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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade to increase by 0.8% in 2023

The World Trade Organization projected the volume of global merchandise trade to grow by 0.8% in 2023 relative to a previous forecast of 1.7% for the year and compared to an expansion of 3% in 2022. It attributed its downward revision to the continued decline in trade in goods that began in the fourth quarter of 2022. It forecast the volume of merchandise exports from North America to rise by 3.6% in 2023, followed by an increase in exports from the Commonwealth of Independent States (CIS) (+3%), the Middle East (+2%), South America (+1.7%), Asia (+0.6%), and Europe (+0.4%), while it projected the volume of merchandise exports from Africa to regress by 1.5% this year. In parallel, it expected the volume of merchandise imports to the CIS to increase by 25% in 2023, followed by imports to the Middle East (+12.5%), and Africa (+5.1%). But it projected the volume of merchandise imports to North America to decrease by 1.2%, those to South America to regress by 1%, imports to Europe to contract by 0.7%, and those to Asia to retreat by 0.4% this year. In addition, it forecast the volume of merchandise exports from least developed countries to increase by 2.2% in 2023 compared to a growth rate of 1.1% in 2022, and expected the volume of merchandise imports to these economies to grow by 1.2% relative to an increase of 1.8% in 2022. Moreover, it expected the volume of global merchandise trade to grow by 3.3% 2024, as well as for the volume of merchandise exports from least developed countries to increase by 5.6% and the volume of merchandise imports to these economies to rise by 3.1% next year.

Source: World Trade Organization

GCC

Fixed income issuance up 32% to $85bn in first nine months of 2023

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $84.9bn in the first nine months of 2023, constituting an increase of 31.8% from $64.4bn in the same period of 2022. Fixed income issuance in the covered period consisted of $27.7bn in corporate bonds, or 32.6% of the total, followed by $21.3bn in sovereign sukuk (25%), $18.3bn in corporate sukuk (21.6%), and $17.6bn in sovereign bonds (20.7%). Further, aggregate bonds and sukuk issued by corporates in the GCC amounted to $46bn in the first nine months of 2023, or 54.2% of fixed income output in the region; while issuance by GCC sovereign reached $38.9bn, or 45.8% of the total. GCC sovereigns issued $10bn in bonds and sukuk in January, $1.5bn in February, $0.1bn in March, $2.3bn in April, $7.3bn in May, $2.2bn in June, $0.2bn in July, $12.1bn in August, and $3.2bn in September 2023. Also, companies in the GCC issued $2.4bn in bonds and sukuk in January, $13.6bn in February, $2.1bn in March, $5.6bn in April, $5.6bn in May, $5.2bn in June, $5bn in July, $0.8bn in August, and $5.7bn in September 2023. In parallel, corporate output in September included $1.5bn in sukuk and $726.6m in bonds issued by companies based in the UAE, $1bn in sukuk issued by firms in Oman, and $50m in bonds issued by firms based in Qatar. Further, sovereign proceeds in the covered month consisted of $1.5bn in bonds and $750m in sukuk that the UAE issued, and $867.4m in bonds that Qatar issued.

Source: KAMCO

EMERGING MARKETS

Trading in Credit Default Swaps at $215bn in second quarter of 2023

Trading in emerging markets Credit Default Swaps (CDS) reached $215bn in the second quarter of 2023, constituting decreases of 24% from $281bn in the same quarter of 2022 and of 44% from $381bn in the first quarter of 2023. The most frequently traded sovereign CDS contracts in the second quarter of 2023 were those of Türkiye at $35bn, followed by South Africa at $29bn, and Brazil at $13bn. As such, traded sovereign CDS contracts on Türkiye accounted for about 16.3% of the trading volume in emerging markets CDS in the second quarter this year, followed by CDS contracts on South Africa (13.5%), and Brazil (6.05%). In addition, the most frequently traded corporate CDS contracts in the covered quarter were those of Mexico's state-oil company Pemex at about $2bn, which accounted for about 1% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 23 emerging economies and nine emerging market corporate issuers from 12 major international banks and broker-dealers.

