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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Project finance loans down 13% to $235bn in first nine months of 2023

Global project finance loans totaled $235.1bn in the first nine months of 2023, constituting a decline of 13% from $271.4bn in the same period of 2022; while the number of project finance transactions reached 635 globally in the first nine months of 2023, and decreased by 10.7% from 711 transactions in the same period last year. Further, the distribution of project finance loans shows that transactions in Europe, the Middle East, and Africa (EMEA) amounted to $92.7bn and accounted for 39.4% of the aggregate deal value in the first nine months of 2023, followed by the Americas with $87.4bn (37.2%), and Asia-Pacific & Japan with $55bn (23.4%). Also, there were 262 transactions in the Americas, or 41.3% of the total, followed by the EMEA region with 189 deals (29.8%), and Asia-Pacific & Japan with 184 transactions (29%). In addition, the power sector accounted for $92.7bn or 39.4% of project finance loans in the first nine months of 2023, followed by the oil & gas sector with $51.8bn (22%), the telecommunications sector with $39.1bn (16.6%), the petrochemicals industry with $18.6bn (7.9%), and the transportation sector with $15.8bn (6.7%), while other sectors accounted for the remaining $17.1bn. Also, there were 422 project finance transactions in the power sector that accounted for 66.5% of the aggregate number of deals in the covered period, followed by the transportation sector with 66 transactions (10.4%), the telecommunications sector with 45 deals (7.1%), the oil & gas industry with 37 transactions (5.8%), and the leisure & property sector with 23 deals (3.6%), while other industries accounted for the remaining 42 transactions.

Source: Refinitiv

EMERGING MARKETS

Sovereigns to issue $121bn in Eurobonds in 2024

Barclays Capital projected emerging market (EM) sovereigns to issue $121bn in foreign currency-denominated bonds in 2024, relative to an expected supply of between $110bn and $115bn in 2023. It attributed the anticipated increase to higher bond supply from Eastern Europe, the Middle East & Africa (EEMEA) region and from Latin America. It forecast the EEMEA region to issue $75bn worth of Eurobonds, equivalent to 62% of total EM foreign currency bond output in 2024, followed by Latin America with $33bn, or 27.3% of the total, and Emerging Asia with $13bn (10.7%). On a country basis, it expected Mexico to issue $15bn in sovereign Eurobonds, or 12.4% of total EM supply in 2024, followed by Saudi Arabia with $12bn (10%); Poland and Türkiye with $10bn each (8.3% each); Romania with $9bn (7.4%); Hungary with $7bn (5.8%); Indonesia, Panama, and Qatar with $6bn each (5% each); Abu Dhabi with $4bn (3.3%); Columbia with $3bn (2.5%); Hong Kong, Serbia, and South Korea with $2.5bn each (2.1% each); Bahrain, Brazil, Chile, Egypt, the Dominican Republic, and the Philippines with $2bn each (1.7% each); and Nigeria, Oman, and South Africa with $1.5bn each (1.2% each). In parallel, it projected interest and principal repayments on foreign currency bonds to reach $56bn and $59bn, respectively, next year. As such, it forecast EM currency-denominated issuance, net of interest payments and maturities, at $6bn in 2024.

Source: Barclays Capital

MENA

Ability to develop and retain talent varies across Arab world

The INSEAD business school ranked the UAE in 22nd place among 134 countries globally and in first place among 13 Arab countries on its Global Talent Competitiveness Index for 2023. Qatar followed in 35th place, then Bahrain (44th), Saudi Arabia (48th), and Oman (59th), as the five most talent-competitive Arab countries. The index measures a country's ability to attract, develop and retain talent. It is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. The Arab countries' average score stood at 42.4 points in 2023 compared to 39.8 points in 2022, and came lower than the global average score of 45.1 points. Also, the region's average score was higher than the scores of Latin America & the Caribbean (40.3 points), Central & Southern Asia (33.9 points), and Sub-Saharan Africa (27.9 points). But it was lower than the score of North America (73.4 points), Europe (59.8 points), Eastern, Southeastern Asia & Oceania (50.8 points), and Northern Africa & Western Asia (46.3 points). Also, the UAE, Qatar and Bahrain were the top ranked Arab countries on the Talent Competitiveness Input Sub-Index that covers the policies, resources and efforts that a country can use to promote its talent competitiveness. Further, the UAE, Saudi Arabia and Qatar led Arab countries on the Talent Competitiveness Output Sub-Index, which measures the quality of talent as a result of domestic policies, resources and efforts.

