with their Sudanese counterparts. Further, Cairo indicated that 16,000 people had crossed into Egypt since fighting broke out in Sudan and estimated that thousands more persons are stranded at the Sudan-Egypt border with little humanitarian assistance.

ETHIOPIA

Deadly violence spiked in the Amhara region over the federal government's decision to dissolve regional paramilitary groups and integrate them in the national army and police. Many in Amhara viewed the move as a threat amid concerns that Prime Minister Abiy Ahmed's alliance with Oromo nationalists and the strengthening of ties with Tigray is isolating Amhara. In parallel, the government and the armed opposition group Oromo Liberation Army (OLA) held peace talks in a step toward ending the long-running OLA insurgency. Further, relations between the federal government and the Tigray People's Liberation Front (TPLF) continued to improve. The newly appointed leader of the Tigray region's Interim Regional Administration unveiled a new 27-member Cabinet that will lead the political transition in the region. The Cabinet is dominated by TPLF members, while the military controls four posts and the opposition Baytona for Greater Tigray Party secured two positions.

IRAN

The U.S. blacklisted seven individuals and entities for allegedly being part of "a sanctions evasion network" that supports Iran's drone and military programs, and imposed visa restrictions on 11 officials over human rights violations. In parallel, Iran and Saudi Arabia announced that they have reached an agreement to improve bilateral relations, and stated their intention to reopen their respective diplomatic facilities in each other's country by May 9.

IRAQ

Following the International Chamber of Commerce's ruling in March on Kurdistan's oil exports to Türkiye, Baghdad and the Kurdistan Regional Government signed a temporary agreement to resume northern oil exports through Türkiye, potentially solidifying Baghdad's sole control of the Türkiye-Iraq pipeline on the Iraqi side. Frictions persisted between Shiite armed groups, as Shiite cleric Muqtada al-Sadr's Saraya al-Salam paraded weapons through Baghdad's Dora district in response to a dispute with Kataib Hizbollah over local property.

LIBYA

The Tobruk-based House of Representatives published in the official gazette a series of amendments to the 2021 laws on the presidential and parliamentary elections, such as forbidding individuals with dual nationalities to run for the presidential elections. Further, the United Nations (UN) Special Envoy of the Secretary-General for Libya said that he offered the UN's technical assistance to the committee of the House of Representatives and the High State Council that is working on electoral laws.

SUDAN

The longstanding power struggle between the leaders of the Sudanese Armed Forces and of the paramilitary Rapid Support Forces (RSF) erupted in deadly clashes in the capital Khartoum and derailed Sudan's transition to a civilian rule. The violent hostilities came amid rising tensions over negotiations to integrate the RSF in the army, and over the timeline and leadership structure of the integrated force. The ongoing fighting has precipitated a humanitarian crisis, as hundreds of civilians were killed while millions in Khartoum remained trapped amid food, water and electricity shortages. In parallel, the international community called for an end to hostilities, while the Intergovernmental Authority on Development appointed the presidents of Djibouti, Kenya and South Sudan to broker a ceasefire in Sudan. However, successive attempts to enforce humanitarian truces failed as foreign governments struggled to evacuate citizens.

TUNISIA

Hundreds of demonstrators protested in Tunis and asked for the release of 20 opposition activists who have been detained since February 2023. Further, authorities arrested the leader of Ennahda Party, Rached Ghannouchi, and charged him with "conspiracy against the State". Also, the Ministry of Interior Affairs forbid Ennahda Party from holding meetings, while the police raided and shut down the headquarters of the party in Tunis as well as several regional offices, which raised the threat of a formal ban on the party. In parallel, President Kais Saïed rejected the terms of a stalled $1.9bn package from the International Monetary Fund (IMF), added that he would not accept "diktats", and suggested that subsidy cuts could lead to unrest.

YEMEN

Saudi Arabia invited the members of the Presidential Leadership Council to Riyadh to discuss negotiations with Huthi rebels, where it submitted a draft agreement that included a six-month nationwide ceasefire, an end to transport restrictions, the release of detainees, and the payment of salaries to civil and military employees in Huthi- and government-controlled areas. Further, Saudi and Omani delegations met Huthi leaders in Sanaa to discuss reaching a nationwide ceasefire between the government and the Huthis, to amend a draft agreement to include the declaration of the cessation of war, to propose a roadmap for humanitarian aid and economic arrangements, and to discuss steps towards a comprehensive political solution.