Source: EMTA

AFRICA

Equity issuance down 68% to $279.2m in first half of 2023

Equity Capital Markets (ECM) issuance in the Sub-Saharan Africa region, which includes equity and equity-related issuances, totaled $279.2bn in the first half of 2023, constituting a decrease of 68% from $872.5m in the same period of 2022. Also the region's ECM issuance consisted of only follow-on issuance. In parallel, debt issuance in the region reached $5.9bn in the first half of 2023, down by 67% from $17.9bn in the same period last year. Debt issuance in Côte d'Ivoire reached $2.22bn and accounted for 37.7% of the total, followed by South Africa with $2.2bn (37.3%), Gabon with $405.3m (7%), and Mauritius with $300m (5%) 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 $12bn in the first half of 2023 and decreased by 51% from $24.5bn in the same period of the preceding year. The distribution of transactions shows that the amount of M&A deals in the energy & power sector reached $1.8bn and accounted for 15.3% of the region's aggregate deal value in the first half of 2023, followed by the materials sector with $1.87bn (8.8%), and the financial sector with $1.3bn (5.6%). Further, investment banking fees in the region reached $293.4m in the first half of 2023, up by 37% from $214.2m in the same period of 2022, and represented their highest first-half level since 2018. Syndicated lending fees amounted to $160.6m and accounted for 54.7% of the overall fee pool, followed by fees from M&A deals with $69.8m (23.8%), debt capital market fees with $53.2m (18%), and fees from equity capital markets transactions with $9.8m (3.3%).

Source: Refinitiv

POLITICAL RISKS OVERVIEW - September 2023

ALGERIA

The coast guard fired on a group of individuals after they crossed into Algerian waters from Morocco, leaving two dead. The shooting incident revived longstanding tensions with Morocco, as the latter's National Council for Human Rights strongly condemned the use of live ammunition against unarmed civilians and denounced the incident as a "severe violation of international standards and human rights laws", while Moroccan human rights activists condemned the "Algerian military regime" and demanded accountability. In parallel, the United States reaffirmed U.S. support for the United Nations-led political process over the Western Sahara issue, and announced the strengthening of the "strategic dialogue" with Algeria in an attempt to encourage Algiers to distance itself from Russia. Further, the UN Special Rapporteur on Freedom of Peaceful Assembly and Association conducted its first visit to Algeria since 2016 and urged the government to pardon individuals who were convicted for their involvement in the 2019 Hirak protest movement.

ARMENIA

Prime Minister Nikol Pashinyan accused Azerbaijan of amassing forces near the border between Armenia and Azerbaijan amid escalating tensions between the two countries. Further, Azerbaijan launched a military operation in the Nagorno-Karabakh (NK) province and claimed victory after 24 hours. The Armenian authorities said that more than 100,000 Armenians crossed into the country from the NK province since Azerbaijan's military offensive to take control of the region. The U.S. and the European Union pledged $16.6m in humanitarian funding to support displaced Armenians. In parallel, thousands of demonstrators gathered in Yerevan to denounce the Armenian government's perceived failure to support Armenians in the NK province and asked for the resignation of PM Pashinyan.

EGYPT

The National Election Authority rescheduled for December 10-12, 2023 the presidential elections that were initially expected to take place in 2024. The IMF confirmed the second postponement of the first review of Egypt's economic reforms program and the disbursement of a second tranche of funds that was originally scheduled for March 2023, amid Cairo's lack of progress in meeting the terms of the IMF for a $3bn loan.

ETHIOPIA

The Tigray region's interim administration claimed that the federal government had agreed to dismantle Amhara's "illegal administration" in the disputed Western and Southern Tigray regions, but expressed concerns that the unrest in the Amhara region could constitute a challenge. Also, the UN Commission on Human Rights warned of "ongoing atrocities" that "Eritrean troops and Amhara militia members" perpetrated in the Tigray state. In parallel, ongoing fighting, primarily between federal forces and the nationalist militia Fano, intensified in the Amhara region and exacted a heavy toll on civilians, while fighting continued in the Oromia region between government forces and the Oromo Liberation Army. Further, the authorities completed on September 10, 2023 the final filling of the Grand Ethiopian Renaissance Dam.

IRAN

Tehran freed five American citizens and, in turn, Washington released five imprisoned Iranian nationals. The U.S. issued a sanctions waiver for South Korean banks to transfer $6bn of frozen Iranian funds to Qatari banks to be used for humanitarian purposes. In parallel, France, Germany and the United Kingdom said that they would maintain ballistic missiles and nuclear proliferation-related sanctions on Iran that were set to expire in October under the 2015 Iran nuclear deal. Further, the U.S. blacklisted 29 Iranian individuals and entities, and imposed visa restrictions on 13 persons. Also, the U.S. sanctioned 18 entities and individuals linked to Iran's Unmanned Aerial Vehicle program.

