750 ISSUES+
Issue 761 | May 25, 2023

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 335% of GDP at end-March 2023

The Institute of International Finance (IIF) indicated that the global debt level, which includes the debt of governments, corporates and households, reached $304.9 trillion (tn) at the end of March 2023, constituting a decrease of 1.4tn, or 0.5%, from $306.3tn at the end of March 2022. The debt of advanced economies accounted for 67% of the total, while the debt of emerging markets (EM) represented the balance of 33%. It noted that the debt level reached 335% of the weighted average global GDP at the end of March 2023 compared 346% of global GDP at end-March 2022. It added that the debt of advanced economies reached $204.2tn or 383.2% of GDP, while the debt level of EMs totaled $100.7tn or 249.4% of GDP at end-March 2023. It pointed out that the aggregate debt of corporates excluding financial institutions reached $91.9tn, or 96.3% of global GDP, at the end of March 2023, followed by government debt with $85.7tn (95.5% of GDP), financial sector indebtedness with $69.8tn (79.5% of GDP), and household debt with $57.6tn (62% of GDP). In parallel, it indicated that EM corporate debt excluding financial institutions totaled $42.3tn or 103% of GDP, followed by EM government borrowing at $26tn (65% of GDP), financial sector indebtedness at $13.7tn (34.8% of GDP), and EM household debt at $18.7tn (46.5% of GDP). Also, it noted that the borrowing of governments in advanced economies amounted to $59.7tn or 113.6% of GDP, followed by financial sector indebtedness at $56tn (106.2% of GDP), corporate debt excluding financial institutions at $49.5tn (92.2% of GDP), and household debt at $39tn (71.2% of GDP).

Source: Institute of International Finance

International tourist arrivals up 86% to 235 million in first quarter of 2023

Figures released by the United Nations World Tourism Organization show that international tourist arrivals reached 235 million in the first quarter of 2023, constituting a surge of 86% from 126 million global tourist arrivals in the same quarter of 2022. Further, international tourist arrivals to advanced economies increased by 90%, while arrivals to emerging markets grew by 83% in the first quarter of 2023 from the same period last year. On a regional basis, the number of tourist arrivals to the Asia & Pacific region jumped by 474% in the covered period, followed by a rise of 101% in arrivals to Africa, then to the Americas (+70%), to Europe (+52%), and to the Middle East (+49%). In parallel, tourist arrivals to the Asia & Pacific region dropped by 46% in the first quarter of 2023 from the same quarter of 2019, followed by arrivals to the Americas (-14.5%), to Africa (-11.7%), and to Europe (-9.6%), while international arrivals to the Middle East increased by 15.4% in the covered period. Also, it indicated that receipts from tourist arrivals jumped by 87% in Europe in the first quarter of 2023 from the same period in 2019, and surged by 75% in Africa, by 71% in the Middle East, by 68% in the Americas, and by 64% in the Asia & Pacific region.

Source: World Tourism Organization

MENA

Greenfield FDI up 234% to $261bn in 2022

Figures released by fDi Markets show that the Middle East and Africa (ME&A) region attracted $261.2bn in greenfield foreign direct investments (FDI) in 2022, constituting a surge jump of 234% from $78.2bn in 2021. There were 2,131 greenfield FDI projects in 2022 in the region compared to 1,387 projects in 2021. Further, the number of greenfield FDI projects in the Middle East reached 1,397 projects in 2022 and increased by 60.6% from 870 projects in 2021, while those in Africa totaled 734 projects and expanded grew by 42% from 517 projects in the preceding year. The UAE was the destination of 879 greenfield FDI projects last year and accounted for 41.2% of the number of such projects in the ME&A region. Saudi Arabia followed with 216 projects (10%), then South Africa with 157 projects (7.4%), Egypt with 148 projects (6.9%), Qatar with 135 projects (6.3%), Israel with 73 projects (3.4%), Morocco with 71 projects (3.3%), Kenya with 63 projects (3%), Nigeria with 49 projects (2.3%), and Oman with 35 projects (1.6%), while the remaining countries attracted 305 greenfield FDI projects, or 14.3% of the total in 2022. In parallel, outbound greenfield FDI from the ME&A region amounted to $123.4bn across 823 projects in 2022. The UAE was the largest source of greenfield FDI with $84bn, or 68% of the total, followed by Saudi Arabia with $21.8bn (17.6%), Israel with $9.3bn (7.5%), South Africa with $1.7bn (1.4%), and Qatar and Mauritius with $1.15bn each (0.9% each). Further, the UAE was the source of 272 greenfield FDI projects in the ME&A region, or 33% of the total, followed by Israel with 192 projects (23.3%), Saudi Arabia with 62 projects (7.5%), South Africa with 47 projects (5.7%), and Nigeria with 39 projects (4.7%).

