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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Sovereign and corporate Eurobond issuance projected at $387bn in 2024

Bank of America projected sovereigns and corporates in emerging markets (EMs) to issue $387bn in Eurobonds in 2024, compared to $358bn of external debt output in 2023 and $293bn in Eurobonds in 2022. It forecast EMs to issue $143bn in sovereign Eurobonds in 2024, or 37% of aggregate Eurobonds issuance for the year, constituting an increase of 9.2% from $131bn in 2023. Further, it estimated that the Emerging Europe, the Middle East and Africa (EEMEA) region will issue $84bn in Eurobonds, which would account for 58.7% of aggregate EM sovereign output in 2024, followed by Latin America with $37bn (26%), and the Asia Pacific region with $22bn (15.4%). As such, it expected the issuance of sovereign Eurobonds by Latin American economies to increase by 23.3%, the output of external debt from the Asia Pacific region to rise by 15.8%, and for issuance from the EEMEA region to expand by 3.7% in 2024. Also, the distribution of the EEMEA aggregate sovereign external bonds shows that external debt issued by emerging Europe would reach $47bn, or 56% of EEMEA external debt, followed by debt issued by Gulf Cooperation Council countries at $27bn (32%), and the Middle East and Africa at $10bn (12%). In parallel, it projected EMs to issue $244bn in corporate bonds in 2024, or 63% of total external debt output, up by 7.5% from $227bn in 2023. It forecast corporates in the Asia Pacific region to issue $127bn, or 52% of total corporate Eurobond output this year, followed by the EEMEA region with $79bn (32.4%), and Latin America with $38bn (15.6%).

Source: Bank of America, Byblos Research

Fixed income trading at $1.44 trillion in third quarter of 2023

Trading in emerging markets debt instruments reached $1.44 trillion (tn) in the third quarter of 2023, constituting increases of 15% from $1.26tn in the same quarter of 2022 and of 10% from $1.31tn in the second quarter of 2023. Turnover in local-currency debt instruments reached $1tn in the covered quarter, up by 21% from $827bn in the third quarter of 2022, and accounted for 70% of the debt trading volume in emerging markets. In parallel, trading in Eurobonds stood at $432bn in the third quarter of the year and increased by 3% from $420bn in the same period last year. The volume of traded sovereign Eurobonds reached $307bn and accounted for 71% of total Eurobonds traded in the third quarter of 2023, relative to $252bn and a share of 66% in the previous quarter, and to $279bn and a share of 66% in the same quarter of 2022. Also, the volume of traded corporate Eurobonds amounted to $124bn and represented 29% of total Eurobonds traded. In addition, turnover in warrants and options stood at $3bn, while loan assignments amounted to $78m in the third quarter of 2023. The most frequently-traded instruments in the third quarter of 2023 were Mexican fixed income assets with a turnover of $351bn, or 24% of the total, followed by securities from Brazil with $212bn (15%), and instruments from China with $110bn (8%). Other frequently-traded instruments consisted of fixed income securities from India at $107bn (7.4%) and from South Africa at $74bn (5.1%).

Source: EMTA

MENA

Stock markets up 5% in 2023

Arab stock markets increased by 5% and Gulf Cooperation Council equity markets grew by 6.3% in 2023, relative to decreases of 7.2% and 5.4%, respectively, in2022. In comparison, global stock markets and emerging market equities increased by 19.3% and 7%, respectively, in 2023. Activity on the Damascus Securities Exchange, based on the official stock market index, surged by 99% in 2023, the Egyptian Exchange, based on the stock market index, appreciated by 70% due in part to the local currency's depreciation, the Iraq Stock Exchange advanced by 52.4%, and the Dubai Financial Market grew by 21.7%. Also, the Saudi Stock Exchange yielded 14.2%, the Casablanca Stock Exchange increased by 12.8%, the Tunis Bourse gained 8%, the Bahrain Bourse advanced by 4%, and the Qatar Stock Exchange rose by 1.4% in the covered period. In contrast, activity on the Palestine Exchange declined by 8%, the Muscat Securities Market decreased by 7.1%, the Abu Dhabi Securities Exchange contracted by 6.2%, the Boursa Kuwait regressed by 4%, and the Amman Stock Exchange dipped by 2.8% in the covered period.