Source: International Crisis Group, Newswires

OUTLOOK

GCC

Non-hydrocarbon activity to drive economic growth in near term

The Institute of International Finance revised downwards its growth forecast for Gulf Cooperation Council (GCC) countries from 2.7% to 2.2% in 2023, due to the expected decline in oil output in Kuwait, Oman, Saudi Arabia and the UAE. It projected real non-hydrocarbon GDP in the region to expand by 4.5% this year, driven by private consumption and investments, and anticipated activity in the hydrocarbon sector to contract by 1.9% in 2023 given the recently announced oil production cuts under the OPEC+ agreement. Also, it forecast overall economic activity in GCC economies to accelerate to 3.9% in 2024, in case of additional domestic and foreign investments. Further, it expected inflationary pressures to be subdued this year and projected the region's average inflation rate to decline from 3.5% in 2022 to 2.6% in 2023 and 2.2% in 2024, supported by pegged exchange rate regimes, price ceilings on food and fuel products, labor market flexibility, and subdued rent prices amid higher supply.

In parallel, it projected the aggregate fiscal surplus of GCC countries to decrease from 5.9% of GDP in 2022 to 2.4% of GDP in 2023 and to 2.5% of GDP in 2024. It expected the increase in non-hydrocarbon revenues and the sustained rationalization of non-priority spending to offset the decline in the volume of oil exports, which would lead to lower fiscal breakeven oil prices. In addition, it forecast the region's current account surplus to decline from 17.2% of GDP in 2022 to 9.2% of GDP in 2023 and 7% of GDP in 2024, due mainly to lower oil export receipts. Also, it estimated that, for every decrease of $10 per barrel in global oil prices, the exports of GCC economies will decline by $72bn and the region's fiscal balance will deteriorate by 1.8 percentage points of GDP. Still, it expected that the sizeable fiscal and current account surpluses in the region will lead to additional official resident capital outflows and to higher GCC sovereign foreign assets. As a result, it forecast the gross public foreign assets of the GCC sovereigns to peak at about $3.3 trillion by the end of 2023. Further, it anticipated that capital outflows from the region will continue to exceed non-resident capital inflows despite the declining current account surpluses, due mainly to lower financing needs by GCC sovereigns and by non-financial public entities. It projected capital inflows to increase from $47bn in 2022 to $68bn in 2023, driven by higher foreign direct investments. It also expected the latter to become the main source of capital inflows to the region and to be largely focused on the energy sector.
Source: Institute of International Finance

ARMENIA

Real GDP growth rate to average 4.3% in 2023-24 period

The Institute of International Finance (IIF) estimated real GDP growth in Armenia at 12.6% in 2022, supported by a surge of business, labor and capital inflows from the influx of Russian nationals. However, it projected economic activity to decelerate to 5% in 2023 and 3.5% in 2024. Also, it indicated that strong consumption, driven by Russian nationals, and higher food prices have raised the average inflation rate from 7.5% in 2021 to 8.8% in 2022, which is significantly well above the authorities' target rate of 4%. But it expected the inflation rate to moderate to 5.5% in 2023, as the lagged effects of monetary policy kick in, commodity prices moderate, and the Armenian dram maintains its strong appreciation against the US dollar. It added that the Central Bank of Armenia raised its policy rate from 5.25% in January 2021 to 10.75% in February 2023, and did not expect further policy rate hikes as it anticipated inflationary pressures to recede.

In parallel, the IIF forecast the fiscal deficit to widen from 2.1% of GDP in 2022 to 3.1% of GDP in 2023 and to reach 2.8% of GDP in 2024, but for the public debt level to decline from 46.7% of GDP at end-2022 to 45.2% of GDP at end-2023 and 45% of GDP by the end of 2024. Further, it projected the current account balance to shift from a surplus of 0.4% of GDP in 2022 to a deficit of 4.3% of GDP in 2023, due to a drop in services receipts and lower remittance inflows, despite strong foreign direct investments. It anticipated the country's gross external debt level to decline from 74.8% of GDP at end-2022 to 71% of GDP at end-2023 and to 70% of GDP at end-2024. Also, it forecast Armenia's gross foreign currency reserves to reach $4.5bn, or about four months of import coverage, in the 2023-24 period.
Source: Institute of International Finance

NIGERIA

Outlook contingent on fiscal and monetary reforms

Standard Chartered Bank projected real GDP growth in Nigeria at 3.5% in 2023 and expected it to accelerate to 4% in 2024, due mainly to higher oil production, rising domestic refining capacity, and the authorities' implementation of reforms, including the recent decentralization of the power sector's operations. It considered that downside risks to the outlook include the lingering adverse effects of redesigning the Nigerian naira banknotes, as it may create shortages of local currency in the market.

