750 ISSUES+
Issue 765 | June 22, 2023

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Venture capital fundraising down 10% to $280bn in 2022

Figures issued by information provider PitchBook Data indicate that global Venture Capital (VC) fundraising reached $280bn in 2022, constituting a decrease of 9.5% from $309.3bn in 2021. In comparison, VC fundraising totaled $147bn in 2015, $191bn in 2016, $211.1bn in 2017, $331bn in 2018, $270.6bn in 2019, and $244.5bn in 2020. Further, it pointed out that the number of VC deals totaled 1,825 in 2022 and decreased by 38.7% from 2,977 transactions in 2021. There were 2,108 deals in 2015, 2,446 transactions in 2016, 2,622 deals in 2017, 2,859 transactions in 2018, 2,483 deals in 2019, and 2,643 transactions in 2020. In addition, it pointed out that 45.7% VC funds raised more than $1bn each in 2022, followed by 16.5% of funds that raised between $250m and $500m each, 14% of VC funds that raised between $100m to $250m each, 13.2% of funds that raised between $500m and $1bn each, 5.7% of VC funds that raised between $50m to $100m each, and 5% of funds that raised $50m each. In parallel, it noted that VC funds invested $172.2bn in North America, or 61.5% of their global placements in 2022, followed by investments in Asia with $67.2bn (24%), in Europe with $28.7bn (10.3%), in the Middle East with $3.6bn (1.3%), in Oceania with $2.8bn (1%), and in Africa with $1.7bn (0.6%), while they invested $3.7bn in the rest of the world (1.3%). Moreover, it said that 202 VC funds raised $29.5bn worldwide in the first quarter of 2023.

Source: PitchBook Data, Byblos Research

EMERGING MARKETS

Sovereigns and corporates projected to issue $375bn in Eurobonds in 2023

Bank of America projected sovereigns and corporates in emerging markets (EMs) to issue $375bn in Eurobonds in 2023, compared to $293bn of external debt output in 2022 and $688bn in Eurobonds in 2021. It forecast EMs to issue $146bn in sovereign Eurobonds in 2023, or 39% of aggregate Eurobonds issuance for the year, constituting an increase of 60.4% from $91bn in 2022. Further, it indicated that EM sovereigns have already issued $67bn in Eurobonds in the first quarter and $24bn in most of the second quarter of 2023. It noted that Emerging Europe, the Middle East and Africa (EEMEA) region issued $64.2bn, and accounted for 44% of aggregate EM sovereign output in the year-to-June 15 period, followed by the Gulf Cooperation Council (GCC) economies with $30.7bn (21%), Latin America $26.3bn (18%), and Emerging Asia with $24.8bn (17%). In parallel, it forecast EMs to issue $229bn in corporate bonds in 2023, or 61% of total external debt output, up from $202bn in 2022. It pointed out that EM corporates have already issued $66bn in Eurobonds in the first quarter and $41bn in most of the second quarter of 2023. It stated that corporates in Emerging Asia issued $114.5bn, or 50% of total corporate Eurobond output in the year-to-June 15 period, followed by the GCC countries with $50.4bn (22%), the EEMEA region with $41.2bn (18%), and Latin America with $22.9bn (10%).

