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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Foreign direct investments up 3% to $1.4 trillion in 2023

The United Nations Conference on Trade & Development (UNCTAD) indicated that global foreign direct investments (FDI) totaled $1.37 trillion (tn) in 2023, constituting an increase of 2.9% from $1.33tn in 2022 and a drop of 14.2% from $1.59tn in 2021. It said that FDI in developing economies stood at $841bn in 2023 and regressed by 8.6% from $920bn in 2022, while FDI in developed economies reached $524bn last year and grew by 29% from $406bn in the preceding year. In addition, it noted that inflows to Asia stood at $584bn or 42.8% of total FDI inflows in 2023, followed by inflows to North America with $377bn (27.6%), Latin America & the Caribbean with $209bn (15.3%), Europe with $70bn (5.1%), and Africa with $48bn (3.5%). It stated that FDI inflows to other developed countries reached $77bn, or 5.6% of total inflows in 2023. In parallel, it said that FDI flows to Asia decreased by $76bn, or by 12% last year, followed by a decline of $2bn in North America (-0.5%), and a dip of $1bn in Latin America & the Caribbean (-0.5%). It added that the level of FDI inflows in Africa was unchanged in 2023 from the previous year, while it decreased by $66bn (-46%) in other developed countries. Further, it noted that FDI flows to Europe shifted from outflows of $115bn to inflows of $70bn in 2023.

Source: UNCTAD

GCC

Food consumption to rise by a CAGR of 3% in 2022-27 period

Alpen Capital projected the demand for food in the Gulf Cooperation Council (GCC) countries to grow from 49 million metric tons (MT) in 2022 to 56.2 million MT in 2027, and to post a compound annual growth rate (CAGR) of 2.8% during the 2022-27 period. It attributed the expected rise in food demand to an increase in the resident population of GCC countries, the post-pandemic recovery of the region's economies, and the GCC governments' measures to improve food security, production, and supply. It forecast demand for vegetables to post a CAGR of 3.2% during the 2022-27 period, followed by the consumption of meat with a CAGR of 3.1%, cereals (+2.8%), milk (+2.6%), and fruits (+2%), while it projected demand for other food items to post a CAGR of 3.1% in the covered period. In parallel, it expected demand for cereals to account for 40.7% of total food consumption in GCC countries in 2027, followed by fruits (15.4%), vegetables (14.3%), milk (13.2%), and meat (7%), while it forecast 'other food items' to account for 9.3% of total food consumption in 2027. Further, it expected food consumption in Saudi Arabia to reach 31.2 million MT in 2027 and to account for 55.5% of aggregate food consumption in the GCC, followed by the UAE with 10.4 million MT (18.5%), Oman with 5.7 million MT (10.2%), Kuwait with 5 million MT (8.8%), Qatar with 2.5 million MT (4.4%), and Bahrain with 1.4 million MT (2.5%). Further, it projected food consumption in Oman to grow by 24% during the 2022-27 period, followed by demand in Qatar (+19%), the UAE (+18.2%), Bahrain (+16.7%), Kuwait (+16.3%), and Saudi Arabia (+11.4%).

Source: Alpen Capital

MENA

Level of readiness for Artificial Intelligence varies across Arab countries

Oxford Insights' Government AI Readiness Index for 2023 ranked the UAE in 18th place among 193 countries globally and in first place among 20 Arab countries. Saudi Arabia followed in 29th place, then Qatar (34th), Oman (50th), and Jordan (55th) as the five Arab countries with the highest readiness to implement Artificial Intelligence (AI) in the delivery of public services; while Mauritania (168th), Libya (173rd), Sudan (177th), Yemen (188th), and Syria (192nd) had the lowest AI readiness among Arab economies. The index measures the readiness of governments to implement Artificial Intelligence in the delivery of public services to their citizens. It consists of 39 indicators across 10 dimensions that are aggregated in three pillars that are the Government, Technology Sector, and Data & Infrastructure pillars. The Arab countries' average score stood at 43 points in 2023, and came lower than the global average score of 44.9 points. The average score of Gulf Cooperation Council (GCC) countries was 61 points, while the average of non-GCC Arab countries stood at 35.3 points. Also, the region's average score was higher than the average scores of Latin America & the Caribbean (41.5 points), the Pacific (41.3 points), South & Central Asia (40.2 points), and Sub-Saharan Africa (30.3 points), while it was lower than the scores of North America (80.9 points), Western Europe (66.7 points), Eastern Europe (54.7 points), and East Asia (51.4 points). In parallel, Saudi Arabia was the top ranked Arab country on the Government pillar, the UAE came in first place in the region on the Technology Sector pillar, and Qatar ranked first on the Data & Infrastructure pillar.