Source: INSEAD, Byblos Research

Arab world trails most regions in broadband Internet speed

Figures published by Cable.co.uk on broadband Internet speed show that Internet speed in Qatar is the fastest among 20 Arab countries and the 70th fastest among 220 countries globally in 2023. Bahrain (75th), the UAE (84th), Kuwait (97th), and Jordan (112th) followed as the five Arab countries with the fastest broadband Internet speed, while Libya (195th), Sudan (201st), Djibouti (204th), Syria (218th), and Yemen (219th) registered the slowest speed regionally. The survey noted that broadband Internet speed in Qatar is 50.7 megabytes per second (mbps), while the Internet speed is 1.8 mbps in Yemen. As such, it takes 13 minutes and 28 seconds to download a 5 gigabyte (GB) video in Qatar, while it takes six hours, 20 minutes and 55 seconds to download a 5GB video in Yemen. The Arab region's simple average broadband Internet speed is 19.1 mbps and is below the global average of 46.6 mbps. Also, the region's average broadband Internet speed is above the speed in Sub-Saharan Africa (12.1 mbps), but is lower than the average broadband Internet speed in North America (94 mbps), Europe & Central Asia (72.4 mbps), East Asia (45.7 mbps), Latin America & the Caribbean (42.5 mbps), and Oceania (25.9 mbps). The average broadband Internet speed in Gulf Cooperation Council (GCC) countries stands at 41.3 mbps, while it is 9.6 mbps in non-GCC Arab countries. The data for the survey was collected between July 1, 2022 and June 30, 2023 by research group M-Lab, Google, and Princeton University's PlanetLab.

Source: Cable.co.uk, Byblos Research

POLITICAL RISKS OVERVIEW - October 2023

ALGERIA

Following the onset of Israel's war in the Gaza Strip, the authorities allowed thousands of demonstrators to gather in several cities across the country in support of Gaza in the country's first exemption to the protest ban that has been in place since 2021. In parallel, the Algerian security forces arrested several senior officials of the dissolved Islamic Salvation Front, after they made provocative statements criticizing the ruling elite's "unlimited greed" and "incorrect policies", which they claimed have led to political deadlock and increased poverty.

ARMENIA

The Ministers of Foreign Affairs of Armenia, Azerbaijan, Iran, Türkiye, and Russia met in Tehran and reiterated respect for the sovereignty, territorial integrity, and non-interference in the internal affairs of the six countries. Further, France announced the sale of military defense equipment to Armenia amid fears in Yerevan that Azerbaijan might seek to target southern Armenia, as the latter launched military drills near the country's southern border. However, Prime Minister Nikol Pashinyan expressed his commitment to sign a peace agreement with Azerbaijan in the coming months and to establish diplomatic relations after decades of conflict between the two countries. In parallel, the Armenian government granted a Temporary Protected Status to the forcibly displaced persons from the Nagorno-Karabakh province and considered them as refugees.

EGYPT

President Abdel Fattah el-Sisi engaged in diplomatic efforts to pre-empt the potential repercussions of Israel's war in the Gaza Strip on Egypt, including the mass influx of refugees from Gaza into the Sinai Peninsula and the reactivation of jihadist networks. Also, Cairo announced an agreement with Israel to transport humanitarian aid to the Gaza Strip through the Rafah border crossing, with some of the aid already starting to arrive. Further, Egypt hosted a peace summit to push for a ceasefire, but the conference ended without a breakthrough. In parallel, President el-Sisi confirmed his bid for a third term for the upcoming presidential elections in December 2023, while authorities continued to press ahead with the organization of the elections.

ETHIOPIA

Fighting between federal forces and the nationalist militia Fano escalated in the Amhara and Oromia regions, while heavy clashes between government forces and the Oromo Liberation Army continued in Oromia. In parallel, Prime Minister Abiy Ahmed called for open discussions with neighbors about securing direct access to the Red Sea, as Ethiopia has been landlocked since 1993, and stressed that the access is vital for the country's development and that the lack of access is a potential source of future conflict. However, Djibouti, Eritrea and Somalia rejected PM Abiy's appeal for talks. Further, the third round of talks on the Grand Ethiopian Renaissance Dam ended without a breakthrough.

IRAN

The European Union and the United Kingdom decided to take the necessary steps to maintain the restrictive measures under the European Union non-proliferation regime on Iran, given that the latter is not fulfilling its commitments under the Joint Comprehensive Plan of Action, as reported by the International Atomic Energy Agency since 2019. The EU and the UK refrained from lifting sanctions and restrictive measures on individuals and entities involved in nuclear or ballistic missiles activities, or who are affiliated to the Islamic Revolutionary Guard Corps. Also, they agreed to maintain sectoral and individual measures related to Iran's nuclear proliferation, as well as to arms and missile embargoes. In parallel, the U.S. unveiled sanctions on 26 persons, entities and vessels linked to the ballistic missiles program and the manufacturing of Unmanned Aerial Vehicles.