Source: Bank of America, Byblos Research

MENA

Remittance inflows down 4% to $67.3bn in 2022

The World Bank estimated remittance inflows to Arab countries at $67.3bn in 2022, constituting a decrease of 4% from $70bn in 2021, compared to rises of 14.2% in 2021 and of 3.8% in 2020. Further, inflows to Arab countries accounted for 8.1% of global remittance flows and for 10.4% of remittances to developing economies in 2022. The Arab region was the second-smallest recipient among developing markets, behind only Sub-Saharan Africa ($53bn). Also, remittance inflows to Arab countries in 2022 posted the only decline among developing economies. In parallel, Egypt was the largest Arab recipient of remittances with $28.3bn or 42% of the total in 2022, followed by Morocco with $11.2bn (16.6%), Lebanon with $6.4bn (9.6%), Jordan with $5bn (7.4%), and Palestine with $4.1bn (6%); while the remaining Arab countries received $12.2bn in remittances, or 18.2% of the total. Remittance inflows to Mauritania surged by 279.5% in 2022, followed by flows to Sudan (+34%), to Palestine (+20.2%), Qatar, (+20%), Morocco (+2.4%), Lebanon (+1.5%), Oman (+1%), and Tunisia (+0.3%); while remittance inflows to the rest of the Arab economies declined last year. Further, remittance inflows to Lebanon were equivalent to 36% of GDP in 2022, the third highest in the world, followed by Palestine at 21.8% of GDP, Jordan at 10.2% of GDP, Morocco at 8.1% of GDP, and Tunisia at 6.6% of GDP. When excluding Syria, remittance inflows to Arab countries were equivalent to about 1.9% of the region's GDP in 2022.

Source: World Bank, Byblos Research

SAUDI ARABIA

Profits of listed firms down 22% to $39bn in first quarter of 2023

The cumulative net income of 202 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR145.9bn, or $38.9bn in the first quarter of 2023, constituting a decrease of 22.4% from SAR188bn ($50.1bn) in the first quarter of 2022. Listed energy firms generated net profits of $31.3bn and accounted for 80.3% of total earnings in the first quarter of 2023. Listed banks followed with $4.6bn in net income (11.8%), then telecommunications firms with $1.1bn (2.8%), materials firms with $640.3m (1.6%), and firms in the food & beverage sector with $311.4m (0.8%); while listed companies in other sectors registered net profits of $1bn (2.6%). In parallel, the net earnings of listed pharma, biotech & life sciences firms surged by 65.8% in the first quarter of 2023 from the same quarter last year, followed by the profits of transportation firms (+54.7%), food & beverage firms (+51%), commercial & professional services providers (+49.3%), and real estate management & development firms (+43.6%). In contrast, the net income of diversified financials providers dropped by 95.2% in the covered quarter, followed by the profits of consumer durables & apparel companies (-93.6%), materials firms (-83.5%), the energy sector (-18%), and food & staples retailers (-3%). Further, the results of insurers shifted from net losses of $45.1m in the first quarter of 2022 to net profits of $50.3m in the same quarter this year, while the utility sector shifted from net income of $509.4m in the first quarter last year to net losses of $247.3m in the first quarter of 2023.

Source: KAMCO, Byblos Research

OUTLOOK

EMERGING MARKETS

Capital inflows to rise by 25% to $800bn in 2023

The Institute of International Finance projected non-resident capital inflows to emerging markets (EMs) at $798 billion in 2023, constituting a rise of 25% from $639bn in 2022 It attributed the rebound in capital flows to a soft landing scenario for the U.S. and global economies, a benign inflation outlook, and accelerating inflows so far this year to EMs excluding China. In addition, it forecast foreign direct investments (FDI) in EMs at $471bn this year, representing a decline of 11.5% from $532bn in 2022, while it expected other investments in EMs, mainly banking-related flows, at $220bn in 2023, down by 6.8% from $236bn last year. Also, it anticipated portfolio investments to shift from outflows of $129bn in 2022 to inflows of $108bn in 2023. Further, it projected resident capital outflows from EMs to regress from $1.05 trillion last year to $859bn in 2023, due to a 69.2% decline in other investments, mainly banking-related flows, that would more than offset a 17.2% rise in FDI outflows from the EM region and a 2% increase in outward portfolio investments. As such, it forecast net capital outflows from EMs at $67bn in 2023 relative to $412bn in 2022.

In parallel, it projected non-resident capital inflows to EMs ex-China to rise by 9.4% to $722bn in 2023. It forecast FDI in EMs ex-China to grow by 5.4% to $371bn this year, while it anticipated other investments in EMs ex-China, mainly banking-related flows, to decline by 22.5% to $255bn in 2023. Also, it expected portfolio flows to EMs ex-China to shift from outflows of $21bn in 2022 to inflows of $97bn this year. Further, it projected resident capital outflows from EMs ex-China to decrease by 24% to $659bn in 2023, due to a 46.4% drop in other investments, mainly banking-related outflows, that would be partly offset by a 14% rise in portfolio investment outflows and a 6% increase in FDI outflows from EMs ex-China. As a result, it forecast net capital flows to EMs ex-China to shift from outflows of $201bn in 2022 to inflows of $67bn in 2023.

