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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

More than 50% of rated sovereigns have investment grade rating at end-September 2023

S&P Global Ratings indicated that 53% of the 137 sovereigns that it rates globally had an investment grade (IG) rating at the end of September 2023, compared to 71 sovereigns or a share of 52% at end-September 2022. It said that 23.4% of rated sovereigns were in the 'B'-rated category at the end of September 2023, 19% stood in the 'BBB' segment, 14.6% of sovereigns were in the 'BB' category, 13% stood in the 'AA' segment, 12.4% of sovereigns were in the 'A' category, 9.5% came in the 'CCC' segment or lower, and 8% of sovereigns stood in the 'AAA' category. In parallel, S&P noted that there were 13 'negative' outlooks and nine 'positive' outlooks on the ratings of sovereigns at end-September 2023, relative to 18 'negative' outlooks and five 'positive' outlooks on sovereign ratings at end-2022. It pointed out that eight sovereigns in the Europe, the Middle East and Africa (EMEA) region, and one country in the Americas carried a 'positive' outlook on their ratings at the end of September 2023; while nine sovereigns in the EMEA region, three countries in the Americas, and one economy in the Asia-Pacific region had a 'negative' outlook on their ratings. In addition, it noted that it upgraded seven sovereigns and downgraded four countries in the EMEA region, while it upgraded five sovereigns and downgraded three countries in the Latin America region in the first nine months of 2023.

Source: S&P Global Ratings

Merchandise trade down 0.3% in second quarter of 2023

The World Trade Organization indicated that the volume of global merchandise trade regressed by 0.3% in the second quarter of 2023 from the first quarter of 2023. It noted that the volume of merchandise exports decreased by 0.6% and the volume of merchandise imports was unchanged in the second quarter of 2023 from the previous quarter. On a regional basis, it estimated that the volume of merchandise exports grew by 2.4% in South & Central America in the second quarter of 2023 from the first quarter of the year, followed by exports from Asia (+1.7%) and Europe (+0.2%), while merchandise exports from other regions increased by 6.8% in the covered quarter. In contrast, the volume of merchandise exports from North America regressed by 1% in the second quarter of 2023 from the preceding quarter. In parallel, it estimated that the volume of merchandise imports rose by 4% in South & Central America in the second quarter of 2023 from the first quarter of 2023, while merchandise imports to other regions increased by 2.5% in the covered period. In contrast, merchandise imports to Europe regressed by 1.3%, followed by imports to North America (-0.1%), while merchandise imports to Asia were unchanged quarter-on-quarter. In parallel, it noted that trade in fuels and mining products dropped by 13.7% in the second quarter of 2023 from the preceding quarter, while trade in non-fuel commodities declined by 5.3%, and trade in manufactured goods regressed by 1% in the covered period.

Source: World Trade Organization

MENA

Level of economic freedom varies across region

The Fraser Institute Index of Economic Freedom for 2023 ranked Bahrain in 45th place among 165 countries worldwide and in first place among 19 Arab countries. The UAE followed in 50th place, then Jordan (51st), Saudi Arabia (83rd), and Kuwait (85th), as the five countries with the highest level of economic freedom in the Arab world, while Algeria (157th), Libya (159th), Yemen (161st), Sudan (162nd), and Syria (163rd) had the lowest level of economic freedom in the region. The index evaluates individual economies on the Size of Government, Legal System & Property Rights, Access to Sound Money, Freedom to Trade Internationally, and the Regulation of Credit, Labor & Business. The Arab countries' average score stood at 5.8 points in 2023 compared to 5.9 points in 2022, and came lower than the global average score of 6.6 points. Also, the region's average score was lower than the average scores of North America (8.1 points), Europe & Central Asia (7.2 points), East Asia & the Pacific (7.1 points), Latin America & the Caribbean (6.6 points), South Asia (6.2 points), and Sub-Saharan Africa (5.95 points). Further, the rankings of nine Arab countries improved, eight regressed, and two were unchanged from the 2022 index, while the scores of six Arab countries improved, 12 declined, and one was unchanged from the previous survey. Lebanon ranked first on the Size of Government category; Jordan came first on the Access to Sound Money and the Regulation of Credit, Labor & Business factors; while Bahrain ranked in first place on the Freedom to Trade Internationally category, and the UAE led the Arab world on the Legal System & Property Rights factor.

