750 ISSUES+
Issue 762 | June 1, 2023

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Private sector investments in infrastructure up 23% to $92bn in 2022

Figures released by the World Bank show that global private sector investments in infrastructure reached $91.7bn in 2022, constituting an increase of 23% from $74.5bn in 2021. Further, private sector investments in infrastructure totaled $43.4bn in the East Asia & the Pacific region and accounted for 47.3% of total private investment commitments in infrastructure projects in 2022, followed by Latin America & the Caribbean (LAC) with $24.3bn (26.5%), then South Asia with $13.9bn (15%), Sub-Saharan Africa (SSA) with $4.9bn (5.3%), Europe & Central Asia with $3.3bn (3.6%), and the Middle East & North Africa (MENA) region with $2bn (2%). Private sector investments in infrastructure surged by 214% in the MENA region, followed by investment commitments in South Asia (+59.4%), East Asia & the Pacific (+57%), and LAC (+37%). In contrast, private sector commitments to invest in infrastructure declined by 77% in Europe & Central Asia last year, followed by a decrease of 10% in SSA. In addition, private sector investments co-financed 85 infrastructure projects in LAC in 2022, followed by East Asia & the Pacific with 78 projects, South Asia and SSA with 37 projects each, Europe & Central Asia with 16 projects, and the MENA region with 10 projects. In parallel, the transport sector attracted $62.1bn in private sector investments in infrastructure across 85 projects in 2022, followed by the energy sector with $26bn (136 deals), the water supply and sanitation sector with $2.3bn (25 projects), the municipal solid waste industry with $796m (nine deals), and the information and communication technology sector with $545m (eight projects).
Source: World Bank, Byblos Research

One-third of economists expect higher rates to affect sovereign debt sustainability in 2023-24

The World Economic Forum's (WEF) annual survey of chief economists indicates that 76% of respondents agreed that the increase in interest rates will slow down in the face of financial stability concerns in the remainder of 2023, 55% of participants said that central banks will face a trade-off between managing inflation rates and maintaining banking sector stability in the covered period, while also 55% of surveyed chief economists agreed that central banks will struggle to reduce inflation to their target rates in the remainder of 2023. Further, the survey revealed that 67% of participants indicated that the global property market would face significant disruptions amid elevated interest rates in the 2023-24 period, 50% of respondents pointed out that higher rates would impact financial companies in the covered period, 36% of participants said that rising interest rates would negatively affect global financial markets in the near term, 34% of respondents noted that elevated interest rates would impact sovereign debt sustainability in the 2023-24 period, 28% of participants pointed out that higher interest rates would pose risks to corporate debt sustainability in the covered period, and 15% of surveyed chief economists noted that rising interest rates would negatively affect non-financial businesses in the near term. The results of the survey, which the WEF conducted between March and April 2023, are based on the responses of 33 chief economists worldwide.
Source: World Economic Forum

MENA

Aggregate wealth in Arab world at $31.5 trillion at end-2018, second lowest globally

The World Bank estimated the aggregate wealth of 16 Arab countries at $31.54 trillion at the end of 2018, the latest available figures, and accounted for 2.7% of global wealth at end-2018. It defined a nation's wealth as the portfolio of assets that form the productive base of the national economy. It said that the assets consist of renewable and non-renewable natural capital, produced capital, human capital, as well as the country's net foreign assets, and that it calculates the total wealth of a country by aggregating all the components of wealth. It added that it reports the data in 2018 US dollar terms at market exchange rates. It estimated that the Arab world's non-renewable natural capital, such as fossil fuel energy and 10 metals and minerals, stood at $11.38 trillion at end-2018; while the region's human capital, which takes into account the knowledge, skills, and experience of the country's workforce, stood at $9.47 trillion at end-2018. Also, it assessed the Arab countries' produced capital, which consists of machinery, structures, equipment, and urban land, at $7.44 trillion at the end of 2018, and their renewable natural capital, which is composed of forests, mangroves, fisheries, agricultural land and protected areas, at $641.8bn at end-2018. Finally, it indicated that the region's net foreign assets, which include portfolio equity, debt securities, foreign direct investments and other financial capital held in other countries, rose by $2.61 trillion in 2018. In parallel, the aggregate wealth of Arab countries at the end of 2018 was lower than the total wealth of the East Asia & Pacific region ($389 trillion), as well as of North America ($315.5 trillion), Europe & Central Asia ($282 trillion), Latin America & Caribbean ($66.9 trillion), and South Asia ($40.3 trillion), while it came higher than the aggregate wealth of countries in Sub Saharan Africa ($19.9 trillion).
Source: World Bank, Byblos Research