Source: Local stock markets, Dow Jones Indices, Refinitiv

UAE

Earnings of Abu Dhabi firms up 3%, profits of Dubai firms up 42% in first nine months of 2023

The net income of 69 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED100.2bn, or $27.3bn, in the first nine months of 2023, constituting an increase of 3% from AED97.4bn, or $26.5bn, in the same period of 2022. Listed financial firms generated net profits of $9.9bn and accounted for 36.3% of the total earnings of publicly-listed firms in the covered period. The energy sector followed with $4.7bn (17.3%), then utilities companies with $4.1bn (15%), industrial firms with $3.5bn (12.8%), telecommunication firms with $2.9bn (10.6%), basic materials companies with $960.2m (3.5%), real estate companies with $747m (2.7%), consumer discretionary firms with $332.8m (1.2%), healthcare providers with $81.3m (0.3%), and consumer staples firms with $53.7m (0.2%). In parallel, the cumulative net income of 57 companies listed on the Dubai Financial Market that published their financials totaled AED59.6bn, or $16.2bn, in the first nine months of 2023, constituting an increase of 42% from AED42bn or $11.4bn in the same period last year. Listed financial firms generated profits of $9.5bn, or 58.4% of net earnings in the covered period. Real estate firms followed with $3.5bn or 21.6% of the total, then utilities firms with $1.7bn (10.5%), industrial companies with $843.4m (5.2%), telecommunications firms with $346.2m (2.1%), consumer staples companies with $287.4m (1.8%), consumer discretionary firms with $54.2m (0.3%), and materials providers with $13.7m (0.1%).

Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - December 2023

ALGERIA

Mali accused Algeria, the main mediator in the peace efforts between Malian government forces and Tuareg rebels, of holding meetings with the Tuareg separatist groups without involving Malian authorities. Algeria responded by summoning the Malian ambassador and urging the Malian government, the coalition of pro-government armed groups from northern Mali, and the alliance of Malian rebel groups called the Coordination of Azawad Movements to renew their commitment to the implementation of the 2015 Algiers Peace Agreement. In parallel, during the Algerian-American military dialogue that was held in Washington, D.C., American suppliers of military equipment encouraged Algeria to diversify its sources of weapons away from Russia.

ARMENIA

Armenia and Azerbaijan agreed to implement confidence-building measures, as the two sides issued a joint statement announcing that they had agreed to seize “the historical chance to achieve a long-awaited peace”. Both sides decided to swap captured soldiers, with Armenia also voting in support of Azerbaijan’s bid to host the UN climate change conference in 2024 (COP29), and Azerbaijan agreeing to support Armenia's candidacy for membership in the COP Bureau. The European Union agreed to expand its civilian mission in Armenia from 138 to 209 staff members, a move that Azerbaijan criticized. The Armenian authorities rejected a proposal from former Nagorno-Karabakh representatives to create a government-in-exile in Yerevan.

EGYPT

Following the presidential elections held on December 10 to 12, 2023, the National Elections Authority announced that incumbent President Abdel Fattah El-Sisi has won the elections, as he received 89.6% of the votes amid a record high voter turnout of 66.8%, and secured his third term in office. Further, Egypt continued to promote a ceasefire to the war in the Gaza Strip and has put forward a three-stage proposal to end the conflict between Israel and Hamas. In parallel, the Egyptian Ministry of Water Resources and Irrigation said that the fourth round of direct talks between Egypt, Ethiopia and Sudan over the Grand Ethiopian Renaissance Dam ended without a breakthrough.

ETHIOPIA

Clashes between federal forces and Amhara nationalist militias, known as Fano, continued, with the government stepping up its airstrikes and punishing civilians suspected of having ties with Fano. Hostilities escalated in the Oromia region following the collapse of negotiations between the government and the Oromo Liberation Army, while increasing tensions between Amhara and Oromo rebels triggered more attacks on civilians. The interim administration of the Tigray region appealed to the federal government and international partners, warning that over 90% of Tigray's population is on the brink of starvation due to the drought, and to destruction of agricultural systems due to the war.

IRAN

The International Atomic Energy Agency informed member states that Iran increased its production rate of uranium, which has a 60% enrichment level, as of December. The U.S. Department of Commerce blacklisted two Iranians for allegedly plotting against the U.S. government. The U.S. Department of the Treasury's Office of Foreign Assets Control imposed sanctions on 11 companies linked to “Iranian-Russian efforts to develop unmanned aerial vehicles facility”, as well as on 13 individuals and companies accused of financing the Houthi rebels in Yemen.

