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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Fixed income trading at $1,311bn in second quarter of 2023

Trading in emerging markets debt instruments reached $1,311bn in the second quarter of 2023, nearly unchanged from $1,309bn in the same quarter of 2022 and constituting a decrease of 19% from $1,619bn in the first quarter of 2023. Turnover in local-currency instruments reached $928bn in the covered quarter, up by 11.3% from $834bn in the second quarter of 2022, and accounted for 71% of the debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $381bn in the second quarter of the year and declined by 20% from $474bn in the same period last year. The volume of traded sovereign Eurobonds reached $252bn and accounted for 66% of total Eurobonds traded in the second quarter of 2023, relative to $315bn and a share of 67% in the same quarter of 2022. Also, the volume of traded corporate Eurobonds amounted to $128bn and represented 33% of total Eurobonds traded. In addition, turnover in warrants and options stood at $1.4bn, while loan assignments amounted to $213m in the second quarter of 2023. The most frequently-traded instruments in the second quarter of 2023 were Mexican fixed income assets with a turnover of $297bn, or 22.7% of the total, followed by securities from Brazil with $191bn (14.6%), and instruments from China with $127bn (9.7%). Other frequently-traded instruments consisted of fixed income securities from India at $110bn (8.4%) and from South Africa at $78bn (5.9%).

Source: EMTA

UAE

Earnings of Abu Dhabi firms up 22%, profits of Dubai firms up 36% in first half of 2023

The net income of 72 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED71.7bn, or $19.5bn, in the first half of 2023, constituting an increase of 21.8% from AED58.9bn, or $16bn, in the same period of 2022. Listed financial firms generated net profits of $6.6bn and accounted for 33.7% of the total earnings of publicly-listed firms in the covered quarter. Utilities followed with $3.7bn (18.8%), then energy companies with $3.2bn (16%), industrial firms with $2.9bn (14.7%), telecommunication firms with $1.8bn (9.3%), basic materials companies with $642.1m (3.3%), real estate companies with $510.1m (2.6%), consumer discretionary firms with $180m (0.9%), healthcare providers with $53.7m (0.3%), and consumer staples companies with $38.7m (0.2%). In parallel, the cumulative net income of 57 companies listed on the Dubai Financial Market that published their financials totaled AED37bn, or $10.1bn, in the first half of 2023, constituting an increase of 36.2% from AED27.1bn or $7.4bn in the same period last year. Listed financial firms generated profits of $6.3bn, or 62.3% of net earnings in the covered period. Real estate firms followed with $2bn or 19.7% of the total, then utilities firms with $834m (8.3%), industrial companies with $527m (5.2%), telecommunications firms with $209.2m (2.1%), consumer staples companies with $194.7m (1.9%), consumer discretionary firms with $32.4m (0.3%), and materials providers with $11m (0.1%).

Source: KAMCO

MENA

Stock markets nearly unchanged in first nine months of 2023

Arab stock markets regressed by 0.1% and Gulf Cooperation Council equity markets grew by 0.7% in the first nine months of 2023, relative to a decrease of 2.1% and an increase of 1%, respectively, in the same period of 2022. In comparison, global stock markets expanded by 7.9% and emerging market equities grew by 0.3% in the first nine months of 2023. Activity on the Damascus Securities Exchange surged by 86.2% in the first nine months of 2023; the Beirut Stock Exchange, based on the official stock market index, rose by 59%, the Iraq Stock Exchange advanced by 42.6%, the Egyptian Exchange appreciated by 38.2%, and the Dubai Financial Market improved by 24.8%. Also, the Casablanca Stock Exchange increased by 10.7%, the Saudi Stock Exchange yielded 5.5%, the Tunis Bourse gained 4.3%, and the Bahrain Bourse improved by 2.2% in the covered period. In contrast, activity on the Abu Dhabi Securities Exchange declined by 4.2%, the Qatar Stock Exchange decreased by 4%, the Amman Stock Exchange contracted by 3.5%, the Muscat Securities Market shrank by 3.3%, the Palestine Exchange retreated by 1%, and the Boursa Kuwait regressed by 0.2% in the first nine months of 2023.