IRAQ

Supporters of the Kurdish Democratic Party (KDP) demonstrated in the northern Iraqi oil city of Kirkuk and asked Arab and Turkmen protestors against a government decree to hand a building used by the Iraqi army back to the KDP to unblock the Kirkuk-Erbil highway. Further, the Iraqi government deployed security forces in Kirkuk to prevent further violence, as the death toll between Arab and Turkmen residents rose to four. As a result, the Federal Supreme Court of Iraq decided to postpone the government's decision to hand over to the KDP the building that the Joint Operations Command forces use. In addition, Iraq had started to relocate "armed terrorist groups" from the Iranian border to undisclosed camps, ahead of the deadline that Iran set for Iraq to disarm Iranian Kurdish opposition parties based in the Kurdistan region. In parallel, the Federal Supreme Court annulled the law ratifying a 2013 Iraq-Kuwait treaty that regulates maritime navigation in the Khor Abdullah channel, which exacerbated tensions between the two countries.

LIBYA

Two dams located in the city of Derna collapsed, as heavy rainfall and devastating floods hit eastern Libya on September 11, 2023. The water swept away entire neighborhoods, which caused around 20,000 deaths. Traditional allies of the commander of the Libyan National Army, Field Marshal Khalifa Haftar, including the UAE and Egypt, stepped in immediately to extend help, while historical allies of the Tripoli-based authorities, Qatar and Türkiye, sent rescue teams and specialized equipment to help locate survivors. Further, hundreds of protestors demonstrated against the House of Representatives in Derna and blamed long-term neglect for the collapse of the two dams.

SUDAN

Fighting between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF) continued in the capital Khartoum and in Darfur, and resulted in the highest number of civilian casualties in one month since the hostilities erupted. Also, following the escape of the chairman of the Sovereign Council General Abdel Fattah al-Burhan from Khartoum in late August 2023, the SAF announced plans to form an emergency government in Port Sudan, which it later retracted following wide opposition from various parties including civilians, and announced instead a government reshuffle involving various ministries. Further, the rebel group Sudan People's Liberation Movement-North continued to expand its foothold in the South Kordofan and Blue Nile states, and emerged as the third major force in the Sudanese conflict. In parallel, General al-Burhan continued his regional tour in an aim to support the SAF before addressing the UN General Assembly in New York, as efforts to restart peace talks faced additional setbacks. Meanwhile, the United States sanctioned prominent RSF leaders, as well as levied additional sanctions against a politician loyal to ousted president Omar al-Bashir and two companies that support the RSF.

YEMEN

A Huthi delegation met with Saudi officials in Riyadh for the first time in nine years. They discussed the reopening of the Huthi-controlled Sanaa airport and the port of Hodeida; the reopening of roads in the Taiz, Al-Dhale, Marib and Hodeida governorates; the exchange of prisoners; a roadmap for a permanent ceasefire; ending airstrikes and cross-border attacks; establishing a timeline for foreign troops to leave Yemen; and the payment of public salaries from oil and gas revenues. In parallel, clashes surged between government forces and Huthi rebels near Al-Mutoon district and in the Taiz governorate, after the eruption of fighting along several frontlines in the Marib governorate in August. Also, the head of the Southern Transitional Council (STC) called for the creation of a separate southern state after an uptick in clashes between the Huthis and STC-affiliated groups in August.

Source: International Crisis Group, Newswires

WORLD

Global growth projected at 3% annually in 2023-24 period

The International Monetary Fund (IMF) projected global real GDP growth at 3% in 2023, unchanged from its July forecast, and revised downwards it forecast from 3% to 2.9% for 2024. It noted that the projections are below the historical annual average of 3.8% in the 2000-19 period. It forecast the real GDP growth rate of advanced economies at 1.5% in 2023 and 1.4% in 2024, amid stronger-than-expected activity in the U.S. and weaker-than-anticipated growth in the Euro area. Also, it projected the real GDP growth rate in emerging market and developing economies at 4% in 2023 and in 2024, and considered that prospects for these economies vary across regions. In addition, it forecast global real GDP growth at 3.1% annually in the medium term, its lowest level in decades, and considered that prospects for countries worldwide to catch up to higher living standards are weak.

Further, it forecast real GDP in Emerging & Developing Asia to grow by 5.2% in 2023 and by 4.8% in 2024, supported by elevated growth rates in China and India. Also, it expected economic activity in Sub-Saharan Africa to expand by 3.3% this year and by 4% next year, while it anticipated the real GDP growth rate of Emerging & Developing Europe at 2.4% in 2023 and 2.2% in 2024. It also projected economic activity in Latin America & the Caribbean to expand by 2.3% this year and next year, and for real GDP growth in the Middle East & North Africa region to reach 2% in 2023 and 3.4% in 2024, down by 0.6 percentage points (ppts) and up by 0.3 ppts, respectively, from its July forecast.