Source: Institute of International Finance

MENA

Growth outlook varies across region

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region at 2.2% in 2023 and 3.3% in 2024, relative to growth forecasts of 3.5% and 2.7% in January 2023, well below the pace of economic activity in the two decades prior to the pandemic. It attributed the rebound in economic activity next year to subsiding inflationary pressures and receding global headwinds, as well as to rising oil production.

It anticipated the real GDP growth rate of the region's oil-exporting economies to slow down from 6.4% in 2022 to 2% in 2023, due mainly to lower global oil prices and the recently announced oil production cuts under the OPEC+ agreement. It expected economic activity in MENA oil exporters to accelerate to 3.2% in 2024, in case oil production rebounds, the effects of reform initiatives materialize, and in case planned investment drives in Saudi Arabia and the UAE take place. It projected the real GDP growth rate of Gulf Cooperation Council countries to decelerate from 7.6% last year to 2.4% and 3.2% in 2023 and 2024, respectively. Further, it forecast activity in MENA oil-importing economies to decelerate from 3.9% in 2022 to 3.4% this year due to elevated inflation rates, shortages of foreign currency, and fiscal and monetary policy tightening, and for growth to pick up to 3.9% next year in case global and domestic headwinds subside. In parallel, it anticipated that the fiscal balances of governments in MENA oil exporters will post surpluses or near surpluses in 2023, due to strong revenues from high oil prices and to spending cuts as a result of the unwinding of COVID-19-related measures. Also, it estimated that the fiscal deficits of the region's oil importers will widen this year as their debt servicing costs increase.

It considered that risks to the outlook are tilted to the downside and include weaker external demand for the region's exports due to further policy tightening or banking stress in advanced countries, the volatility in global commodity prices, potential violence and social tensions, and a greater incidence of financial crises.

Source: World Bank

ANGOLA

Subsidies reforms to improve outlook on public finances

Barclays Capital projected Angola's real GDP growth rate at 3% in 2023, and forecast it to accelerate to 3.5% in 2024 in case of a rebound in global oil prices and the country's oil production. It indicated that the authorities partially lifted subsidies on petrol at the start of June 2023, in line with recommendations from the International Monetary Fund. It pointed out that the reduction of the subsidies led to a near doubling of the domestic prices of fuel. However, it said that the government opted to maintain the subsidy on diesel and to retain the fuel subsidy for taxi drivers, farmers and fishermen, in order to mitigate the impact on inflation, economic activity and household disposable incomes. It expected the subsidy adjustment to have a muted effect on public transportation costs and, consequently, on headline inflation in 2023. It projected the inflation rate at 14.7% in 2013 and 18.1% in 2024, relative to previous forecasts of 10.8% and 10.6% for 2023 and 2024, respectively, given potential second round effects and pass through from the recent depreciation of the exchange rate. As such, it anticipated the Banco Nacional de Angola to raise its policy rate in the second half of 2023.

In parallel, it indicated that the Angolan authorities are expecting savings of about 0.6% of GDP in 2023 from the partial lifting of subsidies, and considered that reducing the fuel subsidy would release resources that can be allocated to social outlays on education, healthcare and housing, as well as to pay off public debt obligations. It projected the fiscal balance to post surpluses of 0.8% of GDP in 2023 and 1.5% of GDP in 2024, despite higher public spending, amid higher-than-budgeted oil prices and the recent depreciation of the Angolan kwanza that will boost oil receipts. It also forecast the public debt level to decline from 63.5% of GDP at the end of 2023 to 58.3% of GDP at end-2024. Further, it anticipated the weaker kwanza to discourage imports and to boost oil exports. As a result, it projected the current account balance to post a surplus of 6% of GDP in 2023, relative to a previous estimate of 5.1% of GDP for this year, and expected the surplus to increase in case the country's oil production recovers. It also forecast gross foreign currency reserves to rise from $14.5bn at the end of 2023 to $16bn at end-2024.