Source: Local stock markets, Dow Jones Indices, Refinitiv

Equity issuance down 59% to $5.7bn in first half of 2023

Equity Capital Markets (ECM) issuance in the Middle East & North Africa region, which includes equity and equity-related issuances, totaled $5.7bn in the first half of 2023, constituting a decrease of 59% from $13.9bn in the same period of 2022. Also, initial public offerings amounted to $5.36bn in the first half of 2023 and accounted for 94% of the region's ECM issuance, followed by follow-on issuance of $0.34bn (6% of the total). In parallel, debt issuance in the MENA region reached $45.9bn in the first half of 2023, up by 151% from $18.3bn in the same period last year. Debt issuance in Saudi Arabia reached $25bn and accounted for 54.5% of the total, followed by Morocco with $2.5bn (5.4%), then the UAE and Egypt with $1.5bn each (3.3% each) during the first half of 2023. In addition, the amount of announced mergers & acquisitions (M&A) in the region, which includes inbound, outbound and domestic deals, totaled $31.9bn in the first half of 2023 and decreased by 34% from $48.3bn in the same period of the preceding year. Further, investment banking fees in the region reached $475m in the first half of 2023, down by 50% from $950m in the same period of 2022, and representing its lowest first-half level since 2015. Debt capital market fees amounted to $137.7m and accounted for 29% of the overall fee pool, followed by fees from equity capital markets transactions with $128.1m (27%), syndicated lending fees with $113.7m (24%), and fees from M&A deals with $95.5m (20%).

Source: Refinitiv

OUTLOOK

WORLD

Insurers facing multiple economic scenarios

In its baseline scenario, global reinsurer Swiss Re projected the global economy to grow by 2.5% in 2023 and 2.2% in 2024, and expected inflation rates around the world to remain above central bank targets throughout 2024. It attributed the weak economic prospects to subdued growth in advanced economies, due mainly to the cumulative impact of monetary policy tightening in the 2021-23 period. It anticipated the uncertain outlook to constitute challenges for insurers, and estimated that risks are tilted to the downside. As such, it considered two adverse scenarios.

In its "severe global recession" scenario, which consists of a sharp slowdown in economic activity, falling interest rates and significant financial market losses, it anticipated the two sides of the insurers' balance sheets to deteriorate and for solvency concerns to increase. It also expected weaker demand for insurance products to result in decelerating nominal premium growth in the life and non-life segments, and for lower interest rates, widening credit spreads and asset price declines to generate negative investment returns. In parallel, in its "1970s-style stagflation" scenario, which consists of elevated inflation rates amid stagnating growth, it anticipated demand for life and non-life insurance to decline, and for non-life insurers to be the most exposed to the inflation shock through the rise in the amounts of claims and lower profitability. It also expected prices of insurance products to rise in order to meet the cost of claims, which would result in higher nominal premium growth but in weaker real premium growth. It considered that the adverse impact on investment income would depend on the extent that insurers can match higher liabilities with additional assets.

In parallel, it noted that mitigating factors to potential downside scenarios are not restricted to capital and risk management, but could also include the repricing of assets and steering new business to lower-risk products, as well as the repositioning of assets in alternative or hedging tools.

Source: Swiss Re

ANGOLA

Medium term economic outlook contingent on economic diversification

The International Monetary Fund (IMF) projected Angola's real GDP growth to decelerate from 3% in 2022 to 0.9% in 2023, due mainly to lower oil production and prices. It anticipated real oil GDP to contract by 6.1% and for activity in the non-oil sector to expand by 3.4% in 2023. However, it expected real GDP growth to rebound to 3.4% annually in the medium term in case authorities step up efforts to implement structural reforms to boost the diversification of the economy, and projected real non-oil GDP to grow by 4.3% annually in the medium term. 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 macroeconomic and financial policies under the new National Development Plan (2023–27). In addition, it projected the annual inflation rate to rise from 14.6% in 2023 to 23.2% in 2024, due to the pass-through effect of the depreciation of the exchange and the authorities' plans to continue lifting fuel subsidies.