Source: Oxford Insights, Byblos Research

Venture capital funding down 23% to $2.7bn in 2023

Figures released by online platform Magnitt show that venture capital (VC) funding in the Middle East and North Africa (MENA) region reached $2.7bn in 2023, constituting a decrease of 23% from $3.5bn in 2022; while the number of VC deals totaled 477 last year and decreased by 33.6% from 718 transactions in 2022. Also, VC investments in MENA-based startups totaled $917m in the first quarter, $202m in the second quarter, $355m in the third quarter, and $1.2bn in the fourth quarter of 2023. There were 141 deals in the first quarter, 91 transactions in the second quarter, 117 deals in the third quarter, and 128 deals in the fourth quarter of 2023. Further, it noted that VC investments in Saudi Arabia-based startups stood at $1.4bn, or 51.8% of placements in the region's startups in 2023, followed by startups in the UAE with $691m (26%), Egypt with $378m (14.2%), Morocco with $81m (3%), and Bahrain with $44m (1.6%). The UAE attracted 158 deals last year, or 33% of the total, followed by Saudi Arabia with 125 transactions (26.2%), Egypt with 69 deals (14.5%), Morocco with 28 transactions (6%), and Qatar with 26 deals (5.5%). In parallel, fintech firms were the recipient of 48% of VC funding in the MENA region, followed by e-commerce companies with 18.8%, healthcare firms (3.3%), ed-tech companies (3.1%), and IT solutions firms (3%). In parallel, there were 44 exits from VC investments in 2023 compared to 71 exits in the preceding year.

Source: Magnitt, Byblos Research

OUTLOOK

WORLD

Technological change, customer choices and government regulations are main risks to firms

PwC's annual survey of chief executive officers (CEOs) showed that 56% of surveyed participants cited technological change as the main threat to their organization's growth prospects in the next three years, followed by change in customer preferences (49%), government regulations (47%), actions by competitors (38%), climate change (30%), as well as supply chain instability and demographic shifts (27% each). In addition, it stated that 24% of respondents considered inflation rates and macroeconomic volatility to be the most important concerns regarding the growth of their companies in the next 12 months, followed by cyber risks (21%), geopolitical conflict (18%), climate change (12%), health risks (11%), and social inequality (5%).

Also, the survey revealed that 58% of CEOs expected generative Artificial Intelligence (AI) to improve the quality of their company's products or services in the next 12 months, while 48% anticipated it to enhance their ability to build trust with stakeholders. It added that 70% of participants considered that generative AI will significantly change their business models, 69% noted that it will require the firms' workforce to develop new skills, while 68% believed that it will increase competition among companies. Moreover, it stated that 64% of respondents considered that generative AI will improve the efficiency of their employees' time at work, 46% believed that it will raise the profitability of their companies, and 41% said that it will increase their firms' revenues. The survey covered 4,702 CEOs in 105 countries between October 2 and November 10, 2023.

Source: PwC

EGYPT

Regional developments to affect external debt dynamics

The Institute of International Finance projected Egypt's real GDP growth rate to slow down from 3.8% in the fiscal year that ended in June 2023 to 2.2% in FY2023/24. Further, it noted that the general government debt has increased from 89% of GDP in FY2018/19 to 101% of GDP in FY2022/23 and forecast it at 99% in FY2023/24, driven by the sizeable increase in the foreign-currency debt component from 22% of total debt in FY2018/19 to 40% in FY2022/23. Also, it expected the external debt level to increase from 39.7% of GDP in FY2022/23 to 42.6% of GDP in FY2023/24 and to 40.2% of GDP in FY2024/25.