In parallel, it forecast the average inflation rate at 23.2% in 2023 amid higher fuel prices. It indicated that this year's budget has only earmarked NGN3.3 trillion for fuel subsidies in the first half of 2023, and anticipated authorities to lift these subsidies by June 2023. It also noted that the government does not need parliamentary approval to implement changes in the foreign exchange market or to lift fuel subsidies. It considered that, while authorities want to lift subsidies and support higher foreign currency reserves before embarking on the unification of the exchange rates in the domestic market, efforts to improve the supply of foreign currency will be essential to contain inflationary pressures and should be the authorities' priority. It also expected the Central Bank of Nigeria (CBN) to raise its policy rate by 200 basis points to 20% by the end of 2023, in order to support the liberalization of the exchange rate.

Further, it expected that rising interest rates in the near term will increase the government's cost of its ongoing usage of its overdraft facility from the CBN. As such, it stressed the need for the CBN to securitize the overdraft at lower-than-market interest rates, which would still add at least NGN23.8 trillion to Nigeria's domestic debt stock. It added that authorities are projecting the domestic debt to rise to at least NGN77 trillion after the securitization of the overdraft from the CBN, and anticipated that the failure to securitize the borrowing from the CBN could add over NGN1.8 trillion to Nigeria's debt servicing in 2023.
Source: Standard Chartered Bank

EGYPT

Sovereign ratings downgraded on higher external financing risks

Fitch Ratings downgraded Egypt's long-term local and foreign currency issuer default ratings (IDRs) from 'B+' to 'B', and affirmed the country's short- local and foreign currency issuer default ratings at 'B'. It also maintained the 'negative' outlook on the long-term local and foreign currency IDRs. It attributed the downgrade to higher external financing risks, given Egypt's elevated funding requirements, constrained external financing conditions, limited foreign currency liquidity buffers, and the sensitivity of the country's broader financing plan to investor sentiment, mainly from Gulf Cooperation Council countries. It added that the downgrade takes into account the high uncertainties about the authorities' stance on the trajectory of the exchange rate, as it anticipated additional delays in the transition to a flexible exchange rate regime, which would further undermine investor confidence and potentially postpone Egypt's program with the International Monetary Fund (IMF). In addition, it said that the ratings action reflects the significant deterioration in the country's public debt metrics, including the deterioration of the debt servicing-to-public revenues ratio, which would put medium-term debt sustainability at risk. In parallel, the agency indicated that it could downgrade the ratings in case of additional pressure on external financing that would undermine the recovery in foreign currency reserves and other liquidity buffers, if authorities fail to narrow the fiscal deficit and reduce the public debt level, and/or in case of increased risks to macroeconomic stability.

Source: Fitch Ratings

DEM REP CONGO

Real GDP growth projected at 6.8% in 2023

The International Monetary Fund estimated real GDP growth in the Democratic Republic of the Congo at 8.9% in 2022, mainly due to stronger-than-expected mining production, and projected real GDP to grow by 6.8% in 2023, underpinned by activity in the extractive sector. It pointed out that the medium-term outlook remains favorable, supported by expanding mining production, and hinges on proactive reform efforts. But it considered that key downside risks to the outlook include an escalation of the armed conflict in the east of the country, uncertainties ahead of the upcoming elections, commodity price volatility, and the prolonged Russian war in Ukraine. In parallel, it noted that the fiscal balance deteriorated in 2022 due to higher public spending for the repayment of government arrears and to address security conditions in the country, which contributed to inflationary and exchange rate pressures. Further, it estimated the current account deficit at 5.7% GDP in 2022, as the rise in imports weakened the external balance last year. It expected the Central Bank of Congo to tighten monetary policy to contain inflationary pressures and to continue to build foreign currency reserves. It added that maintaining the role of the exchange rate as a shock absorber is essential to safeguard reserves. Further, it called on authorities to step up efforts to strengthen the anti-corruption framework, rationalize the tax system, enhance transparency in the mining sector, and reform the banking sector, starting with the implementation of the new commercial banking law that was enacted in December 2022.