In parallel, it projected the fiscal balance to shift from a deficit of 2.1% of GDP in 2023 to a surplus of 0.8% of GDP in 2024, supported by savings from the fuel subsidy reforms and spending restraints in other areas, and urged the authorities to pursue tax policy measures to mobilize non-oil revenues. It also forecast the public debt level to decline from 83.2% of GDP at the end of 2023 to 75.6% of GDP at end 2024, in case the fiscal balance improves. Further, it projected the current account surplus to decline from 9.6% of GDP in 2022 to 2.3% of GDP and 3.2% of GDP in 2024 in case of sustained lower oil export receipts. It also forecast the country's gross international reserves at $13.7bn or seven months of import coverage at the end of 2023, and expected reserves to remain at this level in the medium term.

It considered that risks to Angola's outlook are tilted to the downside. It indicated that the main risk is the vulnerability of the economy to the oil sector from a larger-than-expected decrease in global oil prices or a sustained decline of the country's oil production. It added that other risks include the failure to fully implement the rest of the planned fuel subsidy reforms in the 2024-25 period, and the materialization of financial sector risks.

Source: International Monetary Fund

ETHIOPIA

Economic activity to rebound to 7% annually in medium term

S&P Global Ratings projected Ethiopia's real GDP growth rate at 6.5% in the fiscal year that ends in June 2024, relative to real GDP growth rates of between 8% and 10% prior to the COVID-19 pandemic, as the government reorients public spending away from productive projects towards humanitarian and reconstruction efforts following the conflict in Tigray. It expected that a gradual recovery of investments will boost the real GDP growth rate to 7% annually in FY2024/25 and FY2025/26, in case domestic conflicts do not escalate. In addition, it anticipated inflationary pressures to gradually recede and forecast the inflation rate to average 16% in FY2023/24 and 14% in FY2024/25.

In parallel, the agency projected the fiscal deficit at 3% of GDP in FY2023/24, amid higher public spending. It said that the authorities are expecting debt servicing to account for almost one-third of public spending, and for capital expenditures to decline to about one-third of total spending from two-thirds of expenditures historically. It anticipated priority reconstruction, rehabilitation and development needs to keep the fiscal deficit at 3% of GDP in the next two years, and expected the authorities to finance deficits through domestic issuances and advances from the National Bank of Ethiopia. It also forecast the public debt level to stabilize at about 32% of GDP in the next three fiscal years.

Further, S&P anticipated that Ethiopia's external liquidity position will remain strained as the government's debt restructuring plan has yet to start and the country's access to foreign financing is limited, foreign currency reserves are declining, and the government's ability to service its commercial debt obligations is strained. As such, it anticipated that the authorities will maintain the current foreign currency "surrender requirements" for exporters and to continue curbing discretionary consumer imports to preserve foreign currency reserves for external debt servicing and other priority sectors.