The IMF considered that risks to the global economic outlook are more balanced than in July 2023, but remain tilted to the downside. It anticipated that more persistent-than-expected inflation rates could result in tighter monetary policies worldwide, while climate and geopolitical shocks could cause additional food and energy price spikes. It added that the weaker recovery in China could have negative implications for its trading partners. Also, it anticipated tighter global financial conditions to lead to higher debt servicing costs and could induce debt distress and recessions in some emerging and developing economies.
Source: International Monetary Fund

MOROCCO

Economic activity to slow down in 2023-24 period

The Institute of International Finance revised downward its forecast for Morocco's real GDP growth rates from 3.1% in 2023 and 3.4% next year to 2.8% this year and 3% in 2024, due to the impact of the September 8 earthquake on near-term economic activity. It indicated that the affected areas account for 10% of the country's population and contribute 6% of its GDP. Also, it noted that the authorities have announced an emergency plan of $11.7bn over five years for the reconstruction of houses, the relocation of people affected by the earthquake, the upgrading of infrastructure, and to encourage economic activity and employment in the provinces impacted by the earthquake. It considered that the economic impact of the earthquake would be limited, as substantial reconstruction efforts would boost output through the increase in public spending on infrastructure, and given that the affected provinces are in sparsely populated rural areas, with major factories or plants unaffected. In parallel, the IIF expected Morocco's fiscal deficit to widen to 5% of GDP in 2023 from a previous forecast of 4.5% of GDP, driven by the timely implementation of the emergency plan that will lead to much higher government spending in the form of increased capital expenditures, which would significantly affect public finances.

Further, the IIF forecast the current account deficit to narrow from 3.6% of GDP in 2022 to 2.5% of GDP in 2023, due to higher receipts from the tourism sector. But it anticipated the current account deficit to widen to 3.7% of GDP in 2024, driven by a wider trade deficit and lower revenues from the tourism sector in the context of a significant economic slowdown in the euro area. But it noted that foreign currency reserves will increase slightly, as net capital inflows will more than offset the current account deficit. Also, it indicated that Morocco's external funding will be adequate, as debt servicing costs will remain low in the near term. It considered that the Flexible Credit Line arrangement that the International Monetary Fund approved in April 2023 would help Morocco face the challenge of reconstruction, while accelerating the implementation of its structural reform agenda.
Source: Institute of International Finance

ARMENIA

Real GDP growth to average near 7% annually in 2023-24 period

The Institute of International Finance (IIF) expected economic activity in Armenia to remain strong in 2023 and projected the real GDP growth rate at 8.3% this year, as it anticipated business, labor and capital inflows from Russian nationals to drive domestic demand, especially in the construction, services and trade-related sectors. It forecast real GDP growth to decelerate to 5.4% in 2024, and considered that risks to Armenia's outlook include the country's exposure to Russia, a reversal of capital inflows, geopolitical tensions with Azerbaijan, and the recent influx of refugees from the Nagorno-Karabakh region.

In parallel, it forecast the fiscal deficit to widen from 2.1% of GDP in 2022 to 3% of GDP in 2023 and 2.9% of GDP in 2024, but for the public debt level to decline from 46.7% of GDP at end-2022 to 45.3% of GDP at end-2023 and 45% of GDP by the end of 2024.

Further, the IIF indicated that Armenia's imports grew by 57% in the first eight months of 2023 from the same period last year, driven by strong domestic demand, while exports also rose by 57% year-on-year in the same period, supported by the re-exports of goods to Russia. As such, it anticipated the trade deficit to widen this year, but to be offset by higher remittance inflows and by a surplus in the services balance from elevated tourism receipts. It projected the current account balance to shift from a surplus of 0.8% of GDP in 2022 to deficits of 0.7% of GDP in 2023 and 1.5% of GDP in 2024. It also expected the country's gross external debt level to decline from 78.2% of GDP at end-2022 to 66.5% of GDP at end-2023 and to 66% of GDP at end-2024. Also, it forecast Armenia's gross foreign currency reserves to rise from $4.1bn, or 4.2 months of import coverage at the end of 2022 to about $4.55bn, or 3.2 months of import coverage in the 2023-24 period, supported by strong foreign direct investments.
Source: Institute of International Finance