IRAQ

Iraq held its first provincial elections in 10 years, whereby the Shia Coordination Framework reportedly won 101 of 285 seats. In the southern governorates, the State of Law Coalition, linked to former PM Nuri al-Maliki, and the Nabni coalition, tied to the Popular Mobilisation Forces, outperformed other Shia parties. In the Kirkuk governorate, where voters turnout was the highest nationwide at 66%, Kurdish parties such as the Patriotic Union of Kurdistan and the Kurdistan Democratic Party received most of the votes. In parallel, clashes between Turkish and Kurdistan Workers' Party forces intensified along the border between Türkiye and Iraq, with Kurdish forces initially killing 12 Turkish soldiers, which triggered Turkish attacks on 71 Kurdish sites and cities in Syria and Iraq.

LIBYA

The United Nations Special Representative for Libya briefed members of the UN Security Council on his latest initiative to hold a meeting with Libya's five main political stakeholders, but expressed concerns about the lack of commitment to ending the longstanding stalemate and carrying out elections, due to the stakeholders citing irreconcilable conditions for their participation. Recent drone attacks targeted a Russian military cargo aircraft in the Jufra airbase in central Libya, which is a transit point for Russian military activity in neighboring African states.

SUDAN

The Rapid Support Forces (RSF) launched an offensive on El-Gezira's state capital Wad Madani, sparking clashes with the Sudanese Armed Forces and shattering the relative stability of the state. The fighting displaced around 300,000 persons, while several UN humanitarian agencies suspended their field missions in the area. The RSF’s advance into the eastern regions of the country marked a new phase in the war and signaled that the RSF could attempt to conquer Sudan by force. In parallel, clashes resumed in Khartoum, and in the North Kordofan and South Kordofan states, where the RSF clashed with the rebel group Sudan People's Liberation Movement-North. Further, Chad and the UAE expelled Sudanese diplomats after Sudanese army officials accused the two countries of supporting the RSF.

TÜRKIYE

After months of mounting tensions, Turkish president Recep Tayyip Erdoğan paid a landmark visit to Greece and met with Prime Minister Kyriakos Mitsotakis, where the two sides signed 15 bilateral agreements, as well as the “Athens Declaration on Friendly Relations and Good Neighbourliness”, which stipulates military confidence-building measures, consultations on political issues, and cooperation on issues of mutual interest. The two leaders agreed to maintain the dialogue and spoke about turning the Aegean Sea into “a sea of peace and cooperation”. Further, tensions continue to simmer between Türkiye and the U.S., as President Erdoğan criticized Washington's policy on the war in the Gaza Strip.

YEMEN

Huthi rebels continued to target ships in the Red Sea that are sailing to or from Israel with drones and missiles. This prompted the U.S. to announce a maritime task force to protect shipping routes in the Red Sea. In parallel, under the auspices of a UN roadmap, the government and Huthi rebels committed to the steps towards a ceasefire, including the resumption of oil exports, the opening of roads in Taiz, and the easing of restrictions on the Sanaa International Airport and the Hodeida port.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Extreme weather conditions and misinformation are top risk for 2024

The World Economic Forum's (WEF) Global Risks Perception Survey for the 2024-25 period indicated that 54% of respondents anticipated some worldwide instability and a moderate risk of global catastrophes, while 27% expected greater turbulence and 3% anticipated global catastrophic risks to materialize in the short term. It added that only 16% of respondents expected a stable or calm outlook in the covered period.

In parallel, the survey indicated that 66% of respondents selected "extreme weather" as the top risk that the global economy will face in 2024, followed by "AI-generated misinformation and disinformation" (53%), "societal and/or political polarization" (46%), "cost-of-living crisis" (42%), "cyberattacks" (39%), and "economic downturn" (33%). Also, it said that the "cost-of-living crisis" and "cyberattacks" remain the major concerns for government and private-sector respondents for 2024, while 55% of respondents aged 39 or below cited the "cost-of-living crisis" as their major concern compared to just 28% of those aged 60 or above. Further, it said that only 18% and 14% of respondents selected "disrupted supply chains for food" or "disrupted supply chains for energy", respectively, as core concerns for 2024, after they were the top risks in 2023.

