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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Cyber attacks up 32% in 2022

LexisNexis Risk Solutions indicated that global automated bot and human-initiated cyber attacks during electronic transactions totaled 4.4 billion attacks globally in 2022, constituting an increase of 32% from 3.3 billion attacks in 2021. It said that automated bot attacks reached 3.5 billion attacks in 2022, representing a jump of 27% from 2.8 million attacks in 2021, while human-initiated fraud attacks stood at 905 million and rose by 56% from 580.1 million attacks in the previous year. It noted that the automated bot attacks on financial services firms stood at 1.9 billion and increased by 23% in 2022, followed by attacks on e-commerce companies with 1.4 billion attacks (+195%), gaming and gambling sites with 99 million attacks (-33%), and the communications, mobile, and media (CMM) industry with 46 million attacks (-91%). Further, it pointed out that 69% of human-initiated attacks came from mobile devices, while 31% of those attacks originated from desktop computers worldwide. It added that the human-initiated attack rate was 1.3% globally in 2022, and that the mobile browser attack rate stood at 2.7%, the desktop attack rate was 1.7%, and the mobile applications attack rate stood at 0.8% last year. It said that human-initiated attacks on financial services firms rose by 31%, the e-commerce attack rate increased by 29%, while the CMM attack rate declined by 27%, and the gaming and gambling attack rate decreased by 11% last year. Also, it noted that scams dominated fraud types globally and accounted for 17.6% of the total, followed by third-party chargeback fraud (17%), first party fraud (16.4%), third party account takeover (15.4%), true identity theft (8%), bonus abuse attacks on gambling sites (7.7%), and synthetic identity theft (6.2%), while other fraud types accounted for the remaining 11.6%. The firm said that it analyzed 79.8 billion electronic transactions in 2022 to detect fraud attacks, up by 24% from 64.4 billion transactions in 2021.

Source: LexisNexis Risk Solutions, Byblos Research

MENA

Stock markets up 2% in first eight months of 2023

Arab stock markets increased by 1.6% and Gulf Cooperation Council equity markets grew by 3.3% in the first eight months of 2023, relative to expansions of 5% and of 8.5%, respectively, in the same period of 2022. In comparison, global stock markets increased by 12.7% and emerging market equities grew by 2.4% in the first eight months of 2023. Activity on the Damascus Securities Exchange surged by 83% in the first eight months of 2023; the Beirut Stock Exchange, based on the official stock market index, rose by 66.4%, the Iraq Stock Exchange advanced by 38.2%, the Egyptian Exchange appreciated by 29.3%, and the Dubai Financial Market improved by 22.4%. Also, the Casablanca Stock Exchange increased by 11.5%, the Tunis Bourse gained 10.2%, the Saudi Stock Exchange yielded 9.7%, the Bahrain Bourse grew by 3%, and the Palestine Exchange improved by 0.6% in the covered period. In contrast, activity on the Qatar Stock Exchange declined by 4.6%, the Abu Dhabi Securities Exchange decreased by 4%, the Amman Stock Exchange contracted by 3.7%, the Boursa Kuwait regressed by 1.5%, and the Muscat Securities Market retreated by 1.2% in the covered period.