ECONOMY & TRADE

SAUDI ARABIA

Fiscal priority is to support non-oil economy

Fitch Ratings indicated that the Saudi government's 2024 pre-budget statement (PBS) projected budget deficits of about 2% of GDP annually in the medium term, which points to a shift away from previous targets of annual surpluses. It considered that the policy recalibration reflects a decision to increasingly use the available fiscal space to support real non-oil GDP growth and to step up efforts on economic and social priorities under the Kingdom's Vision 2030 strategic development plan. It added that the PBS reflects the government's desire to support economic diversification through accelerating megaprojects and various development programs, which would imply higher-than-planned capital expenditures in the next few years. The agency projected a fiscal deficit of about 3% of GDP in 2023, in case global oil prices average $80 per barrel (p/b) this year, and estimated that the deficit would be closer to the PBS's forecast of 2% of GDP if oil prices average $85 p/b in 2023. It expected a narrower fiscal deficit of about 0.2% of GDP in 2024 than the PBS forecast, as it incorporated higher public revenues and Saudi Aramco's transfers of dividends to the government, and in case oil prices average $75 p/b in 2024. In parallel, Fitch said that the PBS stated that the government will cover its financing needs through debt issuance rather than from drawdowns of deposits at the Saudi Central Bank. As such, it forecast the public debt level to rise from 27% of GDP at the end of 2022 to nearly 30% of GDP by end-2026, which will still be significantly lower than the median of about 55% of GDP of 'A'-rated sovereigns at end-2025.

Source: Fitch Ratings

EGYPT

Sovereign ratings downgraded on worsening debt affordability and foreign currency shortages

Moody's Investors Service downgraded Egypt's long-term local and foreign currency issuer ratings from 'B3' to 'Caa1', seven notches below investment grade, and revised the outlook on the ratings from 'stable' to 'negative', which concluded its review for the country's downgrade that it initiated in May 2023. It indicated that the review for downgrade focused on the government's capacity to stop the drawdown in foreign currency liquidity and to mitigate increasing borrowing costs, as well as the authorities' capacity to implement reforms to generate official support from official lenders, especially from the International Monetary Fund (IMF) and countries of the Gulf Cooperation Council (GCC). As such, it attributed the downgrade to Egypt's worsening debt affordability and the persistence of foreign currency shortages amid rising external debt servicing in the next two years and the increasingly constrained policy options to rebalance the economy without exacerbating social risks. In parallel, the agency noted that the 'stable' outlook captures the government's track record of fiscal reforms and the launch of the sale of state assets, as well as expectations of continued external financial support from the IMF and the GCC. Further, Moody's indicated that it could downgrade the ratings in case the authorities do not reverse the decline in foreign currency liquidity, if a deterioration in debt affordability undermines confidence in the government's capacity to service its public debt, and/or in case of the increase in debt rollover risks amid elevated gross financing requirements.

Source: Moody's Investors Service

TÜRKIYE

Growth to slow down on tightening monetary policy

The International Monetary Fund projected Türkiye's real GDP growth rate to decelerate from 5.5% in 2022 to 4% in 2023 and 3.2% in 2024, due to the tightening of monetary policy and the less accommodative policy stance. Also, it expected the inflation rate to decrease from 69% at end-2023 to 46% at end-2024, as pressures on the exchange rate of the Turkish lira ease. It also stressed the importance of further increases in policy rates to reduce inflation. In parallel, the IMF forecast the fiscal deficit at 5.4% of GDP in 2023, given that earthquake-related spending, large wage increases and various subsidies have raised expenditures, despite the recent tax increases that aim to generate higher revenues. It pointed out that the recent decisions to raise the policy rate, increase taxes and liberalize some financial sector measures, have reduced risks, raised investor confidence, and improved the foreign reserves of the Central Bank of the Republic of Türkiye. Further, it projected the current account deficit to narrow from 4.1% of GDP in 2023 to 3.1% of GDP in 2024, as it expected demand for imported gold to decline and for inflows from official sources to increase. In addition, it noted that risks to the outlook are tilted to the downside and include higher commodity prices, a slowdown in demand from trading partners, and global systemic financial instability. But it considered that the increase in external financing, higher capital inflows, and a stronger exchange rate, could bring down the inflation rate faster than expected and boost economic growth.