The WEF conducted the survey prior to the outbreak of the war in the Gaza Strip, but it pointed out that 25% of respondents ranked the "escalation or outbreak of interstate armed conflicts" among the top five risks for 2024. Also, it said that risks related to the financial, technological and real-estate sectors rank at the bottom of the respondents' concerns for 2024.
Source: World Economic Forum

MENA

Real GDP growth rate projected at 3.5% in 2024-25, Gaza war clouds outlook

The World Bank considered that the ongoing war in the Gaza Strip has increased the uncertainties about the growth outlook in the Middle East & North Africa (MENA) region. It projected real GDP growth in MENA countries at 3.5% in each of 2024 and 2025, in case the conflict does not escalate, which would be 0.2 and 0.5 percentage points (ppts), respectively, higher than its forecast of June 2023. It attributed its upward revisions to the expected improved economic performance of the regions' oil exporters, driven by a stronger rebound in the activity of the oil sector from the unwinding of oil production cuts and from export growth. A such, it forecast real GDP growth in MENA oil exporters at 3.6% in 2024 and 3.5% in 2025, and for activity in Gulf Cooperation Council (GCC) countries to accelerate from 3.6% this year to 3.8% next year. In addition, it projected the real GDP growth rate of MENA oil-importing economies at 3.2% in 2024 and 3.7% in 2025, which reflects a downward revision of 0.7 ppts and 0.4 ppts for this year and next year, respectively, due to the adverse impact of the ongoing conflict in the Gaza Strip, including on the tourism sector, as well as to slower growth in private consumption and investment.

In parallel, it anticipated fiscal deficits of MENA countries to widen in 2024, with a significant deterioration in the fiscal position of the region's oil importers due in part to weak public revenues, elevated debt-servicing and rising food and energy subsidies. Also, it anticipated that the fiscal deficits of MENA oil-importers will further deteriorate in 2025 as a result of expansionary fiscal policies to contain the impact of the conflict in the Gaza Strip.

Further, the World Bank considered that risks to the MENA growth outlook are tilted to the downside and include the possibility of an escalation in the ongoing conflict, which would raise oil prices and weaken regional activity. It added that other downside risks consist of adverse spillovers from further monetary policy tightening in advanced economies and tighter financial conditions and weather shocks.
Source: World Bank

ANGOLA

Recovery in non-oil activity to support economic growth in 2024

Standard Chartered Bank projected Angola's real GDP growth rate to accelerate from 0.5% in 2023 to 1.9% in 2024, driven by the recovery in non-oil activity due to the government's diversification plans to support the agriculture sector and to limit the country's reliance on food imports. In parallel, it said that the Ministry of Finance of Angola expected economic activity to expand by 2.8% this year, up from a revised real GDP growth rate of 0.4% for 2023. Further, it expected oil production in the country to decline in 2024, as the 2024 budget forecasts oil production at 1.06 million barrels per day due to scheduled maintenance. Also, it considered that the decrease in oil output, along with elevated external debt servicing, will limit the accumulation of foreign currency reserves. It noted that the authorities have to address market imbalances to support non-oil activity in case of a decrease in oil receipts, and to boost foreign currency reserves.

In addition, it anticipated that the lagged impact of the depreciation of the exchange rate of June 2023 would raise inflationary pressures in the near term, even without further fuel subsidy adjustment. As such, it forecast the average inflation rate at 20% in 2024, up from an average of 14.2% in 2023. It expected monetary policy to remain tight, driven by concerns about high inflation rates and the elevated public debt level, as it anticipated the Banco Nacional de Angola to raise its policy rate by 100 basis points until 2025. It noted that Angola could obtain new funding from the International Monetary Fund, although the government's existing borrowing has exceeded 400% of its quota.

In parallel, it forecast the fiscal deficit to narrow from 1.4% of GDP in 2023 to 0.3% of GDP in 2024. But it considered that Angola has limited space for further fiscal consolidation, given its already-tight capital expenditures plan for 2024 and the planned 5% increase in public sector salaries. It also noted that the removal of fuel subsidies would take longer than initially planned, given the high inflation rates and protests following price adjustments in June 2023. Also, it projected the current account surplus to increase from 1.8% of GDP in 2023 to 3% of GDP in 2024.
Source: Standard Chartered Bank