Source: S&P Global Ratings

SAUDI ARABIA

Travel and tourism to contribute 9.7% of GDP in 2023 and 15.4% of GDP in 2033

The World Travel & Tourism Council estimated that the travel and tourism sector in Saudi Arabia contributed 8.4% of the country's GDP in 2022 compared to 10.2% of GDP in 2019. It estimated that the broad travel & tourism (T&T) sector generated SAR318.8bn, or $85bn, in revenues in 2022 relative to SAR330bn ($88bn) in 2019. It pointed out that the T&T industry in Saudi Arabia employed 1.99 million persons in 2022 and accounted for 14.8% of jobs in the country. In parallel, it estimated the aggregate international spending by visitors in Saudi Arabia at SAR106.8bn ($28.5bn) in 2022 and spending by local visitors at SAR101bn ($27bn) last year. Also, leisure spending by visitors totaled SAR194.8bn ($52bn), while business spending reached SAR13bn ($3.4bn) in 2022. In parallel, it projected the contribution of the T&T sector to the country's GDP at SAR350bn ($93.4bn) in 2023 and at SAR663.3bn ($177bn) in 2033, and to be equivalent to 9.7% of this year's GDP and 15.4% of GDP in 2033. It forecast that employment in the T&T sector at 2.22 million jobs in 2023 or 16% of total employment in the Kingdom this year, and at 3.24 million jobs or 20.6% of the country's jobs in 2033. It projected the aggregate international spending by visitors in Saudi Arabia at SAR297bn ($79.2bn) in 2023 and to post a compound annual growth rate (CAGR) of 9.1% in the 2023-33 period, and for domestic spending to reach SAR178.7bn ($47.6bn) with a CAGR of 5.6% in the 2023-33 period.

Source: World Travel & Tourism Council

OMAN

Agencies upgrade ratings on improving public finances and reforms

S&P Global Ratings upgraded Oman's long-term foreign and local currency sovereign credit ratings from 'BB' to 'BB+', which is one notch below investment grade, and revised the outlook on the long-term ratings from 'positive' to 'stable'. It also affirmed Oman's short-term foreign and local currency sovereign credit ratings at 'B'. It attributed the upgrade to the continued supportive prospects of the oil sector, expectations of higher real GDP growth rates, the deleveraging of the government's balance sheet, and broader structural reforms. It projected the fiscal surplus to average 1% of GDP in the 2023-26 period, and forecast the public debt level to decrease from 40% of GDP in 2022 to 32.7% of GDP in 2026, as it anticipated the government to continue utilizing ongoing fiscal surpluses to repay the debt. In parallel, Fitch Ratings upgraded Oman's long-term foreign and local currency issuer default ratings (IDRs) from 'BB' to 'BB+', and revised the outlook on the long-term foreign and local currency ratings from 'positive' to 'stable'. Also, it affirmed Oman's short-term foreign and local currency IDRs at 'B'. It attributed the upgrade to the authorities' use of oil revenues to pay down the country's public debt, the government's spending restraint that will reduce external risks, as well as the authorities' commitment to fiscal consolidation. It said that lower external debt has eased external liquidity pressures, although debt repayments prevented the accumulation of foreign assets. It expected foreign currency reserves to improve modestly in 2023 to cover 3.3 months of current account payments.

Source: S&P Global Ratings, Fitch Ratings

TÜRKIYE

Outlook on ratings revised to 'stable' on change in monetary policy

S&P Global Ratings affirmed Türkiye's short- and long-term foreign currency sovereign credit ratings at 'B', which is five notches below investment-grade, and revised the outlook on the long-term ratings from 'negative' to 'stable'. It also affirmed the Transfer & Convertibility assessment at 'B'. It attributed the outlook revision to the implementation of orthodox monetary policy, as the Central Bank of the Republic of Türkiye (CBRT) has raised interest rates in order to reduce the dollarization rate of deposits and to contain the elevated inflation rate in the country. It said that the authorities are enacting measures that aim to stabilize the exchange rate without undermining financial and fiscal stability. Further, it anticipated higher non-resident deposits and portfolio inflows, in addition to the drawdown of foreign-currency reserves, to finance the country's external financing gap. Also, it forecast the current account deficit to narrow from 6.3% of GDP in 2023 to 3.9% of GDP in 2024 and 2.8% of GDP in 2025, driven by lower imports and the increased willingness of households to hold assets in the local currency. It said that the CBRT's usable reserves declined from $32bn in July to $22bn in September 2023, due to retail demand of foreign currency and to external financing needs. Also, it projected the country's gross external financing needs at 158.2% and 159.8% of current account receipts and usable reserves in 2023 and 2024, respectively.