Source: Barclays Capital

SAUDI ARABIA

Non-oil sector drives growth in first quarter of 2023

Jadwa Investment indicated that Saudi Arabia's real GDP growth decelerated to 3.8% year-on-year in the first quarter of 2023 from 10% annually in the same quarter of 2022, due mainly to weaker oil production in the covered quarter. It noted that real oil GDP grew by 1.4% in the first quarter of this year relative to 20.2% annually in the first quarter of 2022, and anticipated it to shrink for full year 2023 given the Kingdom's planned cuts to oil output. Also, it considered that the non-oil economy continues to expand at a robust rate, and that real non-oil GDP grew by 5.3% annually in the first quarter of 2023 relative to 3.4% year-on-year in the same quarter of 2022, in line with the quarterly average of the 2021-22 period. It attributed the expansion of non-oil activity mainly to the wholesale & retail trade, restaurants & hotels sector, which grew by 7.5% year-on-year. It added that the construction sector expanded by 5.5% in the covered quarter, driven by the surge in public sector investments. But it pointed out that the manufacturing sector contracted by 0.4%, due to weaker regional demand for oil and to lower oil refining output as the authorities diverted more crude to export markets. Further, it indicated that government services grew by 5% in the first quarter of the year, the highest quarterly expansion since the second quarter of 2018. It expected government spending growth to moderate in the next quarters given the significantly uncertain outlook for oil demand.

Source: Jadwa Investment

JORDAN

Sovereign ratings affirmed on improving fiscal metrics

Capital Intelligence Ratings affirmed Jordan's long-term foreign and local currency ratings at 'B+', which are four notches below investment grade. Also, it maintained the 'positive' outlook on the long-term ratings, and affirmed the country's short-term foreign and local currency ratings at 'B'. It indicated that the ratings reflect the government's prudent macroeconomic policies and ongoing efforts to increase revenues, which have led to the gradual improvement of fiscal performance and to the decline of the public debt level. It added that the ratings take into account the availability of financial assistance from multilateral lenders and external donors, as well as the adequate international liquidity level, moderate external debt, and a relatively sound banking sector. But it noted that the ratings are constrained by high geopolitical risks, an elevated government debt level, and significant socioeconomic challenges. Further, it pointed out that the narrowing of the fiscal deficit is helping to reduce the budget's reliance on foreign grants. In parallel, it noted that the country's current account deficit constitutes an important external liquidity risk factor, as it widened from 8.2% of GDP in 2021 to 8.6% of GDP in 2022. It considered the external debt level to be moderate-to-high, even though the gross external debt declined from 208.2% of current account receipts in 2021 to 179.4% of such receipts in 2022. It said that it could upgrade the ratings if the budget deficit narrows, if the government's debt level declines, and/or if the budget structure improves; while it could downgrade the ratings if regional or domestic instability risks increase significantly, or if the public and external finances deteriorate.

Source: Capital Intelligence Ratings

IRAQ

Three-year budget points to vulnerabilities of public finances

Moody's Investors Service indicated that the Iraqi Parliament approved a three-year budget for the 2023-25 period that includes a significant increase in public expenditures, which, combined with the recent 10.3% revaluation of the exchange rate, points to the authorities' return to a pro-cyclical policy mix. It said that the budget is based on oil prices of $70 per barrel over the three-year period, and targets aggregate federal expenditures that are equivalent to 54% of GDP in 2023 and a fiscal deficit of 17% of GDP this year. But it expected the deficit to be narrower in 2023, given the late timing of the budget approval and the government's systematic under-execution of capital spending. Still, it anticipated that the budget will further entrench Iraq's structural fiscal vulnerabilities, as the public sector wage bill and pension payments account for about two thirds of current spending. It added that 90% in public revenues originate from oil receipts, which reflects the economy's elevated sensitivity to fluctuations in global oil prices and production. But it did not expect authorities to address Iraq's fiscal rigidities or reduce the vulnerability of public finances to future oil price declines. It also anticipated that the revaluation of the Iraqi dinar will further weigh on the fiscal position in the short term through lower oil receipts in local currency terms. As such, it projected the fiscal balance to shift from a surplus of 6.7% of GDP in 2022 to deficits of 2.2% of GDP in 2023 and of 5.4% of GDP in 2024. It also forecast the public debt level to rise from 44.4% of GDP at end-2022 to nearly 50% of GDP by the end of 2024, and expected the authorities to cover the government's financing needs mostly through central bank financing and funding from state-owned commercial banks.