IRAQ

The U.S. revealed that its forces in Iraq suffered 16 attacks with drones or rockets since the outbreak of war between Hamas and Israel on October 7. Türkiye intensified airstrikes on Kurdistan Workers' Party (PKK) bases in Northern Iraq in response to a PKK suicide bombing on October 1 in front of the Ministry of Interior in Ankara. In parallel, the Iraqi army and Kurdish Peshmerga forces clashed on October 22 over the control of strategic military posts previously held by the PKK in the Makhmour district between Erbil and Ninewa governorates.

LIBYA

The Eastern-based House of Representatives (HoR) approved the revised versions of presidential and parliamentary election laws and referred them to the High Electoral Commission for implementation. However, Mohamed Tekala, the new head of Tripoli-based High State Council, rejected the laws and called for collaborating with the HoR. Deadly clashes erupted in Benghazi, after forces aligned with the Libyan National Army attempted to arrest the former Tripoli-based Minister of Defense al-Mahdi al-Barghathi, which sparked a firefight that left at least 17 people dead. Also, clashes erupted in Gharyan between the affiliated militia of the Tripoli-based government and forces loyal to militia leader Adel Daab who was expelled from Gharyan in 2019, which led to eight individuals dead and 27 others injured.

SUDAN

The paramilitary Rapid Support Forces (RSF) scored major victories against the Sudanese Armed Forces (SAF) in the Darfur region, while hostilities in the capital Khartoum persisted. Also, the RSF gained ground in the West Kordofan state as the conflict spread to new fronts. Meanwhile, the SAF battled with the rebel group Sudan People's Liberation Movement-North in the South Kordofan state. In parallel, U.S.-Saudi-brokered peace talks resumed in Jeddah, with the Intergovernmental Authority on Development and the African Union acting as co-facilitators. The initial rounds of negotiations will not deal with political issues, and will focus on humanitarian aid deliveries and possibilities of a ceasefire. However, major RSF offensives across the country weighed on the progress on a ceasefire agreement.

TUNISIA

President Kais Saïed refused to accept a €127m financial aid package that the European Commission allocated to Tunisia to support the implementation of the "strategic partnership" that the two parties signed last July to reinforce border management and accelerate the repatriation of irregular Tunisian migrants. The president described the funds as "charitable" and said that the "ridiculous" amount contradicts the July agreement. In addition, the draft 2024 budget that the government released on October 16 did not include any reference to the International Monetary Fund agreement. Also, President Saïed dismissed the Minister of Economy after the latter's statement that a deal with the IMF would be vital to obtain additional foreign financing.

YEMEN

Huthi rebels declared their readiness to respond with drones and missiles to any U.S. involvement in the Hamas-Israel war. Further, the U.S. Navy intercepted three cruise missiles and multiple drones that Huthi rebels launched towards Israel on October 19, following the outbreak of the war between Hamas and Israel on October 7. In parallel, the Minister of Defense of Saudi Arabia met with the Chairman of Yemen's Presidential Leadership Council in Riyadh and urged the Yemeni parties to reach a comprehensive and permanent political solution to end the Yemeni crisis under the supervision of the United Nations, and in a way that achieves security, peace, stability and development in Yemen.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Escalation of Gaza war to have mixed impact on oil producers and importers

The Institute of International Finance (IIF) anticipated that the escalation of the war in the Gaza Strip into a prolonged regional war would lead to a significant decline in global oil supply and a rise in global oil prices. It also expected that the adverse economic impact of a potential surge in oil prices will be much smaller than in previous oil shocks. It noted that advanced economies (AEs) and emerging markets (EMs) have reduced their direct dependence on the oil sector due to improvements in energy efficiency, a gradual shift towards other sources of energy, and an increase in the share of non-hydrocarbon sectors in output. It also considered that the impact of higher oil prices will be more significant on AEs than on EMs, especially in terms of domestic demand, due mainly to terms-of-trade effects.

Further, it noted that, despite the fact that EMs are more intensive oil users than AEs, the overall negative growth effect of higher oil prices will be much smaller in EMs due mainly to stronger growth in major oil and non-fuel commodity exporters, including countries of the Gulf Cooperation Council (GCC), Russia and major Latin American economies. It also said that increases in oil and non-fuel commodity prices have historically been associated with higher real GDP growth rates in Latin America, as many countries in the region are commodity exporters.