Stock markets down 1% in first five months of 2023

Arab stock markets decreased by 1.3% and Gulf Cooperation Council equity markets regressed by 0.1% in the first five months of 2023, relative to increases of 8.7% and 12%, respectively, in the same period of 2022. In comparison, global stock markets improved by 6.2% and emerging market equities contracted by 1% in the first five months of 2023. Activity on the Beirut Stock Exchange, based on the official stock market index, surged by 97% in the first five months of 2023; the Damascus Securities Exchange expanded by 25.2%, the Egyptian Exchange appreciated by 19.8%, the Tunis Bourse improved by 7.7%, and the Iraq Stock Exchange increased by 7.3%. In addition, the Dubai Financial Market gained 7.2%, the Saudi Stock Exchange yielded 5.1%, the Bahrain Bourse grew by 3.6%, the Casablanca Stock Exchange expanded by 3.1%, and the Palestine Exchange increased 2.2% in the covered period. In contrast, activity on the Abu Dhabi Securities Exchange declined by 8%, the Boursa Kuwait decreased by 6.2%, the Qatar Stock Exchange contracted by 5%, the Muscat Securities Market shrank by 4.8%, and the Amman Stock Exchange regressed by 0.8% in the first five months of 2023.
Source: Local stock markets, Dow Jones Indices, Refinitiv, Byblos Research

AFRICA

Major economies facing significant headwinds

S&P Global Ratings projected real GDP growth in Angola, the Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria and South Africa to decelerate from 3.4% in 2022 to 2.9% in 2023. It attributed the slower economic activity this year in the eight Sub-Saharan African (SSA) countries to weaker growth in advanced economies, as it anticipated the Eurozone and the U.S., the region's major trading partners, to face near-recessionary conditions in the second half of 2023 and in early 2024. It also expected the services sector, rather than the infrastructure and property sectors, to drive China's economic rebound, which would affect the exports of precious metals and commodities from the eight countries. In addition, it forecast economic activity in the covered countries to expand by about 3.5% annually in the 2024-26 period, in case of stronger activity in non-oil SSA economies; while it expected a rebound in the agricultural sector and continued growth in the services sector to support growth in the region's non-resource economies.

In parallel, it anticipated that the eight SSA sovereigns will continue to struggle with structural weaknesses, but expected that the end of the pandemic, the reopening of the tourism and services sectors, as well as lower global food and fuel prices, will support economic activity and result in some fiscal relief for the covered countries. But it considered that the lack of relevant structural reforms in the eight SSA countries will limit the impact of these upside risks. Also, it anticipated the region's policymakers to face a trade-off between public debt management, given higher interest rates, and macroeconomic stability, as they will have to continue to balance containing inflationary pressures with supporting the economic recovery. As a result, it expected that tight financial conditions and a challenging growth environment will result in a more difficult fiscal adjustment for the eight SSA sovereigns. Further, it noted that external imbalances in most of the covered economies are driven mainly by elevated external financing, while several of them have volatile terms-of-trade due to their dependence on hydrocarbons, exports, and related investments.
Source: S&P Global Ratings

GCC

Non-oil sector growth to average 4% in 2023-24 period

The National Bank of Kuwait anticipated that the oil production cuts under the OPEC+ agreement will weigh on the growth prospects of the Gulf Cooperation Council (GCC) countries in the near term. It projected the real GDP growth of GCC countries to decelerate from an 11-year high of 7.6% in 2022 to 1.7% in 2023, with activity in the hydrocarbon sector contracting by 1.9% and real non-oil GDP expanding by 3.9% this year, as elevated global oil prices cushion the impact of the global slowdown and of higher interest rates on GCC economies. It also forecast the region's real GDP to grow by 3.4% in 2024, as it projected activity in the hydrocarbon sector to expand by 2.3% and for real non-oil GDP to grow by 4% next year. It expected Bahrain to be the region's fastest-growing economy in 2023 and for activity in the Saudi non-oil sector to outperform its GCC peers, as the Kingdom steps up efforts with its ambitious structural reforms and investment drive.