Source: Moody's Investors Service

OMAN

Public finances improve on fiscal measures and oil receipts

The International Monetary Fund projected Oman's real GDP growth rates at 1.3% in 2023 and 2.7% in 2024, reflecting the decision of the OPEC+ coalition to cut oil production, moderate growth in the non-oil sector, a slowdown in global economic activity, as well as tighter financial conditions. Also, it forecast real non-hydrocarbon GDP to grow by 2% in 2023 and 2.5% in 2024, relative to 1.2% in 2022. Further, it indicated that substantial oil windfalls and fiscal consolidation have boosted the country's fiscal and external positions. It pointed out that the fiscal balance posted a surplus of 7.5% of GDP in 2022 and anticipated it to remain in surplus in the medium term due to favorable oil revenues and fiscal measures under the authorities' Medium-Term Fiscal Plan. It added that the public debt level declined from 61.3% of GDP in 2021 to 40% of GDP in 2022, as the authorities used oil revenues to repay part of the government's debt. Also, it noted that the current account balance recorded its first surplus since 2014 at 5.2% of GDP in 2022, supported by oil and non-oil exports. In parallel, it said that upside risks to the outlook include the country's continued economic growth and improving fiscal and external positions, the implementation of the Vision 2040 reform plan, and a rise in foreign direct investments from regional partners.

Source: International Monetary Fund

BANKING

GCC

Banks' profits up 23% to $13.4bn in first quarter of 2023

Listed banks in the six Gulf Cooperation Council (GCC) countries posted aggregate net profits of $13.4bn in the first quarter of 2023, constituting increases of 17% from $11.5bn in the fourth quarter of 2022 and of 23% from $10.9bn in the first quarter of 2022. It attributed the rise in income in the first quarter of 2023 mainly to an increase in non-interest income by $1.3bn to $9.1bn in the covered quarter and a decline of $0.2bn in loan-loss provisions. It added that the aggregate revenues of banks reached $29.1bn in the first quarter of 2023, representing increases of 4% from $28bn in the fourth quarter of 2022 and of 22.8% from $23.7bn in the first quarter last year due to higher non-interest income. Further, it indicated that the aggregate assets of GCC banks stood at $3.04 trillion (tn) at end-March 2023 and increased by 2.3% from $2.97tn at end-2022 and by 10.4% from $2.75tn a year earlier. In addition, it said that the banks' aggregate net loans reached $1.8tn at the end of March 2023 and grew by 1.7% from $1.77tn at end-2022 and by 7.8% from $1.7tn at end-March 2022, while customer deposits amounted to $2.3tn, and rose by 2.3% from end-2022 and by 11% from the end of March 2022. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 78.5% at the end of March 2023 compared to 80.7% a year earlier, driven by the rise in deposits.