Source: Fraser Institute, Byblos Research

GCC

Projects awarded up 89% to $130.5bn in first nine months of 2023

The aggregate value of projects awarded in Gulf Cooperation Council (GCC) countries reached $130.5bn in the first nine months of 2023, constituting an increase of 89.1% from $69bn in the first nine months of 2022. Also, the total value of projects awarded in GCC economies stood at $34.4bn in the first quarter, $54.3bn in the second quarter, and $41.8bn in the third quarter of 2023. The value of awarded projects in Saudi Arabia stood at $21.2bn in the third quarter of 2023 and accounted for 50.7% of the total, followed by the UAE with $15.5bn (37%), Kuwait with $2.3bn (5.5%), Qatar with $2.1bn (5%), Oman with $376m (1%), and Bahrain with $247m (0.6%). Further, the value of projects awarded in Kuwait jumped by 1,314% in the third quarter of 2023 from the same quarter last year, followed by a surge of 128.4% in new projects in Saudi Arabia, an increase of 101.7% in projects in the UAE, a rise of 94.5% in projects in Bahrain, and growth of 8.4% in projects in Oman; while the value of projects in Qatar dropped by 55.3% in the covered period. In parallel, projects awarded in the gas industry reached $11.8bn and accounted for 28.3% of the total value of projects awarded, followed by the construction sector with $8.2bn (19.6%), the water industry with $7.6bn (18.3%), the transport sector with $3.7bn (8.8%), the chemicals industry with $3.6bn (8.6%), the power industry with $2.85bn (6.8%), and the oil sector with $2bn (4.7%).

Source: KAMCO, Byblos Research

OUTLOOK

AFRICA

Real GDP growth projected at 3.3% in 2023, outlook subject to multiple uncertainties

The International Monetary Fund (IMF) projected real GDP growth in Sub-Saharan Africa (SSA) to decelerate from 4% in 2022 to 3.3% in 2023, due mainly to tighter monetary policies worldwide that reduced global demand and put pressure on exchange rates in the SSA region. It forecast economic activity to recover to 4% in 2024, as it expected real GDP growth to accelerate in about 80% of countries in the region and for non-resource intensive countries to perform better than their SSA peers. Also, it forecast the real GDP growth rate of SSA's oil-exporting countries at 2.6% in 2023 and 3.1% in 2024, and for the real GDP of the region's oil-importing economies to grow by 3.7% this year and by 4.5% next year. Further, it anticipated economic activity in resource-intensive economies to accelerate from 2.6% in 2023 to 3.2% in 2024, due mainly to repaired hydrocarbon projects coming on stream and mining projects starting production. It also forecast the real GDP growth rate in non-resource intensive countries to increase from 5.3% in 2023 to 5.9% in 2024. It considered that the outlook of the SSA region is subject to downside risks that include tighter-than-expected financial conditions worldwide; slower-than-anticipated growth in China, which is the region's largest trading partner; as well as a slowdown in reform momentum in SSA countries and rising geopolitical risks.

In parallel, the IMF projected the fiscal deficit of the SSA region's oil exporters at 3.5% of GDP in 2023 and 3.7% of GDP in 2024, while it forecast the deficit of SSA oil importers to narrow from 4.6% of GDP in 2023 to 4.1% of GDP in 2024, amid the anticipated drop in energy and commodity prices and fiscal consolidation efforts. In turn, it projected the public debt level of the region's oil-exporting countries at about 49% of GDP in the 2023-24 period, and the debt of oil-importing economies at 58.8% of GDP by the end of 2024. In parallel, it expected the aggregate current account surplus, including grants, of SSA oil exporters to decrease from 0.8% of GDP in 2023 to 0.6% of GDP in 2024 in case of lower oil export receipts, while it projected the deficit of oil importers at 4.3% of GDP in 2023 and 4.2% of GDP in 2024.
Source: International Monetary Fund

MENA

Growth outlook varies across region

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region at 1.9% in 2023 and 3.5% in 2024. It anticipated the real GDP growth rate of the region's oil-exporting economies to slow down from 6.2% in 2022 to 1.5% in 2023 and 3.5% in 2024, due mainly to oil production cuts under the OPEC+ agreement and to less favorable oil market prospects. It expected economic activity in Gulf cooperation Council countries to accelerate from 1% in 2023 to 3.6% in 2024, in case the OPEC+ countries increase their production quotas. Further, it forecast the real GDP growth rate of MENA oil-importing economies to decelerate from 4.9% in 2022 to 3.6% this year and 3.4% in 2024, due to elevated inflation rates, shortages of foreign currency, and fiscal and monetary policy tightening.