Source: International Monetary Fund

GHANA

Structural reforms driving positive outlook

The International Monetary Fund (IMF) indicated that the Ghanaian authorities have adjusted their macroeconomic policies, successfully completed the restructuring of the domestic debt, and launched wide-ranging reforms in order to mitigate for the acute economic and financial crisis that the country is going through. It added that these measures have started to yield positive results, as real GDP growth in 2023 proved to be more resilient than initially expected, inflation rates have declined, the country's fiscal and external positions have improved, and the exchange rate has stabilized. In parallel, the IMF said that Ghana's fiscal performance has been strong, in line with the authorities' commitments under the IMF-supported program, and expected the primary fiscal deficit to narrow by about 4 percentage points of GDP in 2023. Also, it said that the authorities have kept spending within the program's limits, significantly expanded social protection programs, and met the government's non-oil revenues target. It added that ambitious structural fiscal reforms are boosting public revenues, improving spending efficiency, strengthening public financial and debt management, and enhancing transparency. Further, the IMF stressed that, in order to secure pledges for the needed external financing, the authorities' have to agree with official creditors on the terms of an external debt treatment consistent with the parameters and debt targets of the IMF-approved program. Further, the IMF said that is has reached a staff-level agreement on the first review of the country's economic program under the Extended Credit Facility arrangement, which would unlock about $600m upon the completion of the IMF's Executive Board review.

Source: International Monetary Fund

SAUDI ARABIA

Low risks for banking sector's funding

S&P Global Ratings maintained Saudi Arabia's Banking Industry Country Risk Assessment (BICRA) in 'Group 4', and its economic and industry risk scores at '5' and '3', respectively. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 4' consist of Kuwait, Malaysia, New Zealand, Poland, Slovenia, Spain and Taiwan. The agency indicated that Saudi Arabia's economic risk score reflects its "high risk" in economic resilience, as well as "intermediate risks" in economic imbalances and credit risks in the economy. It expected credit growth to slow down from 14% in 2022 to 10% in 2023, driven by higher interest rates, reduced mortgage lending opportunities, and tighter local and global liquidity conditions. Further, it considered that the banks' increasing shift to unsubsidized corporate loans, as part of Saudi Arabia's Vision 2030 program, will lead to a slight increase in non-performing loans and credit costs in the near term. In addition, it noted that a high revenue generation and a supportive tax regime will preserve the capital buffers of Saudi banks. In parallel, S&P said that the industry score reflects the country's "intermediate risk" in its institutional framework and competitive dynamics, as well as "low risk" in its system-wide funding. It pointed out that Saudi banks benefit from a strong core customer deposit base, although higher lending growth led to tight liquidity. It considered that the Saudi Central Bank will maintain its close supervision of the banking sector and that the authorities will intervene whenever the sector needs liquidity. It noted that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

OMAN

Ratings on five banks upgraded on improving business conditions

Fitch Ratings upgraded the long-term Issuer Default Rating (IDR) of Bank Muscat (BM) from 'BB' to 'BB+' and the long-term IDRs of Ahli Bank Oman (ABO), Bank Dhofar (BD), National Bank of Oman (NBO), and Sohar International Bank (SIB) from 'BB-' to 'BB'. It also revised the outlook on the banks' IDRs from 'positive' to 'stable' following its similar action on the sovereign ratings. In addition, it upgraded the Viability Ratings (VRs) of BM from 'bb' to 'bb+', the ratings of BD and NBO from 'bb-' to 'bb', and the VR of SIB from 'b+' to 'bb-', while it affirmed the VR of ABO at 'b+'. It attributed the upgrade of the ratings to the improving probability of support for the banks from the Omani authorities, given the importance of the banking system to the local economy. It added that the ratings of the five banks take into account developed business conditions that will benefit their credit profiles. It considered that the banks' business models, risk profiles, as well as funding and liquidity metrics, will benefit from a stronger sovereign credit profile. Also, it pointed out that the ratings of BM, NBO and ABO are supported by their sound funding and good liquidity metrics. It indicated that the rating of BM is supported by the bank's high asset quality, while the ratings of BD and NBO are constrained by their weak asset quality. Further, it said that the ratings of BM, BD and SIB reflect their reasonable capitalization.

