750 ISSUES+
Issue 775 | September 14, 2023

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate debt at $23.2 trillion at end-June 2023

S&P Global Ratings indicated that the level of global rated corporate debt reached $23.2 trillion (tn) at the end of June 2023, constituting an increase of $610bn, or of 2.7%, from $22.6tn at the end of June 2022. It noted that the volume of rated corporate debt in the 'BBB' category totaled $8.8tn at end-June 2023 and accounted for 37.8% of the total, followed by companies in the 'A' bracket with $6.8tn (29.3%), firms in the 'BB' range with $2.5tn (10.6%), corporates in the 'B' segment with $2.25tn (9.7%), firms in the 'AA' bracket with $1.6tn (7%), companies in the 'AAA' range with $770.6bn (3.3%), and corporates in the 'CCC' segment with $505.5bn (2.2%). As such, it pointed out that investment-grade debt stood at $18tn at end-June 2023, representing an increase of 4.5% from $17.2tn at end-June 2022, and accounted for 77.5% of rated corporate debt. It added that non-investment-grade debt reached $5.2tn relative to $5.4tn at end-June 2022, and represented 22.5% of rated corporate debt at end-June 2023. In addition, it said that the volume of global non-financial corporate bonds totaled $14.8tn at end-June 2023 and accounted for 64% of rated corporate debt, while financial corporate bonds amounted to $8.4tn (36% of total). It pointed out that the volume of non-financial investment-grade bonds stood at $10.3tn at end-June 2023 and accounted for 69.4% of non-financial bonds, while non-financial non-investment grade bonds reached $4.5tn (30.6%). It noted that the volume of financial investment-grade bonds amounted to $7.7tn at end-June 2023 and represented 92% of financial bonds, while financial non-investment grade bonds totaled $668bn (8%).
Source: S&P Global Ratings, Byblos Research

Cost of fraud at 3.5 times the value of lost transactions in 2022

LexisNexis Risk Solutions indicated that every fraudulent transaction in the Europe, Middle East & Africa (EMEA) region costs the retail, e-commerce, and financial services & lending sectors on average 3.49 times the value of the lost transaction. It said that the cost of fraud among financial services institutions in the EMEA region was 4.34 times the value of the lost transaction in 2022, while the cost of fraud was 3.13 among retailers, and 3.01 times the transaction value among e-commerce merchants. Further, it noted that in-person fraud and online stores fraud accounted for 34% each of the total value of frauds in the EMEA region in 2022, followed by mobile fraud with 29%, and call center & telephone fraud with 11% of the total. Also, it pointed out that credit card transactions represented 30% of fraud losses by payment method in the EMEA region last year, followed by debit card transactions with 26%, mobile & digital wallets with 24%, the deposit of funds electronically into a bank account with 17%, traditional payments such as cash, checks and gift cards with 14%, and virtual payments such as bitcoin and Facebook Pay with 5%. In parallel, it indicated that 31% of fraud cases in the EMEA region in 2022 took place through mobile web browsers, 27% of fraud cases occurred through third party mobile applications, 19% were through branded mobile applications, 18% took place through contactless purchases, 3% were through text-to-pay, and 2% of cases occurred through bill-to-phone transactions.
Source: LexisNexis Risk Solutions

EMERGING MARKETS

Eurobonds issuance projected at $359bn in 2023

Bank of America projected sovereigns and corporates in emerging markets (EMs) to issue $359bn in Eurobonds in 2023, compared to $293bn in external debt output in 2022 and $688bn in Eurobonds in 2021. It forecast EMs to issue $130bn in sovereign Eurobonds in 2023, constituting an increase of 43% from $91bn in 2022 and accounting for 36.2% of aggregate issuance for the year. Further, it indicated that EM sovereigns have issued $67bn in Eurobonds in the first quarter, $27bn in the second quarter, and $4bn in most of the third quarter of 2023. It noted that the Emerging Europe, the Middle East and Africa (EEMEA) region issued $40.8bn, or 42% of aggregate EM sovereign output in the year-to-September 8, 2023 period, followed by Latin America with $20.4bn (21%), Gulf Cooperation Council (GCC) economies with $19.4bn (20%), and Emerging Asia with $15.5bn (16%). In parallel, it forecast EMs to issue $229bn in corporate bonds in 2023, or 63.8% 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, $54bn in the second quarter, and $29bn in most of the third quarter of 2023. It stated that corporates in Emerging Asia issued $76.5bn, or 51% of total corporate Eurobond output in the year-to-September 8, 2023 period, followed by GCC countries with $30bn (20%), the EEMEA region with $25.5bn (17%), and Latin America with $19.5bn (13%).
Source: Bank of America, Byblos Research