Source: fDi Markets, Byblos Research

GCC

Fixed income issuance down 6% to $37.3bn in first four months of 2023

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $37.3bn in the first four months of 2023, constituting a decrease of 6% from $39.7bn in the same period of 2022. Fixed income issuance in the first four months of the year consisted of $15.7bn in corporate bonds, or 42.1% of the total, followed by $12.4bn in sovereign bonds (33.2%), $8.1bn in corporate sukuk (21.7%), and $1.1bn in sovereign sukuk (2.9%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $23.8bn in the first four months of 2023, or 63.8% of fixed income output in the region; while issuance by GCC sovereign reached $13.5bn, or 36.2% of the total. GCC sovereigns issued $10bn in bonds and sukuk in January, $1.1bn in February, $0.1bn in March, and $2.3bn in April 2023. In parallel, companies in the GCC issued $2.4bn in bonds and sukuk in January, $13.7bn in February, $2.1bn in March, and $5.6bn in April 2023. In parallel, corporate output in April included $1.8bn in bonds and $400m in sukuk issued by companies based in the UAE, $3.05bn in sukuk issued by firms in Saudi Arabia, $156.3m in bonds issued by companies in Oman, $75m in sukuk issued by firms based in Qatar. In parallel, sovereign proceeds in the covered month consisted of $1.26bn in bonds and $1bn in sukuk issued by Bahrain.

Source: KAMCO

OUTLOOK

PAKISTAN

Near-term outlook contingent on access to external financing

JPMorgan Chase & Co considered that the devastating floods in Pakistan between June and October 2022 have significantly weighed on the country's near-term macroeconomic outlook. As such, it revised its real GDP growth forecast from 1.3% to 0.1% for the fiscal year that ends in June 2023, and anticipated further downside risks to originate from a tighter domestic policy mix, lingering import controls, and elevated global recession risks. In addition, it expected inflationary pressures to persist in the near term due to the post-flood supply-side shocks, the impact of recent administrative price hikes, and second-round effects of the sharp devaluation of the Pakistani rupee. It projected the headline inflation rate to exceed 30% in June 2023, and expected it to moderate to the authorities' target range of 5% to 7% by end-2024.

In parallel, it considered that, in the absence of new funding from the International Monetary Fund (IMF), the foreign currency reserves at the State Bank of Pakistan will be sufficient to avoid a sovereign default in FY2022/23. It estimated Pakistan's external financing needs in May and June 2023 at $5.2bn, including $2.4bn that are due to China. It projected that, in case authorities succeed in successfully rolling over the Chinese debt, the government will face an effective financing gap of about $2.8bn that foreign currency reserves can cover. But it anticipated a higher risk of a larger external financing gap and sovereign debt default in FY2023/24, in case funding from the IMF as well as from bilateral and multilateral partners does not materialize. It forecast Pakistan's gross financing requirements and available financing in FY2023/24 at $20.9bn and $14.9bn, respectively, which translates into an external financing gap of $6bn for the next fiscal year. It also considered that the country faces the significant risk of running out of usable reserves to meet foreign obligations in the second half of 2023, and for external obligations to come due faster-than-anticipated as debt rollovers increase. It noted that shifting from external to domestic financing of the public debt is also increasingly unsustainable, given historically tight local currency liquidity and the already high share of bank loans extended to the public sector.

Source: JPMorgan Chase & Co

EGYPT

Investor confidence dependent on implementation of key reforms

The National Bank of Kuwait projected real GDP growth in Egypt to decelerate from 6.5% in the fiscal year that ended in June 2022 to 3.7% in FY2022/23, due mainly to foreign currency shortages and surging inflation rates, as well as to expectations of a weaker Egyptian pound. It forecast real GDP growth to accelerate to 4.5% in FY2023/24, in case authorities step up efforts on reforms, show a stronger commitment to a flexible exchange rate, and if the privatization program materializes. In addition, it anticipated that the inflation rate will peak at 38% to 40% in August 2023, driven by the depreciation of the exchange rate and newly-introduced fiscal consolidation measures, and considered that the Central Bank of Egypt might need to further tighten its monetary policy to contain inflationary pressures. Also, it projected the fiscal deficit to widen from 6.8% of GDP in FY2021/22 to 8.6% of GDP in FY2022/23 due to higher debt servicing costs. It anticipated the deficit to remain wide at 8.1% of GDP in FY2023/24, as it expected yields to remain elevated and policy rates to rise further, despite cuts in electricity and petrol subsidies, which could generate 2.4% of GDP in public revenues next year.