In parallel, the IIF considered that higher oil prices boost growth in major net oil exporting economies, as the rise in prices improves the sentiment of the private sector, provides adequate liquidity to the banking system, and stimulates public investments from additional public revenues. Further, it expected the negative impact of higher oil prices to be limited to net oil-importing EMs, and for it to be small in China, given that more than 50% of the Chinese economy's power is generated by coal and from hydropower sources.

Source: Institute of International Finance

MENA

External funding outflows to reach about $220bn in case of escalation of Gaza war

S&P Global Ratings considered that an escalation of the war in the Gaza Strip could trigger external funding outflows of about $220bn, or about 30% from the banking sectors of Egypt, Jordan and of the Gulf Cooperation Council (GCC) countries. The agency's stress test assumes outflows of 50% of interbank liabilities, a 30% decline in non-resident deposits, and outflows of 10% of capital market liabilities. It also indicated that, to fund these outflows, several banks will have to liquidate part of their external assets, which could result in a haircut of 10% on interbank deposits, a 20% haircut on investment portfolios abroad, and a 100% haircut on loans to non-residents and other assets. Also, it pointed out that Qatar could incur up to $58bn in external funding outflows, or 26.2% of total outflows from the eight banking systems, followed by the UAE with $52bn (23.5%), Bahrain with $50bn (22.6%), Saudi Arabia with $22bn (10%), Egypt with $15bn (6.8%), Kuwait with $14bn (6.3%), Jordan with $7bn (3.2%) and Oman with $3bn (1.4%).

In parallel, the agency expected the banking sectors of Qatar, Egypt and Jordan to face external funding shortfalls of about $15bn, $9bn and $1bn, respectively, under this scenario following the liquidating of part of their external assets. However, it noted that Jordan's shortfall is manageable at about $0.8bn or 5.4% of its banking system's external liabilities, and anticipated that the ongoing conflict could lead to higher transfers to Jordan's banking sector in the short term from Jordanian banks already established in the Palestinian territories. In addition, it pointed out that Egypt's shortfall is mainly related to the recent buildup of external debt in the banking system, while the impact on the Qatari banking sector is very manageable given the government's track record of support to banks. It also pointed out that the UAE stands out with an external asset position of about $148bn that the banking system accumulated in recent years.

Source: S&P Global Ratings

SAUDI ARABIA`

Non-oil sector to drive economic activity in 2023-24 period

The National Bank of Kuwait (NBK) expected that Saudi Arabia's economy will benefit from favorable growth dynamics in the remainder of 2023 and in 2024, despite the current environment of elevated interest rates. It projected real GDP to contract by 0.7% in 2023 due to an 8.7% decline in oil sector activity as a result of oil production cuts under the OPEC+ agreement, which will be mitigated in part by a 4.7% expansion in non-oil activity this year. It forecast real GDP growth to accelerate to 2.4% in 2024, in case oil production contracts by 1% and activity in the non-oil sector expands by 4.5% next year. In addition, it projected the average inflation rate to moderate from 2.3% in 2023 to 2% in 2024, and considered that the tighter monetary policy cycle is close to its end, amid market-implied expectations that suggest that the U.S. Federal Reserve will start cutting interest rates in the second half of 2024.

Further, it noted that the Kingdom's positive growth outlook is driven by the government's ongoing reforms as well as by an expansionary fiscal policy. Still, it projected small fiscal deficits of 2.1% of GDP in 2023 and 1.7% of GDP in 2024 despite higher planned levels of public spending, due mainly to ongoing solid increases in non-oil revenues and higher dividends from Saudi Aramco to the government given the newly-adopted performance-linked dividends. It also forecast the public debt level to remain contained at 26% of GDP at the end of 2023 and 26.4% of GDP at end-2024. Further, it expected the current account surplus at 5% of GDP in 2023 and 4.7% of GDP in 2024.

In parallel, NBK considered that a main upside risk to Saudi Arabia's growth outlook is higher-than-expected oil production in 2024, which would result in stronger GDP growth, while the major downside risk is a steeper-than-anticipated softening in non-oil growth in case of higher interest rates and geopolitical tensions.