In parallel, it expected that lower oil prices will weigh on the GCC region's fiscal and external metrics. As such, it projected the aggregate fiscal surplus of GCC economies to decrease from 5.3% of GDP in 2022 to 2.2% of GDP in 2023 and to reach 2.7% of GDP in 2024, in case oil prices average $85 per barrel (p/b) in 2023 and $90 p/b in 2024. Further, it forecast the region's aggregate current account surplus to decline from 19 % of GDP in 2022 to 12.7% of GDP in 2023 and to reach 13% of GDP in 2024.

Further, it considered that upside risks to the GCC region's outlook include higher-than-expected oil prices, given the potential tightness in the global oil market starting in the second half of 2023. But it anticipated that downside risks could originate from tighter financial conditions, and/or a larger-than-anticipated slowdown in the global economy that would result in lower oil prices and weigh on the region's growth prospects and fiscal balances.
Source: National Bank of Kuwait

IRAQ

Economic outlook contingent on tighter fiscal policy and improved governance

The International Monetary Fund (IMF) projected Iraq's oil output to contract by 5% in 2023 due to production cuts under the OPEC+ agreement and the outages of the Kirkuk-Ceyhan oil pipeline. It also expected real non-oil GDP growth to reach 3.7% this year, supported by the Central Bank of Iraq's easing of controls on foreign currency sales. In addition, it indicated that the inflation rate reached 7% in January 2023 and forecast it to average 5.6% in 2023, amid lower global commodity prices and a 10% revaluation of the Iraqi dinar.

In parallel, it indicated that the Iraqi authorities are planning to loosen fiscal policy significantly in the draft 2023 budget law, but projected the fiscal deficit to narrow from 7.6% of GDP in 2022 to 6.5% of GDP in 2023. It also estimated that Iraq's fiscal breakeven oil price would reach $96 per barrel this year, in case of increased public spending and reduced oil production, amid the revaluation of the dinar. It highlighted the need for a significantly tighter fiscal policy in order to reduce the government's dependence on oil receipts, safeguard critical social spending needs, and improve resilience. As such, it called on authorities to diversify fiscal revenues, reduce the oversized public-sector wage bill, and reform the public sector pension system in order to make it financially sound and more inclusive.

Further, the IMF stressed the importance of improving public financial management, and cautioned against the planned establishment of new extra budgetary funds, which would raise governance and efficiency concerns; while it strongly encouraged authorities to adhere to the pre-planned public expenditures. Also, it called on authorities to fully implement the framework for managing the government's contingent liabilities, including the Parliamentary approval and publication of an annual ceiling on government guarantees as part of the budget law. In addition, it stressed the need to enhance governance and reduce corruption, restructure large state-owned banks to improve access to finance, as well as enhance cost recovery in the electricity sector to improve its ability to meet demand, in order to create an enabling environment for the development of the private sector.
Source: International Monetary Fund

BAHRAIN

Economy to grow by 2.7% annually in medium term

The International Monetary Fund (IMF) projected real GDP growth in Bahrain to decelerate from 4.9% in 2022 to 2.7% in 2023, with real non-oil GDP growing by 3.2%, due to the authorities' fiscal consolidation efforts, higher interest rates, and unfavorable base effects. It forecast real GDP growth to stabilize at about 2.7% in the medium term. It considered that significant uncertainties weigh on the outlook due to the volatility of global oil prices, international financial turmoil and the ongoing tightening of funding conditions, as well as from a slowdown in global growth. Also, it noted that the government is strongly committed to its reform agenda that it outlined in the country's $30bn Economic Recovery Plan. In parallel, the IMF indicated that the 2023-24 Budget Law is in line with the targets of the Fiscal Balance Program, which focuses on reducing the fiscal deficit and the public debt level. It pointed out that the authorities' planned measures include spending restraint and efficiency improvements, as well as increasing the non-oil revenue base. It urged the authorities to step up fiscal consolidation efforts beyond 2024, and called on them to implement ambitious and growth-friendly reforms to reduce the economy's reliance on oil receipts and to put the public debt level on a firm downward path. It considered that a stronger fiscal position would also support the accumulation of foreign currency reserves and maintain the peg of the Bahraini dinar, which is an appropriate monetary anchor. Further, it expected the gradual phasing out of energy subsidies to increase fiscal space for renewable energy investments, which would help Bahrain move towards its emission reduction goals and support its energy transition without generating additional fiscal needs.