Source: Local stock markets, Dow Jones Indices, Refinitiv

EMERGING MARKETS

Outstanding ESG bonds at $1 trillion

Figures compiled by Goldman Sachs indicate that outstanding Environmental, Social, and Governance (ESG) bonds in Emerging Markets (EM) stand at about $1 trillion as at August 2023, with green bonds amounting to $471bn or 47% of the total, followed by sustainable bonds with $325bn (32%), social bonds with $140bn (14%), and sustainably-linked bonds with $69bn (7%). Also, the outstanding ESG bonds of government-related entities (GREs) stand at about $328bn or 33% of the EM ESG bond stock, followed by corporate ESG bonds with $321bn (32%), supranationals with $242bn (24%), and sovereign ESG bonds with $114bn (11%). The distribution of green bonds shows that GREs account for 47% of such bonds, followed by corporates with 39.7%, and sovereigns and supranationals with 6.6% each. Also, it pointed out that the breakdown of sustainable bonds indicates that supranationals account for 56.9% of these bonds, followed by corporates with 17.8%, sovereigns with 15.4%, and GREs with 9.5%. Further, the breakdown of social bonds shows that GREs hold 40.7% of such bonds, followed by corporates with 23.6%, supranationals with 19.3%, and sovereigns with 16.4%. In addition, it said that corporates hold 62.3% of sustainably-linked bonds, followed by GREs with 24.6%, and sovereigns with 14.5%. In parallel, it said that the outstanding ESG bonds of EMs that are denominated in US dollars total $399bn or 40% of aggregate outstanding ESG bonds in EMs, followed by dues in Chinese Yuan with $211bn (21%), and in Euros with $115bn (11%), while the remaining outstanding EM bonds in other currencies stand at $280bn (28%).

Source: Goldman Sachs, Byblos Research

QATAR

Profits of listed firms down 11% to $6.7bn in first half of 2023

The net income of 50 companies listed on the Qatar Stock Exchange totaled QAR24.55bn, or $6.72bn in the first half of 2023, constituting a decrease of 11.2% from QAR27.66bn ($7.57bn) in the first half of 2022. Earnings stood at QAR12.5bn or $3.4bn in the first quarter and at QAR11.7bn ($3.2bn) in the second quarter of the year. Banking & financial services firms generated net profits of $3.8bn in the first half of 2023 and accounted for 57.2% of the earnings of publicly-listed firms. Industrial companies followed with $1.27bn, or 19% of the total, then telecommunications firms with $564m (8.4%), transportation firms with $421m (6.3%), real estate companies with $251.1m (3.7%), consumer goods & services providers with $198.4m (3%) and insurers with $172m (2.6%). Further, the net earnings of listed insurers surged by 71.3% in the first half of 2023 from the same period last year, followed by telecommunications firms (+20%), transportation companies (+3.5%), and banking & financial services providers (+3%). In contrast, the net income of industrial companies decreased by 46% in the first half of 2023 from the same period last year, followed by consumer goods & services (-18.7%), and real estate firms (-7%).

Source: KAMCO, Byblos Research

OUTLOOK

EMERGING MARKETS

Expanding BRICS group may have limited economic benefits

S&P Global Ratings expected that the recent expansion of the BRICS group of emerging economies to include Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the UAE could provide a limited boost to near-term economic prospects for member countries, due to the different economic structures and financial systems among members, and to their lack of political cohesion.

In addition, the agency considered that the common economic goals of an expanded BRICS group is to increase cooperation among emerging markets, which could provide an alternative to the forums of developed economies such as the Group of Seven or the Organization for Economic Cooperation and Development, as well as to reduce the dominance of the US dollar in international trade. But it anticipated that the diverse economic and political priorities of the member states could undermine the effectiveness of the new BRICS bloc. It noted that access to new sources of concessional funding from the New Development Bank could provide some relief to countries with high external vulnerabilities such as Argentina, Egypt and Ethiopia.

Further, S&P pointed out that BRICS members plan to increase direct transactions in local currencies and bypass the US dollar in the near term, in order to reduce their dependence on the U.S. financial system. It expected the Chinese renminbi to be the primary beneficiary of increasing trade in local currencies as China is the biggest trading nation in the bloc. However, it said that the key constraint on the renminbi's potential as a reserve currency remains the absence of full capital account convertibility.
Source: S&P Global Ratings

SAUDI ARABIA

Non-oil sector to account for 71% of economic output by 2028

The International Monetary Fund (IMF) considered that Saudi Arabia's economic prospects are strong despite the uncertainties about global oil demand and the volatility in global commodity prices. It projected real GDP growth at 1.9% in 2023, as it anticipated real oil GDP to contract by 2.5% in line with oil production cuts under the OPEC+ agreement, and for activity in the non-oil sector to expand by 4.9% this year as the accelerated implementation of projects boosts domestic demand. It expected real non-oil growth to sustain its momentum in 2024 before returning to its medium-term potential of 4% as the positive output gap closes, investment projects mature, and reforms increase productivity and yield dividends. It projected the share of non-oil GDP in total output to rise from 56% in 2022 to 71% by 2028. In addition, it anticipated that inflationary pressures will remain contained this year, forecast the inflation rate to average 2.8% in 2023, and at about 2% annually in the long term.