Also, it projected the interest payments on the public debt to exceed 80% of public revenues in FY2023/24, which will lead to the widening of the fiscal deficit from 5.9% of GDP in FY2022/23 to 10.8% of GDP in FY2023/24. It stressed the need for strong tax measures to raise the tax revenues-to-GDP ratio and for scaling back the implementation of development spending, in order to contain the increase in public expenditures. It considered that the primary fiscal surplus should be at 3% of GDP in order to put the public debt level on a firm downward trajectory, and noted that further progress on privatization will help reduce the stock of the outstanding debt. Moreover, it considered that the ample local-currency liquidity of the banking sector may help finance a large portion of the fiscal deficit in the short term.

In parallel, it forecast the external debt servicing on the medium- and long-term components of the debt to rise from 25% of current account receipts in FY2022/23 to 33% of such receipts in FY2023/24, due to the projected large increase in amortizations and to lower export receipts of goods and services as a result of the war in the Gaza Strip. It considered that the sustainability of the external debt depends on a firm commitment of Gulf Cooperation Council countries to extend the maturity of their deposits at the Central Bank of Egypt, along with sufficient external financing from multilateral and bilateral official sources. It projected the current account deficit to widen from 1.2% of GDP in FY2022/23 to 3.3% of GDP in FY2023/24, driven by lower tourism and export receipts due to the wars in Ukraine and the Gaza Strip, as well as by weaker remittance inflows. Also, it expected the external financing gap at around $15bn for the FY2023/24-FY2025/26 period. But it anticipated that the resumption of the $3bn International Monetary Fund program will provide additional financing in the near term.

Source: Institute of International Finance

PAKISTAN

Outlook contingent on securing external financing

The Institute of International Finance (IIF) indicated that Pakistan has made significant progress in implementing structural reforms in the current fiscal year that will end in June 2024, and that the authorities have managed to carry out fiscal consolidation during a politically difficult elections year. As such, it projected Pakistan's real GDP growth rate at 2.2% in FY2023/24 and at 4.5% in FY2024/25, supported by net exports and private consumption. But it considered that shortages of foreign currency and high interest rates, which are affecting the manufacturing and services sectors, will weigh on economic activity in the near term. Also, it expected the average inflation rate to decline from 24% in FY2023/24 to 14% in FY2024/25, despite expectations of further currency depreciation, rising energy prices, and tax increases.

In addition, it forecast debt servicing to account for 40% of government expenditures in FY2023/24, and expected it to remain high amid persistently elevated interest rates. As such, it projected the fiscal deficit at 7.8% of GDP in FY2023/24, despite a primary budget surplus of 0.1% of GDP during the year, and at 5.8% of GDP in FY2024/25. It stressed the importance of expanding the tax base, lifting energy subsidies, and privatizing unprofitable state-owned enterprises to reduce the deficit. Further, it indicated that $90bn in outstanding public debt, equivalent to 25% of GDP, is set to mature in FY2023/24, and that about 80% of these maturities is denominated in the local currency.

In parallel, the IIF projected the current account deficit at 1% of GDP in FY2023/24 and 1.8% of GDP in FY2024/25, given that the higher import bill, lower remittance inflows, and elevated interest payments will outweigh the solid recovery in exports. Further, it estimated the government's financing needs at $35bn in FY2023/24, and forecast a financing gap of $4bn if the authorities roll over 75% of the external debt and foreign currency reserves increase by $4.5bn, along with the International Monetary Fund's commitments of $3bn and the $3bn deposits from Saudi Arabia and the UAE. It pointed out that the authorities plan to raise an additional $1bn from commercial banks.

