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BYBLOS BANK SAL

Economic Research & Analysis Department

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NEWS HEADLINES

WORLD

FDI in electric vehicles projects up 152% to $94bn in 2022

Figures released by fDi Markets show that global foreign direct investments (FDI) in electric vehicles (EV) projects reached a record high of $93.7bn in 2022, constituting a surge of 152% from $37.2bn in 2021. Investments in EV projects totaled $7.4bn in 2016, $12.4bn in 2017, $30.1bn in 2018, $31.6bn in 2019, and $22.6bn in 2020, and expanded by a compound annual growth rate (CAGR) of 43.7% during the 2016-22 period. Further, there were 281 FDI projects in EV-related activities in 2022 worldwide, representing an increase of 10.2% from 255 projects in the previous year. There were 63 FDI projects in EV-related activities in 2016, 76 projects in 2017, 142 investments in 2018, 138 projects in 2019, and 118 investments in 2020, and posted a CAGR of 23.8% in the 2016-22 period. In addition, it pointed out that EV manufacturing projects accounted for 96% of capital investments and for 54% of the number of FDI projects in 2022. In parallel, it indicated that global FDI in EV batteries projects reached $79.3bn in 2022, constituting a surge of 160% from $30.5bn in 2021. Investments in EV batteries amounted to $2.1bn in 2016, $5.3bn in 2017, $15.6bn in 2018, $22.1bn in 2019, and $16.7bn in 2020, and grew by a CAGR of 68% during the 2016-22 period. Further, there were 157 FDI projects in EV batteries in 2022 worldwide, representing an increase of 48.1% from 106 projects in the previous year. The number of FDI projects in EV batteries totaled 27 investments in 2016, 48 projects in 2017, 66 investments in 2018, 59 projects in 2019, and 45 investments in 2020, and posted a CAGR of 28.6% during the 2016-22 period.

Source: fDi Markets, Byblos Research

GCC

Fixed income issuance up 16% to $49.5bn in first five months of 2023

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $49.5bn in the first five months of 2023, constituting an increase of 16% from $42.7bn in the same period of 2022. Fixed income issuance in the covered period consisted of $18.2bn in corporate bonds, or 36.8% of the total, followed by $13.1bn in sovereign bonds (26.5%), $10.4bn in corporate sukuk (21%), and $7.8bn in sovereign sukuk (15.8%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $28.6bn in the first five months of 2023, or 57.8% of fixed income output in the region; while issuance by GCC sovereign reached $20.9bn, or 42.2% of the total. GCC sovereigns issued $10bn in bonds and sukuk in January, $1.5bn in February, $0.1bn in March, $2.3bn in April, and $7bn in May 2023. In parallel, companies in the GCC issued $2.4bn in bonds and sukuk in January, $13.8bn in February, $2.1bn in March, $5.6bn in April, and $4.7bn in May 2023. In parallel, corporate output in May included $1.6bn in bonds and $900m in sukuk issued by companies based in the UAE, $900m in sukuk issued by firms in Saudi Arabia, and $750m in sukuk issued by companies in Bahrain. In parallel, sovereign proceeds in the covered month consisted of $6.3bn in sukuk issued by the UAE, $530.4m in bonds issued by Bahrain, and $175.4m in bonds issued by Oman.

Source: KAMCO

MENA

Logistics performance varies across Arab countries

The World Bank ranked the UAE in seventh place among 139 countries globally and in first place among 15 Arab economies on its Logistics Performance Index (LPI) for 2023. Bahrain and Qatar followed in 34th place each, then Saudi Arabia (38th), and Oman (43rd) as the Arab countries with the most logistics readiness in the region. In contrast, Iraq and Sudan (115th each), Mauritania and Syria (123rd each), Yemen (133rd), and Libya (139th) had the least logistics readiness among Arab economies. The LPI provides a cross-country assessment of the logistics gap among countries, and aims to help governments identify the challenges and opportunities they face in the quality and development of trade-related logistics. It is based on a survey of operators on the ground who provided feedback on the logistics friendliness of the countries where they operate and those with which they trade. The Arab region's average score stood at 2.85 points on the 2023 index relative to 2.7 points in the most recent survey of 2018, and came lower than the global average score of 3 points. Also, the region's average score was higher than the scores of Latin America & the Caribbean (2.7 points), South Asia (2.6 points), and Sub-Saharan Africa (2.55 points), while it was lower than the scores of North America (3.9 points), Europe & Central Asia (3.32 points), and East Asia & the Pacific (3.3 points). Further, based on the same set of countries, the rankings of 13 Arab economies improved, one Arab economy deteriorated, and the ranking of one Arab country was unchanged, while the scores of eight Arab economies increased, those of two countries declined, and the scores of five Arab economies were unchanged from the 2018 survey.