EGYPT

Debt servicing cost to affect credit profile

Moody's Investors Service indicated that data about the government's budget shows a surge in debt servicing costs in the first quarter of the fiscal year that ends in June 2024. It said that the sharper-than-expected deterioration in debt affordability is mainly driven by an increase in Egypt's domestic interest bill, which accounts for 90% of overall interest costs, and pointed to increasing risks to Egypt's credit profile following the downgrade of the sovereign ratings last October and the outbreak of regional hostilities. It noted that the continued increase in the 91-day Treasury bills rate to 25.7% compared to the policy rate of 19.25% leads to higher risk premia in the domestic segment. It considered that the local currency market appears to have hit a point of saturation and is only absorbing additional Treasury bills at higher rates. In addition, it noted that that the International Monetary Fund confirmed that it is considering additional financing to the $3bn that it has approved under the existing Extended Fund Facility, following the outbreak of the war in the Gaza Strip that has affected Egypt through various channels. It indicated that the implied pass-through effect on inflation and on domestic borrowing costs increases the negative feedback loop, which will lead to higher interest payments. In parallel, it pointed out that the depletion of usable foreign currency reserves reduces the public sector banks' ability to continue to borrow from correspondent banks and to channel liquidity to the broader economy.

Source: Moody's Investors Service

JORDAN

Fiscal and structural reforms are key for growth and stability outlook

The International Monetary Fund projected Jordan's real GDP growth rate to average 2.6% in the 2023-24 period and 3% in the 2025-28 period. It indicated that Jordan has withstood a series of shocks over the past few years and maintained macroeconomic stability, broad-based economic growth and market access, due to adept policy making and significant international support. It added that prudent fiscal and monetary policies have reduced the deficits, increased foreign currency reserves, preserved financial stability, and maintained market confidence in a challenging global and regional environment. Also, it stated that the Executive Board approved a four-year arrangement under the Extended Fund Facility for about $1.2bn to support the country's economic and financial reforms program. It said that, going forward, the authorities need to continue the gradual fiscal consolidation to place the public debt on a downward path, while creating space for priority social and capital spending. It forecast the fiscal deficit to narrow from 5.5% of GDP in 2024 to 4.7% of GDP in 2026, and for the public debt level to average 112.7% of GDP in the 2024-26 period. It added that monetary policy should continue to focus on preserving monetary and financial stability by adjusting policy rates as needed to support the currency peg. Also, it called for structural reforms to improve the business environment and attract private investments by strengthening competition, further reducing red tape, and reforming the labor market. It projected the current account deficit to narrow from 6.3% of GDP in 2024 to 4.1% of GDP in 2026, and for gross reserves to cover 6.6 months of imports in the covered period.

Source: International Monetary Fund

PAKISTAN

Economic activity to recover gradually in 2024

Standard Chartered Bank projected Pakistan's real GDP to shift from a contraction of 0.2% in the fiscal year that ended in June 2023 to a growth rate of 2% in FY2023/24, driven by a gradual pick-up in economic activity amid better performance in the agriculture sector and the recovery in consumption demand. Further, it forecast the average inflation rate to decrease from 24% in FY2023/24 to 12.5% in FY2024/25. It anticipated the State Bank of Pakistan (SBP) to gradually cut the policy rate to 20% by end-FY2023/24 and to 15% by the end of FY2024/25. In addition, it projected the fiscal deficit at 7% of GDP in FY2023/24 and 6.5% of GDP in FY2024/25 and the current account deficit at 1.5% of GDP in FY2023/24 and 2.5% of GDP in FY2024/25, as the recovery in economic activity would result in a rise in imports. It pointed out that net liquid foreign-currency reserves at the SBP stood at $7.3bn as at November 24, 2023, equivalent to six weeks of import coverage. It considered that a commodity price shock and political instability before and after the upcoming general elections in February constitute potential risks to the outlook. In parallel, Fitch Ratings affirmed Pakistan's long-term foreign currency issuer default rating at 'CCC'. It said the rating reflects high external funding risks amid elevated medium-term financing requirements, and Pakistan's strong performance on its current Stand-by Arrangement with the International Monetary Fund.