In parallel, it projected Saudi Arabia's fiscal deficit at 1.2% of GDP in 2023, in case global oil prices average $78 per barrel this year, and expected additional higher transfers of dividends from Saudi Aramco to the government to constitute an upside to public revenues. It forecast the fiscal deficit to shift to balance in the medium term, and considered that the performance of the fiscal balance is contingent on shifts in global oil prices. It also projected the public debt level at 25% of GDP at the end of 2023 and at 25.8% at end-2024, and considered that the authorities' sound debt management should continue to support fiscal policy and mitigate risks. Further, it forecast the current account surplus to decline from 6.5% of GDP in 2023 to 3.5% of GDP in 2024, and to further decrease in the medium to long terms, in case oil prices stabilize and imports pick up. It also forecast the net foreign assets at the Saudi Central Bank to average $420bn annually in the 2023-24 period.

The IMF considered that risks to the outlook are balanced and include higher oil prices, potential changes in OPEC+ oil production cuts, and accelerated structural reforms and investments that could boost real GDP growth rates. In contrast, it indicated that downside risks include lower oil prices due to subdued global economic activity, a rise in inflationary pressures from domestic investments, and a quicker shift in demand for fossil fuel that could hinder growth prospects in the medium to long term
Source: International Monetary Fund

ANGOLA

Outlook contingent on economic diversification

The International Monetary Fund (IMF) forecast Angola's real GDP growth at 0.9% in 2023, due mainly to weaker oil production, and forecast real oil GDP to contract by 6.1% in 2023 and for activity in the non-oil sector to grow by 3.4% this year. Further, it projected real GDP growth to accelerate to 3.1% in 2024, with the oil sector expanding by 0.5% and the non-oil sector growing by 3.8% next year. It considered that Angola's near-term economic recovery depends on the oil sector and on the implementation of the authorities' medium-term economic diversification plans away from the oil sector. Also, it expected the real GDP growth rate to stabilize at about 3.4% in the medium term, supported by the government's structural reforms and diversification agenda in the context of declining oil production. As such, it encouraged the authorities to step up efforts to strengthen governance, improve the business environment, and promote private investments in line with the National Development Plan for 2023-27. It considered that risks to the outlook are elevated, given the economy's reliance on the oil sector, while the medium-term outlook is largely dependent on the recovery of the non-oil sector and the authorities' progress on diversifying the economy. Further, it projected the average inflation rate to rise from 14.6% in 2023 to 22.3% in 2024, due to higher energy prices, but expected inflationary pressures to ease in the medium term.

In parallel, the IMF indicated that fiscal slippage has reduced the government's buffers and projected the fiscal balance to shift from a surplus of 0.7% of GDP in 2022 to a deficit of 2.1% of GDP in 2023, due to lower oil receipts. It expected a moderate fiscal adjustment this year, in line with the budget for 2023, and for authorities to step up fiscal consolidation efforts in 2024 with the planned lifting of fuel subsidies. Also, it forecast the public debt level to rise from 65.2% of GDP at the end of 2022 to 83.2% of GDP at end-2023 and to reach 75.6% of GDP by end-2024. Further, it projected the current account surplus at 2.3% of GDP in 2023, and at 3.2% of GDP in 2024. It also forecast foreign currency reserves to decline from $14.7bn at the end of 2022 to $13.7bn at end-2023, and to recover to $14bn by end-2024.
Source: International Monetary Fund

WORLD

Outlook on reinsurance sector revised to 'improving'