Source: World Bank, Byblos Research

Wealth per capita varies across region

The World Bank estimated the aggregate wealth of 16 Arab countries at $31.54 trillion at the end of 2018, the latest available figure. It estimated that the wealth of Saudi Arabia reached $10.93 trillion at the end of 2018, followed by the UAE ($5.92 trillion), Iraq ($3.11 trillion), Kuwait ($3.1 trillion) and Qatar ($2.51 trillion); while Bahrain ($332.4bn), Jordan ($321.6bn), Palestine ($120.9bn), Mauritania ($81.5bn) and Djibouti ($18.2bn) trailed the region in terms of total 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. In parallel, it said that Qatar had the highest wealth per capita among Arab countries at $902,740 at the end of 2018, followed by Kuwait ($748,480), the UAE ($614,419), Saudi Arabia ($324,194) and Bahrain ($211,797); while Palestine ($26,451), Yemen ($24,997), Djibouti ($18,993), Mauritania ($18,501) and Egypt ($18,271) were the countries with the lowest wealth per capita in the region at end-2018.

Source: World Bank, Byblos Research

POLITICAL RISKS OVERVIEW - May 2023

ARMENIA

Deadly clashes erupted along the Armenia-Azerbaijan border in May 2023, which prompted the ministers of Foreign Affairs of the two countries to hold several meetings and agree to resume work on the delimitation of the international borders as well as the resumption of transport links. Further, Prime Minister Nikol Pashinyan called for special arrangements to protect the rights and security of ethnic Armenians living in the Nagorno-Karabakh province, as the Azerbaijani checkpoint on the Lachin corridor hampered the access of residents to basic necessities.

ETHIOPIA

Peace talks between the government and the Oromo Liberation Army (OLA) ended without reaching an agreement on key political issues. The OLA demanded a greater political role in the Oromia region and proposed a power-sharing arrangement through a transitional administration until the next elections, while the government rejected the proposition and insisted on the disarmament of rebels. In parallel, the National Electoral Board of Ethiopia (NEBE) denied the request of the Tigray People's Liberation Front (TPLF) to restore its political party status, citing the lack of a legal provision for status restoration, which the TPLF and the Tigray's Interim Regional Administration said endangers the peace process and urged authorities to reinstate TPLF's "pre-war status". Further, tensions eased in the Amhara region following the conflict that broke out over the government's plans to integrate the regional paramilitaries into federal security structures. Meanwhile, concerns emerged about the "law enforcement campaign", as the Ethiopian Human Rights Commission accused security forces of "arbitrary arrests, inappropriate treatments of people in custody, and disproportionate use of force".

IRAN

The Iranian media reported progress between the government and the International Atomic Energy Agency (IAEA) on resolving safeguards about past activities at undeclared nuclear sites in Iran, ahead of the IAEA's meeting on June 5, 2023. Iran said that it successfully test-launched a ballistic missile with a potential range of 2,000 kilometers. The Islamic Revolutionary Guard Corps navy seized two oil tankers that changed course towards Iranian territorial waters. Canada and the European Union imposed restrictive measures on Iranian individuals and entities that they accused of human rights violations.

IRAQ

The Parliament's Finance Committee made a series of amendments to the articles of the draft 2023 budget related to Kurdistan's oil revenues. As a result, Erbil accused Baghdad of reneging on their oil deal and of delaying the approval of the federal budget. A dispute between members of Parliament postponed a parliamentary vote on the three-year budget bill that was scheduled for May 27, 2023. In parallel, protestors filled Tahrir Square in Baghdad and asked for higher public-sector salaries. Also, demonstrators demanding employment clashed with security forces in the Dhi Qar governorate, leaving 32 individuals injured.

LIBYA

The Eastern-based House of Representatives (HoR) suspended Prime Minister-designate Fathi Bashagha as the head of HoR due to allegations of financial irregularities, and appointed the Minister of Finance Osama Hammad as interim PM, who is close to Field Marshal Khalifa Haftar. Several Libyan politicians met in Cairo to negotiate an agreement on a new unified government that would leave the Tripoli-based PM Abdul Hamid Dabaiba in place. Also, the 6+6 Joint Committee, which is composed of representatives of the HoR and the Tripoli-based High State Council, announced a breakthrough on a number of issues related to the general elections, provided that further steps are taken about the agreement on the formation of a new government. In parallel, the state-owned National Oil Corporation denied that it delivered oil from Sarir refinery in Libya to the paramilitary Rapid Support Forces in Sudan, despite the continued smuggling of oil from south-eastern Libya towards the Sudanese border.