Source: KAMCO

KUWAIT

Agencies take rating actions on banks and financial institutions

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Al Ahli Bank of Kuwait (ABK), Burgan Bank, the Commercial Bank of Kuwait (CBK), Gulf Bank (GB), Kuwait Finance House (KFH), and the National Bank of Kuwait (NBK) at 'A+', and maintained the rating of Boubyan Bank at 'A' and that of Kamco Investment Company at 'BBB'. It affirmed the Bank Standalone Ratings (BSRs) of GB and NBK at 'a-', the ratings of ABK, Burgan Bank, and CBK at 'bbb+', and the BSRs of Boubyan Bank and KFH at 'bbb'. It also maintained the 'stable' outlook on all the ratings. It noted that the ratings of the banks are supported by adequate capitalization, comfortable liquidity, good asset quality, and very high loss reserve coverage. It pointed out that the ratings of CBK, KFH, and NBK reflect their solid profitability, while the ratings of ABK and Burgan Bank take into account the increase in their net earnings. It said that the ratings of Boubyan Bank and GB are constrained by high concentrations in customer deposits and loans. It indicated that the rating of Kamco balances the company's large and stable revenue stream, its strong funding and liquidity base, with the inherent potential volatility of investment banking revenues. In parallel, Fitch Ratings affirmed the long-term Issuer Default Ratings of ABK, CBK, and the Industrial Bank of Kuwait (IBK) at 'A', with a 'stable' outlook on the ratings. It maintained the Viability Rating of CBK at 'bb+' and the rating of ABK at 'bb'. It noted that the ratings of the banks are supported by adequate capitalization. It said the ratings of ABK and CBK are underpinned by their healthy asset quality, as well as their sound funding and liquidity profiles; while the rating of IBK is constrained by its high loan book concentrations.

Source: Capital Intelligence Ratings, Fitch Ratings

ARMENIA

Banks' NPLs ratio at 2.7%, CAR at 20% at end-February 2023

The International Monetary Fund indicated that the Armenian banking sector benefits from a high level of capitalization, comfortable liquidity levels, and a relatively low level of non-performing loans (NPLs). It said that the aggregate capital adequacy ratio of the banks stood at 20% at the end of February 2023, well above the minimum regulatory requirement of 11%. It noted that the banks' liquid assets represented 37.3% of total assets at end-February 2023, up from 37% at end-2022 and 32% at end-2021, while they were equivalent to 102.5% of short-term liabilities at end-February 2023 compared to 122.7% at end-2021. Also, it said that the banking sector's NPLs ratio declined from its peak of 7.1% at end-March 2021 to 2.7% at end-February 2023. Further, it pointed out that the profitability of Armenian banks remains significant, supported by gains in foreign currency and by low provisioning needs. But it considered that the increase in mortgages and lending to the construction sector poses risks to the financial sector amid rising real estate prices. As such, it stated that the Central Bank of Armenia introduced a new loan-to-value limit for mortgages and a new law that prohibits the extension of mortgages in foreign currency for residents whose income is in the local currency. In addition, it noted that the banks' high-level of liquid assets in foreign currency mitigates the risk of potential capital outflows.

Source: International Monetary Fund

NIGERIA

Unified exchange rate to encourage foreign capital inflows

Goldman Sachs indicated that the Central Bank of Nigeria (CBN) has allowed the Nigerian naira to depreciate sharply and collapsed its multiple exchange rates into a single official window on June 14, 2023. It added that, as a result, the naira has been trading at significantly weaker levels that range between NGN460 and NGN850 per US dollar. It considered three scenarios given the significant uncertainties about the authorities' foreign exchange and monetary policy. First, in its "status quo" scenario, it estimated that the authorities will adopt a unified official exchange rate at a weaker rate, and maintain current and capital account restrictions. Second, in its "more conventional peg" scenario, it expected the currency to be pegged, and for the authorities to remove lift current account and some capital account restrictions and raise interest rates to support the peg. In this case, it said that the policy rate will remain "non-binding", as the authorities will use the exchange rate rather than inflation as the nominal anchor for monetary policy. Third, in its "free-float" scenario, it expected the authorities to implement a floating currency regime, as well as remove current account and capital account restrictions. In this case, it expected the CBN to use the policy rate to reach its inflation target, and for the inflation rate to become the nominal anchor for monetary policy. Further, it considered that easing foreign currency restrictions is a necessary step to achieve a durable convergence of the official and parallel market exchange rates. It expected the easing capital account restrictions on the transfer of funds, including on the profits and dividends of companies, to support portfolio inflows and FDI.

