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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Outstanding sustainable debt securities at $5.6 trillion at end-September 2023

The global outstanding Environmental, Social, and Governance (ESG) debt reached $5.6 trillion (tn) at the end of September 2023, constituting an increase of 24.4% from $4.5tn at the end of September 2022. The distribution of ESG bonds shows that green bonds that include green asset-backed securities amounted to $2.4tn at the end of September 2023 and accounted for 42% of the total, followed by sustainability-linked loans with $1.15tn (20.4%), sustainability bonds with $690bn (12.2%), social bonds with $619bn (11%), green loans with $580bn (10.3%), and sustainability-linked bonds with $240bn (4.3%). In addition, ESG debt securities issued by the United States amounted to $781bn at the end of September 2023 and accounted for 14% of the total, followed by debt securities issued by France with $617bn (11%), supranational institutions with $598bn (10.6%), Germany with $465bn (8.2%), China with $357bn (6.3%), the United Kingdom with $252bn (4.5%), Spain with $236bn (4.2%), Italy with $229bn (4.1%), the Netherlands with $201bn (3.6%), and South Korea with $190bn (3.4%), while other countries issued $1.7tn in ESG bonds (30.4%).

Source: Institute of International Finance

EMERGING MARKETS

Nearly 30% of rated sovereigns have investment-grade rating at end-2023

S&P Global Ratings indicated that 29% of the sovereigns that it rates in the Emerging Europe, Middle East and Africa (EEMEA) region had an investment grade rating as at the end of 2023, the highest ratio since the end of 2021. It noted that 21 of the sovereigns that it rates in the EEMEA region were in the 'B' category at end-2023 and accounted for 38.2% of total rated sovereigns, followed by 10 sovereigns in the 'BB' range (18.2%), eight countries in the 'CCC' category or lower (14.5%), nine sovereigns in the 'BBB' range (16.4%), four countries in the 'A' segments (7.3%), and three sovereigns in the 'AA' bracket (5.5%). In addition, it pointed out that the ratings of 42 sovereigns carried a 'stable' outlook at end-2023, four countries had a 'negative' outlook, and six economies carried a 'positive' outlook, while four sovereigns had a 'non meaningful' outlook as a result of defaulting on their financial obligations. Further, the latest available data show that the average sovereign credit rating declined from about 'BB+' at the end of 2010 to 'BB-' at end-June 2023, while the average sovereign rating, weighted by GDP, declined from about 'BBB' to 'BB+' during the same period of time. Also, it said that 17 sovereigns in Sub-Saharan Africa (SSA), 11 sovereigns in the Middle East and North Africa (MENA), eight countries in Emerging Europe, five economies in the Commonwealth of Independent States, and one sovereign in Emerging Asia carried a 'stable' outlook on their ratings at end-2023. It added that two countries in SSA and one economy in each of the MENA and Emerging Europe had a 'negative' outlook on their ratings at end-2023, while three sovereigns in Emerging Europe, two countries in the MENA region, and one country in SSA carried a 'positive' outlook on their ratings. Further, it said that it carried out six upgrades and five downgrades in 2023.

Source: S&P Global Ratings

GCC

Stock markets nearly unchanged in first 11 months of 2023

Arab stock markets regressed by 0.1% and Gulf Cooperation Council equity markets grew by 0.5% in the first 11 months of 2023, relative to decreases of 3% and 1%, respectively, in the same period of 2022. In comparison, global stock markets and emerging market equities increased by 13.8% and 3.4%, respectively, in the first 11 months of 2023. Activity on the Damascus Securities Exchange, based on the official stock market index, surged by 76.2% in the first 11 months of 2023, the Egyptian Exchange, based on the stock market index, appreciated by 69.4%, the Iraq Stock Exchange advanced by 50.3%, the Beirut Stock Exchange improved by 22.8%, and the Dubai Financial Market grew by 19.7%. Also, the Casablanca Stock Exchange increased by 10%, the Saudi Stock Exchange yielded 6.7%, the Tunis Bourse gained 5.8%, and the Bahrain Bourse advanced by 2.3% in the covered period. In contrast, activity on the Palestine Exchange declined by 9.3%, the Abu Dhabi Securities Exchange decreased by 6.4%, the Boursa Kuwait contracted by 6.3%, the Qatar Stock Exchange retreated by 6%, the Muscat Securities Market regressed by 4.1%, and the Amman Stock Exchange dipped by 3.8% in the covered period.