Fitch Ratings revised its outlook on the global reinsurance sector from 'neutral' to 'improving' due to expectations of the sector's strengthening financial performance through 2024. It said that price hikes in the near term are likely to outpace increases in the cost of claims, and expected underwriting margins to peak in 2024. It also anticipated that rising reinvestment yields and strong demand for reinsurance will increasingly support the sector's earnings in the near term, while the pricing for natural catastrophe risks will better reflect the impact of climate change on claims. It forecast the sector's combined ratio at 93.8% in 2023 and 94% in 2024, and expected the return on capital to exceed the cost of capital of 8% to 10% in the near term. In parallel, the agency anticipated that prices in property lines will increase in 2024, and for terms and conditions in this segment to become tighter, following several years of poor underwriting results due to inadequately priced risks, the impact of climate change on claims, and unexpectedly elevated inflation rates. Also, it anticipated prices for casualty lines to remain stable next year due to the ample allocation of reinsurance capital and a significant repricing by primary insurers in recent years. Further, it expected the global reinsurance sector to maintain very strong capital metrics in 2024, but noted that improved underwriting margins could lead to greater capital repatriation in case capital cannot be deployed to grow business at attractive margins.

Source: Fitch Ratings

BAHRAIN

Medium term growth rate forecast at 3% annually

Standard Chartered Bank expected Bahrain's real GDP growth rate to stabilize at 3% annually in the medium-term and at 3.8% yearly in the long-term, as growing regional competition and peaking oil output capacity will weigh on medium-term growth. Further, it noted that Bahrain's public finances have improved in 2021 and 2022 due to narrower fiscal deficits, an improving current account position, a build-up of foreign-currency reserves, and a moderation in the public debt level. In addition, it pointed out that the fiscal deficit narrowed from 6% of GDP in 2021 to 1% of GDP in 2022, supported by fiscal reforms, the doubling of the value-added tax rate, and elevated oil revenues. It noted that the 2023 budget forecasts an 11% increase in non-oil receipts, driven by elevated revenues from fees and higher dividends from state-owned enterprises. Also, it indicated that foreign-currency reserves reached $5.2bn in June 2023, their highest level in almost a decade, driven by a current account surplus in of 15.4% of GDP in 2022 and a marked increase in the Central Bank of Bahrain's liabilities to banks. Further, it expected the total funding needs of Bahrain at $4.3bn in 2023 and $3.4bn in 2024, and pointed out that the Gulf cooperation Council (GCC) will disburse $2.5bn in the 2023-24 period that should cover around one-third of the financing needs. It expected fiscal consolidation and the help from GCC countries to support Bahrain's access to external markets in the near term. But it noted that prospects for a material reduction in the debt level appears to be limited in the near term amid ongoing funding needs, higher interest costs, and slower GDP growth.

Source: Standard Chartered Bank

EGYPT

Sovereign ratings downgraded on increasing external financing risks

Capital Intelligence Ratings downgraded Egypt's long-term local and foreign currency ratings from 'B+' to 'B' and revised the outlook on the long-term ratings from 'negative' to 'stable'. Also, it affirmed Egypt's short-term local and foreign currency ratings at 'B'. It attributed the downgrade of the ratings to the increase in Egypt's external financing risks due to the country's high external financing needs. But it said that the ratings are supported by the sovereign's still moderate external indebtedness and the availability of international financial support from the International Monetary Fund and Gulf Cooperation Council countries. It noted that the ratings are constrained by persistent weaknesses in public finances, high indebtedness, a weak budget structure, and elevated debt servicing cost. It pointed out that the persistent shortages of foreign currency, high inflation rates, and large socioeconomic imbalances continue to weigh on the ratings. In parallel, it noted that the 'stable' outlook balances Egypt's large external financing needs against a narrower current account deficit and the sale of state-owned assets, which would help gradually improve the country's foreign reserves buffer. In addition, it said that it could revise the outlook from 'stable' to 'positive' in the next 12 months if Egypt manages to reduce its external financing risks, and/or if the government implements durable structural and fiscal reforms, which would stabilize the economy, reduce its vulnerability to external shocks, and address socioeconomic vulnerabilities. It said that it could revise the outlook from 'stable' to 'negative' in the next 12 months if authorities do not manage to reduce external financing risks and/or if they fail to implement structural reforms.