KUWAIT

Profits of listed companies up 25% to $4.6bn in first half of 2023

The cumulative net profits of 145 companies listed on Boursa Kuwait reached KD1.4bn, or $4.6bn, in the first half of 2023, constituting an increase of 25% from KD1.1bn ($3.7bn), in the same period of 2022. Listed banks generated net profits of $2.7bn in the first half of 2023 and accounted for 59.2% of total earnings, followed by telecommunications firms with $626m (13.6%), financial services providers with $411m (9%), industrial companies with $279.5m (6%), real estate firms with $174.2m (3.8%), insurers with $160.4m (3.5%), companies in the discretionary consumers goods segment with $111.2m (2.4%), basic materials firms with $34.3m (0.7%), oil and gas corporates with $22.7m and utilities firms with $21m (0.5% each), and consumer staples companies with $19.2m and healthcare providers with $16.5m (0.4% each). Also, technology companies registered net losses of $0.1m in the covered period. Further, the net earnings of consumer staples companies surged by 496% in the first half of 2023 from the same period in 2022, followed by the income of banks (+46.8%), telecommunications firms (+43%), basic materials companies (+39%), insurers (+19%), and firms in the discretionary consumers goods segment (+9.5%). In contrast, the income of real estate companies decreased by 31.5% in the covered period, followed by the net earnings of financial services providers (-25.5%), healthcare providers (-13.7%), utilities firms (-11.8%), and industrial companies (-11.3%).
Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - August 2023

ALGERIA

President Abdelmadjid Tebboune offered to help resolve the crisis in Niger following the coup against elected President Mohamed Bazoum in late July. The Algerian Minister of Foreign Affairs started a tour of Benin, Ghana and Nigeria to hold consultations on the Niger crisis. He proposed a six-month transitional plan to restore "constitutional and democratic order" in response to the three-year transition period that the Niger coup leader had called for. In parallel, the BRICS bloc of emerging economies did not include Algeria in the list of invited countries to join the alliance, even though it had been engaged in an advocacy drive to advance Algiers' candidacy. The Minister of Foreign Affairs met with U.S. Secretary of State in Washington, DC to reinforce bilateral ties between the two countries, as well as to discuss the situations in Niger, Ukraine and the Western Sahara.

ARMENIA

Violence intensified on the Armenia-Azerbaijan border in August. Also, the Nagorno-Karabakh province continued to experience acute shortages of food, fuel, and medical supplies due to Azerbaijan's blockade of the Lachin road that connects the province to Armenia, which aggravated the humanitarian crisis in the province. As such, Armenia formally appealed to the United Nations Security Council to convene an emergency meeting to address the situation and maintain security. The UN called on Armenia and Azerbaijan to refrain from the politicization of humanitarian aid in order to meet the needs of the population, and to normalize relations for a future peace treaty.

EGYPT

The government continued to prioritize boosting the country's foreign currency liquidity over implementing politically-sensitive structural reforms that Cairo negotiated with the International Monetary Fund. Also, the authorities extended by another year the term of the acting Governor of the Central Bank of Egypt Hassan Abdalla. In parallel, the National Dialogue Board of Trustees submitted its recommendations on a number of topics to President Abdel Fattah el-Sisi, but the proposals fell short of addressing certain issues that include political detainees and the exercise of political rights. Meanwhile, tensions persisted with the United States over the country's stance on the war in Ukraine that points to Cairo's close ties to Moscow. Further, the BRICS bloc of emerging economies invited Egypt and five other countries to join the alliance. In parallel, Egypt, Ethiopia and Sudan held direct talks on the Grand Ethiopian Renaissance Dam for first time in two years, but the talks ended without any breakthrough.

ETHIOPIA

Fighting between federal and regional forces on one side and the Amhara nationalist militia known as Fano on the other side escalated dramatically, as Fano seized control of several towns and cities. In response, Addis Ababa blocked internet access to the region and declared a six-month state of emergency. The Minister of Defense announced that the government plans to return to their homes people who were displaced during the Tigray conflict from Western and parts of Southern Tigray, and that the authorities will dissolve Amhara's "illegal administration" in these areas as per the November 2022 peace deal with the Tigray People's Liberation Front. In parallel, heavy clashes between the government and the Oromo Liberation Army continued in the Oromia region. The World Food Program resumed its food aid deliveries to conflict areas, which were suspended in June 2023. Further, the BRICS bloc of emerging economies invited Ethiopia to join the alliance starting in January 2024.