SUDAN

The Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF) fought over strategic sites in the capital Khartoum and in the sister cities of Omdurman and Bahri as the conflict escalated. The two sides reportedly faced internal challenges as the SAF's inability to defeat the RSF created discontent within its ranks and raised fears of mutiny, while the RSF's reputation worsened further as its leaders were unable to prevent troops from looting and vandalizing property. In parallel, fighting surged in Darfur and fuelled intercommunal tensions. The RSF intensified attacks in the Darfur region as it sought to control major cities in an attempt to strengthen its negotiating position with the SAF. Further, the SAF and RSF held talks in Jeddah amid competing mediation tracks, while the various mediation initiatives failed to halt the escalating violence as the humanitarian crisis continued to escalate.

TÜRKIYE

President Recep Tayyip Erdoğan was re-elected with 52.14% of the votes during the second round of the country's general elections that took place on May 28, 2023. Also, the People's Alliance coalition won a total of 268 out of 600 seats, while the Republican People's Party secured 169 seats, the Party of Greens and the Left Future gained 61 seats, the Nationalist Movement Party won 50 seats, the Good Party secured 43 seats, the New Welfare Party gained five seats, and the Workers' Party of Türkiye won four seats. In parallel, the Minister of Foreign Affairs stressed the need for cooperation between Türkiye and Syria on terrorism and the return of Syrian refugees to their country, following a meeting with his Syrian, Russian, and Iranian counterparts in Moscow. In addition, Türkiye and Egypt agreed on May 29 to improve bilateral relations and announced the exchange of ambassadors. Moreover, Turkish forces continued their operations in the country against cells of the Islamic State (IS) terrorist group and detained more than 127 individuals for their affiliation to IS.

YEMEN

Huthi rebels refused to sign a Saudi-proposed roadmap to deal with the Presidential Leadership Council, and declined to provide guarantees to enter intra-Yemeni talks. Further, the Huthis demanded that Riyadh pay reparations for the war in Yemen. In parallel, in an effort to build consensus among southern groups about positioning itself as a major force in the south, the Southern Transitional Council convened the Southern National Consultative meeting and announced the restructuring of the council, including the formation of a legislative body composed of 392 members. Also, a Saudi-led delegation met the governors of Hadramawt and Shebwa, as part of the Saudi strategy to deploy the Nation's Shield Forces.

Source: International Crisis Group, Newswires

SAUDI ARABIA

Economy has positive prospects with balanced risks

The International Monetary Fund (IMF) indicated that Saudi Arabia's economy is booming, spurred by high oil prices, a strong pick up in private investments, and the implementation of structural reforms. It expected activity in the non-oil sector to remain strong and above potential, and to accelerate from 4.8% last year to 5% in 2023, driven by robust domestic consumption spending and the implementation of projects under the Kingdom's Vision 2030. Also, it projected real GDP growth to decelerate from 8.7% in 2022 to 2.1% in 2023, due mainly to the recently announced oil production cuts under the OPEC+ agreement.

In parallel, it anticipated the fiscal surplus of 2022 to shift to a deficit in 2023 due to lower oil receipts, but expected robust non-oil revenues and lower public spending to improve the non-oil deficit, which it still projected to be significantly wider than the authorities' target. It also noted that potential additional dividends from Saudi Aramco could improve the fiscal balance. Further, it encouraged the government to step up fiscal consolidation efforts in order to mitigate risks from the volatility in global oil prices, and to strengthen efforts to de-link spending from oil price fluctuations through the strict application of a fiscal rule. It also welcomed progress towards developing a sovereign asset-liability management framework, as well as work towards establishing a public sector balances sheet. In parallel, it anticipated last year's decade-high surplus in the current account balance to recede as oil prices moderate and imports pick up as a result of the sizable investment program. It also expected foreign currency reserves to stabilize at slightly lower levels of import coverage over the medium term, but to remain well above the IMF's standard reserve adequacy metrics.

The IMF considered that upside risks to the outlook include higher oil prices amid strong external demand for oil, a reversal in the OPEC+ oil production cuts, as well as accelerated structural reforms and investments that would boost growth prospects. But it anticipated near-term downside risks to originate from lower oil prices due to subdued global activity, while the transition to alternative sources of energy could reduce demand for fossil fuel and weigh on growth prospects in the medium to long terms. It considered that the uncertainties in the global economy require continued efforts to further build buffers and diversify the economy, and added that fiscal reforms, along with the careful calibration of the investment programs, would help strengthen fiscal and external sustainability.