Source: National Bank of Kuwait

ECONOMY & TRADE

JORDAN

Economy weathering spillovers of Gaza war so far

The International Monetary Fund (IMF) considered that the Jordanian economy can weather the spillovers of the war in Gaza, in case of strong financial support from its international partners and in the absence of a further escalation of the conflict. As such, it projected real GDP growth at 2.6% in 2023, and did not expected it to surpass this level in 2024 as a result of the conflict in Gaza. It also anticipated the growth outlook to further worsen in the event of an escalation of the conflict. It said that the country's new $1.2bn four-year Extended Fund Facility (EFF) with the IMF will focus on stepping up fiscal consolidation efforts to place the public debt level on a steady downward path, to safeguard monetary and financial stability, as well as to accelerate structural reforms to support growth. In parallel, the IMF indicated that the higher interest rate environment has contributed to a low inflation rate in Jordan. It expected that the Central Bank of Jordan's (CBJ) policies will continue to preserve monetary and financial stability through the authorities' commitment to safeguard the peg of the exchange rate. In addition, it noted that the Jordanian authorities have made progress in narrowing the fiscal deficit in recent years, and that they plan to balance the need for fiscal consolidation with boosting social assistance and supporting growth. As such, it forecast the public debt level at less than 80% of GDP by the end of 2028. Further, it projected the current account deficit to narrow from 7% of GDP in 2023 to 6.5% of GDP in 2024, while it expected foreign currency reserves at the CBJ to remain at strong levels in the 2023-24 period.

Source: International Monetary Fund

PAKISTAN

Recovering economy in need of reforms to face external risks

The International Monetary Fund (IMF) considered that the Pakistani economy has started to recover, driven by support from international partners and signs of improved confidence. It said that the steadfast execution of the budget, continued adjustment of energy prices, and renewed flows to the foreign exchange market have reduced fiscal and external pressures, and expected inflation to decline in the coming months. But it considered that the authorities need to continue efforts to build the economy's resilience, given that Pakistan remains susceptible to significant external risks, including the intensification of geopolitical tensions, resurgent commodity prices, and the tightening in global financial conditions. Further, the IMF stated that it has reached a staff-level agreement on the first review under Pakistan's Stand-By Arrangement, which will provide access to about $700m. It added that the agreement supports the authorities' commitment to advance the planned fiscal consolidation, accelerate cost-reducing reforms in the energy sector, complete the return to a market-determined exchange rate, reforming state-owned enterprises to improve the business environment and attract investments, and strengthening the social safety net. It indicated that the government recognizes that the transition to a floating exchange rate would alleviate external pressures sustainably and rebuild foreign currency reserves. It noted that the government has accelerated its engagement with multilateral and official bilateral partners, given that the timely disbursement of external support is critical.

Source: International Monetary Fund

NIGERIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Nigeria's long-term local and foreign currency Issuer Default Ratings (IDRs) at 'B-', which is six notches below investment grade, and maintained the outlook on the ratings at 'stable'. Also, it affirmed the short-term local and foreign currency IDRs at 'B' and the Country Ceiling at 'B-'. It indicated that the ratings are supported by a large economy, a developed and liquid domestic debt market, as well as large oil and gas reserves. But it noted that the ratings are constrained by weak governance, structurally very low non-oil revenues, the economy's high dependence on the hydrocarbon sector, security challenges, elevated inflation rates, low net foreign currency reserves, and ongoing weakness in the exchange-rate framework. Further, it said that the 'stable' outlook reflects the government's stepped-up efforts to reduce fuel subsidies and reform the exchange rate framework, as well as to implement measures that aim to substantially raise public revenues. But it pointed out that the new data on the Central Bank of Nigeria (CBN) suggests its net foreign-exchange position is significantly weaker than previously expected. In parallel, the agency noted that it could downgrade the ratings in case of a further decline in the CBN's net foreign currency position, severely constrained external financing sources, or the authorities' failure to reform the exchange-rate regime. It said that debt servicing difficulties from a widening fiscal deficit, an increase in the debt burden, ongoing highly constrained access to Eurobond financing, further central bank financing of the fiscal deficit, loose monetary policy settings, unanchored inflationary expectations, and more severe shortages of foreign currency in the domestic market could also result in a downgrade of the ratings.

Source: Fitch Ratings

GHANA

Sovereign ratings upgraded on completion of restructuring of domestic debt

Fitch Ratings upgraded Ghana's long-term local currency Issuer Default Rating (IDR) from 'Restricted Default' (RD) to 'CCC' and affirmed the country's long-term foreign currency IDR at 'RD' and the Country Ceiling at 'B-'. It attributed the upgrade to the completion of the domestic debt exchange program, which normalized relations with a significant majority of Ghana's local-currency creditors. It noted that the participation rate in the local-currency exchange stood at 92% on local-currency government bonds, with a similar participation for cocoa bonds and locally-issued foreign currency bonds. Further, the agency indicated that the restructuring of the local debt has resulted in a reduction of debt servicing by GHS52bn, or the equivalent of 6% of GDP and 39% of public revenues in 2023. Also, it noted that the restructuring of the domestic US dollar-denominated debt reduces debt servicing by an additional GHS5bn, or the equivalent of 0.6% of GDP and 4% of public revenues in 2023. It pointed out that authorities are expecting a further reduction in debt servicing as a result of the upcoming 50% haircut on the Bank of Ghana holdings of GHS71bn in local currency non-marketable debt. In parallel, Fitch said that it could further upgrade the ratings once the authorities reach an agreement with private creditors on the restructuring of the country's foreign currency-denominated external debt and completes the restructuring process.