In parallel, it projected the region's fiscal balance to shift from a surplus of 2.2% of GDP in 2022 into deficits of 1.2% of GDP in 2023 and 1.1% of GDP by 2024. It also forecast the aggregate current account surplus of MENA economies to decrease from 10.6% of GDP in 2022 to 5.9% of GDP this year and 5.2% of GDP in 2024. In addition, it anticipated the fiscal deficits of the region's oil exporters at 0.3% of GDP in 2023 and 0.2% of GDP in 2024, and their current account balance surplus at 8% of GDP this year and 7% of GDP next year, amid cuts in oil production and subdued oil prices. Further, it projected the fiscal deficit of the region's oil-importing economies at 5.5% of GDP in 2023 and 5.7% of GDP in 2024; while it forecast their aggregate current account deficit to narrow from 4.4% of GDP in 2022 to 3.2% of GDP in 2023 and 3.5% of GDP in 2024 in case the import bill declines, oil prices decrease, and local currencies depreciate. It considered that macroeconomic risks to the outlook are tilted to the downside and include the volatility in commodity prices, the depreciation of currencies, and inflationary pressures.
Source: World Bank

ANGOLA

Economic outlook still dependent on oil output

BNP Paribas anticipated real GDP growth in Angola to slow to 0.9% from average growth rate of 2.1% during the 2021-22 period, due mainly to weaker production in the oil sector that accounted for 30% of GDP in 2022. Also, it forecast overall real GDP growth at 2.4% in 2024, as it expected activity to remain limited in the oil economy, as the natural decline in oil reserves and the ageing infrastructure are hindering prospects for improved activity in the oil industry. In addition, it noted that the inflation rate reached 10.6% annually in April 2023, its lowest level in seven years, but that inflationary pressures have picked up due to the depreciation of the Angolan kwanza and the partial phasing out of fuel subsidies. It projected the inflation rate to average 14.6% in 2023 and 22.3% in 2024, in case authorities fully phase out fuel subsidies next year.

In parallel, it projected Angola's fiscal deficit at 1.7% of GDP in 2023 amid a recovery in oil revenues as well as the authorities' suspension of all public investment projects with an implementation rate of less than 80% and the freezing of non-essential recurring expenditures. It expected the deficit to shift to a surplus of 2.3% of GDP in 2024, in case of higher global oil prices and lower fuel subsidies. It considered that the government is heavily exposed to exchange rate shocks as nearly 75% of the public debt stock is denominated in foreign currency, and added the depreciation of the kwanza and lower oil revenues have had a significant impact on public debt sustainability. It forecast the public debt level to rise from 65.2% of GDP at end-2022 to 84.6% of GDP at end-2023 and to moderate to 81% of GDP by end-2024. Further, it projected the current account surplus to decline from 9.6% of GDP in 2022 to 2% of GDP in 2023, due to lower oil export receipts and higher imports of transport equipment, capital goods and industrial goods. It noted that the deterioration of the external balance has weighed on the liquidity of foreign currency in the domestic market as Angola faces elevated repayments of its external debt. Also, it anticipated that any changes to the authorities' restrictions on the foreign exchange market could expose the exchange rate to sudden adjustments. Still, it considered that foreign currency reserves are at satisfactory levels and expected them to rise from $12.7bn at end-2023 to $15.2bn at end-2024.
Source: BNP Paribas

IRAQ

Sovereign ratings trajectory contingent on structural reforms

Moody's Investors Service indicated that Iraq's long-term issuer and foreign currency senior ratings of 'Caa1', which are seven notches below investment grade, reflect the country's relatively large but undiversified economy that has substantial hydrocarbon wealth, robust growth prospects as a result of increasing oil production capacity, and adequate foreign currency reserves that provide a robust buffer to external shocks. But it noted that Iraq's credit profile faces the challenge of very weak institutions and governance that is weighing on the economy's competitiveness, that limits policy effectiveness and that constrains the government's capacity to respond to domestic and external shocks. Also, it considered that Iraq's economy, government finances and external accounts rely heavily on the hydrocarbon sector, which exposes the sovereign to the volatility in global oil prices and to significant carbon transition risks. It said that the ratings are also constrained by inherently elevated domestic sociopolitical and geopolitical event risks. In parallel, the agency indicated that it would upgrade the ratings in case of a significant improvement in the governance of institutions, in the control of corruption, in the management of public finances and in overall policy effectiveness. However, it said that it could downgrade the ratings if risks of a government default on private sector-held debt rise, and/or in case of material disruptions to oil production.