Source: International Monetary Fund

KUWAIT

Economic activity to stagnate in 2023

The International Monetary Fund projected Kuwait's real GDP growth to decelerate from 8.2% in 2022 to 0.1% in 2023, due mainly to the recently announced oil production cuts under the OPEC+ agreement and to weaker external demand. It also forecast activity in the non-oil sector to expand by 3.8% this year, supported by the authorities' fiscal stimulus and a partial rebound in domestic consumption from expatriates. It considered that downside risks to the outlook include the volatility of oil prices and production, a steeper-than-anticipated slowdown in global economic activity, as well as delays to fiscal and structural reforms that could lead to a procyclical fiscal policy, undermine investor confidence, and hinder progress towards economic diversification. But it considered that a resolution to the political gridlock could accelerate the needed fiscal and structural reforms, boost investor confidence, and stimulate private investment.

In parallel, it projected the fiscal surplus to decline from 22.5% of GDP in 2022 to 6.9% of GDP in 2023, and forecast the fiscal balance to shift into a deficit in the medium term. Also, it stressed that authorities need to step up fiscal consolidation efforts beyond FY2023/24 to reverse this trend, as well as to reinforce long-term fiscal sustainability. As such, it encouraged authorities to rationalize the public-sector wage bill and to gradually phase out large energy subsidies. It also called on the government to introduce a 5% value-added tax and to levy excises on tobacco and sugary drinks in order to raise non-oil revenues. In addition, it noted that authorities should expand the imposition of the 15% corporate income tax to domestic firms, which would bring Kuwait into conformity with the OECD-led global minimum corporate tax agreement for multinationals. Further, it highlighted the urgent need to enact the Public Debt Law in order to facilitate orderly fiscal financing through sovereign bond issuance.

Source: International Monetary Fund

EGYPT

Economic Outlook contingent on speed of privatization program

The National Bank of Kuwait (NBK) projected Egypt's Real GDP growth to decelerate from 6.5% in the fiscal year that ended in June 2022 to 3.7% in FY2022/23, due to the 19% depreciation of the Egyptian pound against the US dollar, the rise of the dollar exchange rate on the parallel market, elevated inflation rates, and tighter monetary policy. It forecast economic activity to accelerate to 4.1% in FY2023/24, but to remain constrained in the absence of reforms and in case authorities decide to continue to compress imports and utilize foreign currency reserves to defend the currency. It noted that the actions required by the International Monetary Fund include a shift to a flexible exchange rate regime, the execution on the government/quasi-government asset sales, and fiscal reforms, in order to keep the fiscal deficit under control. But it considered that authorities will further devalue the currency only if foreign currency proceeds from the sale of state assets materialize. In addition, it projected the inflation rate to reach 24% in FY2022/23 and to moderate to 22% in FY2023/24 without further currency devaluations or subsidy cuts.

In parallel, NBK anticipated the fiscal deficit to widen from 6.1% of GDP in FY2021/22 to 8.5% of GDP in FY2022/23, due to the recent policy rate hike of 200 basis points that resulted in higher debt servicing costs, and forecast the deficit to moderate to 8.1% of GDP in FY2023/24. In addition, it projected the current account surplus to narrow from 3.4% of GDP in FY2021/22 to 2.1% of GDP in FY2022/23. But it noted that large external debt maturities of about $16bn represent a key challenge for the coming year. As such, it anticipated the authorities to drawdown foreign currency reserves, amid the ongoing delays in the privatization deals and in the absence of additional foreign support.

Source: National Bank of Kuwait

BAHRAIN

Sovereign ratings affirmed, outlook 'positive' on expected higher current account surpluses