Source: Fitch Ratings

BANKING

JORDAN

Construction and general trade account for 38.4% of lending at end-September 2023

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD33.3bn, or $47bn at the end of September 2023, constituting increases of 2.2% from JD32.6bn ($46bn) at end-2022 and of 3% from JD32.3bn ($45.6bn) at end-September 2022. Loans in foreign currency represented 11.9% of the total at end-September 2023 relative to 13.3% a year earlier. The resident private sector accounted for 88% of total credit at the end of September 2023 relative to 89.2% at end-September 2022, followed by the central government with 6.3% compared to 5.8% a year earlier; public entities with 3%, and the non-resident private sector with 2.2%. Also, the distribution of credit by main sectors shows that construction represented JD8.1bn or 24.3% of the total at end-September 2023 relative to 25.3% a year earlier, followed by public services & utilities with JD5.6bn (16.7%), general trade with JD4.7bn (14%), industry with JD3.9bn (11.7%), financial services with JD886.8m (2.7%), tourism, hotels & restaurants with JD673.6m (2%), agriculture with JD552.2m (1.7%), transportation with JD409.6m (1.2%), and mining with JD136m (0.4%). In parallel, loans & advances reached JD21bn at end-September 2023, followed by receivables of Islamic banks with JD9.1bn, overdrafts with JD2.8bn, credit cards with JD342.1m, and discounted bills with JD149.7m.

Source: Central Bank of Jordan

IRAN

FATF urges Tehran to complete action plan

In its plenary meetings in October, the Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), declared that Iran will remain on the FATF statement of "High Risk Jurisdictions Subject to a Call for Action", which identifies countries or jurisdictions with serious strategic AML/CFT deficiencies, until the authorities implement their action plan to address the country's significant AML/CFT deficiencies in full. It said that Iran committed in June 2016 to address its strategic deficiencies, but noted that, since February 2020, the country has not completed its action plan. It added that the FATF reiterated in October 2019 its call on its members and on all jurisdictions to increase their examination of branches and subsidiaries of financial institutions based in Iran, to introduce relevant reporting mechanisms or systematic reporting of financial transactions, and to demand higher external audit requirements for financial groups. Further, the FATF lifted in full in February 2020 the suspension of counter-measures used by international financial institutions against Iran, since the latter failed to enact the Palermo and Terrorist Financing Conventions. It also called on its members and urged all jurisdictions to apply effective counter measures to risks emanating from the country. In parallel, it pointed out that, in case Iran ratifies the Palermo and Terrorist Financing Conventions, the FATF will decide on the next steps, including whether to suspend counter measures. It stated that it will continue to be concerned about terrorism financing risks until Tehran implements the required measures to address the CFT deficiencies identified in its action plan.

Source: Financial Action Task Force

EGYPT

Ratings on four banks downgraded on deteriorating operating environment

Fitch Ratings downgraded the long-term foreign-currency Issuer Default Ratings (IDRs) of the National Bank of Egypt (NBE), Banque Misr (BM), Commercial International Bank (CIB), and Banque du Caire (BdC) from 'B' to 'B-'. Further, it revised the outlook on the long-term IDRs from 'negative' to 'stable', in line with the outlook on the Egyptian sovereign. Also, it downgraded the Viability Ratings of the four banks from 'b' to 'b-'. Further, it revised the operating environment for Egyptian banks from 'b' to 'b-', as operating conditions for banks are closely linked to the sovereign profile. It said that the ratings of the banks are supported by their standalone credit profiles, their strong franchise, and their good funding profiles. But it noted that tight liquidity in foreign currency, the banks' elevated exposure to the sovereign, high core inflation rates, and much weaker business conditions in the non-oil sector are constraining the ratings of the four banks. Further, it noted that elevated market risks and large concentrations of loans to single borrowers are weighing on the ratings of CIB and BdC. It said that the VRs of NBE and BM are supported by their reasonable asset quality metrics, while the ratings of BdC and CIB take into account the banks' weakened asset quality. In addition, it pointed out that the VR of CIB is underpinned by the bank's adequate capital ratios, while the ratings of NBE and BM are constrained by their weak core capitalization, and the rating of BdC reflects the bank's moderate capitalization.