Source: Standard Chartered Bank, Fitch Ratings

TÜRKIYE

Economic outlook contingent on prudent monetary and fiscal policy mix

Deutsche Bank projected Türkiye's real GDP growth rate to decelerate from 4.3% in 2023 to 2.7% in 2024, due to weaker domestic demand as a result of the authorities' tight policy and to persistently subdued external demand. In addition, it forecast the inflation rate at 42% at end-2024, which is close to the upper bound target of the Central Bank of the Republic of Türkiye (CBRT). It expected the CBRT to raise the policy rate for the final time by 250 basis points in January 2024, which would result in a rate of 45%, and expected the authorities to implement additional macro-prudential policies to tighten monetary conditions and drain excess liquidity in the market in case of need. It also anticipated an extended period of unchanged rates, and for the CBRT to start a gradual easing in its monetary policy in the fourth quarter of 2024. It added that inflationary pressures could further increase given the uncertainties about the local elections that are scheduled for March 2024, administered price hikes following the elections, volatility in energy prices, rising shipping costs and potential supply chain disruptions due to the war in the Gaza Strip. In parallel, it considered that the fiscal balance in 2024 will be contingent on the course of fiscal spending as well as on potential price increases and tax hikes following the local elections. It projected the fiscal deficit at 6% of GDP this year, which is in line with the government's projections in the Medium-Term Program of 6.4% of GDP for 2024. Further, it anticipated that decline in lira deposit rates, the expected rise in inflationary pressures, a less favorable global backdrop and a seasonally wide current account deficit to constitute key risk factors for the CBRT's net reserve position in the short term.

Source: Deutsche Bank

BANKING

SAUDI ARABIA

Liquidity at banks improves

Fitch Ratings considered that liquidity pressures at banks in Saudi Arabia eased in 2023, due to a 23% increase in the deposits of government-related entities (GREs) in the 12-month period ending October 2023. It noted that GREs represented 70% of total deposit inflows in the covered period, reached SAR453bn and accounted for a record high 32% of total banking sector deposits at end-October 2023. But it said that GRE deposits are mainly term deposits, which are expensive sources for funding, and their increase has significantly raised the average cost of funding for banks. Further, it indicated that liquidity in the banking sector came under pressure in 2022, as growth in lending outpaced the accumulation of deposits, while high interest rates intensified competition for funding. It stated that the pressure started to ease in October 2023 when the growth rates of loans and deposits stabilized at 9% and the loans-to-deposits ratio decreased by 200 basis points to 79.7%. In addition, it noted that banks have been diversifying their funding bases since 2022 through senior unsecured notes and additional Tier 1 and Tier 2 instruments. It noted that the increase in GRE deposits is due to the placement of their excess liquidity at banks rather than at the Saudi Central Bank (SAMA). Also, the agency expected the banks' liquidity conditions to remain acceptable in 2024.

Source: Fitch Ratings

IRAQ

Banking sector's macro profile is "very weak"

Moody's Investors Service indicated that the 'very weak (-)' macroeconomic profile of the Iraqi banking system balances moderate economic strength, with a very weak institutional framework and susceptibility to adverse events. It attributed its assessment to weak governance, a lack of transparency, poor public services delivery, political instability, as well as domestic and geopolitical risks. It noted that government-owned banks, which are largely undercapitalized and suffer from poor corporate governance, inadequate risk management practices and lack of independence, dominate the banking sector and account for 81% of total assets. It said that a strengthening of the prevailing governance and the credit bureau will be a key driver for the growth of Iraq's banking sector. Further, it pointed out that 67% of bank loans are concentrated in government and government-related entities, while the remaining 33% are allocated to the private sector. It indicated that banks are still hesitant to extend additional loans to the private sector, given the high value of collateral that they request and elevated financing costs. It pointed out that the sector's non-performing loans ratio has recently increased amid weak operating conditions. It said that years of military conflict, very high political risks and a weak legal environment have strained the Iraqi banking sector and prevented it from reaching its potential. In addition, it noted that deposits at Iraqi banks constituted 73% of total liabilities at the end of 2022, with public sector deposits accounting for 57% of total deposits, which increases event risk during times of lower oil prices. But it noted that this risk is mitigated by the low credit concentration in the sector, given the low loan-to-deposit ratio of 47% at end-2022. Also, it pointed out that liquid banking assets represented about 49% of total assets, with most of them placed at the Central Bank of Iraq.

Source: Moody's Investors Service

MOROCCO

Credit risk assessment maintained

S&P Global Ratings maintained Morocco's banking sector in 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '7' and an industry risk score of '6'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' consist of Bahrain, Cyprus, Georgia, Greece, Guatemala, Oman, and Thailand. The agency indicated that the economic risk score reflects "very high risks" in terms of economic resilience and credit risk in the economy, as well as "intermediate risks" for the country's economic imbalances. It projected the sector's non-performing loans ratio at 9.4% in 2024, higher than most other countries in the group, as the current economic conditions weigh on the creditworthiness of borrowers. Further, it said that the industry score indicates that the country faces "high risks" in its competitive dynamics and system-wide funding, and "intermediate risks" in its institutional framework. It indicated that Bank al-Maghrib (BAM) is improving the governance and transparency frameworks of the Moroccan banking system, as it implemented the Basel III standards and the International Financial Report Standard 9, which banks are required to comply with. Further, it noted that retail and corporate deposits, and certificate of deposits, represent over 70% of the banking sector's liabilities, and that 60% of all deposits do not bear interest rates. However, S&P noted that the profitability of Moroccan banks has yet to recover from pre-pandemic levels, as they do not benefit from high interest rates. It noted that the trend for the banking sector's economic and industry risk is 'stable'.