Source: Goldman Sachs

ENERGY / COMMODITIES

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

ICE Brent crude oil front-month prices reached $77.1 per barrel (p/b) on June 21, 2023, constituting an increase of 5.4% from $73.2 p/b a week earlier, driven by a weaker US dollar, given that the Federal Open Market Committee of the U.S. Federal Reserve did not raise interest rates at its June meeting. In parallel, the U.S. Energy Information Administration (EIA) expected a lower global oil production in the 2023-24 period, following recent announcements from the OPEC+ coalition to extend crude oil production cuts through the end of 2024. However, it forecast global liquid fuels production to increase by 1.5 million barrels per day (b/d) in 2023 and by 1.3 million b/d in 2024, driven mainly by higher output from non-OPEC producers that consist of the United States, Brazil, Canada, Guyana, and Norway. Also, it forecast the oil production of the OPEC+ coalition to decrease by 0.6 million b/d in 2023 and then increase by 0.3 million b/d in 2024. In addition, it expected global liquid fuels consumption to increase by 1.6 million b/d in 2023 and 1.7 million b/d in 2024, due to higher demand from non-OECD countries in Asia. But it considered that significant uncertainties around global economic growth would impact oil demand and affect the global oil market in the 203-24 period. Further, it expected global oil inventories to decline in each quarter from the third quarter of 2023 to the third quarter of 2024, which will put gradual upward pressure on oil prices. Moreover, the EIA forecast oil prices to average $78.8 p/b in the second quarter, $78.3 p/b in the third quarter, and $80 p/b in the fourth quarter of 2023.
Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

Saudi Arabia's oil export receipts at $22.2bn in March 2023

Total oil exports from Saudi Arabia amounted to 9 million barrels per day (b/d) in March 2023, constituting increases of 0.6% from 8.9 million b/d in February 2023 and of 3.1% from 8.7 million b/d in March 2022. Further, oil export receipts reached $22.2bn in March 2023, representing an increase of 3.6% from $21.4bn in February 2023 and a decrease of 26.5% from $30.1bn in March 2022.
Source: JODI, General Authority for Statistics, Byblos Research

OPEC oil output down 2% in May 2023

Member countries of OPEC, based on secondary sources, produced an average of 28.1 million barrels of oil per day (b/d) in May 2023, constituting a decrease of 1.7% from 28.5 million b/d in April 2023. On a country basis, Saudi Arabia produced 10 million b/d, or 35.5% of OPEC's total output, followed by Iraq with 4.1 million b/d (14.7%), the UAE with 2.9 million b/d (10.3%), Iran with 2.7 million b/d (9.5%), and Kuwait with 2.6 million b/d (9.1%).
Source: OPEC

Global steel output down 4.7% in May 2023

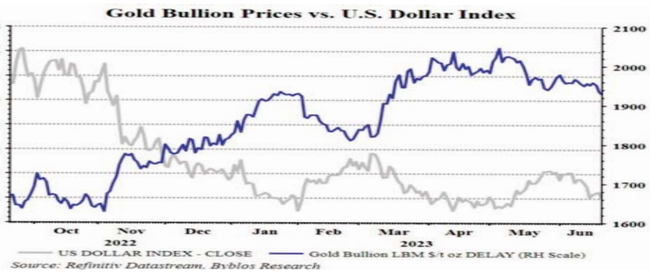
Global steel production reached 161.6 million tons in May 2023, constituting an uptick of 0.1% from 161.4 million tons in April 2023 and a decrease of 4.7% from 169.5 million tons in May 2022. Production in China totaled 90.1 million tons and accounted for 55.8% of global steel output in May 2023, followed by output in India with 11.2 million tons (6.9% of the total), in Japan with 7.6 million tons (4.7%), the U.S. with 6.9 million tons (4.3%), Russia with 6.8 million tons (4.2%), and South Korea with 5.8 million tons (3.6%).
Source: World Steel Association, Byblos Research