Source: Local stock markets, Dow Jones Indices, Refinitiv

SAUDI ARABIA

Profits of listed firms down 26% to $120.7bn in the first nine months of 2023

The cumulative net income of 206 companies listed on the Saudi Stock Exchange, or Tadawul, totaled SAR452.7bn, or $120.7bn in the first nine months of 2023, constituting a decrease of 25.7% from SAR609bn ($162.4bn) in the same period of 2022. Earnings stood at $38.9bn in the first quarter, $38.6bn in the second quarter, and $42.4bn in the third quarter of 2023. Listed energy firms generated net profits of $93bn and accounted for 77% of total earnings in the first nine months of 2023. Listed banks followed with $14bn in net income (11.6%), then telecommunications firms with $3.6bn (3%), utilities providers with $3.2bn (2.7%), materials firms with $1.1bn (0.9%), firms in the food & beverage sector with $814m (0.7%), healthcare equipment and services providers with $779m and insurance companies with $709.6m (0.6% each); while listed companies in other sectors registered net profits of $3.5bn (3%). In parallel, the net earnings of listed insurers jumped by 951% annually in the first nine months of 2023, followed by the earnings of pharma, biotech & life sciences firms (+250.2%), real estate management and development firms (+143%), transportation companies (+93.3%), consumer services providers (+40%), healthcare and equipment services firms (+29.3%), software and services companies (+27.2%), telecommunications firms (+25%), and companies in the food & beverages sector (+18.4%). In contrast, the net income of materials firms dropped by 90% in the covered period, followed by the profits of diversified financial companies (-82%), the energy sector (-26.4%), food and staples retailers (-26%), capital goods providers (-25.4%), the utilities sector (-20%), and the retailing sector (-10%). Also, the net losses of consumer durables and apparel firms increased by 163% in the first nine months of 2023.

Source: KAMCO

POLITICAL RISKS OVERVIEW - November 2023

ALGERIA

Ahead of the presidential elections scheduled for December 2024, President Abdelmadjid Tebboune continues to centralize power by appointing his chief of staff as prime minister. This move came after he reorganized the president's office and appointed several advisers whose responsibilities duplicate those of the government. Meanwhile, the newly-elected general secretary of the National Liberation Front vowed to support Tebboune's 'vision', signaling the party's ambition to return to prominence after being sidelined in the wake of the 2019-2021 Hirak protest movement. In parallel, the government appointed a new ambassador to Spain, as the post had remained vacant since Algiers recalled its diplomatic representative in March 2022 in protest at Madrid's recognition of Moroccan sovereignty over the Western Sahara.

ARMENIA

Fears of new escalations between Armenia and Azerbaijan intensified as peace talks stalled. As a result, Prime Minister Nikol Pashinyan warned that Baku was preparing for "new armed aggression". In parallel, the European Union boosted cooperation with Armenia amid worsening relations with Russia, as the EU High Representative announced the expansion of the EU Mission in Armenia with "more observers and more patrols" along the border with Azerbaijan, as well as the possibility of military support and visa liberalization options for Armenia. Baku next day responded to the "biased policy" by cancelling bilateral projects and visits to the EU. Finally, Azerbaijan withdrew from the EU and U.S.-facilitated peace talks with the Minister of Foreign Affairs of Armenia, and criticized the "one-sided and biased" remarks by the U.S. Assistant Secretary of State.

ETHIOPIA

Hostilities between federal forces and Amhara militias, known as Fano, continue in the Amhara region. Skirmishes took place between Amhara and Oromo militias in the Oromia Special Zone, killing 30 civilians. Renewed talks between the government forces and the Oromo Liberation Army to end the Oromia insurgency ended without an agreement, which led to the resumption of the conflict. After raising concerns about a potential conflict with Eritrea over access to the sea, Prime Minister Abiy Ahmed reiterated that he has no intention of using military force. But he stressed the importance of seaport access for Ethiopia's development and warned that failure to resolve the issue now could trigger a conflict in the future.

IRAN

The U.S. sanctioned Iran-affiliated militias and military financial networks in the Gaza Strip, Lebanon, and Iraq. The International Atomic Energy Agency reported that Iran continued enriching its uranium stockpiles and showed no progress in regards to transparency and safeguard concerns.

IRAQ

The U.S. launched its first deadly airstrike on Iran-backed forces since the start of the war in the Gaza Strip after sustaining a number of attacks, most notably drone attacks on US forces in Ain Al-Asad and Al-Harir bases in the Anbar and Erbil governorates, respectively. In parallel, the speaker of the Iraqi parliament has been suspended for allegedly forging the resignation letter of a fellow member of Parliament from the Taqaddum Party, which announced the resignation of three of its ministers in order to in boycott of the parliament. The Islamic State terrorist group killed 11 civilians in Muqdadiyah city in the Diyala province, while Turkiye carried out operations against Kurdish groups and intelligence services, prompting the latter to retaliate, killing three Turkish soldiers.