Source: Institute of International Finance

OMAN

Balanced risks to economic outlook

The International Monetary Fund projected Oman's real GDP growth rates at 1.4% in 2024 and 2.9% in 2025, driven by the recovery of activity in the oil and non-oil sectors, mainly the agricultural, construction, and services sectors. Further, it noted that the authorities are committed to fiscal discipline with the non-oil primary deficit remaining on a downward trajectory, and urged the government to pursue the ongoing tax administration reform program and to phase out untargeted subsidies to enhance fiscal sustainability. It forecast the fiscal balance to post surpluses of 3.7% of GDP in 2024 and 4.1% of GDP in 2025, and for the central government debt to regress from 35.7% of GDP in 2024 to 33.7% of GDP in 2025. In parallel, it considered that Oman's upside risks to the macroeconomic outlook include the acceleration of Vision 2040 reform plans, higher oil prices, investments from regional partners, as well as global monetary policy easing supported by global disinflation. It considered that risks to the downside risks consist of a slowdown in the implementation of the reform agenda, potential indirect spillovers from the conflict in the Gaza Strip, and a sharp decline in oil prices. It welcomed the authorities' efforts to implement the Oman Vision 2040, and encouraged reforms to promote labor market flexibility and women empowerment, and to improve the business environment. Further, it projected the current account balance to remain in surplus in the near to medium term at 2.8% of GDP in 2024 and 2.4% of GDP in 2025, and for gross foreign currency reserves to reach $18.4bn at end-2024 or 4.2 months of import cover, and $21.1bn or 4.8 months of import coverage at end-2025.

Source: International Monetary Fund

QATAR

Sovereign rating affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed the long-term foreign and local currency ratings and the short-term foreign and local currency ratings of Qatar at 'AA' and 'A1+', respectively, and maintained the outlook at 'stable' on the long-term ratings. It indicated that the ratings reflect the country's very strong fiscal and external balances that are supported by favorable liquefied natural gas (LNG) prices. It added that the ratings take into consideration Qatar's capacity to absorb external or financial shocks, given the country's comfortable net external creditor position and the Qatar Investment Authority's large portfolio of foreign assets. It noted that the ratings are also supported by the country's substantial hydrocarbon reserves, increasing LNG production and export capacity, very high GDP per capita, and adequate official foreign currency reserves. But it pointed out that the ratings are constrained by the economy's reliance on hydrocarbons, limited transparency, and the banks' dependence on foreign funding and their substantial exposure to the real estate sector. It added that Qatar remains exposed to high geopolitical risks stemming from the regional spillover of the war in the Gaza Strip and rising tensions in the Red Sea and the Arabian Gulf. Further, the agency said that it could revise the outlook to 'positive' in case the central government's debt and external debt levels decline more rapidly-than-expected, and if the government implements reforms that would reduce its reliance on the hydrocarbon sector, strengthen institutions, and improve fiscal transparency.

Source: Capital Intelligence Ratings

EGYPT

Outlook on ratings revised to 'negative' on increasing macro-fiscal challenges

Moody's Investors Service affirmed Egypt's long-term foreign- and local-currency issuer ratings and foreign-currency senior unsecured ratings at 'Caa1', and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to increasing risks that Egypt's credit profile will continue to weaken due to the difficult macroeconomic environment and the depreciation of the exchange rate, despite fiscal consolidation efforts and support from bilateral and multilateral partners. It noted that the deterioration in the government's debt affordability and the rising external pressure, amid persisting foreign currency shortages, have complicated the macroeconomic adjustment process. It anticipated that a further depreciation of the exchange rate will put pressure on external refinancing, and that a decline in foreign currency reserves will increase future credit risks. It pointed out that the war in the Gaza Strip is increasing the risks to Egypt's balance of payments through its impact on the sectors that generate foreign currency. It added that the affirmation of the ratings reflects its expectation of a larger financial package from the International Monetary Fund and other official lenders, which would help mitigate the increasing risks to debt affordability and to the balance of payments. In parallel, it said that it could downgrade the ratings in case of persisting weak debt affordability and if the authorities do not manage to increase foreign currency reserves, as well as if they cannot reduce the elevated debt servicing cost without debt restructuring.