Source: S&P Global Ratings

OMAN

Banks' earnings up 11%, NPLs at 4.4%

Regional investment bank EFG Hermes indicated that the aggregate net income of Bank Muscat, National Bank of Oman, and Bank Dhofar stood at OMR233.2m in the first nine months of 2023, constituting an increase of 11% from the same period of 2022, while the aggregate net interest income of the banks increased by 6.8% and non-interest income grew by 5% in the first nine months of 2023 from the same period last year. It noted that the bank loans grew by 4.1% in the covered period relative to 4.5% in 2022 due to competition from regional banks on syndicated loans, the improved cashflow of government-related entities from higher oil prices, and the government's use of oil revenues to repay its debt instead of financing loans. Further, it indicated that the aggregate non-performing loans ratio (NPL) stood at 4.4% at end-September 2023, unchanged from end-2022 and up from 4.3% at end-2021. Also, it noted the increase in the cost of deposits, driven by the migration of funds from current and savings accounts to higher-yielding term deposits and by rising competition for deposits. In parallel, it forecast the net income of Omani banks to reach OMR293m in 2024, which would constitute an increase of 9.3% from OMR268m in 2023 due to stable provisioning costs, weak loan growth, and a small widening of the net interest margin. Also, it expected the interest rates on loans to increase this year, as banks are willing to reprice corporate loans in order to offset the increase in funding cost.

Source: EFG Hermes

Oil prices to average $83 p/b in first quarter of 2024

ICE Brent crude oil front-month prices stood at $76.8 per barrel (p/b) on January 10, 2024, constituting a decrease of 2% from $78.3 p/b a week earlier, mainly due to the increase in U.S. crude oil stockpiles and a larger-than-expected surge in the storage of gasoline and distillates. In parallel, the U.S. Energy Information Administration (EIA) expected the oil production cuts by the OPEC+ coalition to result in a decrease in global oil inventory by an average of 0.8 million barrels per day (b/d) in the first quarter of 2024, and will push Brent prices to an average of $85 p/b in March of this year. It anticipated that global oil inventories will increase in the second, third and fourth quarters of 2024, as it expected rising supply growth to outpace the slowing increase in oil demand. Further, it forecast oil output of the OPEC+ coalition to decrease by 0.6 million b/d in 2024, which will be offset by an increase of 1.2 million b/d in production from other oil producers. But it expected global oil production to increase at a slower pace in 2024, driven by lower oil supply from the U.S., Canada, and Brazil. In addition, it considered that several uncertainties could affect oil prices in the near term. It noted that heightened tensions around the Red Sea shipping channel and the escalation of hostilities in the Middle East could disrupt global oil trade flows and pose upward pressure on global oil prices in the near term. Moreover, the EIA forecast oil prices to average $83 p/b in the first quarter of 2024.

Source: EIA, Refinitiv, Byblos Research

Iraq's oil exports receipts at $8.3bn in December 2023

Preliminary figures from the Iraq Ministry of Oil show that crude oil exports from Iraq totaled 108.1 million barrels in December 2023, constituting increases of 5% from 103 million barrels in November 2023 and of 4.6% from 103.3 million barrels in December 2022. They averaged 3.5 million barrels per day (b/d) in December 2023. Oil exports from the central and southern fields amounted to 107.6 million barrels in December 2023. Further, oil export receipts stood at $8.3bn in December 2023, down by 2% from $8.5bn in November 2023 and up by 8% from $7.7bn in December 2022.

Source: Iraq Ministry of Oil, Byblos Research

ME&A's oil demand forecasted to grow by 4% in 2024

The Organization of Petroleum Exporting Countries (OPEC) forecast the consumption of crude oil in the Middle East & Africa to average 13.64 million barrels per day (b/d) in 2024, which would constitute a rise of 4% from 13.11 million b/d in 2023. The region's demand for oil would represent 23.4% of demand in non-OECD countries and 13% of global consumption in 2024.