In parallel, it highlighted the need for authorities to step up efforts on key reforms as part of the program with the International Monetary Fund, in order to restore investor confidence and cover Egypt's external funding gap. It considered that, due to limited alternatives to investments from Gulf Cooperation Council countries, Egypt's external sector is highly exposed to the success of the privatization program as the country faces gross financing needs of $27bn in the coming 12 months. But it anticipated the narrowing of the current account deficit from 3.4% of GDP in FY2021/22 to 2.9% of GDP in FY2022/23, on the back of higher tourism receipts, to constitute an upside risk to the external balance. It estimated that the gross financing gap could narrow by 25% to $20bn if strong activity in the tourism sector is sustained. It also expected that potential negotiations on the external debt, the re-financing of multilaterals maturing loans, possible interest rate cuts by the U.S. Federal Reserve, a recovery in foreign portfolio investments, and/or Egypt's return to international bond markets, could help the authorities cover the large financing gap and limit pressure on the pound.

Source: National Bank of Kuwait

UAE

Dubai's government debt projected at 55.3% of GDP at end-2023

S&P Global Ratings indicated that the gross general government debt level of the Emirate of Dubai declined from 77.7% of GDP at the end of 2020 to 70% of GDP at end-2021 and 55.4% of GDP at the end of 2022, and projected it to regress to 55.4% of GDP at end-2023 and to 51.4% of GDP at the end of 2024. It said that the government has repaid part of its debt between January 2020 and March 2023, including $2.9bn in bonds, and reduced its loans from the Dubai-based bank Emirates NBD (ENBD) by 30% over the same period of time. It noted that the breakdown of the government's debt, which stood at $66bn in March 2023, shows that 44% consists of loans from ENBD; 30% or $20bn is composed of loans extended by Abu Dhabi and the Central Bank of the UAE (CBUAE) in the wake of the 2009 financial crisis; and 26% consists of outstanding securities issued by the government, as well as other bilateral and syndicated facilities.

The agency said that its base case scenario assumes that the debt stock will remain broadly flat in nominal terms during the 2023-26 period, but that it will decline to 47.5% of GDP by the end of 2025 and to 46.7% of GDP by end-2026. Further, it expected Abu Dhabi and the CBUAE to roll over the $20bn facility, after rolling it over in March 2019 for a five-year period at an interest rate of 1%. It also anticipated that the ENBD loan and the bilateral and syndicated facilities will be rolled over as well. But it noted that, despite the decline of the government’s debt burden, Dubai's sizeable public debt of 100% of GDP and its relatively limited assets constrain its ability to absorb economic shocks. It added that the robust recovery of the real estate and tourism sectors should help some government-related entities to deleverage and reduce rollover risks amid the current favorable operating conditions.

Source: S&P Global Ratings

QATAR

Medium-term growth rate projected at 4.3%

The International Monetary Fund (IMF) expected economic activity in Qatar to normalize in the near term, following very strong growth in 2022 due to the 2022 FIFA World Cup. It projected real GDP growth at between 2% and 2.5% in the 2023-24 period, supported by robust domestic demand and the ongoing increase of liquefied natural gas (LNG) production. Also, it forecast the medium-term growth rate to accelerate to between 4% and 4.25%, as the expansion of the North Field starts boosting LNG production. In parallel, it noted that authorities maintained fiscal discipline in 2022, as they saved the majority of the hydrocarbon windfalls and kept overall public expenditures within the budget targets. As a result, it indicated that the fiscal surplus rose from 0.2% of GDP in 2021 to about 10% of GDP in 2022, while the central government's debt level regressed by 16 percentage points to about 42% of GDP at the end of 2022. It said that the 2023 budget balances continued fiscal discipline and sustained domestic demand, with a broadly unchanged public-sector wage bill and cuts in public investments. It also expected that higher export receipts will result in fiscal and current account surpluses throughout the medium term. Further, the IMF considered that risks to Qatar's outlook originate from an unfavorable global environment, including a sharper-than-expected slowdown in worldwide economic activity, tighter and more volatile global financial conditions, increased volatility of commodity prices, as well as a worsening of geopolitical tensions. But it expected that the authorities' accelerated reforms efforts, in line with the country's third National Development Strategy, could boost productivity and promote economic diversification, while sustained high hydrocarbon prices would further strengthen growth prospects.