IRAN

Iran confirmed the release of five American-Iranian dual nationals under a swap deal that consists of liberating U.S. prisoners in exchange for unblocking Tehran's $10bn frozen assets in South Korea and Iraq. However, maritime tensions between the U.S. and Iran remained elevated, as the U.S. announced the arrival of 3,000 military personnel to the Red Sea to increase maritime capability after the Islamic Revolutionary Guard Corps seized oil tankers. In addition, the normalization of relations between Iran and Saudi Arabia continued following the reopening of the Saudi consulate in the Iranian city of Mashhad. In parallel, Canada sanctioned seven Iranian individuals due to their alleged involvement in activities that threaten international peace and security, or that constitute gross and systemic violations of human rights. Also, the United Kingdom blacklisted nearly 12 Iranian persons and organizations, as part of a set of 25 designations of foreign entities giving military support to Russia.

IRAQ

Clashes between Turkish forces and the Kurdistan Workers Party (PKK) escalated in Northern Iraq, leading to the death of several individuals. The Islamic State (IS) terrorist group continued its attacks in the Salah al-Din governorate. Further, the Iraqi Minister of Defense met the U.S. Secretary of Defense in Washington, D.C. to discuss a strategic defense partnership, which is crucial for the enduring defeat of IS. Also, Iraq and Iran reached an agreement to disarm "armed terrorist groups" in Iraq's Kurdistan region and to relocate them before September 19, 2023. In parallel, Shiite parties formed separate lists for the forthcoming provincial elections.

LIBYA

The Tripoli-based High State Council (HSC) elected Mohamed Takala as its new leader, unseating incumbent Khaled Mishri, with unclear consequences on the HSC's support for the eastern-based House of Representatives' (HoR) plan to appoint an interim government as part of a roadmap to the general elections. The HoR discussed draft election laws that the UN-backed "6+6" joint committee approved in June. Further, the United Nations envoy for Libya called for the unification of governments before the elections take place. In parallel, the Central Bank of Libya's Governor Sadiq al-Kabir announced the reunification of the central bank, nearly 10 years after it split into two rival branches.

SUDAN

Hostilities between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF) continued in Khartoum, as the RSF attacked military bases of the SAF, while the latter conducted airstrikes and fired artillery. Meanwhile, the chairman of the Sovereign Council General Abdel Fattah al-Burhan escaped the capital after the months-long RSF siege, and subsequently visited regional bases and Port Sudan before travelling to Egypt for peace talks. Clashes between the SAF and the RSF in Darfur enflamed intercommunal conflicts, particularly in South Darfur; while tribal mobilization in the east of the country threatened stability. In parallel, amid stalled external mediation efforts, the RSF expressed its willingness for peace talks and presented a 10-point plan for a "lasting peace", but General al-Burhan rejected the RSF's initiative.

TUNISIA

President Kais Saïed dismissed Prime Minister Najla Bouden who tried to advance an economic reforms program with the International Monetary Fund. The president appointed former central bank executive Ahmed Hachani as her replacement. Further, the Tunisian government reached an agreement with Libya to share responsibility for rescuing migrants that Tunis expelled to border zones, and for providing shelter to at least 300 migrants.

YEMEN

The United Nations Special Envoy of the Secretary-General for Yemen met with the members of the Presidential Leadership Council, Saudi officials, Omani officials, and the Huthi rebels. They discussed ongoing mediation efforts to agree on measures to improve living conditions in Yemen, implement a nationwide ceasefire, and resume an inclusive Yemeni-owned political process under UN support to reach a sustainable political settlement. The UN envoy stressed the need to address immediate priorities and to launch a political process to achieve lasting peace.

Source: International Crisis Group, Newswires

OUTLOOK

EMERGING MARKETS

Growth prospects vary across regions

Moody's Investors Service considered the growth prospects of emerging markets (EMs) to be favorable in the next 12 to 18 months, despite the difficult global economic environment. But it anticipated that the volatility of global commodity prices could fuel inflationary pressures and make it more difficult for EM central banks to ease their monetary policy. It also expected that weak global trade will weigh on real GDP growth in export-led EMs in 2023. It projected economic activity in Emerging Asia Pacific to expand by 5.2% in 2023 and 4.4% in 2024, and for weaker-than-expected demand and subdued activity in the property sector to weigh on China's growth prospects. Also, it forecast real GDP growth in the Central Eastern Europe Middle East & Africa region at 1.5% this year and 2.5% next year, despite expectations of stronger growth in Russia and Türkiye. In addition, it projected economic activity in Latin America to expand by 1.5% in 2023 and 1.2% in 2024, amid robust growth prospects in Mexico.