Source: International Monetary Fund

GHANA

Eight Eurobonds downgraded on missed payments

S&P Global Ratings affirmed Ghana's short- and long-term foreign currency sovereign credit ratings at 'Selective Default' (SD), which are 12 notches below investment grade. Further, it affirmed the country's short- and long-term local currency sovereign credit ratings at 'C/CCC+', and the Country's Transfer & Convertibility assessment at 'CCC+'. It also maintained the 'stable' outlook on the long-term local currency rating. It attributed its decision to maintain the ratings at 'SD' to the government's suspension of the interest and principal payments on commercial foreign currency debt. It indicated that the 'stable' outlook reflects the government's improved refinancing profile and reduced cost of debt as a result of the recent rescheduling of its domestic debt. Also, it downgraded the ratings on eight US dollar-denominated sovereign Eurobonds from 'CC' to 'D', given that the country missed the principal and/or interest payments on them. It indicated that the authorities are negotiating with foreign bilateral creditors to restructure \$5.5bn of official debt, which should help reduce Ghana's overall debt burden and unlock the first disbursement from the International Monetary Fund (IMF). In parallel, 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. In contrast, it noted that it could downgrade the long-term local currency rating in the next 12 months if unexpected negative policy developments undermine Ghana's access to financing from the local market or official sources, or in case of a significant delay in the IMF board's approval of Ghana's Extended Credit Facility.

Source: S&P Global Ratings

KUWAIT

Insurance sector facing intermediate risks

S&P Global Ratings indicated that the Insurance Industry and Country Risk Assessment (IICRA) of the property and casualty (P&C) and of the health insurance sectors in Kuwait is "intermediate". It noted that it derived its assessment as a result of a "moderately high" country risk level amid ongoing economic and political risks, and a "moderately low" industry risk level for the domestic P&C and health insurance sectors. It said that its risk scale ranges from "very low" to "intermediate", "moderately high" and "very high". It pointed out that the insurance industry's risk assessment in Kuwait is at the same level as risks in Qatar, Saudi Arabia and the UAE. Further, it indicated that the risk assessment takes into account Kuwait's weak institutional framework and relatively low barriers to market entry for insurers. But it said that the insurance law that the authorities enacted in March 2021, and the establishment of a new insurance regulator, will help improve underwriting discipline and the oversight of capital requirements in the coming years. Also, it expected gross written premiums to increase by 15% to 20% in 2023, mainly driven by the expansion of medical lines, the repricing of unprofitable motor businesses, and the ongoing economic growth. In addition, it said that the insurance industry in Kuwait has limited product risk, as most domestic insurers mainly hold short-tail policies and are largely reinsured, in addition to the country's very limited exposure to natural catastrophes.

Source: S&P Global Ratings

BANKING

WORLD

FSB pushing for transition from LIBOR

The Financial Stability Board (FSB) encouraged financial market participants worldwide to complete the transition to "robust reference rates" of any remaining contracts that are based on the US dollar London Interbank Overnight Rate (LIBOR) in order to avoid operational risks and wider market disruption, in the event of an accumulation of outstanding contracts, ahead of the suspension of LIBOR at the end of June 2023. It considered that the transition is anchored in risk-free rates (RFRs) that are robust and that are underpinned by deep, credible and liquid markets, in order to avoid the vulnerabilities experienced with the LIBOR. In parallel, FSB indicated that the International Organization of Securities Commissions (IOSCO) launched a one-time review of Credit Sensitive Rates and Secured Overnight Financing Rate rates that are compliant with IOSCO's Principles for Financial Benchmarks, in order to support a globally consistent shift away from US dollar LIBOR to robust alternatives. Also, it said that the purpose of the review is to assess how these benchmarks align with IOSCO Principles related to the design of RFRs, data sufficiency and transparency, as well as whether such rates provide users with robust and reliable benchmarks and sufficient information to enable them to assess their suitability. It pointed out that the recent period of market stress reinforces the importance of the review, given the potential fragility of the wholesale unsecured funding markets.