Source: S&P Global Ratings

CÔTE D'IVOIRE

Economic growth projected at 6.4% in 2023

The International Monetary Fund (IMF) projected Côte d'Ivoire's real GDP growth at 6.4% in 2023, and anticipated the average annual inflation to decrease to about 4.7%, despite a challenging economic outlook and continued external headwinds. It indicated that the authorities have taken measures to strengthen macroeconomic stability and reverse widening fiscal and external imbalances, and are advancing their agenda for deeper economic transformation under the 2021-25 National Development Plan. Also, it expected the fiscal deficit to narrow from 5.3% of GDP in 2023 to 4% of GDP in 2024, driven by the improvement in tax revenue collection and the continued implementation of the authorities' economic program. It said that the government's measures to increase revenues by 0.5% of GDP will be crucial to preserve the country's moderate risk of debt distress. Further, it projected the current account deficit to narrow to 5.8% of GDP as strong domestic demand continues to boost imports, and noted that a narrower current account deficit should help ease external pressures. In addition, it expected the government to adopt its comprehensive medium-term revenue mobilization strategy in May 2024 to maintain fiscal and debt sustainability, and to support the key objectives of the NDP. It said that mobilizing domestic revenues will help advance tax policy and administrative reforms in order to achieve the tax revenue target of at least 20% of GDP. It noted that the authorities' other reforms will focus on improving the business climate to support private sector-led growth. In parallel, the IMF said that it reached with the government a staff-level agreement on the first semi-annual review of the authorities' economic reform program under the $3.5bn ECF/EFF.

Source: International Monetary Fund

AFRICA

Central bank taking measures to protect CFA peg

Standard Chartered Bank indicated that the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) increased its policy rate by 25 basis points (bps) in September in order to contain the impact of a number of risk factors to the monetary union, which include reduced access to external funding and rising regional uncertainties. It considered that the BCEAO aims to preserve its foreign currency reserves to protect the peg of the CFA franc to the euro through its currency coverage ratio. It indicated that the pooled foreign currency reserves of the West African Economic and Monetary Union reached €15.5bn in July and regressed by €943m from June 2023. Also, it expected the BCEAO to raise its policy rate by an additional 25 bps in December, and anticipated the accumulation of foreign currency reserves to slow down, given the elevated external financing needs of the region in the medium term. Further, it said that a structural liquidity deficit in the banking sector in West Africa may constrain the BCEAO's ability to reduce its liquidity injections, mainly to weaker banks. In addition, it pointed out that higher interest rates and the BCEAO's return to a competitive auction system for its liquidity injection operations have significantly increased funding costs for banks, which has exacerbated pressures on the debt servicing cost of member countries. It noted that price competitiveness, the ratio of foreign-currency reserves to broad money supply, commodity prices, growth performance, and political conditions, signal low de-pegging risks of the CFA franc in the near term.

Source: Standard Chartered Bank

NIGERIA

Banks compliant with minimum capital needs despite currency devaluation

Fitch Ratings indicated that the balance sheet structures of Nigerian banks have helped to ensure continued compliance with minimum capital requirements, despite the depreciation of the Nigerian naira by 40% since June 2023, which also led to large gains from the revaluation of assets in foreign currency in the first half of 2023 due to the banks' long net open positions in foreign currency. However, it said that loan impairment charges increased significantly in the first half of the year due to the weaker macroeconomic environment and the increase in provisions for foreign-currency loans, but it added that gains in foreign currency comfortably absorbed those charges. Also, it noted that the official and parallel exchange rates diverged in August due to the limited supply of foreign currency, reflecting the challenges to liberalize the exchange rate and raising the possibility of a further depreciation of the naira. It pointed out that the Central Bank of Nigeria has instructed banks to retain their large foreign currency gains rather than to distribute them as dividends, which will provide them with a cushion to absorb the impact of further currency depreciation and loan quality risks. In addition, it indicated that banks, such as FBN Holdings, Fidelity Bank, Wema Bank and Jaiz Bank, are planning to raise their core capital to exceed the capital adequacy ratio (CAR) requirements. It added that Ecobank Nigeria and First City Monument Bank have narrowly remained compliant with the CAR needs, but estimated that Coronation Merchant Bank has breached its CAR level but expected it to become compliant again.