Source: Capital Intelligence Ratings

PAKISTAN

Domestic debt becoming main financing challenge

Bank of America (BofA) indicted that Pakistan's external debt constitutes a small component of Pakistan's overall debt sustainability concerns, as the country's main financing challenges relate to the domestic debt, which has been rising since the beginning of 2023 through mostly the issuance of short-term instruments and Treasury bills. Also, it pointed out that the economy's capacity to finance the public debt is limited as elevated borrowing by the government is crowding out private credit and investments, which would limit the economic recovery this year. As a result, it anticipated that the sustained weak economic activity will result in lower public revenues, which would, in turn, raise the government's fiscal financing needs and lead to additional elevated borrowing. In parallel, BofA expected the government's increasing local debt financing needs, amid tightening liquidity, to force the authorities to start relying on support from the State Bank of Pakistan for debt financing. It considered that this decision would provide much-needed budget financing, maintain the stability of the banking sector, and unlock new credit for the economy, but added that it will fuel inflationary pressures and further weigh on the Pakistani rupee. It noted that this approach towards domestic funding needs may help the authorities avoid a re-profiling of the external debt. It anticipated that a weaker currency may be politically challenging, but expected that the economic benefits of a depreciated exchange rate would outweigh its costs.

Source: Bank of America

UAE

Profits of largest banks driven by favorable operating environment

Moody's Investors Service indicated that the aggregate net profits of First Abu Dhabi Bank, Emirates NBD Bank, Abu Dhabi Commercial Bank, and Dubai Islamic Bank, which accounted for 77% of the UAE banking sector's assets at the end of March 2023, reached $7.4bn in the first half of 2023, constituting an increase of 71% from $4.4bn in the same period of 2022. It attributed the rise in earnings to higher interest and non-interest income, as business activity in the country remains strong. It expected the net income of the four banks to continue to grow in the next 12 to 18 months, although at a slower pace, as high interest rates will continue to support net interest income that will balance the increase in operating costs, while provisioning charges will continue to normalize. It said that the banks' aggregate net interest margins widened from 1.9% in the first half of 2022 to 2.4 % in the same period of 2023 and that their net interest income increased by 37% in the covered period. It pointed out that the banks' total non-interest income increased by 41% in the first half of 2023 from the same period last year, driven mainly by high trading volumes in foreign currency and derivatives. In addition, it noted that the aggregate non-performing loans (NPLs) ratio of the banks decreased from 5.4% at end-June 2022 to 5% at the end of June 2023, and was partly offset by a NPLs coverage ratio of 104% at end-June 2023. In parallel, it pointed out that the banks aggregate tangible common equity to risk-weighted assets stood at 15% at end-June 2023.

Source: Moody's Investors Service

NIGERIA

Weaker foreign currency reserves reflect policy challenges

Fitch Ratings indicated that Nigeria's gross foreign-currency reserves reached $34bn in August 2023, equivalent to 4.1 months of current external payments, as they dropped by $3bn in the first eight months of 2023, which reflects the sovereign's external vulnerabilities. It considered the recent slowdown of the reforms momentum, the ongoing foreign-currency shortages, and the weaker net reserves position could hamper the pace of liberalization of the exchange rate through more limited foreign-currency supply, and could weigh on investor sentiment. Further, it noted that the official and parallel exchange rates diverged again in August, reflecting the challenges to sustaining the liberalization of the exchange rate. It said that the divergence may partly reflect the Central Bank of Nigeria's (CBN) reluctance to allow a further depreciation of the official rate due to high consumer price inflation. In addition, it noted that the recent financial statements of the CBN indicate that liabilities at the end of 2022 include $7.5bn in securities lending and that it is unclear whether the pledged assets are reserve-eligible and are included in the CBN's gross reserves figures. It pointed out that nearly $32bn in foreign-currency forward contracts, over-the-counter future contracts, and currency swaps could include some non-deliverable contracts settled in the Nigerian naira, which would not be a drain on reserves. Further, it estimated the swaps of the CBN with domestic banks at between $10bn and $12bn at end-2022, and anticipated that most of the swaps will continue to be rolled over.