Source: International Monetary Fund

MOROCCO

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB+', which are one notch below investment grade, with a 'stable' outlook on the ratings. It also affirmed the Country Ceiling at 'BB+' and maintained the short-term local and foreign currency IDRs at 'B'. It indicated that the ratings reflect the authorities' record of sound macroeconomic policies, as well as the country's institutional framework that has supported its resilience to shocks, a favorable public debt profile, including a moderate share of foreign currency-denominated debt, as well as official creditor support and comfortable external liquidity buffers. But it pointed out that the ratings are constrained by weak development and governance indicators, an elevated public debt level, and a fiscal deficit that is wider than rated peers, as well as by the volatility of agricultural output. In parallel, the agency indicated that it could upgrade the ratings if authorities step up fiscal consolidation efforts, and/or in case of stronger medium-term growth prospects. In contrast, it noted that it could downgrade the ratings in case of a higher-than-expected rise in the public debt level or the materialization of contingent liabilities on the sovereign's balance sheet, if foreign currency reserves decline, and/or if persistently wide current account deficits lead to a steep rise in the net external debt level.

Source: Fitch Ratings

IRAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Iran's short- and long-term foreign and local currency ratings at 'B', and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to the government's moderate debt level and very low external debt. Also, it said that the ratings reflect its expectations that the current account surplus will increase from 3.2% of GDP in the fiscal year that ended in March 2022 to 4.5% of GDP in FY22/23 due to high hydrocarbon and energy prices. It noted that the ratings are supported by the country's large hydrocarbon reserves and the agency's assumption that the usable foreign exchange assets under the control of the Central Bank of Iran are currently adequate for balance of payments purposes. But, it indicated that the ratings are constrained by high macroeconomic risks, elevated external political risks, significant socioeconomic challenges, and lack of access to external funding and to the country's frozen foreign assets. Further, it forecast the fiscal deficit to widen from 4% of GDP in FY21/22 to 5.8% of GDP in FY22/23. It added that, despite the country's very low external debt level, the authorities' ability to service the debt on time has weakened due to U.S. sanctions on Iranian oil exports and financial institutions, and to the Financial Action Task Force's placement of Iran on its list of "high-risk jurisdictions" for money laundering and terrorism financing. In parallel, it said that the 'stable' outlook balances elevated hydrocarbons and commodity prices that slightly reduced pressure on the budget deficit and external liquidity buffers, against the continued adverse impact of U.S. sanctions. The agency indicated that it could downgrade the ratings in case of an escalation in geopolitical tensions or a materialization of large contingent liabilities for the central government.

Source: Capital Intelligence Ratings

JORDAN

Growth and fiscal outlook contingent on sustained structural reforms

The International Monetary Fund (IMF) projected real GDP growth in Jordan at 2.6% in 2023, and indicated that the authorities maintained so far macroeconomic stability and access to international capital markets through prudent monetary and fiscal policies, despite a challenging global and regional environment. Further, it noted that the government reduced its primary deficit, excluding grants, by 0.8 percentage points of GDP to 3.7% of GDP in 2022, by taking timely measures to offset the higher cost of subsidies. It said that the government aims to further narrow the primary deficit to 2.9% of GDP in 2023 and to gradually reduce the public debt level to 80% of GDP by 2028 through continued efforts to broaden the tax base, as well as by improving the efficiency of public spending. It stressed that the authorities' efforts to tackle the deficits in the electricity sector are essential to safeguard fiscal sustainability. Also, it said that the Central Bank of Jordan (CBJ) has successfully maintained monetary and financial stability, as the CBJ has been committed to the peg of the Jordanian dinar to the US dollar and raised its policy rates in line with the increase in interest rates by the U.S. Federal Reserve. In parallel, it stressed the importance of implementing structural reforms in order to achieve strong and inclusive growth, develop a more dynamic private sector, and attract additional investments.