LIBYA

Attempts to break the political deadlock and unify state institutions continued to fail, as the heads of the rival assemblies of the eastern-based House of Representatives and the Tripoli-based High State Council could not reach an agreement over election laws and the formation of an interim unity government. Tensions remained elevated in the eastern city of Benghazi and the western city of Gharyan following deadly fighting among rival factions. In parallel, the Turkish Parliament approved extending the military mission in Libya for an additional 24 months.

SUDAN

Talks facilitated between the U.S. and Saudi Arabia in Jeddah failed to yield a ceasefire agreement between the warring factions in Sudan, while the Sudanese Armed Forces publicly accused the UAE of arming the Rapid Support Forces (RSF). In parallel, the paramilitary RSF scored major victories in Darfur, as it captured West Darfur and the East Darfur state capital, and left a trail of alleged mass atrocities after capturing South and Central Darfur in late October. Further, Sudanese refugees arriving in neighboring Chad claimed the RSF's attack on West Darfur included ethnically-motivated killings and sexual violence. The RSF advances to North Darfur triggered three Juba Peace Agreement signatories to renounce their neutral stance and fight alongside the Sudan Armed Forces, raising the risk of all-out ethnic conflict in Darfur. In parallel, the battle for the capital city of Khartoum persists, while the RSF continues to advance in the border region of Kordofan, targeting major oil infrastructure and raising fears of potential spillover into South Sudan.

TUNISIA

President Kais Saied opposed the bill that criminalizes the normalization of relations with Israel. The decision came after Parliament debated the draft law, raising the president's concern that the bill could harm Tunisia's foreign relations and security. Further, Member of Parliament and the Special Rapporteur on freedom of opinion and expression said Saied's decision was in response to the U.S. threat of "economic and military sanctions". Security forces arrested several prominent businessmen, including the head of the country's largest group and one-time son-in-law of former President Ben Ali, over cases of corruption and money laundering.

YEMEN

Dialogue between the Houthi rebels and the Saudis-backed forces were boosted as a result of the increased engagement between Saudi Arabia and Iran, notably after the meeting between Saudi Crown Prince Mohammed Bin Salman and Iranian President Ebrahim Raisi. The talks focused on discussing the details of a resolution of the humanitarian issues. Further, the Houthi rebels fortified their military presence in the Taiz and Hodeida governorates near the strategic Bab al-Mandab strait, which was fueled by resentment over Israel's campaign in Gaza, and launched attacks on government positions in the Alkassara area. In parallel, Houthi rebels launched drones and missiles towards Israel and U.S. warships in the Red Sea, and seized Israeli ships that were traversing through nearby waters.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Global headwinds to slow energy transition

S&P Global Ratings indicated that the cost of the energy transition to consumers, corporates and governments has increased and that monetary conditions will continue to tighten in 2024, amid a dramatic change in the funding and the economic environment worldwide after a decade of supportive monetary policy. It noted that higher funding costs affect investments in renewables more than they do in fossil fuels, given the upfront capital needs. Also, it considered that supply chain bottlenecks and the resulting inflationary effects on critical materials for the energy transition are key challenges as demand for clean technologies increases.

At the policy level, the agency expected tighter public resources to result in growing backlash from certain political constituencies in order to slow climate action, which would result in a more uncertain business environment as governments and companies face mounting pressures. But it anticipated that rapid technological change could constitute an upside as initiatives to decarbonize the economy spread, and that slower growth, in part driven by global manufacturing weakness, could reduce the need to compensate for the insufficient additions in renewable capacity with fossil fuels.

Further, S&P considered that climate change is likely to remain a top risk for many governments and corporates, but that more short-term pressures, including lower growth prospects, rising pressure to tighten spending and related social tensions or reduced access to liquidity, could divert attention away from investing in decarbonization and preparing for climate change. As a result, it anticipated that some countries and businesses are more likely to fall behind in their transition if they reduce their climate-mitigation efforts. In addition, it expected the implementation of comprehensive and coordinated climate policies and strategies to be a challenge for governments and companies. It anticipated that the faster progress on climate actions for a given sector or a region could reshuffle sector-specific competitiveness, and potentially lead to negative side effects across local supply chains.

Source: S&P Global Ratings

GCC

Fiscal outlook in 2024 contingent on oil prices and output

Goldman Sachs considered that the fiscal outlook for Gulf Cooperation Council countries in 2024 is highly dependent on the evolution of global oil prices and production decisions. It estimated that a change of $10 per barrel (p/b) in the average oil price next year will result in a widening or narrowing of the region's fiscal deficit by about 2.5 percentage points of GDP on average. It added that the impact on the fiscal balance could have a significant impact on regional borrowing requirements, bond issuance and market pricing.