Source: Fitch Ratings

TUNISIA

Extremely high credit risks assessment maintained

S&P Global Ratings classified Tunisia's banking sector in 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '10' and an industry risk score of '9'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 10' include Belarus, Bolivia, Nigeria, and Ukraine. S&P indicated that Tunisia's economic risk score reflects "extremely high risks" in its economic resilience and in credit risks in the economy, as well as "high risks" in its economic imbalances. It expected the non-performing loans ratio of Tunisian banks to increase from 16.2% at the end of 2022 to 17% at end-2023 and 18.2% at end-2024. Also, it anticipated loan-loss provisions to remains stable at 60% through 2024, as banks will continue to increase provisioning to prepare for the implementation of International Financial Reporting Standards. It indicated that the asset quality of Tunisian banks is weak, as banks are facing extremely high credit risks due to their low debt absorption capacity and high leverage. Further, S&P said that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its competitive dynamics and "high risks" in its system-wide funding. It indicated that the regulation and supervision of banks in Tunisia are weak. It added that banks have poor funding profiles and rely significantly on refinancing from the Central Bank of Tunisia. It noted that the trend for the economic risk is 'stable', while the trend for the industry risk is 'negative'.

Source: S&P Global Ratings

MOROCCO

Agency takes rating actions on five banks

Capital Intelligence Ratings downgraded the long- and short-term foreign currency ratings of Credit du Maroc (CM) from 'BBB-/A3' to 'BB+/B', respectively. Also, it affirmed the long- and short-term foreign currency ratings of Bank of Africa (BOA), formerly known as BMCE Bank of Africa, Banque Centrale Populaire (BCP), and Attijariwafa Bank at 'BB+' and 'B', respectively. Also, the agency affirmed the long- and short-term foreign currency ratings of Banque Marocaine pour le Commerce et l'Industrie (BMCI) at 'BBB-' and 'A3', respectively. Further, it revised the outlook on the long-term ratings of CM from 'negative' to 'stable', and maintained a 'stable' outlook on the ratings of the four other banks. It noted that the downgrade of the ratings of CM reflects the change in its ownership in late 2022, weaker financial metrics, and strategic challenges going forward. Also, it stated that the ratings of BCP, BOA and AWB are supported by their stable revenue base, adequate loan-loss coverage, and their very strong franchise in Morocco. But it noted that the high level of non-performing loans, modest capital ratios and weak capital buffers are weighing on the ratings of the three banks. It pointed out that the ratings of BMCI, AWB, BCP and BOA take into account the high likelihood of support from the Moroccan authorities, in case of need. Further, it said that the ratings of BMCI reflect the high probability of support from its parent bank, but it noted that the ratings are constrained by the bank's high level of NPLs, elevated loans to deposits ratio, and weak profitability.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