Source: Fitch Ratings

MOROCCO

Bank's profitability to improve in 2023-24 period

Fitch Ratings indicated that the profitability of Moroccan banks recovered strongly in the first half of 2023 due to a better operating environment and elevated aggregate net income, which have offset high impairment charges. It said the aggregate net income of the seven largest banks increased by 28% in the first half of 2023 from the same period last year, with net interest income growing by 7%. It expected the profitability of the banks to improve in the second half of 2023 and in 2024, driven by higher interest rates and lending growth. It said that Moroccan banks are likely to benefit from rising interest rates, as they are largely funded by low-cost current and savings deposits, although the repricing of assets has been slower than in many emerging markets due to the relatively long maturities of loans. It noted that the banks' impairment charges increased by 18% on an annualized basis in the first half of 2023 compared with full year 2022, due to elevated provisioning for asset-quality risk originating from high inflation rates, rising interest rates, and modest real GDP growth in the country. Also, it did not expect impairment charges to normalize in the near term due to increased global economic uncertainties and higher country risks in Africa. In addition, it pointed out that the banks' annualized return on average equity increased to 10.8% in the first half of 2023 relative to 8.7% in 2022, and expected it to improve further in 2024, although persistent high impairment charges will hamper a stronger recovery. Also, it forecast the banks' cost of risk to remain broadly stable at 110 basis points in the 2023-24 period, given global and regional macroeconomic risks.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $90p/b in fourth quarter of 2023

ICE Brent crude oil front-month prices reached $81.2 per barrel (p/b) on November 15, 2023, constituting an increase of 2.1% from $79.5 p/b a week earlier, due to growing concerns over an escalation on Middle East tensions. However, oil prices decreased from $82.5 p/b on November 14 to $81.2 p/b on November 15 amid a bigger-than-expected rise in U.S. crude oil inventories and concerns about global economic activity. In parallel, the International Energy Agency expected global oil demand to rise by 2.4 million barrels per day (b/d) to 102 million b/d in 2023 due to higher demand from China amid the recovery in the petrochemicals sector. It forecast global oil output to increase by 1.7 million b/d to 101.8 million b/d in 2023, supported by higher production from the U.S., Brazil, and Guyana. Further, it projected global oil demand to rise to a record annual high of 102.9 million b/d in 2024 despite lower demand from OECD countries and higher demand for electric vehicles. It anticipated global oil supply to rise to 103.4 million b/d, driven by elevated oil supply from non-OPEC+ producers. Also, it expected the global oil market to be in surplus in the first quarter of 2024, which would put downward pressure on oil prices. In addition, it noted that the temporary easing of U.S. sanctions on Venezuela's crude oil exports in late October would have only a marginal impact on global oil supply in the near term. It considered that the global oil market balance will remain vulnerable to heightened economic and geopolitical risks. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 40 industry analysts, to average $90 p/b in the fourth quarter of 2023 and $84.8 p/b in full year 2023.

Source: International Energy Agency, Refinitiv, Byblos Research

MENA's natural gas output to grow by 4% in 2023

The International Monetary Fund forecast natural gas production in the Middle East & North Africa region to average 17.4 million barrels of oil equivalent per day (boe/d) in 2023, which would constitute an increase of 4.2% from 16.7 million (boe/d) in 2022. The GCC countries' natural gas output is expected to account for 59.2% of the region's gas production this year. It projected Iran's natural gas output at 5 million (boe/d) in 2023, or 28.7% of the region's gas production, followed by Qatar with 4.8 million boe/d (27.6%), and Saudi Arabia with 2.7 million boe/d (15.5%).

Source: International Monetary Fund, Byblos Research

OPEC's oil basket price down 3% in October 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $91.8 per barrel (p/b) in October 2023, down by 3% from $94.6 p/b in September 2023. The price of Angola's Girassol was $95.7 p/b, followed by Nigeria's Bonny Light at $94 p/b, and Saudi Arabia's Arab Light at $93.4 p/b. All prices in the OPEC basket posted monthly declines of between $1.5 p/b and $3.12 p/b in October 2023.

Source: OPEC

Middle East demand for gold jewelry down 9% in first nine months of 2023

Demand for gold jewelry in the Middle East totaled 131.5m tons in the first nine months of 2023, constituting a decrease of 8.6% from 95.4 tons in the same period of 2022, and accounted for 10% of global demand for gold jewelry. Demand for gold jewelry in the UAE and Saudi Arabia reached 29.5 tons and 29.4 tons, respectively, representing each 22.4% of the region's consumption in the covered period. Egypt followed with 21.5 tons (16.4%), then Iran with 21.2 tons (16.1%), and Kuwait with 10.6 tons (8%).