S&P Global Ratings affirmed Bahrain's long-term foreign and local currency issuer credit ratings at 'B+', which are four notches below investment grade. It maintained the country's short-term foreign and local currency issuer credit ratings at 'B' and its transfer and convertibility assessment at 'BB-'. Also, it maintained the 'positive' outlook on the long-term ratings. It attributed the 'positive' outlook to the continuing stability of the financial sector and the potential for higher current account surpluses in the 2023-26 period. It pointed out that the gross public debt declined from a peak of 130% in 2020 to about 116% of GDP in 2022, supported by robust nominal GDP growth and narrower fiscal deficits. Also, it noted that the country posted a record current account surplus of 15.4% of GDP in 2022, driven by high oil prices and a boost in aluminum production. Further, it indicated that the Central Bank of Bahrain's foreign currency reserves reached $5bn in February 2023, their highest level since the oil price crash in the 2014-15 period. In parallel, it forecast the country's gross external financing needs at 292% of current account receipts and usable reserves in 2023, as well as at 305.4% and 317.8% of such receipts and reserves in 2024 and 2025, respectively, due to the large external short-term debt of the banking sector. It stated that it could upgrade the ratings if higher current account surpluses support a significant and sustained improvement in Bahrain's external position. In contrast, it said that it may downgrade the ratings if the government's ability to service its external debt declines, despite fiscal consolidation measures.

Source: S&P Global Ratings

TÜRKIYE

Current policy mix unsustainable in long term

Moody's Investors Service considered that the re-election of President Erdoğan for a third term will likely lead to the continuation of unorthodox economic policies, especially the Central Bank of the Republic of Türkiye's (CBRT) significantly loose monetary policy. It said that the CBRT's policy stance has been highly detrimental to its credibility, has deterred foreign capital inflows, has put pressure on the exchange rate, and required the authorities to resort to coercive measures to contain domestic demand for foreign currency. Also, it anticipated that the sustained expansionary policy would weigh on the exchange rate of the Turkish lira and on the country's external balance, and would fuel inflationary pressures. It did not expect the current policy mix to be sustainable in the longer term, unless Türkiye secures foreign financing to cover its wide current account deficit, which it projected at 4.7% of GDP in 2023, and to bolster the CBRT's foreign currency reserves. Further, Moody's expected the government to maintain the deposit-protection scheme that encourages domestic savers to switch to lira, and for authorities to put in place new regulatory measures that restrict domestic demand for foreign currency and limit capital outflows. It also forecast the fiscal deficit to widen from 2.9% of GDP in 2022 to 6% of GDP in 2023. Further, it considered that maintaining the current policy mix could increase the risk of another currency crisis, which could be triggered by a renewed preference for foreign currency in the domestic market in case of rising inflationary pressures.

Source: Moody's Investors Service

ALGERIA

Real GDP growth to average 2.2%, current account surplus at 5.7% of GDP in 2023-24 period

The Arab Monetary Fund projected real GDP growth in Algeria at 2.6% in 2023 and 1.8% in 2024, compared to growth rates of 4.2% in 2023 and 3.4% in 2024 for non-GCC oil exporting economies, and to 3.4% in 2023 and 4% in 2024 for Arab countries. It considered that the economy is still benefiting from the rebound in activity in 2022 due to the return of hydrocarbon production to pre-pandemic levels, as well as to activity in the non-hydrocarbon sector, especially in the services and agricultural segments. Also, it forecast the inflation rate at 6.8% in 2023 and 6.2% in 2024, compared to inflation rates of 10.4% in 2023 and 6.5% in 2024 for non-GCC oil exporters, and to 4.1% in 2023 and 3.8% in 2024 for Arab countries. It said the authorities have tried in recent years to diversify the economy away from hydrocarbons and started to implement structural reforms, such as enacting the investment law. It expected Parliament to enact other draft laws that would support economic activity and that include the money and credit law, the public-private partnership law, and the public procurement law. In addition, it projected Algeria's current account balance to post surpluses of 6.4% of GDP in 2023 and 5% of GDP in 2024, compared to surpluses of 7.8% of GDP in 2023 and 5% of GDP in 2024 for non-GCC oil exporters, and to surpluses of 6% of GDP in 2023 and 4.9% of GDP in 2024 for Arab countries.

Source: Arab Monetary Fund

GHANA

Sovereign ratings affirmed at Selective Default

S&P Global Ratings affirmed Ghana's short- and long-term foreign currency sovereign credit ratings at 'Selective Default' (SD). 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 due to the recent rescheduling of Ghana's domestic debt that improved the government's refinancing profile and reduced the cost of debt. 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 foreign creditors agreed on May 12, 2023 to restructure Ghana's bilateral official debt, which should be conditional on the similar treatment of the country's obligations to private and other bilateral creditors. It estimated the total amount of foreign currency debt subject to restructuring at $20bn, or nearly 30% of GDP, including $14.6bn in commercial obligations. It projected the gross general government debt to decline from 94% of GDP at end-2022 to 64% of GDP by 2025, if the creditor committee agrees to write down the principal value of the debt by 30% and defers and capitalizes interest payments on all non-multilateral foreign currency debt until May 2026. But it did not expect that the authorities will be able to reduce the debt level to 55% of GDP by 2028 without larger write-downs, a stronger real exchange rate, lower domestic borrowing costs, or higher economic growth. In parallel, it said that it could upgrade the long-term local currency rating in the next 12 months if Ghana demonstrates a successful execution of the IMF program and if its fiscal and debt profiles improve.