Source: Fitch Ratings

EGYPT

Banks' ratings downgraded on deteriorating operating environment

Moody's Investors Service downgraded the long-term local bank deposit ratings of National Bank of Egypt, Banque Misr, Banque Du Caire, and Commercial International Bank from 'B3' to 'Caa1', as well as the rating of Bank of Alexandria from 'B2' to 'B3'. It also revised the outlook on the ratings from 'review for downgrade' to 'stable'. It downgraded the Baseline Credit Assessments of the five banks from 'b3' to 'caa1'. It attributed the downgrade of the ratings to the weakening operating environment and the banks' elevated exposure to sovereign debt securities. It noted that the 'stable' outlook reflects the banks' stable local currency funding and liquidity position and good earnings-generating capacity, which partly mitigate risks originating from the tight foreign currency liquidity conditions and high asset risks. It indicated that the 'very weak' macroeconomic profile of Egypt captures the elevated foreign currency funding and liquidity pressures, and the renewed credit challenges related to high interest and inflation rates, and weakened fiscal conditions. It added that these factors, in turn, will significantly put pressure on the banks' operations and financial performance, mainly on their asset quality, earnings and capital buffers, and may challenge the ability of the banks to meet foreign currency liabilities. But it pointed out that the financial performance of the banks benefits from a growing deposit-based funding profile, resilient profitability metrics, and still contained pressure on asset quality.

Source: Moody's Investors Service

ANGOLA

IMF calls for increased supervision of banks' foreign currency risk

The International Monetary Fund (IMF) indicated that banks in Angola are well capitalized, but that the authorities need to carefully monitor and address vulnerabilities in the banking system. It noted that the sector's capital adequacy ratio rose from 18.8% at the end of September 2022 to 28.4% at end-2022 as a result of capital injections in the fourth quarter of last year. But it pointed out that two systemically-important banks, which account for 16% of the system's aggregate assets, are being restructured and rely heavily on regulatory forbearance, which is overstating the sector's capital metrics. It urged the authorities to prepare for the decisive resolution or liquidation of problem banks, as necessary, while protecting only small depositors. In addition, the IMF said that the system's non-performing loans ratio fell from 21.1% at the end of September 2022 to 14.4% at end-2022 due to large write-offs. It added that the banks' net open foreign currency position (NOFCP)-to-capital ratio declined from 25.6% at the end of September 2022 to 17.2% at end-2022, but noted that the recent depreciation of the Angolan kwanza has resulted in losses at some banks that have large negative NOFCP. As such, it called on the authorities to strengthen the supervision of foreign currency risk and to enforce prudential limits on the banks' NOFCP. It expected the authorities to improve their management of credit risks in the banking sector due to the banks' relatively small loans portfolios, which stood at 20% of the system's total assets at the end of 2022, restrictions on lending in foreign currency, and elevated loan-loss provisions.

Source: International Monetary Fund

Oil prices to average $91 p/b in fourth quarter of 2023

ICE Brent crude oil front-month prices reached $85.8 per barrel (p/b) on October 11, 2023, constituting a decrease of 2.6% from $88.2 p/b on October 9, 2023, as fears of oil supply disruptions due to the conflict in the Middle East receded a day after Saudi Arabia pledged to help stabilize the oil market. In parallel, the U.S. Energy Information Administration (EIA) forecast oil production from non-OPEC+ producers to increase by 2.7 million barrels per day (b/d) in 2023, which would offset the decline in oil output of 1.4 million b/d from OPEC+ coalition. Also, it projected the crude oil production of OPEC+ to decrease by an additional 0.3 million b/d on average in 2024, assuming that Saudi Arabia extends its voluntary production cuts next year and that production from other OPEC+ countries remains below target. It expected higher oil production in 2024 from the U.S., Canada, Brazil, and Guyana. Further, it anticipated global oil inventories to decrease by 0.2 million b/d in the second half of 2023 and to continue at that pace in the first quarter of 2024, as OPEC+ cuts keep global oil production lower than global oil demand. In addition, it indicated that the war in Gaza raises the potential of oil supply disruptions and higher oil prices, but noted that it has yet to affect physical oil volumes. Moreover, it forecast oil prices to average $90.7 p/b in the fourth quarter of the year and $84.1 p/b in full year 2023.
Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

Iraq's oil exports receipts at $9.5bn in September 2023

Preliminary figures from the Iraq Ministry of Oil show that crude oil exports from Iraq totaled 103.1 million barrels in September 2023, down by 2.8% from 106.1 million barrels in August 2023 and up by 4.4% from 98.8 million barrels in September 2022. They averaged 3.44 million barrels per day (b/d) in September 2023. Oil exports from the central and southern fields amounted to 102.2 million barrels in September 2023. Further, oil export receipts stood at $9.5bn in September, up by 5.5% from $9bn in August 2023 and by 7.3% from $8.85bn in September 2022.
Source: Iraq Ministry of Oil, Byblos Research