Source: OPEC

Algeria's crude oil production down 9% in October 2023

Crude oil production in Algeria totaled 961,000 barrels per day (b/d) in October 2023, constituting a decrease of 9.3% from 1.06 million b/d in October 2022. Further, aggregate crude oil exports from Algeria stood at 395,000 barrels per day (b/d) in October 2023 and regressed by 26.2% from 535,000 b/d in October 2022.

Source: JODI, Byblos Research

Base Metals: Copper prices to average $8,300 per ton in first quarter of 2024

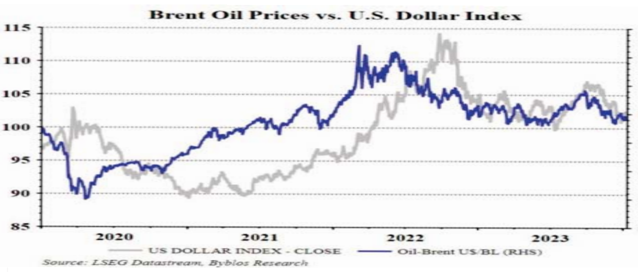
LME copper cash prices averaged $8,486 per ton in 2023, constituting a decrease of 3.8% from an average of $8,823 a ton in 2022. Prices averaged $8,932.1 per ton in the first quarter of 2023, decreased to $8,469.2 a ton in the second quarter and to $8,366.5 per ton in the third quarter, and posted an average of $8,176.1 in the fourth quarter of 2023 due to the easing of supply chain restrictions worldwide, the tightening of global monetary policy, the slowdown of global economic activity, and higher production of the metal that outweighed copper consumption. In parallel, Citi Research projected the global production of refined copper at 26.6 million tons in 2024, which would constitute an increase of 2.6% from 26 million tons in 2023, with mine output representing 86.2% of the global production of refined copper this year. In addition, it forecast global demand for refined copper at 26.5 million tons in 2024, and to increase by 2.3% from 25.9 million tons in 2023. In its bull case scenario, it expected copper prices to average $10,000 per ton in 2024, in case of an earlier recovery of global economic activity, significant easing of monetary policy in China, and higher demand for electric vehicles and for equipment producing renewable energy. In its bear case scenario, it forecast copper prices to average $7,250 a ton this year, in case of a slower recovery in China and of an increase of interest rates in the U.S. and Europe, which would put downward pressure on copper demand. In its base case scenario, it anticipated copper prices to average $8,200 per ton in 2024, driven by expectations of modest refined supply surplus. Further, it projected copper prices to average $8,300 per ton in the first quarter of 2024 under its base case scenario.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Silver prices to average $25 per ounce in first quarter of 2024

Silver prices averaged $23.4 per troy ounce in 2023, constituting an increase of 7.3% from an average of $21.8 an ounce in 2022. Prices averaged $22.6 per ounce in the first quarter of 2023, and increased to $24.2 an ounce in the second quarter due to a weakening U.S. dollar and elevated demand for the metal in the usage of electric vehicle batteries and from the renewable energy sector. Prices then decreased to $23.6 per ounce in the third quarter and to $23.3 per ounce in the fourth quarter of 2023 amid expectations of further interest rate hikes by the U.S. Federal Reserve, which resulted in a stronger US dollar. In parallel, Citi Research projected the global supply of silver at 1,104 million ounces in 2024 relative to 1,054 million ounces last year, with mine output representing 80.5% of the total. Further, it forecast demand for the metal at 1,193 million ounces in 2024 compared to 1,157 million ounces in 2023. In addition, it expected the price of the metal to average $30 per ounce in the next six to 12 months in case U.S. interest rates decline and inflows into silver exchange-traded funds increase. Also, it forecast silver prices to average $25 per ounce in the first quarter of 2024.

Source: Citi Research, Refinitiv, Byblos Research



COUNTRY RISK METRICS

Countries	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	SD -	Caa3 Stable	C -	 -	-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	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	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	19-Dec-23	No change	23-Jan-24
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-Dec-23	No change	22-Jan-24
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	11-Jan-24	No change	22-Feb-24
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	21-Dec-23	No change	01-Feb-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	42.50	21-Dec-23	Raised 250bps	25-Jan-24
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	N/A
Ghana	Prime Rate	30.00	27-Nov-23	No change	29-Jan-24
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	3.80	28-Dec-23	Raised 16bps	31-Jan-24
Kazakhstan	Repo Rate	15.75	24-Nov-23	Cut 25bps	19-Jan-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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293