Source: International Monetary Fund

OMAN

Sovereign ratings upgraded on improved debt metrics, outlook 'positive'

Moody's Investors Service upgraded Oman's long-term issuer and senior unsecured debt ratings from 'Ba3' to 'Ba2', and maintained the 'positive' outlook on the long-term ratings. It attributed the upgrade of the ratings to the improvement of Oman's debt burden and of its debt affordability metrics in 2022, mainly due to the windfall from oil and gas revenues, which will increase the sovereign's resilience to potential future shocks. Further, it said that the strengthening of the fiscal metrics was supported by the government's spending restraint and its decision to use the fiscal surplus and previously accumulated fiscal buffers to pay down a share of the public debt. In parallel, it noted that the 'positive' outlook captures the prospect that the government's debt metrics will continue to improve in the coming few years, despite lower oil prices, through spending discipline and further implementation of fiscal and structural reforms. Moreover, it noted that it could upgrade the ratings if the fiscal metrics continue to improve in the medium term, and/or if the government's balance sheet strengthens. In contrast, it said that it could downgrade the ratings in case of slower progress in the fiscal adjustment process, in case of significant government liquidity and external vulnerability pressures, and/or if financing conditions tighten.

Source: Moody's Investors Service

CÔTE D'IVOIRE

Economic growth to slow down to 6.2% in 2023

The International Monetary Fund projected Côte d'Ivoire's real GDP growth to slow down from 6.7% in 2022 to 6.2% in 2023, given that the country is facing growing macroeconomic imbalances as a result of the adverse spillovers from Russia's war in Ukraine and global monetary tightening. It indicated that the authorities are committed to implement reforms to promote private sector led and inclusive growth, as well as to strengthen fiscal consolidation efforts through domestic revenue mobilization. It noted that the structural reforms aim to improve the business climate through strengthening governance, increasing financial inclusion, and investing in human capital, among other measures. Also, it stressed the importance of preserving fiscal and debt sustainability, along with improving spending efficiency, in order to generate fiscal space as well as to help finance investment needs and critical spending on health and education. It expected the fiscal deficit to narrow from 6.8% of GDP in 2022 to 5.3% of GDP in 2023, and for the public debt level to increase from 56.8% of GDP in 2022 to 58.1% of GDP in 2023. It considered that strong upfront measures to generate revenues, and the government's focus on improving the institutional and legislative framework for debt management, are critical steps to safeguard debt sustainability in the near term. Also, it forecast the current account deficit to narrow from 6.5% of GDP in 2022 to 5.6% of GDP in 2023.

Source: International Monetary Fund

LIBYA

Outlook contingent on oil prices, enduring stability, and reforms

The International Monetary Fund (IMF) considered that Libya's economic prospects are contingent on the country's oil and gas production in the near term, and projected real hydrocarbon GDP to expand by about 15% in 2023. It also anticipated the fiscal and current account surpluses to gradually decline in coming years, and for public expenditures to decrease in the near to medium terms. It considered that key risks to Libya's economic outlook originate from lower global oil prices due to slower global growth, as well as from renewed conflict and/or social unrest that could lead to disruptions in oil production. In addition, it stressed that political fragmentation limits policy implementation, and urged the authorities to intensify efforts to resolve conflicts and address the country's substantial economic challenges. In parallel, it considered that the authorities' key medium-term challenges consist of diversifying the economy away from the hydrocarbon sector and promoting stronger and more inclusive private sector-led growth. It also encouraged the authorities to increase transparency, to strengthen institutions, as well as to address corruption and governance concerns. It also highlighted the importance of improving public financial management, avoiding procyclical public spending, diversifying the tax base, reforming untargeted energy subsidies and strengthening the management of state-owned enterprises. Further, it called on the authorities to unify the splintered branches of the Central Bank of Libya (CBL) in order to strengthen monetary policy and support financial stability. It added that maintaining the peg of the Libyan dinar to the IMF's Special Drawing Rights would allow the CBL to support foreign currency reserves.