Source: Fitch Ratings

UAE

Banks' ratings affirmed on sound liquidity and government support

Capital Intelligence Ratings affirmed the long-term foreign currency ratings of Emirates NBD (ENBD) and Abu Dhabi Commercial Bank (ADCB) at 'A+', the rating of Al Masraf at 'A', of National Bank of Fujairah (NBF) and National Bank of Umm Al Qaiwain (NBUQ) at 'A-', and the ratings of Bank of Sharjah (BoS) and Commercial Bank International (CBI) at 'BBB+'. Further, it affirmed the Bank Standalone Rating (BSR) of ADCB at 'bbb+', the BSRs of ENBD, Al Masraf, NBF and NBUQ at 'bbb', the rating of CBI at 'bbb-', and the BSR of BoS at 'bb+'. Also, it maintained the 'stable' outlook on the long-term foreign currency ratings and BSRs of the seven banks. It noted that the banks benefit from sound liquidity profiles and the government's extraordinary support, in case of need. But it said that high concentrations in loans are constraining the banks' ratings. It added that elevated concentrations in deposits are weighing on the ratings of ADCB, NBF, NBUQ and CBI. Also, it pointed out that the ratings of ENBD, ADCB, Al Masraf, NBF, NBUQ and BoS are supported by their strong capital ratios, while the ratings of CBI are constrained by its impaired capital base. It added that the ratings of ENBD, ADCB, Al Masraf, NBF and NBUQ are underpinned by their good operating profitability, while low profitability metrics are weighing on the ratings of CBI and BoS. Further, it said that weak asset quality is weighing on the ratings of ADCB, Al Masraf, NBUQ and CBI.

Source: Capital Intelligence Ratings

QATAR

Banking sector assessment maintained

S&P Global Ratings maintained Qatar's banking sector in 'Group 5' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '5' and the industry risk score at '6'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 5' consist of Italy, Panama, Peru, and the UAE. The agency said that Qatar's economic risk score reflects "low risks" in its economic resilience, as well as "high risks" in its economic imbalances and in credit risk in the economy. It noted that economic imbalances originate from high lending growth that averaged 11% per year since 2018, as well as from the banks' exposure to the real estate sector. It projected loans to the private sector to reach the equivalent of 125% of GDP in 2023. Also, it forecast the banking sector's non-performing loans ratio to increase from 3.4% in 2022 to 3.6% in 2023 and 3.7% in 2024, due the banks' exposure to Türkiye and Egypt. Further, it expected credit growth to slow down in the 2023-24 period due to higher interest rates, and given that larger infrastructure projects have been completed. In parallel, S&P said that the industry risk score highlights the sector's "intermediate risks" in its institutional framework and competitive dynamics, as well as "very high risks" in system-wide funding. It noted that the sector is highly capitalized and profitable, and that the Central Bank of Qatar introduced regulations to deter banks from using non-resident deposits to expand their balance sheets. It added that the trend for industry and economic risks is 'stable'.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $82 p/b in fourth quarter of 2023

ICE Brent crude oil front-month prices averaged $82 per barrel (p/b) in the first nine months of 2023, constituting a drop of 20% from $102.5 p/b in the same period of 2022. Further, oil prices reached $85.8 p/b on October 4, down by 5.6% from $90.9 p/b the day before, its sharpest one-day drop in more than one year, on concerns about weaker demand for gasoline from the U.S., despite the OPEC+ recommendation to maintain production quotas and as Saudi Arabia and Russia reaffirmed their voluntary output cuts to the end of the year. In parallel, Citi Research expected the global oil market to remain in surplus, as it anticipated a minimum of 0.2 million barrels per day (b/d) of inventory build-up in the fourth quarter of 2023. It projected oil supply to rise by 1.8 million b/d in 2023 from non-OPEC+ producers, such as the U.S., Brazil, Canada, and Guyana. Also, it noted that oil supply from OPEC+ members, such as Iran, Iraq, Libya, Nigeria and Venezuela, has been growing recently. But it expected that Saudi Arabia may end its production cuts if oil prices stay elevated in the near term. In addition, it pointed out that the Saudi appetite to withhold oil from market supported by Russia's export constraint points to higher oil prices in the short term. But it anticipated a decrease in oil prices in the near term, given that faster supply growth outside Saudi Arabia and Russia outweighs the increase in demand for oil. Further, it projected oil prices to average $82 p/b in the fourth quarter of 2023 and $82 p/b in full year 2023.