In parallel, the agency indicated that inflation rates are already within or near central bank targets across most major EM economies that have inflation-targeting frameworks. It expected inflationary pressures to continue to recede in 2024, but that inflation rates vary significantly across EMs. It considered that the main risks to price developments in EM economies are a significant spike in global energy prices, as well as the volatility of global food prices as a result of adverse weather conditions. It anticipated that EM central banks would slow or halt the easing of their monetary policy if inflationary pressures accelerate again.

Further, Moody's did not expect policy rate cuts in EM economies to weigh on the exchange rates of domestic currencies, but for movements in the US dollar as a result of domestic conditions in the U.S. to influence EM local currencies. Also, it indicated that most of the larger and higher-income EM economies have positive balance of payments, which supports the strength of their local currencies. As such, it anticipated that positive real interest rates as a result of policy rate cuts to attract capital inflows and to further support the domestic currencies of these EMs. It also expected authorities in several EM economies to step up efforts to defend the currency in the event of a significant depreciation.

Source: Moody's Investors Service

UAE

Non-resident capital inflows to rise by 10% to $39.3bn in 2023

The Institute of International Finance (IIF) projected the current account surplus of the United Arab Emirates (UAE) to decline from $69.4bn, or 13.9% of GDP in 2022, to $46.2bn or 9.3% of GDP in 2023, due to a significant cut in oil production and lower global oil prices, and in case oil prices of $83 per barrel this year. It also expected the UAE's fiscal balance to post a large surplus in 2023. It also forecast the external debt level to rise from 79.3% of GDP at the end of 2022 to 80.2% of GDP at end-2023, and to reach 78.7% of GDP by the end of 2024.

It projected non-resident capital inflows to the UAE at $39.3bn in 2023, constituting a rise of 10.1% from $35.7bn in 2022, and expected foreign direct investments (FDI) to remain the main source of non-resident flows to the country in the near term. In addition, it forecast FDI at $23.6bn this year, representing an increase of 4% from $22.7bn in 2022, and to be equivalent to about 4.8% of GDP in 2023 compared to 4.5% of GDP in 2022. Also, it projected portfolio investments to grow by 21.4% to $12.5bn in 2023, while it anticipated other investments, mainly banking-related flows, to expand by 18.5% to $3.2bn this year. Further, it forecast resident capital outflows from the UAE to regress from $99bn in 2022 to $55.5bn in 2023 due to a 67.7% decline in other investments, which would more than offset a 12% rise in FDI outflows and a 2% increase in outward portfolio investments. As such, it projected net capital outflows at $16.2bn in 2023 relative to $63.2bn in 2022.

In parallel, the IIF expected non-resident capital inflows to the UAE to grow by 1% to $39.7bn in 2024, due mainly to a 6.4% rise in portfolio investments and a 5% increase in FDI. Further, it projected resident capital outflows from the UAE to rise to $59bn next year, driven mainly by a 9% growth in other investments and a 5% increase in FDI outflows. As such, it forecast net capital outflows from the UAE at $19.3bn in 2024.

Source: Institute of International Finance

ANGOLA

Economy to feel pass-through effect from currency depreciation

Barclays Capital projected Angola's real GDP to grow by 2.1% in 2023, amid subdued activity in the petroleum and financial sectors, and for growth to recover to 3.5% in 2024. It indicated that, despite the sharp depreciation of the Angolan kwanza this year, the inflation rate has remained rather muted, which has deterred the authorities from tightening monetary policy and limited the rise in debt servicing costs. But it anticipated that the pass through effect of the depreciation of the exchange rate will materialize in the near term and fuel inflationary pressures, which will push the Banco Nacional de Angola (BNA) to further raise its policy rate. It forecast the inflation rate to increase from an average of 13% in 2023 to 16.7% in 2024, due mainly to higher global food prices and domestic fuel prices.

In parallel, it noted that the weaker kwanza has led to higher external debt servicing costs, and anticipated that the lifting of fuel subsidies and the associated rising cost of living will push the authorities to focus on the provision of social safety nets. It pointed out that the government has opted to freeze some non-priority projects, especially those that have had an execution rate of less than 80%, in order to fund social safety needs without pushing the fiscal balance into wide deficits. Still, it projected the fiscal balance at zero percent of GDP in 2023 amid lower oil receipts, and for it to shift to a surplus of 1.5% of GDP in 2024 in case of higher oil prices and production. It also forecast the public debt level to decline from 85.2% of GDP at the end of 2023 to 78.6% of GDP by end-2024.

Further, it projected the current account surplus to decline from 10.4% of GDP in 2022 to 4% of GDP in 2023 due to lower oil export receipts and the repayment of external debt obligations, but to recover to 5% of GDP in 2024 in case of higher oil prices and production. Also, it expected the BNA's foreign currency reserves to rise from $14bn at end-2023 to $15.5bn at end-2024.