Source: International Monetary Fund

BANKING

WORLD

Structural factors point to persisting dominance of US dollar in global trade and finance

Moody's Investors Service indicated that the steady decline in the US dollar's share in foreign currency reserves of central banks worldwide and geopolitical tensions have caused speculation that the dollar's global dominance of international trade and finance is declining. It indicated that small but growing allocations to the Chinese renminbi, as well as the Australian and Canadian dollars, have reduced central banks' share of US dollar holdings from 71% at the end of 2000 to 58% at end-2022. As such, it considered that a more multipolar currency system could emerge in the long term, but that the US dollar will continue to dominate international trade and finance transactions, given its liquidity, stability and lower transaction costs, and due to the difficulties that challengers will face to replicate these factors. First, it noted that the U.S. economy and financial system are large and open enough to absorb the world's excess savings. Second, it pointed out that the U.S. Treasury market is deep, liquid and safe. Third, it said that the US dollar is fully and reliably convertible into other currencies. In addition, the agency expected that the euro's share in central bank foreign currency reserves could increase, but added that the lack of common fiscal policy and the lingering risks of financial instability will limit its share in foreign reserves; while it anticipated that China's capital controls and development model will contain the rise of the renminbi's stake in central banks' holdings of foreign currencies.

Source: Moody's Investors Service

Common standards for crypto assets to support market

Moody's Investors Service indicated that the International Organization of Securities Commissions (IOSCO) issued a series of regulatory recommendations for crypto and digital asset markets in order to reduce their risks, and added that its suggested recommendations for crypto markets will help promote harmonized global standards to ensure the efficient functioning of these markets. First, it said that it is crucial to establish global effective governance and organizational requirements to mitigate conflicts of interest that originate from the vertical integration of activities and functions of crypto-assets. Second, it stressed the importance of implementing measures to manage clients' orders, establishing market operations requirements to promote transparency and fair-trading, and introducing systems and controls to monitor and prevent manipulative market practices. Third, it encouraged international cooperation in order to ensure the effective supervision and enforcement of the crypto and digital asset markets, which would reduce the risk of money laundering. Fourth, it pointed out that the proper segregation and handling of client funds, the disclosure of custody arrangements, reconciliation, and ensuring the security of client funds and assets are key to protect clients' funds and assets. Fifth, it stressed the need for effective management and disclosures of operational and technological risks that originate from crypto-asset trading. Sixth, it noted that crypto asset service providers should only accept as clients the retail investors who possess an understanding of the speculative risks involved in the crypto market and who are considered suitable to participate in the market.

Source: Moody's Investors Service

IRAQ

Agencies take rating actions on six banks

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of the Kurdistan International Islamic Bank (KIIB) and the Region Trade Bank for Investment and Finance (RTB) at 'CCC+'. Further, it affirmed the Viability Ratings (VRs) of KIIB and RTB at 'ccc+'. It said that the IDRs of the two banks reflect their standalone credit strength, while their VRs take into account their limited franchise, unstable business model, and weak operating environment. In parallel, Capital Intelligence (CI) Ratings affirmed the long- and short-term foreign currency ratings of the Islamic Bank for Investment and Development (IIB), the International Development Bank for Investment and Finance (IDB), and Al Janoob Islamic Bank for Investment and Finance (JIB) at 'B-' and 'B', respectively. It also affirmed the Bank Standalone Ratings (BSRs) of the three banks at 'b-' and maintained the 'stable' outlook on their ratings and on their BSRs. It pointed out that the ratings of the three banks are constrained by their elevated credit risk profile given Iraq's difficult operating environment, while they are underpinned by the banks' solid capital base. In addition, Moody's Investors Service assigned local and foreign currency long-term and short-term bank deposit ratings of 'Caa2/NP' and a Baseline Credit Assessment of 'caa2' to the National Islamic Bank.