Source: International Monetary Fund

ARMENIA

Economic growth to support banks' performance

S&P Global Ratings maintained Armenia's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA) and kept the economic and industry risk scores at '8'. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 8' include Costa Rica, Honduras, Jamaica, Jordan, and Paraguay. It indicated that Armenia's economic risk score reflects an "intermediate risk" in its economic imbalances, "high risk" in its economic resilience, and "extremely high" credit risks in the economy. Further, it revised the country's economic risk trend from 'stable' to 'positive'. It said that the Armenian banking sector benefitted from strong economic growth in 2022, which is likely to continue in the coming years. It noted that reducing the dollarization rate of the loan portfolio of banks, along with the improving institutional framework in the past five years, as well as the expected normalization of mortgage lending on the back of decreasing tax credits, are likely to reduce credit risks in the economy. In parallel, it said that the banking sector's industry score reflects the country's "high risk" in its competitive dynamics, as well as "very high risk" in its institutional framework and system-wide funding. It considered that the banking sector will maintain its relatively high reliance on external funding, but it did not expect any material outflows of non-resident deposits in the next two years. It forecast the sector's loans to core customer deposits at 115% to 125% in the 2023-24 period, which is lower than the country's peers in Group 8. Also, it indicated that the trend for the banking sector's industry risk remains 'stable'.

Source: S&P Global Ratings

OMAN

Agency upgrades ratings of seven banks

Moody's Investors Service upgraded the long-term local and foreign currency deposit rating of HSBC Bank Oman (HBON) from 'Ba2' to 'Ba1' and the ratings of Bank Dhofar, Bank Muscat, Bank Nizwa, the National Bank of Oman (NBO), Oman Arab Bank (OAB), and Sohar International Bank (SIB) from 'Ba3' to 'Ba2'. Also, it maintained the 'developing' outlook in the long-term ratings of HBON and the 'positive' outlook on the long-term ratings of the other six banks. Further, it upgraded the Baseline Credit Assessments (BCAs) of HBON, Bank Muscat, and NBO from 'ba3' to 'ba2', and affirmed the BCAs of Bank Dhofar, OAB, and SIB at 'ba3', and the BCA of Bank Nizwa at 'b1'. It attributed its rating actions to its recent upgrade of Oman's issuer rating from 'Ba3' to 'Ba2'. It indicated that the banks' ratings are constrained by the deterioration in their asset quality, except for Bank Muscat that benefits from solid asset quality. Also, it said that the ratings of HBON, Bank Dhofar, Bank Muscat, Bank Nizwa, NBO and SIB are supported by their healthy profitability. It noted that the ratings of Bank Dhofar, Bank Muscat, Bank Nizwa HBON and SIB are underpinned by their sound capitalization, while the ratings of NBO and OAB are constrained by their modest capital ratios. It pointed out that the ratings of HBON, NBO and SIB take into account the banks' adequate liquidity buffers, and added that modest liquidity resources are weighing on the ratings of Bank Dhofar, Bank Muscat, Bank Nizwa and OAB.

Source: Moody's Investors Service

EGYPT

Banks' ratings downgraded on deteriorating operating environment

Fitch Ratings downgraded the long-term foreign-currency Issuer Default Ratings (IDRs) of the National Bank of Egypt, Banque Misr, Commercial International Bank, and Banque du Caire from 'B+' to 'B', and maintained the 'negative' outlook on the banks' ratings. It attributed the downgrade to its similar action on the sovereign ratings due to Egypt's higher external financing risks, given the country's elevated funding requirements, constrained external financing conditions, limited foreign currency liquidity buffers, and the sensitivity of the government's broader financing plan to investor sentiment. Also, it downgraded the Viability Ratings (VRs) of the four banks from 'b+' to 'b'. It indicated that the banks' VRs reflect the strong correlation of the banks' operating environment and their credit profiles, with the credit profile of the sovereign given the banks' sizeable holdings of Egyptian government debt and their lending to public-sector companies. It estimated the banking sector's total exposure to the sovereign and broader public sector at nearly 75% of their assets, or about 11 times the banks' equity, at the end of 2022. In parallel, the agency indicated that a downgrade of the sovereign rating would lead to a downgrade of all four banks' IDRs and VRs, given their very elevated exposure to sovereign securities. It said that it could also downgrade the banks' ratings in case pressure on foreign currency liquidity affects the banks' ability to service their obligations in foreign currency, and/or if a sharp deterioration in operating conditions results in increased pressure on the banks' asset quality, profitability and capital metrics. But it noted that it could upgrade the banks' ratings in case of a sovereign upgrade, which is unlikely given the 'negative' outlook on the sovereign rating.