Source: S&P Global Ratings

BANKING

JORDAN

Banking system has stable outlook

Moody's Investors Service anticipated that the rising cost of living and higher interest rates will lead to increased problem loans at banks in Jordan. But it expected the deterioration in asset quality to be manageable since most Jordanian banks have strong loan-loss reserves that cover more than 100% of problem loans, and intend to lengthen maturities on retail loans to maintain stable monthly installments for the most vulnerable borrowers. It pointed out that the non-performing loans ratio (NPLs) stood at 4.6% at the end of June 2022, and reflects weak insolvency laws and inadequate transparency among certain corporate borrowers. It also considered that high single-borrower credit concentrations constitute an additional risk to asset quality, while about 10% of the banks' assets are in the Palestinian territories, which are dependent on international aid and susceptible to political tensions. In parallel, the agency indicated that Jordanian banks had a Basel III capital adequacy ratio of 17.1% at the end of June 2022, and pointed out that the banks' strong capital buffers are supported by high capital requirements in the country, moderate loan growth, and strong internal capital generation. However, it anticipated that the intense competition in the saturated Jordanian banking sector will continue to weigh on the banks' profits, while competition for deposits will keep funding costs elevated. In addition, it said that Jordanian banks have ample liquidity and are primarily deposit-funded, with a loans-to-deposits ratio of 77% that is supported by large remittance inflows from the Jordanian Diaspora, and that they have robust liquidity buffers given that 38% of their total assets are liquid.

Source: Moody's Investors Service

QATAR

Credit quality stable at main banks

Regional investment bank EFG Hermes indicated that the aggregate net income of Qatar National Bank, Doha Bank, Masraf Al Rayan, Qatar Islamic Bank, and the Commercial Bank of Qatar stood at QAR6.13bn in the first quarter of 2023, constituting increases of 1% in the first quarter of 2023 from the same quarter last year and of 24% from the fourth quarter of 2022 due to low base effects in the last quarter of 2022. It pointed out that the aggregate net interest margin (NIM) of the five banks grew by six basis points (bps) year-on-year in the first quarter of 2023, while it declined by 26 bps in the first quarter of 2023 from the previous quarter due to higher funding costs. Further, it noted that the credit quality of the five banks is stable, even though their combined cost of risk rose from 103 bps in the first quarter of 2022 to 110 bps in the first quarter of 2023 due to an increase in provisioning charges. It indicated that the aggregate non-performing loans ratio of the five banks stood at 3.4% of total loans at the end of March, despite a marginal increase of the ratio of some of the banks due the decline in their loan book in the covered quarter. In parallel, it noted that the banks' lending grew by 3% in the 12-months ending February 2023, given that credit demand in the private sector more than offset the public sector's repayments of overdrafts. Also, it stated that non-resident deposits decreased from 28% of total deposits at end-2022 to 18% of the aggregate deposits at end-February 2023, as the Qatar Central Bank has encouraged banks to reduce their reliance on foreign funding.

Source: EFG Hermes

NIGERIA

Normalization of foreign exchange market contingent on substantial currency devaluation

Goldman Sachs considered that Nigeria's current account balance needs to post a surplus in order to contain pressures on foreign currency reserves and/or to limit a further increase in the backlog of unmet foreign currency demand in the domestic market. Further, it noted that the authorities should pay down the accumulated foreign currency backlog of about $12bn, in order to narrow the gap between the official and parallel market exchange rates, given that the multiple exchange rates system is an impediment to investments. But it anticipated that authorities will face difficulties in securing external borrowing from commercial sources, and expected the normalization of the foreign currency market to take place through the rebalancing of the external current account. In parallel, it estimated that a $10 per barrel rise or decline in global oil prices, or a 100,000 barrels per day increase or decrease in Nigeria's oil output, would narrow or widen the country's current account balance by about one percentage point of GDP. A such, it forecast that, for the current account balance to shift from a deficit of about 1% of GDP currently to a surplus of 2% to 3% of GDP at the current oil prices and production levels, the authorities will have to devalue the Nigerian naira from NGN465 per US dollar to about NGN700 to NGN750 per dollar, or to a level that is close to the prevailing rate in the parallel market. It expected that the authorities will resort to the devaluation of the naira, but noted that the timing of the adjustment remains uncertain, given the uncertainties about the new administration's priorities with respect to its monetary policy.