In parallel, it noted that its baseline scenario projects an average oil price of about $74 p/b for 2024, an upside scenario of about of $84 p/b, and downside scenario of oil prices at about of $64 p/b. It expected fiscal surpluses in all three scenarios in Qatar and the UAE, which points to low fiscal breakeven oil prices in these countries. In addition, it said that the base case scenario suggests deficits of 3% of GDP to 4% of GDP in Saudi Arabia, Bahrain and Oman, which would widen to about 5% of GDP to 6% of GDP in the downside scenario, and narrow to about 2% of GDP to 3% of GDP in the upside scenario. It estimated that Kuwait's budget deficit would reach about 5.5% of GDP in the base case scenario and exceed 11% of GDP in the downside scenario.

Further, Goldman Sachs estimated that the base case scenario implies gross financing requirements of about $3.6bn for Bahrain that would rise to $4.5bn in case oil prices were to decline to $64 p/b, which would exacerbate the country's financing challenges. In addition, it estimated that Saudi Arabia's fiscal deficit would reach nearly $50bn in the base case scenario, and that it would widen to $70b, or 6.2% of GDP in the downside scenario. It considered that the sensitivity of the Kingdom's borrowing requirements and the potential scale of debt issuance underpins the higher supply risk from oil production cuts.

Source: Goldman Sachs

ALGERIA

Favorable near term economic outlook

The International Monetary Fund (IMF) projected Algeria's real GDP growth rate at 4.2% in 2023, supported by robust activity in the hydrocarbon, industry, construction, and services sectors. Also, it estimated the average annual inflation rate at 9.2% in 2023 despite the decline in imported inflation. Further, it forecast the budget deficit to reach 6.7% of GDP this year, driven in part by an increase in the public-sector wage bill, transfers, and investment spending; while it expected the current account deficit to post a surplus for the second year in a row despite lower hydrocarbon prices, and noted that foreign currency reserves reached the equivalent of 14 months of imports as of end-October 2023. It added that monetary policy has remained accommodative, despite the central bank's action in April of this year to increase reserve requirements and step up liquidity absorption in the banking sector.

It stated that near-term prospects are broadly favorable. It expected economic growth to remain robust in 2024, inflation to moderate, and the current account balance to post a small surplus as hydrocarbon prices are expected to ease further and imports would pick up moderately. Also, it anticipated the fiscal deficit to continue to widen in 2024 due to the higher public-sector wage bill, transfers, and public investments. It noted that the deficit's financing would originate in part from the drawdown of accumulated hydrocarbon revenues in the Revenue Regulation Fund.

It considered that the economic prospects are subject to several risks that include elevated inflation rates, volatile hydrocarbon prices that could affect growth and budget revenues, and wide fiscal deficits that would erode fiscal buffers and increase the public debt level. But it noted that medium-term prospects would improve in case of sustained reforms to diversify the economy, reduce dependence on the hydrocarbon sector, and generate higher and sustained growth. It added that reforms would include the steady implementation of the government's action plan, higher private investments, improving the business climate, more developed domestic financial markets, and new export opportunities for non-hydrocarbon products.

Source: International Monetary Fund

IRAQ

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Iraq's short- and long-term foreign and local currency issuer default ratings (IDRs) at 'B' and 'B-', respectively, and maintained the 'stable' outlook on the long-term IDRs. It indicated that the ratings are supported by the country's elevated foreign exchange reserves and its favorable debt profile. But it noted that the ratings are constrained by the country's high dependence on commodities, heightened political tensions, weak governance, and an underdeveloped banking sector. It added that the absence of structural, economic or fiscal reforms are weighing on the ratings. Also, it forecast foreign-currency reserves excluding gold to reach $92bn at the end of 2023 and to stabilize at around this level through 2025, which would keep the current external payments coverage above 12 months and provide substantial financial buffers. In addition, it expected the pressure on the Iraqi dinar to continue in the near term, as the Central Bank of Iraq announced that depositors can withdraw US dollar remittances in dinars only starting in January 2024, and given that the gap between the official and parallel exchange rates has recently widened by 20%. In parallel, Fitch said that it could downgrade the ratings in case of a significant deterioration in external and fiscal finances and/or if the country's security worsens, which could affect oil production and exports. In contrast, it noted that it could upgrade the ratings in case of improvements in the cohesion and credibility of economic policymaking, and/or in case non-oil economic activity expands, and/or if the public debt level declines.