Source: Barclays Capital

SAUDI ARABIA

New dividends policy to support fiscal space

Fitch Ratings considered that the performance dividend that Saudi Aramco introduced recently will result in higher transfers of dividends to the government and will create additional fiscal space for the Kingdom, as it expected dividend payments to more than offset the effects of elevated public spending. But it cautioned that the budget could become less resilient to oil price shocks if public revenues and spending become more reliant on the dividend transfers. Further, it noted that an 11% rise in non-oil receipts supported the increase in public revenues in the first half of 2023. But it said that significantly lower oil prices in 2023, along with a 4% reduction in crude output, caused a 17% decline in oil revenues, even though oil prices remain at healthy levels for the budget. Further, it projected the budget deficit at 1.3% of GDP in 2023 and expected it to shift to a surplus in 2024, as it anticipated the extra revenues to be equivalent to 3.3% of GDP. It noted that the surplus would increase the share of oil receipts in total revenues, but could help reduce the fiscal break-even oil price from around $85 per barrel (p/b) to $75 p/b in the near term, depending on oil production and budget spending trends. Also, it considered that prospects for a fiscal surplus next year will depend on the government's response to the fiscal space created by the additional revenues from the Aramco dividends.
Source: Fitch Ratings

PAKISTAN

Ratings trajectory contingent on fiscal and external metrics

S&P Global Ratings indicated that Pakistan's short and long-term sovereign credit ratings of 'C' and 'CCC+', respectively, reflect the necessary macroeconomic and financial developments that are key for Pakistan to meet its debt obligations. But it considered that sustained strong foreign support, a narrow current account deficit and tight monetary settings are essential for the authorities to continue to rebuild external buffers, amid the country's elevated gross external financing needs, limited foreign currency reserves, and vulnerabilities to the volatility of global energy prices. In addition, the agency said that the 'stable' outlook on the long-term ratings balances additional risks to Pakistan's external liquidity position and fiscal performance in the next 12 months, against the prospect of sustained support from multilateral and bilateral partners. Further, it forecast Pakistan's gross external financing needs at 122.6% of current account receipts plus useable reserves in 2023, as well as at 131.4% in 2024, 125% in 2025, and 123.7% of such receipts and reserves in 2026. In parallel, S&P noted that it could downgrade the ratings if Pakistan's external indicators deteriorate rapidly or if the fiscal deficit widens to the point of exceeding the domestic banking system's financing capacity and leads to a decline in the government's willingness or ability to service its commercial debt. In contrast, it indicated that it may upgrade the ratings in case the country's fiscal and external positions improve significantly, which would result in a sustained rise in foreign currency reserves, as well as the stabilization of Pakistan's debt servicing costs relative to revenues and a lengthening of debt maturities.
Source: S&P Global Ratings

TÜRKIYE

Medium term program projects wide fiscal deficits

Goldman Sachs (GS) indicated that the new medium-term economic program of the Turkish government forecasts real GDP growth rates at 4.4% in 2023 and 4% in 2024, supported by elevated fiscal spending. But GS expected lower growth rates in 2023 and 2024, as it anticipated further monetary tightening. Also, it noted that the program revised upward its projections for the inflation rates in the country from 25% to 65% at end-2023 and from 13.8% to 33% at end-2024. It added that the government incorporated a gradual monetary tightening to address inflationary pressures and limit the impact of rate hikes on the Treasury's cost of borrowing, but GS considered that the program implies that the process of disinflation will be gradual. Further, it pointed out that the projected fiscal deficit of 6.4% of GDP in 2023 and 2024 is driven by expectations of higher wage and transfer payments, as well as to a sizeable increase in spending, given that the government estimated that total earthquake-related expenditure will reach TRY3 trillion in the 2023-26 period. As such, it indicated that the program projected primary expenditures to rise from 17.5% of GDP in 2022 to 23.2% in 2023 and 24% in 2024. In addition, it said that the government forecast the current account deficit at 4% of GDP in 2023 and 3.1% of GDP in 2024, driven by higher imports and expectations of minimal export growth in the near term, although GS anticipated a narrower deficit in the near term. Moreover, GS said that its expectations of additional depreciation pressures on the currency reflect the ongoing wide current account deficits.
Source: Goldman Sachs