Source: Financial Stability Board

JORDAN

Private sector lending up 2% in first quarter of 2023

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD64.3bn, or $90.6bn, at the end of March 2023, nearly unchanged in the first quarter of 2023 and constituting an increase of 4.4% from end-March 2022. Claims on the resident private sector grew by 1.8% from the end of 2022 to JD30.3bn and credit to the non-resident private sector rose by 2% to JD677m, leading to an expansion of 1.8% in overall private sector credit facilities in the first quarter of 2023. Lending to the resident private sector accounted for 47% of total assets at end-March 2023, relative to 46% a year earlier. In parallel, resident private sector deposits reached JD33.2bn at end-March 2023, unchanged from end-2022, and increased by 5.4% from JD31.5bn at end-March 2022; while non-resident private sector deposits stood at JD5.5bn, up by 4.1% in the first quarter of the year and by 3.6% from end-March 2022. Also, the government's deposits totaled JD1.2bn and those of public non-financial institutions reached JD324m at end-March 2023, while claims on the public sector accounted for 24.5% of total assets compared to 23.6% a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD6.6bn, or $9.3bn, at the end of March 2023 and declined by 7.8% from end-2022; while capital accounts and allowances stood at JD9.4bn, or $13.2bn, unchanged in the first quarter of 2023. Also, deposits at foreign banks reached JD3.9bn, or $5.5bn, at end-March 2023, and decreased by 1% in the first quarter of 2023; while the sector's foreign liabilities stood at $15.1bn at end-March 2023.

Source: Central Bank of Jordan

OMAN

Ratings on five banks affirmed, outlook revised to 'positive'

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Bank Muscat (BM) at 'BB' and the long-term IDRs of Ahli Bank (AB), Bank Dhofar (BD), National Bank of Oman (NBO), and Sohar International Bank (SIB) at 'BB-'. It also revised the outlook on banks' the long-term IDRs from 'stable' to 'positive' following its similar action on the Omani sovereign ratings, given the banks' large direct and indirect exposure to the government and the public sector. However, it pointed out that the authorities' financial flexibility and ability to provide extraordinary support to local banks remains limited, despite recent improvements in the sovereign balance sheet. It added that the 'positive' outlook reflects the agency's assessment of the banks' standalone profiles, as indicated by the outlook revision on the Omani operating environment from 'stable' to 'positive'. Further, it said that the banks' IDRs reflect the government's improving probability of providing support to banks in case of financial stress. It indicated that the banks' business models, risk profiles, as well as funding and liquidity metrics, will benefit from a stronger sovereign credit profile in terms of revenue generation, business volumes, and deposit inflows. In addition, it affirmed the Viability Ratings (VRs) of BM at 'bb', the ratings of BD and NBO at 'bb-', and the VR of AB at 'b+'. Further, it maintained the Rating Watch Positive on SIB's VR of 'b+' and the Rating Watch Negative on the ratings of HSBC Bank Oman.

Source: Fitch Ratings

EGYPT

Outlook on banks revised to 'negative' following similar action on sovereign

S&P Global Ratings affirmed the global short- and long-term issuer credit ratings of the National Bank of Egypt, Banque Misr, and Commercial International Bank, and revised the outlook on the banks' long-term ratings from 'stable' to 'negative', in line with the agency's similar action on the sovereign's foreign currency ratings. It said that the outlook revision on the sovereign ratings reflects its expectations that Egypt's funding sources may not cover its high external financing requirements. Also, it anticipated that a downgrade of the sovereign ratings will lead to higher risk weights under the agency's risk-adjusted capital model, and could result in pressure on the banks' standalone credit profiles. Further, it indicated that the creditworthiness of Egyptian banks is significantly linked to that of the sovereign, as well as to domestic economic dynamics. It added that limited lending opportunities have led banks to increase their investments in government bonds in recent years, which have reached 37% of the banking sector's assets at the end of 2022. As such, it considered that these investments have raised the exposure of the banks to sovereign risk, but have supported their profitability. In parallel, S&P indicated that it would downgrade the ratings of the three banks in the next 12 months in case of a negative action on the sovereign ratings, or if the operating environment becomes less supportive for banks. In contrast, it said that it could revise the outlook on the banks' ratings to 'stable' in the coming 12 months if it takes a similar action on the sovereign.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $78 p/b in second quarter of 2023