Source: Fitch Ratings

TÜRKIYE

Outlook on sovereign ratings revised to 'positive'

S&P Global Ratings affirmed Türkiye's long- and short-term sovereign credit ratings at 'B' and 'B', respectively, which are five notches below investment grade, and revised the outlook on the ratings from 'stable' to 'positive'. It also upgraded the Transfer & Convertibility assessment from 'B' to 'B+', and attributed the upgrade to the receding risk that the government might prevent private sector debtors from servicing foreign currency-denominated debt. It added that the outlook revision is due to the authorities' efforts to restore confidence in the Turkish Lira, to rebalance the economy, to rebuild foreign currency reserves, and to ease regulatory burdens on key financial sectors. It anticipated the current account deficit to narrow from 4.3% of GDP in 2023 and 2.4% of GDP in 2024 amid the tightening of monetary policy and a decrease in the import bill. In addition, it said that Türkiye has started to rebuild its usable foreign currency reserves that increased by an estimated $5.5bn in the first half of November to $27.5bn, and expected them to exceed $60bn by 2025. However, S&P pointed to potential risks in the near term in case of policy reversals by decision-makers, a slowdown of the economy, a shift of the financial account into deficit, and further depreciation of the local currency. It noted that it could upgrade the ratings if the dollarization level of the economy declines, the balance of payments improves and/or in case of a rapid accumulation of foreign currency reserves. In contrast, it said that it could revise the outlook to 'stable' if pressures on Türkiye's financial stability intensify and/or if public finances weaken.

Source: S&P Global Ratings

OMAN

Sovereign ratings upgraded on improved debt metrics

Moody's Investors Service upgraded Oman's long-term issuer and senior unsecured debt ratings from 'Ba2' to 'Ba1', and revised the outlook on the long-term ratings from 'positive' to 'stable'. It attributed the upgrade to the decline in Oman's debt burden and the improvement of its debt affordability metrics in 2023, mainly due to the windfall from oil and gas revenues, which will increase the sovereign's resilience to potential future shocks. Further, it said that the government's spending restraint, and its decision to use the fiscal surplus and fiscal buffers to pay down a share of the public debt, supported the fiscal metrics. In parallel, it noted that the 'stable' outlook balances the government's improved reform momentum since 2020 and its efforts to increase economic and fiscal diversification, against its heavy economic and fiscal reliance on the hydrocarbon sector, which exposes the country to a potentially large deterioration in its fiscal and external accounts in case of a decline in global oil demand and prices. Also, it expected the public debt level to decrease from 40% of GDP at the end of 2022 to 38% of GDP at end-2023, the lowest such ratio since 2016. Further, it noted that it could upgrade the ratings if the government's debt metrics improve through continued fiscal prudence and generation of non-oil revenues. In contrast, it said that it could downgrade the ratings in case significant reversal of the fiscal adjustment that the government implemented in recent years, which could increase Oman's exposure to potential future declines in oil demand and prices.

Source: Moody's Investors Service

CÔTE D'IVOIRE

Fiscal and current account deficits to narrow in 2023

The International Monetary Fund projected Côte d'Ivoire's real GDP growth rate at 6.5% in 2023, and noted that the country's growth rate has been the highest in Africa in the past decade. It indicated that the authorities took measures to strengthen macroeconomic stability and reverse widening fiscal and external imbalances, and are stepping up efforts to create fiscal space and to implement their structural reforms agenda. As such, it expected the current account and budget deficits to shrink to 1.6% of GDP and 1.1% of GDP, respectively, in 2023. It noted that the government has delivered the largest fiscal consolidation in the West African Economic and Monetary Union in the last six months. Further, it considered that the authorities' commitments to enhance the coverage, transparency and management of public finances will safeguard fiscal space. It added that the authorities' efforts to improve the institutional and legislative framework for debt management remain critical for debt sustainability, and will help maintain a moderate risk level of debt distress amid a still difficult external environment. Further, it indicated that the authorities' commitment to address the recommendations of the Financial Action Task Force to improve the effectiveness of Côte d'Ivoire's anti-money laundering and combating the financing of terrorism system, and to strengthen public procurement and the asset declaration framework for public officials, will support governance.