Source: Moody's Investors Service

MOROCCO

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB+', which are one notch below investment grade, with a 'stable' outlook on the ratings. It also affirmed the Country Ceiling at 'BB+' and maintained the short-term local and foreign currency IDRs at 'B'. It indicated that the ratings reflect the authorities' record of sound macroeconomic policies that has supported its resilience to shocks, a favorable public debt profile, as well as official creditor support and comfortable external liquidity buffers. But it pointed out that the ratings are constrained by development and governance indicators that are lower than rated peers, an elevated public debt level, a wider fiscal deficit, as well as by Morocco's vulnerability to adverse weather conditions. It expected the economic impact of the earthquake to be limited, as the affected areas do not house key centers of industrial activity. It noted that Morocco's financing flexibility is underpinned by access to a large domestic investor base and strong official creditor support, which will help finance the reconstruction-related costs and higher borrowing requirements. Further, it forecast the fiscal deficit to narrow from 5.2% of GDP in 2022 to 5% of GDP in 2023 due to higher tax collection, despite the increase in subsidies for farmers and on food, and the acceleration of investments in water infrastructure. In parallel, the agency indicated that it could downgrade the ratings in case of a higher-than-expected rise in the public debt level or the materialization of contingent liabilities on the sovereign's balance sheet, if foreign currency reserves decrease, or if persistently wide current account deficits lead to a steep rise in the net external debt level.

Source: Fitch Ratings

ALGERIA

Non-hydrocarbon growth to average 3.5% in 2023-24 period

The International Monetary Fund projected Algeria's real GDP growth rates at 3.8% in 2023 and 3.1% in 2024 relative to an expansion of 3.2% in 2022. It expected the country's real non-oil GDP to grow by 3.5% in 2023 and 3.4% in 2024 compared to 3.9% in 2022. It forecast the country's nominal GDP at $224.1bn in 2023 and $239.2bn in 2024. Also, it anticipated the average inflation rate to decrease from 9.3% in 2022 to 9% in 2023 and 6.8% in 2024. In parallel, it projected the government's fiscal deficit to widen from 2.9% of GDP in 2022 to 8.6% of GDP in 2023 and 12% of GDP in 2024 due to higher subsidies. It forecast the non-oil fiscal deficit at 36.2% of non-oil GDP in 2023 and at 34.8% of non-oil GDP in 2024. Also, it expected the public debt level to slightly decrease from 55.6% of GDP at end-2022 to 55.1% of GDP at the end of 2023, but to increase to 58.8% of GDP by 2024. In parallel, the IMF forecast Algeria's exports of goods & services at $60.9bn in 2023 and $60.8bn next year, and expected the country's imports of goods & services to reach $52.6bn this year and $58.7bn in 2024. As such, it projected the current account surplus to narrow from 9.8% of GDP in 2022 to 2.9% of GDP in 2023 and 1% of GDP in 2024. It anticipated the country's gross external debt to increase from 1.4% of GDP at end-2023 to 1.5% of GDP by end-2024. In addition, it forecast Algeria's gross foreign currency reserves at $72bn, or 14.7 months of import coverage at end-2023, and at $76.2bn or 14.2 months of imports at end-2024.