Source: Fitch Ratings, CI Ratings, Moody's Investors Service

EGYPT

Banking sector facing unfavorable operating environment

S&P Global Ratings considered that the slow pace of structural reforms has exacerbated pressure on the exchange rate of the Egyptian pound and could undermine the disbursement of funds from multilateral lenders and foreign investors, which, in turn, would impact the domestic banking sector in the 2023-24 period amid elevated inflation and interest rates. Also, it indicated that the pound has lost 50% of its value against the US dollar since the start of 2022, but that this has had a limited direct impact on borrowers' ability to repay their loans, given that the banks extend loans in foreign currency only to counterparties that generate revenues in the same currency, and that foreign currency loans represented 24% of total lending at end-2022. However, it noted that banks have significantly increased their lending to small- and medium-sized enterprises that are vulnerable to higher prices and weaker economic activity. Also, it forecast the banks' non-performing loans ratio to increase from 3.2% at end-June 2022 to 4.1% at end-June 2023, due to the country's weak economic performance. In parallel, it pointed out that the Central Bank of Egypt raised its policy rate by 1,000 basis points since March 2022, which could further weaken the borrowers' ability to repay their loans since the majority of loans on the banks' books carry variable interest rates. Moreover, it considered that the creditworthiness of the banks remains strongly linked to that of the sovereign, given that limited lending opportunities have led Egyptian banks to increase their investments in government bonds in recent years, which supported the banks' profitability and compensated for the low penetration of financial services in Egypt. In parallel, it revised the country's economic risk trend from 'stable' to 'negative' under its Banking Industry Country Risk Assessment.

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 $81 per barrel (p/b) in the first five months of 2023, constituting a drop of 21% from $102.4 p/b in the same period of the previous year, due to monetary policy tightening by major central banks and growing concerns about the global economic outlook. In parallel, the Institute of International Finance considered that uncertainties about the global oil market will remain significant in the near term. It indicated that a slower rebound in the Chinese economy, the substitution of oil with gas, and accelerating sales of electric vehicles would pose downward pressure on oil prices. In contrast, it said that stronger growth in emerging economies, mainly in China and India, lower oil production in Russia, and larger and earlier oil purchases for the U.S. Strategic Petroleum Reserve would put upward pressure on oil prices. Further, it projected oil demand in China to increase by 1.1 million barrels per day (b/d) in 2023, followed by Asian countries with 0.4 million b/d, and India with 0.3 million b/d. But it expected oil demand in the U.S. and Europe to be broadly flat. It forecast increases in oil supply in the U.S. and other non-OPEC+ countries to more than offset the new production cut by OPEC+ coalition. Also, it forecast oil prices to average $78 p/b in the second quarter and $84 p/b in the fourth quarter of 2023, while it projected oil prices to average $76 p/b in its bear case scenario and $86 p/b in its bull case scenario in 2023.
Source: Institute of International Finance, Refinitiv, Byblos Research

OPEC oil output down 1% in April 2023

Members of OPEC, based on secondary sources, produced an average of 28.6 million barrels of oil per day (b/d) in April 2023, constituting a decrease of 0.7% from 28.8 million b/d in March 2023. On a country basis, Saudi Arabia produced 10.5 million b/d, or 36.7% of OPEC's total output, followed by Iraq with 4.1 million b/d (14.5%), the UAE with 3 million b/d (10.6%), Kuwait with 2.65 million b/d (9.3%), and Iran with 2.63 million b/d (9.2%).
Source: OPEC

Saudi Arabia's oil export receipts down 12% in February 2023

Total oil exports from Saudi Arabia amounted to 8.94 million barrels per day (b/d) in February 2023, constituting an uptick of 0.2% from 8.92 million b/d in January 2023 and a contraction of 0.7% from 9 million b/d in February 2022. Further, oil export receipts reached $21.4bn in February 2023, representing decreases of 2.3% from $22.9bn in January 2023 and of 11.7% from $24.2bn in February 2022.
Source: JODI, General Authority for Statistics, Byblos Research