Base Metals: Zinc prices to average $2,599 per ton in second quarter of 2023

The LME cash prices of zinc averaged $2,859.6 per ton in the first 25 weeks of 2023, constituting a drop of 25.8% from an average of $3,852.1 a ton in the same period of 2022, driven by monetary tightening in advanced economies and a decrease in energy prices that led to the reopening of zinc smelters, which raised concerns of a market surplus. In parallel, S&P Global Market Intelligence projected global demand for refined zinc at 14.03 million tons in 2023 relative to 13.8 million tons in 2022, and forecast global zinc production at 13.8 million tons this year compared to 13.6 million tons in 2022, with mine output representing 92.4% of global refined zinc production this year. Further, it expected a market deficit of 207,000 tons in 2023, due to power shortages in China that will restrain the production of the metal. Also, it expected demand in China to grow by 1.7% in 2023 and by 2.5% in 2024, and to account for 50% of global demand in the 2023-24 period. In addition, it anticipated the supply of zinc to decline in the third and fourth quarters of 2023, due to maintenance work at smelters, mainly in China. It forecast an aggregate deficit of 837,000 tons in the covered quarters, due to higher refined zinc consumption in the Americas, Asia, and Europe. Moreover, it projected zinc prices to average $2,599 per ton in the second quarter, $2,900 a ton in the third quarter, and $3,250 per ton in the fourth quarter of 2023.
Source: S&P Global Market Intelligence, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,990 per ounce in second quarter of 2023

Gold prices averaged $1,934.2 per troy ounce in the first 25 weeks of 2023, constituting an increase of 3% from an average of $1,878.4 an ounce in the same period of 2022. The increase in prices was mainly due to higher demand for gold, as well as to the increase in inflows into gold-backed exchange traded funds in recent months. Further, prices regressed from a recent high of $2,047 per ounce on May 4, 2023 to a three-month low of $1,930.2 an ounce on June 21, 2023, driven by expectations of further monetary tightening by the U.S. Federal Reserve. In parallel, Citi Research expected the United States to go into recession in the next six to 12 months and anticipated a cut in the U.S. short-term interest rates in the coming 18 months, which would weigh on the US dollar and lead to lower Treasury yields. As a result, it forecast gold prices to remain high and to average $1,965 per ounce in 2023. Further, it expected the physical demand for bullions from central banks in emerging markets and from retail consumers to be strong by the end of 2023. But it projected global demand for bar and coin gold to decrease by 2% to 1,211 tons in 2023, as lower consumption in Europe and India will more than offset the robust demand in the U.S., the Middle East, and South East Asia. In addition, it forecast gold prices to average $1,990 per ounce in the second quarter, $1,950 an ounce in the third quarter, and $2,015 in the fourth quarter of 2023.
Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	LT Foreign currency rating: Moody's	LT Foreign currency rating: Fitch	LT Foreign currency rating: 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+	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	14-Jun-23	No change	26-Jul-23
Eurozone	Refi Rate	4.00	15-Jun-23	Raised 25bps	27-Jul-23
UK	Bank Rate	5.00	22-Jun-23	Raised 50bps	03-Aug-23
Japan	O/N Call Rate	-0.10	16-Jun-23	No change	28-Jul-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	1.75	22-Jun-23	Raised 25bps	21-Sep-23
Canada	Overnight rate	4.75	07-Jun-23	Raised 25bps	12-Jul-23
Emerging Markets					
China	One-year Loan Prime Rate	3.55	20-Jun-23	Cut 10bps	20-Jul-23
Hong Kong	Base Rate	5.50	15-Jun-23	No change	27-Jul-23
Taiwan	Discount Rate	1.875	15-Jun-23	Raised 12.5bps	21-Sep-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-Jul-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	14-Jun-23	No change	26-Jul-23
Saudi Arabia	Repo Rate	5.75	14-Jun-23	No change	26-Jul-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	15.00	22-Jun-23	Raised 650bps	20-Jul-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	21-Jun-23	No change	N/A
Armenia	Refi Rate	10.50	13-Jun-23	Cut 25bps	01-Aug-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	15-Jun-23	No change	27-Jul-23
Russia	Refi Rate	7.50	09-Jun-23	No change	21-Jul-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