Global output of natural gas down 1% in 2023

The International Energy Agency projected global natural gas production to reach 4,056 billion cubic meters (bcm) in 2023, constituting a decrease of 1.1% from 4,099 bcm in 2022. It forecast the production for natural gas in North America at 1,250 bcm and to represent 30.8% of the world's aggregate output in 2023, followed by Eurasia with 792 bcm (19.5%), the Middle East with 726 bcm (18%), Asia Pacific with 670 bcm (16.5%), Africa with 253 bcm (6.2%), and Europe with 220 bcm (5.4%).
Source: International Energy Agency, Byblos Research

Middle East accounts for 10% of world's oil consumption in 2022

BP indicated that the Middle East region's aggregate demand for oil reached 9.45 million barrels per day (b/d) in 2022 compared to 8.7 million barrels b/d in 2021, and represented 9.7% of the world's oil demand. Saudi Arabia's consumption totaled 3.9 million b/d, or 41% of the region's demand. Iran followed with 1.9 million b/d (20.2%), then the UAE with 1.1 million b/d (11.9%), Iraq with 0.8 million b/d (8.2%), and Kuwait with 0.4 million b/d (4.6%); while demand from other Middle Eastern countries reached 1.35 million b/d or 14.1% of the total.
Source: BP, Byblos Research

Base Metals: Copper prices to average $8,800 per ton in fourth quarter of 2023

LME copper cash prices averaged $8,563.6 per ton in the year-to-October 11, 2023 period, constituting a decline of 5.2% from an average of $9,037.8 a ton in the same period of 2022. The decrease in prices was due mainly to a slowdown in global economic activity, which has resulted in lower demand for the metal. In parallel, the International Copper Study Group projected the global production of refined copper at 26.3 million tons in 2023, which would constitute an increase of 3.8% from 25.4 million tons in 2022. It expected that higher output from China, the Democratic Republic of the Congo, India, Indonesia, and the U.S. to partially offset lower production in Chile. However, it projected refined copper output to be limited by operating constraints and maintenance works in Chile, Indonesia, Sweden, and the U.S. in 2023. In addition, it forecast global demand for refined copper at 26.4 million tons in 2023, which would represent a rise of 2% from 25.8 million tons in 2022. It forecast copper demand from China to grow by 4.3%, while it expected demand from the world ex-China to decrease by 1% this year. Further, it considered that infrastructure development projects in major countries, as well as the global trend towards cleaner energy and electric cars, will continue to support demand for copper in the longer term. In addition, Citi Research projected copper prices to average $8,800 per ton in the fourth quarter of the year and $8,675 a ton in full year 2023.
Source: ICSG, Citi Research, Refinitiv

Precious Metals: Silver prices to average $24 per ounce in fourth quarter of 2023

Silver prices averaged $23.4 per troy ounce in the year-to-October 11, 2023 period, constituting an increase of 6.6% from an average of $21.9 an ounce in the same period of 2022. The increase in prices was due mainly to elevated demand for the metal in the usage of electric vehicle batteries and from the renewable energy sector. In parallel, Citi Research projected the global supply of silver at 1,049 million ounces in 2023 relative to 1,023 million ounces last year, with mine output representing 80.3% of the total. Further, it forecast demand for the metal at 1,130 million ounces in 2023 compared to 1,085 million ounces in 2022. In its base case scenario, it expected the price of the metal to increase to between $28 per ounce and $30 an ounce in the next six to 12 months, as it anticipated the global silver market to post a large deficit in the near- to medium term. It projected the strong industrial demand for the production of electric vehicles, in addition to higher physical investment demand and the improvement of inflows in silver-backed exchange traded funds, to support silver prices in the 2023-25 period. Further, in its bear case scenario, it forecast silver prices to average between $20 per ounce and $22 an ounce in next six to 12 months, due to higher U.S. real interest rates and the substantial weakening in demand from China and India. In addition, in its bull case scenario, it expected silver prices to rise to $34 per ounce by the end of June 2024, driven by higher global inflation rates, declining U.S. real interest rates, a deeper-than-expected economic slowdown in the U.S. and the European Union, and a strong recovery in silver imports from China and India. Also, it projected silver prices to average $24 per ounce in the fourth quarter of the year and $24 an ounce in full year 2023.
Source: Citi Research, 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	Caa1 Stable	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				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+								
	Stable	Negative	Stable	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*

*** CreditWatch with negative implications*

**** Review for Downgrade*

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	06-Oct-23	No change	N/A
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	20-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	05-Oct-23	No change	08-Nov-23
Bulgaria	Base Interest	3.29	27-Sep-23	Raised 17bps	25-Oct-23
Kazakhstan	Repo Rate	16.00	06-Oct-23	Cut 50bps	24-Nov-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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