Oil prices to average $83 p/b in third quarter of 2023

ICE Brent crude oil front-month prices reached $90.6 per barrel (p/b) on September 6, 2023, constituting an increase of 4.3% from $86.9 p/b at the end of August 2023 and reaching a 10-month high, due to growing concerns about tighter supply after Saudi Arabia and Russia extended their voluntary oil supply cuts to the end of the year. In parallel, JPMorgan Chase &Co. considered that OPEC+ members decided to cut their oil production in order to offset the weaker oil demand outlook. It noted that the decrease in oil output aims to reduce the excess in global inventories and to mitigate the downside volatility of oil prices. Further, it noted that U.S. commercial oil inventories remain within the seasonal range and near 2021 and 2022 levels for this time of the year, despite a large drawdown in U.S. crude stocks. In addition, Goldman Sachs said that the global oil market shifted to a deficit of 2.3 million barrels per day in the third quarter of 2023 amid oil production cuts, and given that substantial demand for oil during the summer season has offset lower demand from the U.S. and China. It indicated that the OPEC+ cutting cycles can be lengthy and involve multiple cuts, with an average length of 23 months. It pointed out that oil market tightness in OECD countries, the cyclical movements of oil prices, low speculative positioning, and consensus GDP growth forecasts are crucial drivers for the decision of OPEC+ countries to reduce oil production. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 37 industry analysts, to average $83 p/b in the third quarter and $85.7 p/b in the fourth quarter of 2023.

Source: JPMorgan Chase &Co., Goldman Sachs, Refinitiv, Byblos Research

Algeria's crude oil production down 23.2% in June 2023

Crude oil production in Algeria totaled 609,000 barrels per day (b/d) in June 2023, constituting a decrease of 23.2% from 793,000 b/d in June 2022. Further, aggregate crude oil exports from Algeria stood at 319,000 barrels per day (b/d) in June 2023 and regressed by 27.5% from 440,000 b/d in June 2022.

Source: JODI, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production to grow by 1% in 2023

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa region to average 4.66 million barrels per day (b/d) in 2023, constituting an increase of 1.1% from 4.61 million b/d in 2022. Further, the supply of oil from non-OPEC producers in the ME&A region would represent 14.4% of output in non-OECD countries and 7% of oil production in non-OPEC countries.

Source: OPEC

Kuwait's crude oil production down 1.5% in June 2023

Crude oil production in Kuwait totaled 2.62 million barrels per day (b/d) in June 2023, constituting a decrease of 1.4% from 2.66 million b/d in June 2022. Further, total crude oil exports from Kuwait amounted to 1.52 million barrels per day (b/d) in June 2022, representing a decrease of 18.3% from 1.86 million b/d in June 2022.

Source: JODI, Byblos Research

Base Metals: Aluminum prices to average $2,100 per ton in third quarter of 2023

The LME cash price of aluminum averaged $2,282.5 per ton in the first 33 weeks of 2023, constituting a decrease of 20.5% from an average of $2,888.8 a ton in the same period last year, due to weaker global demand of the metal and to lower output as a result of higher production costs amid elevated energy prices. In parallel, Citi Research projected the primary supply of aluminum at 70.2 million tons in 2023, representing an increase of 1.4% from 69.25 million tons in 2022. It forecast the primary demand for the metal at 69.76 million tons this year, up 1.3% from 68.8 million tons in 2022. Further, it projected aluminum prices to decrease to $2,050 a ton in the next three months, as it expected the aluminum market to be balanced in China in 2023 due to the improvement of the supply of aluminum in the wet season in South West China. But it anticipated the aluminum market to post a large surplus globally excluding China, due to lower Chinese demand given that the country did not fully recover from the impact of the COVID-19 pandemic on its economy. Moreover, it forecast aluminum prices to average $2,100 per ton in the third quarter and $2,250 a ton in the fourth quarter of 2023.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Global demand for diamonds down amid economic uncertainties

The RapNet Diamond Index (RAPI) for 0.5-carat and 1-carat diamonds dropped by 21.8% and 15%, respectively, in the first eight months of 2023, driven by a decrease in global demand for diamonds as economic challenges persisted, and due to the likelihood that the governments of the Group of Seven economies would soon impose stricter source disclosure rules to marginalize Russian goods, which will create uncertainties about the diamond market, given that Russia is a major producer of diamonds. Also, the decline in the diamond market reflected the increase in demand for lab-grown diamonds, as well as a decrease in retail sales in the U.S. and in China, given that the retail and wholesale markets in China remained weak. Further, the diamond sales of the Botswana-based De Beers Group, the world's largest diamond producer, reached $370m in August 2023 and dropped by 42% from $638m in August 2022. Also, global rough diamond production regressed amid weak demand for polished diamonds, as Indian manufacturers kept their production of polished diamond at around 40% to 50% of capacity. However, India's domestic jewelry market supported the sales of polished diamonds that are less than one carat during summer. In parallel, Russia's diamond reserves, the largest in the world, reached 600 million carats in 2022, followed by Botswana with 300 million carats, the Democratic Republic of the Congo with 150 million carats, South Africa with 120 million carats, and Australia with 11 million carats, while other countries accounted for the remaining 120 million carats. Further, Botswana was the world's largest producer of rough diamonds in value terms with a 29% share of total output last year, followed by Russia with 22%, Angola and Canada with 12% each, South Africa with 10%, and the rest of the world with 15%.