JORDAN

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Jordan's short- and long-term foreign and local currency sovereign credit ratings at 'B' and 'B+', respectively, with a 'stable' outlook on the long-term ratings. It noted that the 'stable' outlook reflects its expectations that Jordan's reforms momentum and donor support will remain strong and that it will offset the external risks to the country's fiscal consolidation trajectory and increase the already high debt level. It indicated that the ratings are supported by the authorities' focus on boosting economic growth and creating jobs through improving the business and investment environment, reforming state-owned enterprises, improving transparency, and widening the tax base. Also, it expected international financial support for Jordan to remain strong. As such, it anticipated Jordan's fiscal imbalances to moderate in the coming years, driven by economic growth, tax reforms, improved domestic revenues, and contained expenditures. But it noted that the elevated foreign currency debt and significant gross external financing needs are weighing on the balance of payments position. Also, it forecast the continued increase in foreign direct investment to alleviate some of the risk associated with relying primarily on external debt to fund external imbalances. Moreover, S&P said that it may downgrade the ratings if the reforms momentum stalls and if the currently strong bilateral and multilateral donor support diminishes unexpectedly, which will trigger pressures on external financing. In contrast, it noted that it may upgrade the ratings in case economic growth accelerates or if the public debt level declines.
Source: S&P Global Ratings

BANKING

WORLD

FSB and IMF outline policies for crypto assets

The Financial Stability Board and the International Monetary Fund indicated that they developed several policy recommendations and standards to identify and respond to macroeconomic and financial stability risks associated with crypto-assets. They noted that the framework helps guide the policy actions of authorities to address risks to financial stability, financial and market integrity, investor protection, and other risks that originate from crypto-assets. They considered that jurisdictions should safeguard monetary sovereignty and strengthen monetary policy frameworks, protect against excessive capital flow volatility, and adopt unambiguous tax treatments of crypto-assets in order to address macroeconomic risks. Further, they pointed out that jurisdictions should implement the Financial Action Task Force's anti-money laundering and counter-terrorism financing standards that apply to virtual assets and their service providers, in order to mitigate criminal and terrorist misuse of the crypto-assets sector. Also, they indicated that, first, authorities should utilize the appropriate tools and resources to regulate, supervise, and oversee crypto-asset activities and markets. Second, they said that authorities should require crypto-asset issuers and service providers to have a comprehensive governance and risk management framework that addresses all material risks associated with crypto-assets activities. Third, they noted that jurisdictions should have access to the data of crypto-asset issuers and service providers. Fourth, they pointed out that governments should address financial stability risks that arise from the links between the crypto-asset ecosystem and the wider financial system.

Source: Financial Stability Board, International Monetary Fund

QATAR

Agencies take rating actions on banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Qatar National Bank (QNB) at 'A', and the IDRs of Ahli Bank Qatar (ABQ), Dukhan Bank (DB), and Qatar International Islamic Bank (QIIB) at 'A-'. Also, it maintained the 'positive' outlook on the IDRs of the four banks. Further, the agency affirmed the viability rating (VR) of QNB at 'bbb+', the rating of ABQ at 'bbb-', and the VRs of DB and QIIB at 'bb+'. It said that the VRs of QNB, ABQ, and QIIB are underpinned by their sound asset quality, reasonable profitability and good liquidity metrics, while the VR of DB is constrained by its weak asset quality and liquidity profile. It pointed out that high reliance on external funding is weighing on the VR of QNB, and that the VR of ABQ is constrained by the bank's elevated dependence on wholesale funding. It added that the VR of DB reflects the bank's high concentrations by sector and single-name borrower, while the VR of QIIB takes into account its substantial exposure to the real estate and contracting sectors. In parallel, Capital Intelligence Ratings affirmed the long-term foreign currency rating of QNB at 'AA', the rating of Qatar Islamic Bank (QIB) at 'AA-', and the rating of QIIB at 'A+'. It affirmed the Bank Standalone Ratings (BSRs) of QNB and QIB at 'a-', and BSR of QIIB at 'bbb+'. Also, it maintained the outlook on the three banks' long-term ratings and BSRs at 'stable'. It pointed out that the ratings of the banks are supported by solid capitalization, sound asset quality, strong profitability metrics, and good liquidity.

Source: Fitch Ratings, Capital Intelligence Ratings

SAUDI ARABIA

Banking sector's CAR at 20%, NPLs at 1.8%

The International Monetary Fund indicated that the banking sector in Saudi Arabia is well capitalized due to its robust aggregate capital adequacy ratio that reached 19.9% at the end of 2022, and that the banks are profitable due largely to their wide net interest margins. It said that the sector's non-performing loans ratio declined from 2.2% at end-2019 to 1.9% at end-2021 and 1.8% at end-2022, despite the phasing out of temporary regulatory measures that the authorities introduced in 2020 in response to the COVID-19 pandemic. Also, it pointed out that demand for project-related and consumer loans remains strong, which has helped offset the impact on profitability from rising funding costs due to higher interest rates, and from a greater share in the banks' liabilities of time and saving deposits. Further, it said that the implementation of the Internal Capital Adequacy Assessment Process and Basel III final reforms, as well as the adoption of the international accounting standard IFRS9, helped strengthen the regulatory and supervisory frameworks of the banks. In parallel, it noted that the increase in time deposits at Saudi banks resulted in excess liquidity in the banking sector. But it indicated that the rapid growth in lending reduced the additional liquidity at banks, as liquid assets decreased from 24.7% of total assets at end-2021 to 22.8% of assets at end-2022. It said that the banks' credit to the economy grew by 12% in 2022, which outpaced the 9% rise in deposits and, in turn, resulted in a steady increase in the loans-to-deposits ratio from 82% at end-2022 to 100% in early 2023.