Source: International Monetary Fund

EGYPT

Sovereign ratings downgraded on increasing funding pressures

S&P Global Ratings downgraded Egypt's long-term local and foreign currency sovereign credit ratings from 'B' to 'B-', which is six notches below investment grade, and revised the outlook on the ratings from 'negative' to 'stable'. It also affirmed the country's short-term local and foreign currency sovereign credit ratings at 'B'. It attributed the downgrade to the recurring delays in the authorities' implementation of monetary and structural reforms, which are exacerbating imbalances in the foreign currency market, are negatively affecting the net foreign asset position of systemic banks, and are delaying critical disbursements from the International Monetary Fund and other multilateral and bilateral sources. Also, it did not expect additional financing from Gulf Cooperation Council (GCC) countries to be forthcoming in a timely manner to cover the country's external funding gap. The agency added that the 'stable' outlook on the long-term ratings balances the risk that the authorities may not be able to finance elevated external debt redemptions or address the country's foreign currency shortages, with the possibility of an acceleration of key monetary and economic reforms that would help bridge Egypt's large external financing gap. It forecast Egypt's gross external financing needs at 148.8% of current account receipts and usable foreign reserves in the fiscal year that ends in June 2024, and at 160.3% in FY2024/25 and 145.4% in FY2025/26. Also, it indicated that it could downgrade the ratings in case the authorities fail to implement the macroeconomic reforms required to reduce Egypt's economic imbalances and to unlock multilateral and bilateral funding.

Source: S&P Global Ratings

UAE

Ratings on six banks affirmed

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of First Abu Dhabi Bank (FAB) at 'AA-', the ratings of Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB), Abu Dhabi Islamic Bank (ADIB), and HSBC Bank Middle East (HBME) at 'A+', and the IDR of Mashreqbank (Mashreq) at 'A'. Also, it affirmed the short-term IDRs of FAB and HBME at 'F1+' and the short-term ratings of ENBD, ADCB, ADIB, and Mashreq at 'F1'. It maintained the outlook on the long-term IDRs of the banks at 'stable'. It indicated that the banks' ratings benefit from a very high probability of government support in case of need, except for HBME, which is supported by its parent company HSBC Holdings. In parallel, Fitch affirmed the Viability Rating (VR) of FAB at 'a-', the rating of HBME at 'bbb', the VRs of ADCB and Mashreq at 'bb+', and the rating of ADIB at 'bb'. It upgraded the VR of ENBD from 'bb+' to 'bbb-' due to the bank's reduced exposure to the Emirate of Dubai in recent years, stronger asset-quality metrics, healthy profitability, and strong funding profile, which, in turn, have led to an improvement in the bank's capitalization. It noted that the banks' ratings are supported by their sound funding and robust liquidity positions, as well as by their healthy profitability. It said that the ratings of ADCB, ADIB, HBME and Mashreq take into account their adequate capital ratios, while the rating of ENBD reflects its improved capitalization and the rating of FAB considers its moderate capital ratios. It indicated that weak asset quality is weighing on the ratings of ADCB and ADIB, while sound asset quality is supporting the ratings of FAB, HBME and Mashreq.

Source: Fitch Ratings

EGYPT

Banks' ratings downgraded on deteriorating operating environment

S&P Global Ratings downgraded the long-term issuer credit ratings of the National Bank of Egypt (NBE), Banque Misr (BM), and Commercial International Bank (CIB) from 'B' to 'B-', and affirmed the outlook on the banks' ratings at 'stable'. Also, it affirmed the short-term issuer credit ratings of the three banks at 'B'. It attributed the downgrade to its earlier decision to reduce the sovereign's foreign currency ratings. It indicated that the foreign assets of commercial banks are declining and that banks are increasing their borrowing from abroad at elevated costs in order to meet the high demand for foreign currency from households and companies. It noted that the sector's net foreign assets turned negative in 2020 and have deteriorated gradually since then to EGP462.9bn ($15.5bn), or 10.2% of total loans, at end-April 2023. It estimated the banking sector's gross claims on the general government, which include securities and credit facilities, to account for 60% of the banks' total assets. It noted that the Egyptian banking sector, which has a high level of local currency liquidity, could increase its lending to the government, given that the domestic refinancing needs of the latter are on the rise. Also, it considered that Egyptian banks are facing higher economic and industry risks and that they are unlikely to withstand a sovereign default without defaulting on their financial obligations. Further, it pointed out that the ratings of the three banks are constrained by the risky operating environment in Egypt, and by their increased reliance on external funding and limited access to foreign currency liquidity, which will weigh on their funding profiles.