Source: Goldman Sachs

SAUDI ARABIA

Agencies take rating actions on banks

Fitch Ratings affirmed the long-term local and foreign currency Issuer Default Ratings (IDRs) of Bank Aljazira, Gulf International Bank - Saudi Arabia (GIB-SA), and Saudi Investment Bank (SAIB) at 'A-'. It also maintained the 'stable' outlook on the long-term ratings of the banks. Further, it affirmed the Viability Ratings (VRs) of Bank Aljazira at 'bb+' and the rating of GIB-SA at 'bbb-', while it assigned a VR of 'bb+' to SAIB. It indicated that the ratings of the three banks reflect a high probability of government support, in case of need, and are underpinned by their sound capitalization. Also, it pointed out that the ratings of Bank Aljazira and SAIB balance the banks' adequate funding profile with their modest franchise and weaker asset quality; while it noted that the ratings of Bank Aljazira and GIB-SA are underpinned by their strong liquidity. In parallel, Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Banque Saudi Fransi (BSF), Al Rajhi Banking and Investment Corporation (ARB), and Riyad Bank (RB) at 'A+', and the rating of SAIB at 'A-'. In addition, it affirmed the Bank Standalone Ratings (BSRs) of ARB at 'a-', the BSRs of BSF and RB at 'bbb+', and the ratings of SAIB at 'bbb', with a 'stable' outlook on the BSRs. It maintained the 'positive' outlook on the long-term ratings of ARB and SAIB and the 'stable' outlook on the ratings of BSF and RB. It pointed out that the ratings of the four banks are supported by sound asset quality, solid capitalization, and satisfactory liquidity buffers.

Source: Fitch Ratings, Capital Intelligence Ratings

Oil prices to average $79 p/b in second quarter of 2023

ICE Brent crude oil front-month prices reached $77 per barrel (p/b) on June 7, 2023, constituting an increase of 6% from $72.7 p/b at the end of May 2023, as the plan of OPEC+, mainly Saudi Arabia, to further cut oil output outweighs lower demand from the U.S. and China. Further, in its latest meeting on June 4, the OPEC+ coalition agreed to maintain its current output targets of reducing oil production by 3.6 million barrels per day (b/d) until the end of 2023. It also announced that it will limit its combined oil production to 40.46 million b/d in 2024. In parallel, Emirates NBD considered that Saudi Arabia will maintain its additional one million b/d cut for July until the end of 2023 before returning to a reduction of 500,000 b/d from targeted output for 2024. It said that the additional cut of Saudi production in July will widen the deficit in the global oil market in the third quarter of the year and will contribute to a meaningful decline in inventories in the second half of 2023, supported by other voluntary productions cuts from Iraq, Kuwait, and the UAE. However, it indicated that the UAE will increase its production by 200,000 b/d in 2024. Further, Deutsche Bank considered that Saudi Arabia aims to sustain higher oil prices through production cuts, while the UAE, whose fiscal breakeven oil price is much lower, took a different approach by increasing its production quotas in 2024 to benefit from its continued investments to boost oil and gas production, although the country reiterated its commitment to OPEC+. In addition, Citi Research expected an increase of 800,000 b/d of oil output in the fourth quarter of the year, driven by higher oil output from non-OPEC+ producers. Also, it forecast oil prices to average $79 p/b in the second quarter and $83 p/b in the third quarter of 2023.
Source: Emirates NBD, Deutsche Bank, Citi Research, Refinitiv, Byblos Research

Iraq's oil exports receipts at $7.3bn in May 2023

Preliminary figures from the Iraq Ministry of Oil show that crude oil exports from Iraq totaled 102.5 million barrels in May 2023, up by 4% from 98.6 million barrels in April 2023. They averaged 3.3 million barrels per day (b/d) in May 2023, unchanged from May 2022. Oil exports from the central and southern fields amounted to 102.2 million barrels in May. Further, oil export receipts stood at $7.3bn in May compared to $7.7bn in April 2023 and to $11.4bn in May 2022.
Source: Iraq Ministry of Oil, Byblos Research

ME&A's oil demand to expand by 4.4% in 2023

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 13.25 million barrels per day (b/d) in 2023, which would constitute a rise of 4.4% from 12.7 million b/d in 2022. The region's demand for oil would represent 23.7% of demand in non-OECD countries and 13% of global consumption in 2023.
Source: OPEC