Source: Citi Research, Refinitiv, Byblos Research

Global steel output up 1.3% in August 2023

Global steel production reached 152.6 million tons in August 2023, constituting a decrease of 3.7% from 158.5 million tons in July 2023 and an increase of 1.3% from 150.6 million tons in August 2022. Production in China totaled 86.4 million tons and accounted for 56.6% of global steel output in August 2023, followed by output in India with 11.9 million tons (7.8% of the total), in Japan with 7.1 million tons (4.7%), the U.S. with 7 million tons (4.6%), Russia with 6.4 million tons (4.2%), and South Korea with 5.6 million tons (3.7%).

Source: World Steel Association, Byblos Research

ME&A's oil demand to grow by 4% in 2023

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 13.21 million barrels per day (b/d) in 2023, which would constitute a rise of 4% from 12.7 million b/d in 2022. The region's demand for oil would represent 23.6% of demand in non-OECD countries and 12.9% of global consumption in 2023.

Source: OPEC

Asia-Pacific accounts for 34% of global exports of Liquefied Natural Gas in 2022

BP indicated that global Liquefied Natural Gas (LNG) exports reached 542.4 billion cubic meters (bcm) in 2022, constituting an increase of 5.2% from 515.7 bcm in 2021. LNG exports from the Asia Pacific region totaled 184.7 bcm, and accounted for 34% of the world's global exports. The Middle East followed with 136.6 bcm (25.2%), then the Americas with 119.5 bcm (22%), Africa with 53.9 bcm (10%), and Europe and Commonwealth of Independent States with 47.7 bcm (8.8%).

Source: BP, Byblos Research

Base Metals: Nickel prices to average $18,750 per ton in fourth quarter of 2023

The LME cash price of nickel averaged $22,920.7 per ton in the first nine months of 2023, constituting a decrease of 13.4% from an average of $26,458.4 a ton in the same period of 2022, due to global macroeconomic concerns, financial market turbulence, and monetary tightening. Also, nickel prices dropped below $19,000 per ton for the first time in nearly two years, and reached $18,868.5 a ton on September 21, 2023, as the sustained strength of the US dollar outweighed concerns about lower supply from Indonesia, the world's top nickel producer. In parallel, S&P Global Market Intelligence projected the total supply of refined nickel at 3.34 million tons in 2023, which would constitute an increase of 10.3% from 3.03 million tons in 2022. Also, it forecast the global demand for refined nickel at 3.16 million tons in 2023, which would represent a rise of 8% from 2.93 million tons in 2022. It anticipated global primary nickel supply to continue to outpace demand in 2023, and for the surplus in the market to increase from 105,000 tons in 2022 to 182,000 tons in 2023. It expected Indonesia's primary nickel output to remain robust in the fourth quarter of this year despite the country's decision to suspend the approval of new mining quotas and even though global demand for nickel will continue to be weak, which would result in a an oversupplied market for nickel during the rest of the year. As such, it projected nickel prices to average $18,750 per ton in the fourth quarter of 2023 and $22,045 a ton in full year 2023.