Source: Rapaport Report, 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- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B Negative	B3 RfD**	B Negative	B Stable	-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	RD -	- -	-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- Stable	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				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								
Asia												
Armenia	BB-	Ba3	BB-	B+								
	Stable	Stable	Stable	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 Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	26-Jul-23	Raised 25bps	20-Sep-23
Eurozone	Refi Rate	4.25	27-Jul-23	Raised 25bps	14-Sep-23
UK	Bank Rate	5.25	03-Aug-23	Raised 25bps	21-Sep-23
Japan	O/N Call Rate	-0.10	28-Jul-23	No change	22-Sep-23
Australia	Cash Rate	4.10	05-Sep-23	No change	03-Oct-23
New Zealand	Cash Rate	5.50	16-Aug-23	No change	04-Oct-23
Switzerland	SNB Policy Rate	1.75	22-Jun-23	Raised 25bps	21-Sep-23
Canada	Overnight rate	5.00	06-Sep-23	No change	24-Oct-23
Emerging Markets					
China	One-year Loan Prime Rate	3.45	21-Aug-23	Cut 10bps	20-Sep-23
Hong Kong	Base Rate	5.50	26-Jul-23	No change	20-Sep-23
Taiwan	Discount Rate	1.875	15-Jun-23	Raised 12.5bps	21-Sep-23
South Korea	Base Rate	3.50	24-Aug-23	No change	19-Oct-23
Malaysia	O/N Policy Rate	3.00	07-Sep-23	No change	02-Nov-23
Thailand	1D Repo	2.25	02-Aug-23	Raised 25bps	27-Sep-23
India	Repo Rate	6.50	10-Aug-23	No change	06-Oct-23
UAE	Base Rate	5.50	26-Jul-23	Raised 25bps	20-Sep-23
Saudi Arabia	Repo Rate	6.00	26-Jul-23	Raised 25bps	20-Sep-23
Egypt	Overnight Deposit	19.25	03-Aug-23	Raised 100bps	21-Sep-23
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	24.00	24-Aug-23	Raised 650bps	21-Sep-23
South Africa	Repo Rate	8.25	20-Jul-23	No change	21-Sep-23
Kenya	Central Bank Rate	10.50	09-Aug-23	No change	N/A
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	26-Sep-23
Ghana	Prime Rate	30.00	24-Jul-23	Raised 50bps	25-Sep-23
Angola	Base Rate	17.00	14-Jul-23	No change	15-Sep-23
Mexico	Target Rate	11.25	10-Aug-23	No change	28-Sep-23
Brazil	Selic Rate	13.25	02-Aug-23	Cut 50bps	20-Sep-23
Armenia	Refi Rate	10.25	01-Aug-23	Cut 25bps	12-Sep-23
Romania	Policy Rate	7.00	07-Aug-23	No change	05-Oct-23
Bulgaria	Base Interest	3.12	30-Aug-23	Raised 16bps	27-Sep-23
Kazakhstan	Repo Rate	16.50	25-Aug-23	Cut 25bps	06-Oct-23
Ukraine	Discount Rate	22.00	27-Jul-23	Cut 300bps	14-Sep-23
Russia	Refi Rate	8.50	21-Jul-23	Raised 100bps	15-Sep-23

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