Source: Fitch Ratings

ANGOLA

Exchange rate under pressure

Standard Chartered Bank indicated that the exchange rate of the Angolan kwanza has recently come under pressure, as the official rate has been depreciating for the first time since the end of 2022. It pointed out the exchange rate reached AOA542 per US dollar on May 18, 2023 relative to a range of AOA505 to AOA515 per dollar since November 2022. It attributed the depreciation of the exchange rate to a possible balance-of-payments deficit, given that global oil prices and domestic oil production have dropped since the beginning of this year. It anticipated that the exchange rate could further depreciate in the absence of interventions by the Banco Nacional de Angola (BNA), and given limited sales of foreign currency by the National Treasury. In parallel, it indicated that foreign currency reserves at the BNA regressed from about $15bn on May 15, 2022 to $14.5bn on May 15, 2023, and expected reserves to remain under pressure given the sovereign's elevated external debt servicing requirements and lower oil receipts. As such, it pointed out that the BNA has not sold foreign currency since the beginning of 2023, and expected that such sales will be limited in the near to medium terms. Also, it anticipated that the exchange rate of the kwanza will depreciate at a faster pace in the remainder of the year, and forecast it to reach AOA586 per dollar by the end of 2023.

Source: Standard Chartered Bank

ENERGY / COMMODITIES

Oil prices to average $90 p/b in second quarter of 2023

ICE Brent crude oil front-month prices reached $76.8 per barrel (p/b) on May 23, 2023, constituting an increase of 6.2% from a recent low of $72.3 p/b on May 5, 2023, due to rising concerns over further tightening supply of oil and additional production cuts from OPEC+ coalition. In parallel, Standard Chartered Bank indicated that the recent speculative positioning in crude oil is likely to lead to more production cuts in the near term, as investors have become highly pessimistic about the global macroeconomic outlook. In addition, Emirates NBD noted that the negative attitude of investors towards oil is due to fears of a global recession and to elevated interest rates that will limit economic growth. It expected oil prices to increase in the second half of 2023, due to an expected substantial tightening in global oil markets. It pointed out that US oil production has been capped at 12.1 million barrels per day (b/d) to 12.3 million b/d, and said that Russia seems unable to increase its production, and considered that OPEC+ members are embarking on more production cuts in the near term. It added that higher interest rates globally and risks related to the U.S. debt ceiling have raised concerns about global oil demand in the near term. Also, Standard Chartered Bank forecast oil prices to average $90 p/b in the second quarter and $88 p/b in the third quarter of 2023.

Source: Standard Chartered Bank, Emirates NBD, Refinitiv, Byblos Research

OPEC's oil basket price up 7.2% in April 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $84.13 per barrel (p/b) in April 2023, constituting an increase of 7.2% from $78.45 p/b in March 2023. The price of Angola's Girassol was $87 p/b, followed by Nigeria's Bonny Light at $85.94 p/b, and Equatorial Guinea's Zafiro at $85.9 p/b. All prices in the OPEC basket posted monthly increases of between $4.56 p/b and $6.7 p/b in April 2023.

Source: OPEC

Global steel output down 2.2% in April 2023

Global steel production reached 161.4 million tons in April 2023, constituting decreases of 2.2% from 165.1 million tons in March 2023 and of 0.8% from 162.7 million tons in April 2022. Production in China totaled 92.6 million tons and accounted for 57.4% of global steel output in April 2023. Output in India followed with 10.7 million tons, or 6.6% of the total, then in Japan with 7.2 million tons (4.5%), the U.S. with 6.6 million tons (4.1%), Russia with 6.4 million tons (4%), and South Korea with 5.7 million tons (3.5%).

Source: World Steel Association, Byblos Research

Middle East demand for gold bars and coins up 46% in first quarter of 2023

Net demand for gold bars and coins in the Middle East totaled 28.8 tons in the first quarter of 2023, constituting a rise of 46% from 19.8 tons in the same quarter of 2022. Demand for gold bars and coins in Iran reached 12.9 tons and accounted for 44.8% of the region's total demand in the first quarter of 2023. Egypt followed with 7 tons (24.3%), then Saudi Arabia with 3.7 tons (12.7%), UAE with 2.3 tons (7.9%), and Kuwait with 1.1 tons (3.7%).