Source: S&P Global Ratings

TÜRKIYE

Markets expect additional increase in policy rate by 500 basis points

Deutsche Bank indicated that the current level of the policy rates in Türkiye is still below the ability of the Central Bank of the Republic of Türkiye (CBRT) to effectively determine market interest rates, although it raised its key interest rate from 8.5% in June 2023 to 30% in September 2023. It expected the CBRT to raise its policy rate by an additional 500 basis points (bps) before the local elections in 2024, in light of the heightened geopolitical risks in the Middle East and their potential impact on Türkiye's inflation and balance of payments dynamics. It noted that this move would be more compatible with the goal of containing inflation expectations, strengthening the CBRT's narrative for placing the economy on a sustainable trajectory, and bolstering its credibility. Further, it said that geopolitical tensions in the Middle East have introduced a new layer of uncertainty for the Turkish economy, which could factor into the CBRT's decision-making process. It noted that the CBRT could follow a more gradual approach with a 250 bps rate hike instead of the expected 500 bps raise in order to be more cautious about the lagged effects of policy tightening on economic activity. Also, it indicated that the inflation rate outlook remains challenging, even though it expected the pass-through effects from the fluctuations of the exchange of the Turkish lira, wage hikes, and tax adjustments to decline. But it anticipated that wage hikes in the run-up to the local elections next year could further worsen the inflation outlook.

Source: Deutsche Bank

TUNISIA

Ratings of six banks downgraded on rising financial risks

Capital Intelligence Ratings downgraded the long-term foreign currency ratings of Arab Tunisian Bank (ATB), Banque de Tunisie (BdT), Banque Internationale Arabe de Tunisie (BIAT), Banque Nationale Agricole (BNA), Société Tunisienne de Banque (STB), Attijari Bank (AB), and Union Bancaire pour le Commerce et I'Industrie (UBCI) from 'B-' to 'C+'. It also downgraded the Bank Standalone Ratings of the seven banks from 'b-' to 'c', and affirmed the short-term foreign currency ratings of the banks at 'C'. Further, it maintained the 'negative' outlook on the long-term foreign currency ratings of the banks. It attributed its downgrades to its similar action on Tunisia's sovereign ratings and to increased pressure on the banks' credit profiles due to rising financial stability risks and persistent macroeconomic vulnerabilities. It noted that the banking sector is weak, with increased susceptibility to sovereign-induced shocks and unsatisfactory key financial metrics in certain areas. It added that the liquidity position of the banks will be affected in case of a sovereign event. Also, it said that the ratings of BdT and BNA are supported by the banks' strong capital position, while the ratings of the other banks are constrained by their modest capital buffers. It pointed out that the ratings of BdT, BIAT, BNA, STB and AB are underpinned by their good profitability. Also, it indicated the ratings of ATB, BdT, AB, BIAT and UBCI reflect their satisfactory funding positions.

Source: Capital Intelligence Ratings

ENERGY / COMMODITIES

Oil prices to average $84 p/b in 2023

ICE Brent crude oil front-month prices reached $90.1 per barrel (p/b) on October 25, 2023, constituting a decrease of 1.5% from a week earlier, as weak economic activity in Europe is weighing on the outlook for energy demand and given the efforts to contain the conflict in the Middle East from spreading. In parallel, JP-Morgan Chase &Co. expected the global oil market to post a deficit of 3.1 million barrels per day (b/d) in the fourth quarter of 2023, as it anticipated higher global demand to offset lower demand from the U.S. As such, it projected global oil demand at 102.1 million b/d in 2023, which would constitute a rise of 2.5 million b/d, or 2.5%, from 99.6 million b/d in 2022. It noted that the outlook for demand in the medium and long terms remains robust and that supply sources outside the OPEC+ coalition are reaching their limits. Also, it said that OPEC forecast total non-OPEC liquid oil production to average 66.4 million b/d in 2024, representing an increase of 1.3 million b/d, led primarily by elevated output from the U.S., which will account for about 50% of the supply growth. In addition, it considered that the latest movement in oil prices following the eruption of the conflict in the Middle East to constitute an example of a shift of the market's focus from the risk of a drop in oil demand to the risk of a decline in supply and spare capacity. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 42 industry analysts, to average $84 p/b in full year 2023.

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

Global demand for natural gas nearly unchanged in 2023

The International Energy Agency projected global natural gas demand to reach 4,042 billion cubic meters (bcm) in 2023, nearly unchanged from 4,043 bcm in 2022. It anticipated demand for natural gas in North America at 1,143 bcm and to represent 28.3% of the world's aggregate demand in 2023, followed by Asia Pacific with 901 bcm (22.3%), Eurasia 609 bcm (15%), the Middle East with 588 bcm (14.5%), Europe with 489 bcm (12%), Africa with 168 bcm (4.2%), and Central and South America with 147 bcm (3.6%).