Source: International Monetary Fund

BANKING

GCC

Banks' profits up 21.5% to $40.7bn in first nine months of 2023

Figures released by financial services firm KAMCO indicate that listed banks in the six Gulf Cooperation Council (GCC) countries posted aggregate net profits of $40.7bn in the first nine months of 2023, constituting an increase of 21.5% from $33.5bn in the same period of 2022. The banks' net earnings totaled $13.2bn in the first quarter, $13.7bn in the second quarter, and $13.8bn in the third quarter of the year. It attributed the rise in income in the covered period mainly to increases in net interest income by $9.3bn to $60.9bn and in non-interest income by $4.5bn to $27.8bn, as well as to a decline of $0.9bn to $8bn in loan-loss provisions in the covered period. It added that the aggregate revenues of banks reached $88.7bn in the first nine months of 2023, representing an increase of 18% from $75bn in the same period in 2022. Further, it indicated that the aggregate assets of GCC banks stood at $3.12 trillion (tn) at end-September 2023 and increased by 5.7% from $2.95tn at end-2022 and by 8% from $2.9tn a year earlier. In addition, it said that the banks' aggregate net loans reached $1.85tn at the end of September 2023 and grew by 5.2% from $1.76tn at end-2022 and by 6.8% from $1.73tn at end-September 2022, while customer deposits amounted to $2.34tn, and rose by 5.5% from end-2022 and by 6.7% from the end of September 2022. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 79.1% at the end of September 2023 compared to 79% a year earlier.

Source: KAMCO

EGYPT

Banking sector faces very high credit risks

S&P Global Ratings downgraded Egypt's banking sector from 'Group 9' to 'Group 10' under its Banking Industry Country Risk Assessment (BICRA), with the economic risk score at '10' and the industry risk score at '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 10' are Belarus, Bolivia, Nigeria, Tunisia, and Ukraine. It said that Egypt's economic risk score reflects "extremely high risks" in its economic resilience, "very high" credit risks in the economy, and "very high risks" in its economic imbalances. It expected that the depreciation of the Egyptian pound, deteriorating operating conditions, and weakened sovereign creditworthiness will impact the banks's asset quality and increase credit losses. But it anticipated limited direct effects on the ability of borrowers to repay their loans in foreign currency, as those loans are extended only to those who generate revenues in foreign currency. Also, it considered the banking sector's large exposure to sovereign securities to be a source of risk, particularly for foreign-currency debt that constitutes about 28% of the total exposure. In parallel, it said that the industry score reflects the country's "extremely high risks" in its institutional framework, "very high risks" in its system-wide funding, and "high risks" competitive dynamics. It noted that the banking sector is dominated by state-owned banks that account for about 63% of total assets. It considered that banks may not be able to tap international capital markets in case of need, and noted that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

TÜRKIYE

Outlook for Turkish banks revised to 'stable' on return to conventional policies

Fitch Ratings revised the outlook on rated Turkish banks from 'negative' to 'stable', following its similar action on the outlook of the sovereign ratings, and given the declining pressure on the banks' abilities to operate in the country amid the gradual simplification of macroprudential regulations. It indicated that risks to the operating environment, as well as macro-financial stability and external funding pressures, have receded due to the authorities' return to a more conventional and consistent policy mix. But it noted that risks to the outlook for banks remain elevated amid still-high inflation rates, slowing GDP growth, and uncertainties about the sustainability and success of the policy adjustment in stabilizing the economy. It pointed out that the credit profiles of banks remain sensitive to the operating environment and to the evolution of the macroprudential regulations that might affect foreign currency deposits. Further, it indicated that external funding pressures have eased due to a more favorable pricing of debt, higher rollover rates in the syndicated loan market, as well as to Eurobond and subordinated debt issuance by several banks. Also, it noted that Turkish banks remain vulnerable to the volatility of the exchange rate, given the high and increasing short-term external foreign-currency debt, as well as to the risks to foreign-currency liquidity and the still high level of foreign currency lending. It added that the depreciation of the Turkish lira eroded the banks' capital ratios, but it noted that the ratios continue to be supported by forbearance measures on risk-weighted assets.

Source: Fitch Ratings

NIGERIA

Outlook on banks' ratings revised to 'positive' on implementation of reforms

Moody's Investors Service affirmed the long-term local and foreign currency deposit ratings of Access Bank, United Bank for Africa (UBA), Zenith Bank, First Bank of Nigeria (FBN), Guaranty Trust Bank (GT Bank), First City Monument Bank (FCMB), Fidelity Bank, Union Bank of Nigeria (UBN) and Sterling Bank at 'Caa1'. In addition, it revised the outlook on the long-term ratings of the nine banks from 'stable' to 'positive'. It attributed the outlook revision to its similar action on the sovereign due to the implementation of new reforms, which reflects the possible reversal of the deterioration in the country's fiscal and external position. It indicated that the difficult operating environment and the elevated exposure of banks to sovereign debt securities, which accounted for 34% of their aggregate total assets at the end of September 2023, are weighing on the ratings of the nine banks. Further, it said that foreign currency shortages in Nigeria pose risks to the banks' foreign currency liquidity. It indicated that GT Bank and Zenith Bank manage adequately their foreign currency liquidity, and that the ratings of FBN, FCMB, Fidelity Bank, UBN and Sterling Bank take into account their healthy local-currency liquidity. Also, it pointed out that the ratings of Sterling Bank and FCMB are constrained by their modest profitability ratios, while the ratings of the other banks are supported by their sound profitability metrics. It noted that strong capitalization metrics underpin the ratings of UBA, Zenith Bank, GT Bank, and Sterling Bank.