Source: World Gold Council, Byblos Research

Base Metals: Copper prices to average $8,700 per ton in second quarter of 2023

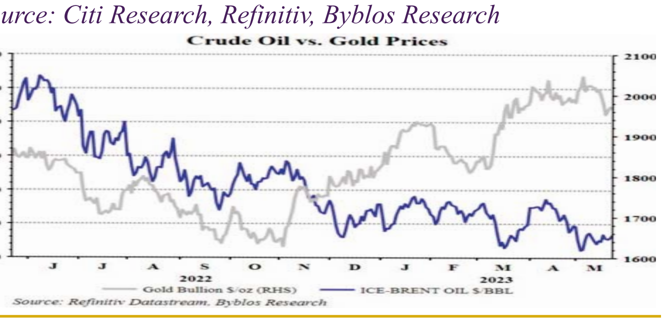
LME copper cash prices averaged $8,806 per ton in the year-to-May 23, 2023 period, constituting a decline of 11.4% from an average of $9,933.7 a ton in the same period of 2022. The decrease in prices was due mainly to the tightening of global monetary policy and a stronger US dollar, as well as to higher production of the metal that outweighed copper consumption. In parallel, S&P Global Market Intelligence projected the global production of refined copper at 26.4 million tons in 2023, which would constitute an increase of 5.5% from 25.04 million tons in 2022. In addition, it forecast global demand for refined copper at 26.35 million tons in 2023, which would represent a rise of 3.3% from 25.5 million tons in 2022. It expected that increased global demand for copper in the next few months, as well as a slowdown in U.S. economic growth that will lead to a weaker US dollar, will support copper prices in the second half of 2023. However, it revised downward its forecast for the rise of copper consumption in the U.S. from 1.8% to 0.6% for 2023, due to higher mortgage rates that have reduced property sales and to weak confidence in the real estate sector. It pointed out that the slowest rise in the consumer price index in China since the start of 2021 has added to concerns about the strength of the country's economic recovery, which has pushed copper prices down to a multi-months low of $8,275 per ton on May 12, 2023. In addition, Citi Research projected copper prices to average $8,700 per ton in the second quarter and at $8,500 a ton in the third quarter of 2023.

Source: S&P Global Market Intelligence, Citi Research

Precious Metals: Palladium prices to average $1,450 per ounce in second quarter of 2023

The prices of palladium averaged $1,544.7 per troy ounce in the year-to-May 23, 2023 period, constituting a decline of 32.5% from an average of $2,289.3 an ounce in the same period last year. The decrease in palladium prices has been mainly driven by global chip shortages and to the substitution of palladium with platinum in catalytic converters. In parallel, Citi Research anticipated forecast the global supply of palladium at 9.6 million ounces in 2023, which would constitute an increase of 1.1% from 9.5 million ounces in 2022, with mine output representing 69% of the global production of refined palladium in 2023. Also, it forecast demand for the metal at 9.98 million ounces in 2023, which would represent an increase of 0.7% from 9.9 million ounces in 2022. Further, it expected demand for palladium to decrease in the medium to long terms due to the rise in the use of batteries in electric vehicles. As such, it expected palladium prices to decline in the coming six to 12 months. In addition, it anticipated the palladium market to shift from a deficit in late 2023 to a surplus in 2024 amid strong growth in demand for batteries for electric vehicles and the continued substitution of palladium with platinum. Moreover, it forecast palladium prices to average $1,450 per ounce in the second quarter and $1,550 an ounce in the third quarter of 2023.

Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	Positive	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B3	B	B+								
	Negative	RfD**	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	Stable	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	Positive	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	5.25	03-May-23	Raised 25bps	14-Jun-23
Eurozone	Refi Rate	3.75	04-May-23	Raised 25bps	15-Jun-23
UK	Bank Rate	4.50	11-May-23	Raised 25bps	22-Jun-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	5.50	24-May-23	Raised 25bps	12-Jul-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	22-May-23	No change	20-Jun-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	18-May-23	No change	22-Jun-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	24-May-23
Ghana	Prime Rate	29.50	22-May-23	No change	24-Jul-23
Angola	Base Rate	17.00	19-May-23	No change	14-Jul-23
Mexico	Target Rate	11.25	18-May-23	No change	22-Jun-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