Source: World Gold Council, Byblos Research

Base Metals: Iron ore prices to average at $117 a dry metric ton in fourth quarter of 2023

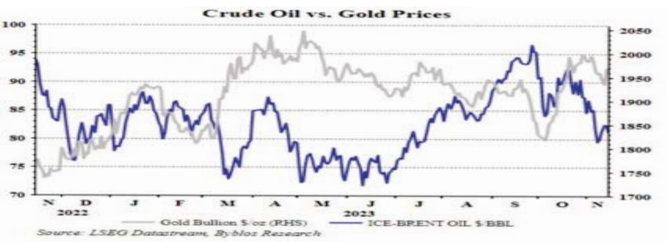
LME iron ore cash prices averaged $116.8 per dry metric ton (dmt) in the year-to-November 15, 2023 period, constituting a decrease of 4.5% from an average of $122.3 a dmt in the same period of 2022, due mainly to weak global demand and poor market sentiment. Also, iron ore prices surged from a recent low of $103.2 per dmt on August 14, 2023 to $131.5 a dmt on November 15 of this year. S&P Global Market Intelligence attributed the recent rise in iron ore prices to improving sentiment about the economic recovery in China and an uptick in demand for iron from the Chinese property sector, declining inventories of Chinese iron ore that have resulted in the restocking of the metal, as well as lower-than-expected supply from Australia and Brazil. Further, it projected the global supply of iron ore to increase from 2.36 million tons in 2023 to 2.39 million tons in 2024. Also, it forecast the global demand for iron ore to rise from 2.45 million tons in 2023 to 2.49 million tons in 2024. However, it anticipated that lower steel supply from China amid the authorities' plans to reduce emissions, declining stocks, and the potential impact of plans in the U.S. and Europe to impose tariffs on China's steel exports, to weigh on iron ore prices, given that iron ore is used in the production of steel. As such, it forecast iron ore prices to average $117 per dmt in the fourth quarter and $116.9 a dmt in full year 2023.

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

Precious Metals: Silver prices to average $23.3 per ounce in fourth quarter of 2023

Silver prices averaged $23.3 per troy ounce in the year-to-November 15, 2023 period, constituting an increase of 7.5% from an average of $21.7 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, S&P Global Market Intelligence indicated that the market for silver has been undersupplied for the past two years, and anticipated it to remain in deficit in 2023, despite growing supply of the metal from silver mines. It attributed the shortfall to a major surge in demand for silver as a result of the metal's industrial utilization in solar panels, batteries and electronics. Also, it said that silver is gaining traction in the solar industry amid the global move towards renewable energy, where the metal is primarily used as a paste in solar cells due to its high conductivity. In parallel, it expected China, Mexico and Peru to remain the top three silver producers in 2023, but anticipated Mexico's mining sector to face challenges from a new legislation enacted in May 2023. Further, it considered that silver prices have been supported by robust demand for the metal from the industrial sector this year, and anticipated supply conditions to be constrained and to become tighter in the near term. Also, it projected silver prices to average $23.3 per ounce in the fourth quarter of the year and 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- Stable	Caa1 Stable	B- Stable	B Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa3 Stable	CC -	-	-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	01-Nov-23	No change	13-Dec-23
Eurozone	Refi Rate	4.50	26-Oct-23	No change	14-Dec-23
UK	Bank Rate	5.25	21-Sep-23	No change	14-Dec-23
Japan	O/N Call Rate	-0.10	31-Oct-23	No change	19-Dec-23
Australia	Cash Rate	4.35	07-Nov-23	Raised 25bps	05-Dec-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	02-Nov-23	No change	14-Dec-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	02-Nov-23	No change	24-Jan-24
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	01-Nov-23	No change	13-Dec-23
Saudi Arabia	Repo Rate	6.00	01-Nov-23	No change	13-Dec-23
Egypt	Overnight Deposit	19.25	02-Nov-23	No change	21-Dec-23
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	35.00	26-Oct-23	Raised 500bps	23-Nov-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	05-Dec-23
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	21-Nov-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	09-Nov-23	No change	14-Dec-23
Brazil	Selic Rate	12.25	01-Nov-23	Cut 50bps	N/A
Armenia	Refi Rate	9.75	31-Oct-23	No change	12-Dec-23
Romania	Policy Rate	7.00	08-Nov-23	No change	N/A
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	16.00	26-Oct-23	Cut 400bps	14-Dec-23
Russia	Refi Rate	15.00	27-Oct-23	Raised 200bps	15-Dec-23

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