ICE Brent crude oil front-month prices averaged $82.5 per barrel (p/b) in the first four months of 2023, constituting a decrease of 17.5% from $100 p/b in the same period of 2022, mainly due to monetary policy tightening by major central banks and the global economic slowdown, which weighed on demand for oil. In parallel, Goldman Sachs expected that the banking stress in the United States, risks related to the U.S. debt ceiling, and weak Chinese industrial activity increase concerns about global oil demand in the near term. Also, it expected the global oil market to post a deficit of 1.5 million barrels per day (b/d) in the second half of 2023 due to a decrease in global oil inventories. But it considered that a moderate recession in OECD economies, lower demand for oil from China, stable Russian oil supply, and higher-than-expected oil supply from Iran, could put downward pressure on oil prices in the near term. In addition, the U.S. Energy Information Administration (EIA) expected a seasonal rise in global oil consumption and a drop of crude oil production from the OPEC+ coalition to put upward pressure on crude oil prices in the coming months. Further, it forecast that total crude oil output from OPEC+ members will decrease by 0.3 million b/d in 2023, in large part due to the OPEC+ announcement in April about production cuts, as well as to recent disruptions to crude oil exports in Iraq, and a force majeure that limited crude oil exports in Nigeria. Also, the EIA forecast oil prices to average $77.6 p/b in the second quarter and $78 p/b in the third quarter of 2023.

Source: Goldman Sachs, U.S. EIA, Refinitiv, Byblos Research

Gold demand in Middle East up 10% in the first quarter of 2023

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 73.9 tons in the first quarter of 2023, constituting a rise of 9.8% from 67.3 tons in the same quarter of 2022. Gold demand in the region accounted for 9.5% of the global consumption of the precious metal in the first quarter of 2023. Consumer demand for gold in Iran reached 20 tons and represented 27% of the region's aggregate demand in the first quarter of 2023, followed by Egypt with 16.2 tons (22%), Saudi Arabia with 13.4 tons (18.2%), the UAE with 12 tons (16.3%), and Kuwait with 4.1 tons (5.5%).

Source: World Gold Council, Byblos Research

OPEC oil output nearly unchanged in March 2023

Members of OPEC, based on secondary sources, produced an average of 28.8 million barrels of oil per day (b/d) in March 2023, nearly unchanged from 28.9 million b/d in February 2023. On a country basis, Saudi Arabia produced 10.4 million b/d, or 36% of OPEC's total output, followed by Iraq with 4.4 million b/d (15%), the UAE with 3.04 million b/d (10.6%), Kuwait with 2.7 million b/d (9.3%), and Iran with 2.6 million b/d (9%).

Source: OPEC

Angola's oil export receipts up 15% to $953m in February 2023

Oil exports from Angola reached 34.8 million barrels in February 2023, constituting an increase of 2.7 million barrels (+8.5%) from 32.05 million barrels in January 2023 and a growth of 3 million barrels (+9.4%) from 31.8 million barrels in the same month in 2022. The country's oil export receipts totaled KZ486.72bn, or $953m, in February 2023 and increased by 15% from KZ423.3bn, or $830m, in January 2023. They increased by 18% from KZ412.33bn ($791m) in February 2022.

Source: Ministry of Finance of Angola

Base Metals: Nickel prices to average $23,000 per ton in second quarter of 2023

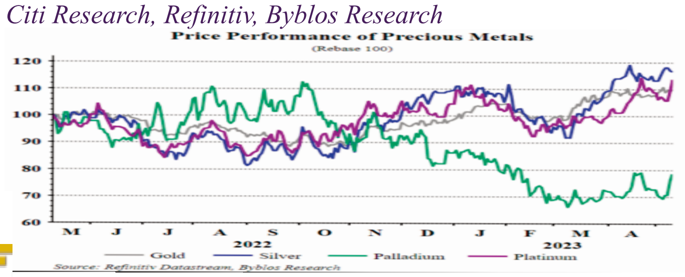
The LME cash prices of nickel averaged $25,378 per ton in the first quarter of 2023, constituting a decrease of 14.2% from an average of $29,561 a ton in the same quarter of 2022, due to global macroeconomic concerns, financial market turbulence, and monetary tightening. In parallel, S&P Global Market Intelligence projected the total supply of refined nickel at 3.4 million tons in 2023, which would constitute an increase of 11.6% from 3.03 million tons in 2022. Also, it forecast the global demand for refined nickel at 3.2 million tons in 2023, which would represent a rise of 10.5% from 2.9 million tons in 2022. It anticipated global primary nickel supply to continue to outpace demand in 2023, as it projected the nickel market to post a surplus of 152,000 tons in 2023. Also, it expected global stainless steel production to expand by 4% in 2023 after contracting by about 5% in 2022. Moreover, it expected the nickel market to shift from surpluses during the 2022-26 period to a deficit in 2027, as it forecast global primary nickel consumption to reach 4.3 million tons in 2027 on expanding battery demand. In addition, Citi Research forecast nickel prices to average $23,000 per ton in the second quarter, $22,000 a ton in the third quarter, $22,000 per ton in the fourth quarter of 2023.