MENA's natural gas output to grow by 3% in 2023

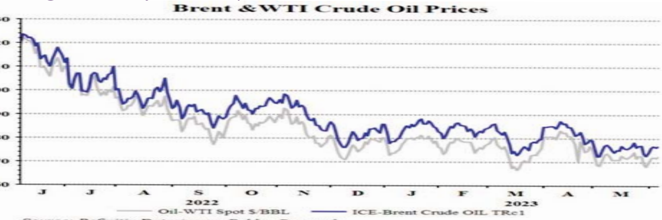
The International Monetary Fund forecast natural gas production in the Middle East & North Africa region to average 16.95 million barrels of oil equivalent per day (boe/d) in 2023, which would constitute an increase of 3% from 16.45 million (boe/d) in 2022. The GCC countries' natural gas output is expected to account for 60.8% of the region's gas production this year. It projected Qatar's natural gas output at 4.8 million (boe/d) in 2023, or 28.4% of the region's gas production, followed by Iran with 4.6 million boe/d (27%), and Saudi Arabia with 2.6 million boe/d (15.2%).
Source: International Monetary Fund, Byblos Research

Base Metals: Copper prices to average $8,600 per ton in second quarter of 2023

LME copper cash prices averaged $8,741.5 per ton in the year-to-June 7, 2023 period, constituting a decline of 11.6% from an average of $9,891.5 a ton in the same period of 2022. The decrease in prices was due 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, Citi Research projected the global production of refined copper at 26 million tons in 2023, which would constitute a rise of 5% from 24.8 million tons in 2022, with mine output representing 86.3% of the global production of refined copper this year. In addition, it forecast global demand for refined copper at 25.8 million tons in 2023, and to increase by 2.1% from 25.3 million tons in 2022. Under its bull case scenario, it expected copper prices to average $8,700 per ton in 2023, in case of an earlier recovery of global growth and higher demand for electric vehicles. However, in its bear case scenario, it forecast copper prices to average $8,000 a ton this year, in case of a slower recovery in China, as well as in case of a rise in interest rates and elevated inflationary pressures in the U.S. and Europe, which would put downward pressure on copper demand. In its base case scenario, it anticipated copper prices to average between $7,500 per ton and $8,500 a ton in the next six to 12 months, driven by further monetary tightening in advanced economies, the resumption of activity in China, higher mine supply, and the de-stocking of inventories. Also, it projected copper prices to average $8,600 per ton in the second quarter and $8,000 a ton in the third quarter of 2023.
Source: Citi Research, Byblos Research

Precious Metals: Platinum prices to average $1,015 per ounce in second quarter of 2023

Platinum prices averaged $1,018.3 per troy ounce in the year-to-June 7, 2023 period, constituting an increase of 1.7% from an average of $1,001.6 an ounce in the same period last year, due to the increase in demand for the metal. Further, platinum prices regressed from their recent high of $1,123 per ounce on May 10, 2023 to $1,035 an ounce on June 7, 2023, driven by the expected slowdown in global economic activity, which put downward pressure on the metal's price. In parallel, the World Platinum Investment Council projected global demand for platinum to reach 8.2 million ounces in 2023 and to increase by 28% from 6.4 million ounces in 2022. Also, it forecast the global supply of platinum to regress by 1% from 7.26 million ounces in 2022 to 7.2 million ounces in 2023. As such, it expected the platinum market to shift from a surplus in 2022 to a deficit in 2023 due to higher demand from the automotive and industrial sectors, as well as to strong investment demand. In addition, S&P Global Market Intelligence projected platinum price to remain elevated in the near term, driven by elevated demand from the traditional and the electric automotive sectors. Moreover, it forecast platinum prices to average $1,015.4 per ounce in the second quarter of 2023, with a low of $975 per ounce and a high of $1,100 per ounce during the covered quarter.
Source: World Platinum Investment Council, S&P Global Market Intelligence, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- 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+	Ba3	B+	B+								
	Positive	Negative	Positive	Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-								
	Stable	Stable	Stable	-	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-								
	Stable	Negative	Negative	-	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-								
	Stable	Positive	Stable	-	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+	Caa3	CCC-	-								
	Stable	Stable	-	-	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Stable	Stable	Stable	-	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-								
	Negative	Negative	Negative	-	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-								
	CWN***	Negative	-	-	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B	B2	B	B+								
	Negative	Negative	Negative	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-								
	CWN	RfD	-	-	-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	4.10	06-Jun-23	Raised 25bps	04-Jul-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	21-Jun-23
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