Source: Moody's Investors Service

ENERGY / COMMODITIES

Oil prices to average $83.3 p/b in first quarter of 2024

ICE Brent crude oil front-month prices stood at $76.6 per barrel (p/b) on December 14, 2023, constituting an increase of 3.5% from $74.1 p/b a week earlier. Oil prices reached their lowest level in nearly six months on December 7, 2023 amid poor market sentiment about the Chinese economy. The weekly increase in oil prices was mainly due to a decline in U.S. crude oil inventories and expectations of higher oil demand in 2024. Further, in its latest meeting on November 30, the OPEC+ coalition agreed to maintain its current output targets of reducing oil production by 2.2 million barrels per day until the end of 2024. In parallel, the U.S. Energy Information Administration (EIA) expected production cuts from OPEC+ producers to offset lower growth in global oil demand, prevent increases in global oil inventories, and keep Brent prices above $80 p/b next year. It forecast OPEC+ crude oil production to decrease by an additional 0.6 million barrels per day on average in 2024, assuming that overall production from OPEC+ countries will remain below targets. Also, it anticipated a decline in global oil inventory levels, which would put upward pressure on oil prices in the first quarter of 2024. Moreover, the EIA forecast oil prices to average $82.4 p/b in full year 2023 and $83.3 p/b in the first quarter of 2024.

Source: EIA, Refinitiv, Byblos Research

OPEC's oil basket price down 7.5% in November 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $84.9 per barrel (p/b) in November 2023, constituting a decrease 7.5% from $91.8 p/b in October 2023. The price of Saudi Arabia's Arab Light was $87.3 p/b, followed by Kuwait's Kuwait Export at $86.3 p/b, and Nigeria's Bonny Light at $86.2 p/b. All prices in the OPEC basket posted monthly declines of between $1.8 p/b and $12.5 p/b in November 2023.

Source: OPEC

Global steel output up 2% in October 2023

Global steel production reached 150 million tons in October 2023, constituting increases of 0.5% from 149.3 million tons in September 2023 and of 1.8% from 147.3 million tons in October 2022. Production in China totaled 79.1 million tons and accounted for 52.7% of global steel output in October 2023, followed by output in India with 12.1 million tons (8% of the total), Japan with 7.5 million tons (5%), the U.S. with 6.8 million tons (4.5%), Russia with 6.3 million tons (4.2%), and South Korea with 5.5 million tons (3.7%).

Source: World Steel Association, Byblos Research

Middle East demand for up 4.3% in first nine months of 2023

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 221 tons in the first nine months of 2023, constituting an increase of 4.3% from 211.9 tons in the same period of 2022. Gold demand in the region accounted for 9.7% of the global consumption of the precious metal in the first nine months of 2023. Consumer demand for gold in Iran reached 56.8 tons and represented 25.7% of the region's aggregate demand in the covered period, followed by Egypt with 46.4 tons (21%), Saudi Arabia with 40 tons (18.1%), the UAE with 37.8 tons (17%), and Kuwait with 14.5 tons (6.5%).

Source: World Gold Council, Byblos Research

Base Metals: Zinc prices to average $2,489 per ton in fourth quarter of 2023

The LME 3-month future prices of zinc averaged $2,652.8 per ton in the year-to December 14, 2023 period, constituting a drop of 23.6% from an average of $3,471.6 a ton in the same period of 2022. The decline in prices is attributed to monetary tightening in advanced economies and a decrease in energy prices that led to the reopening of zinc smelters, which raised concerns about a market surplus. Also, the price of the metal rose from a recent low of $2,248.5 per ton on May 31, 2023 to $2,493 a ton on December 14 due to the slight weakening of the US dollar amid expectations that the U.S. Federal Reserve will stop raising its policy rates. In parallel, S&P Global Market Intelligence projected global refined zinc production to increase from 13.51 million tons in 2022 to 13.9 million tons in 2023, with mine output representing 90.6% of global output this year. Also, it forecast the global consumption of refined zinc at 13.76 million tons this year, constituting an increase of 0.7% from 13.67 million tons in 2022 amid soft economic growth in the United States, a contraction of economic activity in the Euro Area, and weaker-than-expected growth prospects in China. As such, it expected the balance in the zinc market to shift from a deficit of 155,000 tons last year to a surplus of 149,000 tons in 2023. It also forecast the zinc market to post an average surplus of 1.02 million tons in the 2024-27 period and for the price of the metal to average $2,499 per ton in the same timeframe. Further, it projected zinc prices to average $2,489 per ton in the fourth quarter of 2023 and $2,648 a ton in full year 2023, amid evolving economic sentiment and mixed consumption patterns.