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

Precious Metals: Gold prices to average $2,050 per ounce in second quarter of 2023

Gold prices averaged $1,924.1 per troy ounce in the year-to-May 10, 2023 period, constituting an increase of 1.8% from an average of $1,890.3 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 $2,022.6 an ounce on May 10, 2023, driven mainly by a stronger U.S. dollar and the easing of supply chain restrictions around the world. In parallel, the World Gold Council indicated that global gold demand totaled 1,080 tons in the first quarter of 2023 and decreased by 12.7% from 1,238.5 tons in the same quarter of 2022. It attributed the decline to a decrease in investments in exchange-traded funds as inflows shifted to outflows, to a decrease of 13% in demand from the technology sector, and to a retreat of 2% in jewelry consumption, which were partly offset by a surge of 176% in net purchases by central banks and by an increase of 5% in demand for bars & coin. In addition, S&P Global Market Intelligence indicated that the weakening of US dollar and the persistent uncertainties in the global financial market will support gold prices in the short term, while rising interest rates to combat global inflation will put downward pressure on gold prices by the end of 2023. Also, Citi Research projected gold prices to average $2,050 per ounce in the second quarter, $2,100 an ounce in the third quarter, and $2,150 per ounce in the fourth quarter of 2023.

Source: World Gold Council, S&P Global Market Intelligence, Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- Positive	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Negative	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	BB+ Stable	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- Positive	Ba3 Positive	BB Positive	BB Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	AA- Positive	AA Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A Stable	A1 Positive	A+ Stable	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 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	5.25	03-May-23	Raised 25bps	14-Jun-23
Eurozone	Refi Rate	3.75	04-May-23	Raised 25bps	15-Jun-23
UK	Bank Rate	4.25	23-Mar-23	Raised 25bps	11-May-23
Japan	O/N Call Rate	-0.10	28-Apr-23	No change	16-Jun-23
Australia	Cash Rate	3.85	02-May-23	Raised 25bps	06-Jun-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	12-Apr-23	No change	07-Jun-23
Emerging Markets					
China	One-year Loan Prime Rate	3.65	20-Apr-23	No change	22-May-23
Hong Kong	Base Rate	5.50	04-May-23	Raised 25bps	15-Jun-23
Taiwan	Discount Rate	1.75	15-Dec-22	Raised 12.5bps	15-Jun-23
South Korea	Base Rate	3.50	13-Apr-23	No change	25-May-23
Malaysia	O/N Policy Rate	3.00	03-May-23	Raised 25bps	06-July-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	5.15	03-May-23	Raised 25bps	14-Jun-23
Saudi Arabia	Repo Rate	5.75	03-May-23	Raised 25bps	14-Jun-23
Egypt	Overnight Deposit	18.25	30-Mar-23	Raised 200 bps	18-May-23
Jordan	CBJ Main Rate	7.25	05-May-23	Raised 25bps	N/A
Türkiye	Repo Rate	8.50	27-Apr-23	No change	25-May-23
South Africa	Repo Rate	7.75	30-Mar-23	Raised 50bps	25-May-23
Kenya	Central Bank Rate	9.50	29-Mar-23	No change	29-May-23
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	03-May-23	No change	N/A
Armenia	Refi Rate	10.75	02-May-23	No change	13-Jun-23
Romania	Policy Rate	7.00	10-May-23	No change	05-Jul-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	27-Apr-23	No change	15-Jun-23
Russia	Refi Rate	7.50	28-Apr-23	No change	09-Jun-23

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293