MENA's natural gas exports up by 1% in 2023

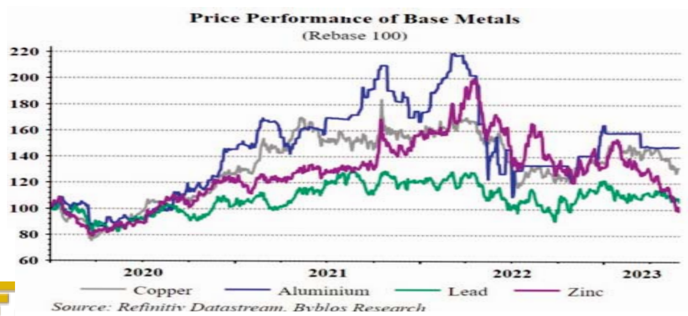
The International Monetary Fund projected natural gas exports from the Middle East & North Africa region to average 5.08 million barrels of oil equivalent per day (boe/d) in 2023, constituting an rise of 1.2% from 5.02 million boe/d in 2022. It expected natural gas exports from GCC countries to account for 70.5% of the region's gas exports this year, and for non-GCC exporters to represent the balance of 29.5%. Further, it forecast Qatar's natural gas exports at 2.6 million boe/d in 2023, equivalent to 51.8% of the region's gas exports, followed by Algeria with 1 million boe/d (21.3%), the UAE with 0.5 million boe/d (9.8%), Iran with 0.3 million boe/d (6.5%), and Oman with 0.26 million boe/d (5%).
Source: International Monetary Fund, Byblos Research

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

The LME cash prices of nickel averaged $24,784 per ton in the first five months of 2023, constituting a decrease of 15.3% from an average of $29,263 a ton in the same period of 2022, due to global macroeconomic concerns, financial market turbulence, and monetary tightening. In parallel, Citi Research projected the total supply of nickel at 3.4 million tons in 2023, which would constitute an increase of 6.2% from 3.2 million tons in 2022 and relative to 2.8 million tons in 2021. Also, it forecast the global demand for refined nickel at 3.15 million tons in 2023, which would represent a rise of 5.5% from 3 million tons in 2022, compared to 2.9 million tons in 2021. It projected the nickel market to remain in surplus in 2023 and for the metal's price to decline to an average of $20,000 per ton this year due to a strong growth in output that would outweigh robust demand from the accelerated adoption of high-nickel electric-vehicle batteries. However, it expected nickel prices to average $25,000 a ton in the fourth quarter of 2023 in case of elevated demand from China and if the U.S. and Europe avoid deep recession, which would boost medium-term demand. In addition, it forecast nickel prices to average $22,000 per ton in the second quarter and $21,000 a ton in the third quarter of 2023.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,986 per ounce in second quarter of 2023

Gold prices averaged $1,931 per troy ounce in the first five months of 2023, constituting an increase of 2.5% 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 to U.S.-denominated assets. Further, prices regressed from a recent high of $2,047 per ounce on May 4, 2023, to $1,971.5 an ounce on May 31, 2023, driven mainly by a stronger U.S. dollar and the easing of supply chain restrictions around the world. In parallel, S&P Global Market Intelligence indicated that global demand for gold bars and coins totaled 587,000 ounces in the first quarter of 2023, constituting a jump of 404% from 116,500 ounces in the fourth quarter of 2022 an increase of 1% from 581,000 ounces in the first quarter of 2022. It said that gold purchases by central banks were up marginally in March, as increases in gold buying by China and Singapore were offset by gold sales by Kazakhstan, Uzbekistan, and Türkiye. In addition, it expected the global gold market to remain volatile in the short term, given that investors are closely monitoring the outcome of the negotiations and vote on the US debt ceiling. Further, it forecast rising US Treasury yields, along with a strengthening of the US dollar, to put downward pressure on gold prices in the near term. Also, it projected gold prices to average $1,986 per ounce in the second quarter and $1,980 an ounce in the third quarter of 2023.
Source: S&P Global Market Intelligence, Refinitiv, Byblos Research



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 (%)
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	B3 RfD**	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- Stable	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	Ba2 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	4.50	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	25-May-23	No change	13-Jul-23
Malaysia	O/N Policy Rate	3.00	03-May-23	Raised 25bps	06-July-23
Thailand	1D Repo	2.00	31-May-23	Raised 25bps	02-Aug-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	25-May-23	No change	22-Jun-23
South Africa	Repo Rate	8.25	25-May-23	Raised 50bps	20-Jul-23
Kenya	Central Bank Rate	9.50	29-May-23	No change	N/A
Nigeria	Monetary Policy Rate	18.50	24-May-23	Raised 50bps	25-Jul-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	2.47	29-May-23	Raised 30bps	27-Jun-23
Kazakhstan	Repo Rate	16.75	26-May-23	No change	05-Jul-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