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

Precious Metals: Gold prices to average $1,901 per ounce in fourth quarter of 2023

Gold prices averaged $1,938.2 per troy ounce in the year-to-December 14, 2023 period, constituting a rise of 7.5% from an average of $1,802.2 an ounce in the same period of 2022. The increase in prices was due mainly to higher demand for gold given its appeal as a safe haven for investors, as well as to the acceleration of inflows into gold-backed exchange traded funds between March and May 2023 and to the increase in U.S. Treasury yields. Also, the price of the metal declined from a high of $2,047 per ounce on May 4, 2023 to $1,818.4 an ounce on October 5, its lowest level since January 2 of this year, due mainly to a stronger US dollar that has been driven by expectations of further interest rate hikes by the U.S. Federal Reserve. However, gold prices reversed their downward trend and reached a peak of $2,056.15 per ounce on December 1, 2023, its highest level since May 4 of this year, when it reached $2,047 per ounce, mainly due to a slightly weakened US dollar caused by the U.S. Federal Reserve stopping the interest rate hikes. Further, the metal's price moderated to $2,040.3 per ounce on December 14, given better-than-expected inflation and jobs data. In parallel, S&P Global Market Intelligence anticipates gold prices to decline in the near term, and projected the metal's price to average $1,917.5 per ounce in the fourth quarter of 2023 and $1,925.41 an ounce in full year 2023.

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

COUNTRY RISK METRICS

Countries	S&P	Moody's	LT Foreign currency rating 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	Ba1 Stable	BB+ Stable	BB Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	AA- Positive	AA Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	- -	- -	- -	- -	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	BB-	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+								
	Positive	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	13-Dec-23	No change	31-Jan-24
Eurozone	Refi Rate	4.50	14-Dec-23	No change	25-Jan-24
UK	Bank Rate	5.25	14-Dec-23	No change	02-Feb-24
Japan	O/N Call Rate	-0.10	31-Oct-23	No change	19-Dec-23
Australia	Cash Rate	4.35	05-Dec-23	No change	06-Feb-24
New Zealand	Cash Rate	5.50	29-Nov-23	No change	28-Feb-24
Switzerland	SNB Policy Rate	1.75	14-Dec-23	No change	21-Mar-24
Canada	Overnight rate	5.00	26-Dec-23	No change	24-Jan-24
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Nov-23	No change	20-Dec-23
Hong Kong	Base Rate	5.75	14-Dec-23	No change	N/A
Taiwan	Discount Rate	1.875	14-Dec-23	No change	N/A
South Korea	Base Rate	3.50	30-Nov-23	No change	N/A
Malaysia	O/N Policy Rate	3.00	02-Nov-23	No change	24-Jan-24
Thailand	1D Repo	2.50	29-Nov-23	No change	07-Feb-24
India	Repo Rate	6.50	08-Dec-23	No change	08-Feb-24
UAE	Base Rate	5.40	13-Dec-23	No change	N/A
Saudi Arabia	Repo Rate	6.00	13-Dec-23	No change	N/A
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	40.00	23-Nov-23	Raised 500bps	21-Dec-23
South Africa	Repo Rate	8.25	23-Nov-23	No change	25-Jan-24
Kenya	Central Bank Rate	12.50	05-Dec-23	Raised 200bps	N/A
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	20-Dec-23
Ghana	Prime Rate	30.00	27-Nov-23	No change	N/A
Angola	Base Rate	18.00	21-Nov-23	Raised 100bps	19-Jan-24
Mexico	Target Rate	11.25	14-Dec-23	No change	N/A
Brazil	Selic Rate	11.75	13-Dec-23	Cut 50bps	N/A
Armenia	Refi Rate	9.25	12-Dec-23	Cut 25bps	30-Jan-24
Romania	Policy Rate	7.00	08-Nov-23	No change	12-Jan-24
Bulgaria	Base Interest	3.64	27-Nov-23	Raised 11bps	29-Dec-23
Kazakhstan	Repo Rate	15.75	24-Nov-23	Cut 25bps	19-Dec-24
Ukraine	Discount Rate	15.00	14-Dec-23	Cut 100bps	15-Jan-24
Russia	Refi Rate	16.00	15-Dec-23	Raised 100bps	16-Feb-24

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