Source: International Energy Agency, Byblos Research

OPEC oil output up 1% in September 2023

Member countries of OPEC, based on secondary sources, produced an average of 27.76 million barrels of oil per day (b/d) in September 2023, constituting an increase of 1% from 27.48 million b/d in August 2023. On a country basis, Saudi Arabia produced 9 million b/d, or 32.4% of OPEC's total output, followed by Iraq with 4.3 million b/d (15.5%), Iran with 3.1 million b/d (11%), the UAE with 2.9 million b/d (10.5%), and Kuwait with 2.6 million b/d (9.3%).

Source: OPEC

Asia Pacific accounts for 64% of world's Liquefied Natural Gas Imports in 2022

BP indicated that global imports of Liquefied Natural Gas (LNG) reached 542.4 billion cubic meters (bcm) in 2022, constituting an increase of 5.2% from 515.7 bcm in 2021. LNG imports to the Asia Pacific region totaled 347.9 bcm, and accounted for 64.2% of the world's global imports. Europe followed with 170.2 bcm (31.4%), then South and Central America with 13.5 bcm (2.5%), the Middle East and Africa with 9.4 bcm (1.7%), and North America with 1.3 bcm (0.2%).

Source: BP, Byblos Research

Base Metals: Copper prices to average $8,100 per ton in fourth quarter of 2023

LME copper cash prices averaged $8,533.2 per ton in the year-to-October 25, 2023 period, constituting a decline of 5% from an average of $8,971 a ton in the same period of 2022. The decrease in prices was due mainly to the tightening of monetary policy worldwide and reflects a slowdown in economic activity, which has resulted in weaker global demand for the metal. In parallel, S&P Global Market Intelligence projected the global production of refined copper at 26.1 million tons in 2023, which would constitute an increase of 4.3% from 25.03 million tons in 2022. In addition, it forecast global demand for refined copper at 26.03 million tons in 2023, which would represent a rise of 2.8% from 25.3 million tons in 2022, driven in part by robust demand for the metal from Asia and despite weaker demand for copper from the U.S. solar power sector. As such, it expected the balance in the copper market to shift from a deficit of 297,000 tons in 2022 to a surplus of 62,000 tons in 2023. Also, it attributed the downward pressures on copper prices to declining new orders for U.S. and European copper users, to rising LME copper stocks, as well as to expectations that the weakness in demand for the metal could continue into 2024. Further, it projected copper prices to average $8,100 per ton in the fourth quarter of 2023 and $8,466 a ton in full year 2023.

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

Precious Metals: Palladium prices to average $1,225 per ounce in fourth quarter of 2023

The prices of palladium averaged $1,397.2 per troy ounce in the year-to-October 25, 2023 period, constituting a drop of 35.4% from an average of $2,162.6 an ounce in the same period last year. The decrease in palladium prices has been mainly driven by global chip shortages in the automotive sector that have restrained the demand for the metal and to the substitution of palladium with platinum in catalytic converters. In parallel, Citi Research anticipated the global supply of palladium at 9.2 million ounces in 2023, nearly unchanged from 9.3 million ounces in 2022, with mine output representing 69.3% of global output in 2023. Also, it forecast demand for the metal at 9.83 million ounces in 2023, nearly unchanged from 9.84 million ounces in 2022. It projected demand for the metal at 9.92 million ounces and production at 9.95 million ounces in 2024, which would constitute a surplus of 31,000 tons next year. As such, it expected the palladium market to shift from a deficit of 617,000 tons in 2023 to a surplus of 31,000 tons in 2024 due to strong growth in demand for batteries for electric vehicles. It anticipated the rebound in autocatalyst demand, driven by an improved chip supply, to increase demand for palladium in the coming years despite the metal's substitution with platinum. Also, it expected autocatalyst recycling to pick up from 2.37 million ounces in 2023 to 2.65 million ounces in 2024, as improved global automobile production is accelerating the disposal of used vehicles, which will boost the secondary supply of palladium. Moreover, it forecast palladium prices to average $1,225 per ounce in the fourth quarter of 2023 and to average $1,375 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- Stable	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- 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*
*** 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	25-Oct-23	No change	06-Dec-23
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Oct-23	No change	20-Nov-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	19-Oct-23	No change	30-Nov-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	27-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	3.53	25-Oct-23	Raised 24bps	27-Nov-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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