Source: S&P Global Market Intelligence, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,915 per ounce in fourth quarter of 2023

Gold prices averaged $1,833 per troy ounce in the first nine months of 2023, constituting a marginal increase of 0.4% from an average of $1,825.8 an ounce in the same period of 2022. Prices in the third quarter of this year fluctuated between $1,982.8 per ounce on July 18 and $1,856.8 an ounce on September 29, 2023. The increase in prices was due mainly to higher demand for gold, as well as to the acceleration of inflows into gold-backed exchange traded funds between March and May 2023. Also, the price of the metal declined from a recent high of $2,047 per ounce on May 4, 2023 to $1,823 an ounce on October 4, its lowest level since January 2 of this year, due mainly to a stronger US dollar that has been driven by expectations of further interest rate hikes by the U.S. Federal Reserve. In addition, S&P Global Market Intelligence considered that rising global oil prices are leading to renewed inflationary pressures, and noted that the labor market in the U.S. and in advanced economies appears to be robust enough, which suggests a further hike in interest rates. As such, it expected that U.S. Federal Reserve to raise its policy rate by an additional 25 basis points on October 31, 2023, which it anticipated will continue to weigh on gold prices until the end of the year. It also expected the U.S. Federal Reserves' announcement of a "higher interest rates for longer" outlook for 2024 to further add downward pressure on the price of the metal in the fourth quarter of this year. As such, it projected gold prices to average $1,915 per ounce in the fourth quarter of 2023 and $1,928 in full year 2023.

Source: S&P Global Market Intelligence, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- 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	Caa3 Stable	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+ Stable	Ba2 Positive	BB+ Stable	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	BB- Stable	Ba3 Stable	BB- Stable	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+ Stable	Caa3 Stable	CCC -	- -	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C CWN***	Ca Negative	C -	- -	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B Stable	B2 Negative	B Stable	B+ Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD	CCC -	- -	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
***Review for Downgrade*
**** CreditWatch with negative implications*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	20-Sep-23	No change	01-Nov-23
Eurozone	Refi Rate	4.50	14-Sep-23	Raised 25bps	26-Oct-23
UK	Bank Rate	5.25	21-Sep-23	No change	14-Dec-23
Japan	O/N Call Rate	-0.10	22-Sep-23	No change	31-Oct-23
Australia	Cash Rate	4.10	03-Oct-23	No change	07-Nov-23
New Zealand	Cash Rate	5.50	04-Oct-23	No change	29-Nov-23
Switzerland	SNB Policy Rate	1.75	21-Sep-23	No change	14-Dec-23
Canada	Overnight rate	5.00	06-Sep-23	No change	24-Oct-23
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Sep-23	No change	20-Oct-23
Hong Kong	Base Rate	5.75	21-Sep-23	Raised 25bps	02-Nov-23
Taiwan	Discount Rate	1.875	21-Sep-23	No change	14-Dec-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	2.50	27-Sep-23	Raised 25bps	29-Nov-23
India	Repo Rate	6.50	10-Aug-23	No change	06-Oct-23
UAE	Base Rate	5.40	20-Sep-23	No change	01-Nov-23
Saudi Arabia	Repo Rate	6.00	21-Sep-23	No change	01-Nov-23
Egypt	Overnight Deposit	19.25	21-Sep-23	No change	02-Nov-23
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	30.00	21-Sep-23	Raised 500bps	26-Oct-23
South Africa	Repo Rate	8.25	21-Sep-23	No change	23-Nov-23
Kenya	Central Bank Rate	10.50	03-Oct-23	No change	N/A
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	05-Oct-23
Ghana	Prime Rate	30.00	25-Sep-23	No change	27-Nov-23
Angola	Base Rate	17.00	15-Sep-23	No change	21-Nov-23
Mexico	Target Rate	11.25	28-Sep-23	No change	09-Nov-23
Brazil	Selic Rate	12.75	20-Sep-23	Cut 50bps	N/A
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	3.29	27-Sep-23	Raised 17bps	25-Oct-23
Kazakhstan	Repo Rate	16.50	25-Aug-23	Cut 25bps	06-Oct-23
Ukraine	Discount Rate	20.00	14-Sep-23	Cut 200bps	26-Oct-23
Russia	Refi Rate	13.00	15-Sep-23	Raised 100bps	27-Oct-23

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