Source: International Monetary Fund

EGYPT

Banks' net foreign liabilities on the rise

Fitch Ratings considered that the net foreign liability (NFL) position of the Egyptian banking sector is at risk of increasing further due to the large accumulation of import requests, to shortages of foreign currency, and in case capital outflows accelerate. It said that the NFL position has worsened significantly since January 2022 due to portfolio outflows of more than $22bn and tighter external liquidity. It noted that the banking sector's NFL position widened from EGP26bn at end-June 2021 to EGP529bn at end-June 2023, due to the redeployment of foreign assets of state-owned banks to the domestic market and to higher recourse to foreign funding to supply the market with foreign currency and to finance Egypt's current account deficit. Also, it said that non-resident holdings of Treasury bills fell from $21.3bn at end-January 2022 to $13bn at end-April 2023, and expected further outflows to widen the sector's NFL position amid negative real interest rates, weak investor appetite for emerging market debt, and tight global financial conditions. In addition, it considered that the pressure on the exchange rate could moderate if the authorities succeed in selling assets to external investors, which will boost capital and foreign-currency inflows to Egypt. But it did not expect the authorities to fully commit to a flexible exchange-rate regime without sufficient foreign currency inflows. It said that the long-term nature of most of the banking sector's external debt mitigates the increase in their NFLs, which limits refinancing risks. It added that the sector has a healthy foreign-currency liquidity cushion, with foreign assets at $14bn at end-July 2023, which can cover the sector's short-term external debt of $6.2bn.

Source: Fitch Ratings

Oil prices to average $86 p/b in third quarter of 2023

ICE Brent crude oil front-month prices reached $91.9 per barrel (p/b) on September 13, 2023, constituting an increase of 5.8% from $86.9 p/b at the end of August 2023, as growing concerns about tighter global supply outweighed fears of lower demand, mainly from China. In parallel, the U.S. Energy Information Administration (EIA) forecast global liquid fuels production to increase by 1.2 million barrels per day (b/d) in 2023 and by 1.7 million b/d in 2024, driven by strong production from non-OPEC countries, despite the decreases in output from OPEC+ members. It expected that oil production from non-OPEC producers will increase by 2 million b/d in 2023 and by 1.3 million b/d in 2024, led by the United States, Brazil, Canada, and Guyana. Also, it projected crude oil production from the OPEC+ coalition to decline by 0.8 million b/d in 2023 and to grow by 0.4 million b/d in 2024. Further, it anticipated global oil inventories to decrease by 0.6 million b/d in 2023 and by 0.2 million b/d in 2024, and considered that the OPEC+ cuts to oil output will keep oil production lower than global oil demand. It indicated that the potential for continued voluntary output cuts creates some upside risks for oil prices in the near term. But it said that oil prices should decline in early 2024, along with the increase in global oil inventories. It considered that the inventory build-up next year will largely reflect slowing oil demand growth, the increase in non-OPEC oil production, and the end of Saudi Arabia's voluntary production cuts. Moreover, it forecast oil prices to average $86.1 p/b in the third quarter and $92.7 p/b in the fourth quarter of 2023.
Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

OPEC's oil basket price up 7.7% in August 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $87.33 per barrel (p/b) in August 2023, constituting an increase of 7.7% from $81.06 p/b in July 2023. The price of Saudi Arabia's Arab Light was $89.55 p/b, followed by Angola's Girassol at $89.05 p/b, and Kuwait Export at $88.77 p/b. All prices in the OPEC basket posted monthly increases of between $5.2 p/b and $6.96 p/b in August 2023.
Source: OPEC

Iraq's oil exports receipts at $8.8bn in August 2023

Preliminary figures from the Iraq Ministry of Oil show that crude oil exports from Iraq totaled 106.12 million barrels in August 2023, down by 0.6% from 106.8 million barrels in July 2023 and up by 4.25 from 101.9 million barrels in August 2022. They averaged 3.42 million barrels per day (b/d) in August compared to 3.3 million barrels (b/d) in August 2022. Oil exports from the central and southern fields amounted to 105.2 million barrels in August 2023. Further, oil export receipts stood at $8.8bn in August compared to $8.3bn in July 2023 and to $9.8bn in August 2022.
Source: Iraq Ministry of Oil, Byblos Research

Global renewable energy demand up 13% in 2022

BP estimated the consumption of global renewable energy at 45.2 exajoules (EJ) in 2022, constituting a rise of 13% from 39.97 EJ in 2021. Consumption in the Asia-Pacific region reached 20.2 EJ, or 44.8% of global demand for renewable energy last year, followed by Europe with 11.1 EJ (24.5%), North America with 9.5 EJ (20.9%), South & Central America with 3.5 EJ (7.8%), Africa with 0.5 EJ (1.1%), the Middle East with 0.26 EJ (0.6%), and the Commonwealth of Independent States with 0.14 EJ (0.3%).
Source: BP, Byblos Research

Base Metals: Iron ore prices to average at $114 a dry metric ton in third quarter of 2023

LME iron ore cash prices averaged $115.8 per dry metric ton (dmt) in the year-to-September 13 2023 period, constituting a decrease of 10.6% from an average of $129.5 a dmt in the same period of 2022, due mainly to weak global demand and poor market sentiment. Also, iron ore prices reached $120.9 per dmt on September 13 of this year, their highest level since April 2023, driven by a recovery in the fundamentals of the iron ore market, and increasing clarity about China's steel production control and volumes. In addition, the rise in prices is attributed to expectations that Beijing will stimulate the economy after ending its strict zero-COVID policy that hindered growth last year, and that infrastructure and construction activity will pick up in the remainder of 2023. Further, S&P Global Market Intelligence projected the global supply of iron ore to increase from 2.36 million tons in 2023 to 2.39 million tons in 2024. Also, it anticipated the global demand for iron ore to rise from 2.43 million tons in 2023 to 2.48 million tons in 2024. It expected the metal's price to decline following the Chinese regulators' threats to take measures against speculators who are manipulating the market and against hoarders of the metal. It also anticipated that lower steel supply from China amid the authorities' plans to reduce emissions, lower stocks, and the potential impact of plans in the U.S. and Europe to impose tariffs on China's steel exports, to weigh on iron ore prices, given that iron ore is used in the production of steel. As such, it forecast iron ore prices to average $114 per dmt in the third quarter and $102 a dmt in the fourth quarter of 2023, and for prices to average $113.1 per dmt in full year 2023 and $110 a dmt in 2024.
Source: S&P Global Market Intelligence, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $1,414 per ounce in third quarter of 2023

Platinum prices averaged $988 per troy ounce in the year-to-September 13, 2023 period, constituting an increase of 2.7% from an average of $962.2 an ounce in the same period last year, due to the increase in demand for the metal in recent months. Also, platinum prices regressed from a recent high of $984 per ounce on August 30, 2023 to $901 an ounce on September 13, 2023, driven by expectations of further interest rate hikes by the U.S. Federal Reserve. In parallel, the World Platinum Investment Council projected global demand for platinum to rise by 27% annually this year and to reach 8.23 million ounces in 2023. Also, it forecast the global supply of platinum to remain unchanged year-on-year at about 7.2 million ounces in 2023. As such, it expected the deficit in the platinum market at about one million ounces this year, or about 12% of the expected demand for the metal in full year 2023, due to higher demand from the automotive and industrial sectors, as well as to strong investment demand. Also, S&P Market Intelligence projected the average price of platinum at $1,414 per troy ounce in the third quarter of 2023, with a low of $1.275 per ounce and a high of $1,620 per ounce during the quarter. It also forecast the price of the metal to average $1,488 per troy ounce on 2023, with a low of $1,359 per ounce and a high of $1,691 per ounce during the year.
Source: World Platinum Investment Council, Refinitiv, S&P Market Intelligence, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
		LT Foreign currency rating										
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	Stable	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B3	B	B								
	Negative	RfD**	Negative	Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC-									
	Negative	RfD	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD	Ca	RD	-								
	-	Stable	-	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-								
	-	Positive	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BB+	Ba1	BB+	-								
	Stable	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa2	CCC-	-								
	-	Negative	-	-	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-								
	Stable	-	-	-	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Positive	Negative	Stable	Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B								
	-	-	-	Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Positive	Stable	Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	-								
	-	-	-	-	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB-	Ba2	BB	BB								
	Positive	Positive	Positive	Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA								
	Stable	Positive	Positive	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A	A1	A+	A+								
	Stable	Positive	Stable	Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	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	9.75	12-Sept-23	Cut 50bps	31-Oct-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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