Source: Moody's Investors Service

GHANA

Economic outlook dependent on reforms discipline

The International Monetary Fund projected Ghana's real GDP growth rate to accelerate from 2.3% in 2023 to 2.8% in 2024 and 4.4% of GDP in 2025, due mainly to the authorities' reforms program, as well as to a decline in the inflation rate, an increase in foreign currency reserves, and an improvement in the primary budget balance. It noted that maintaining the momentum for structural reforms is critical to sustain macroeconomic stability. Further, it said that the Ghanaian authorities are stepping up efforts to reduce the primary fiscal deficit and to improve their debt restructuring strategy. It indicated that the government reached on January 12, 2024 an agreement with the Official Creditor Committee under the Group of 20's Common Framework on a debt treatment, and a deal on the restructuring of official bilateral debt. It added that the local-currency debt exchange was completed last summer. It forecast the fiscal deficit at 5% of GDP in 2024 and 4.3% of GDP in 2025, and for the public debt level to decrease from 83.6% of GDP in 2024 to 81% of GDP in 2025. It stressed the importance of additional domestic revenue mobilization, the rationalization of expenditures, and the finalization of the debt's restructuring in order to restore debt sustainability and ease financing pressures. In parallel, it forecast the current account deficit at 1.9% of GDP in 2024 and at 2.2% of GDP in 2025, and for gross international reserves to reach $3.8bn or 1.7 months of import coverage at the end of 2024, and at $5.5bn or 2.3 months of imports at end-2025.

Source: International Monetary Fund

BANKING

WORLD

Generative Artificial Intelligence could reshape banking industry

S&P Global Ratings indicated that generative Artificial Intelligence (AI) could reshape the banking industry, given its many advantages for the sector, such as improving customer experience, strengthening risk management practices, enhancing efficiency by simplifying many bank operations, fully utilizing untapped sources of revenues, and faster and more accurate decisions in the sector. However, it said that the adoption of generative AI would come with risks and concerns, such as the relative lack of laws regulating AI; security, privacy and control risks; the impact on the environment; high investments; ethical concerns; and risks to the workforce. It noted that ethical issues include the inability to identify why a model made a specific decision, high investment costs point to the possibility that some banks may experience bottlenecks in case they fall short in terms of in investing in AI and upgrading their information technology infrastructure; while environmental costs stem from the energy-intensive nature of generative AI. In parallel, the agency stated that generative AI could have a positive impact on the banks' creditworthiness through enhancing revenues and profit maximization, boosting customer retention, and strengthening the risk management by detecting issues related to credit, market, liquidity, and operational risks. It considered the trends to watch in the next five years include the gradual deployment of the technology, the banks' development of AI strategies and governance frameworks, the evolution of customers' preferences, and the potential increase in cyber risks.

Source: S&P Global Ratings

Central banks to start slow policy rate cuts in 2024

Fitch Ratings considered that 19 out 20 central banks around the world, in addition to the European Central Bank (ECB), will reduce interest rates in 2024, but that policy rates will remain significantly higher than pre-pandemic levels. It noted that the rise in policy rates in the recent tightening cycle was extremely rapid by historical standards, with the U.S. Federal Reserve, the Bank of England (BoE), and the European Central Bank (ECB) increasing rates by 525 basis points (bps), 515bps and 450bps, respectively, from their levels in 2021. Also, it expected the central banks of Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Mexico, Poland, Russia, Spain, South Africa, South Korea, Switzerland, Türkiye, the United Kingdom, and the United States, as well as the ECB, to reduce their key interest rates in 2024, while it anticipated the Bank of Japan to raise its policy rate this year. Further, it forecast the U.S. Federal Reserve, the ECB, and the BoE to cut their interest rates by 75 bps by the end of 2024, and to reduce their policy rates by a cumulative 200 bps, 150 bps, and 175 bps, respectively, by the end of 2025. However, it noted that financial markets are expecting steeper cuts this year, and for the U.S. Federal Reserve and the ECB to reduce their policy rates by 150 bps each and for the BoE to cut its key rate by 115 bps by the end of 2024. But it considered that sticky wage and services price inflation will make the central banks cautious about cutting their interest rates too quickly. It added that it did not expect the U.S. Federal Reserve to cut rates before June of July 2024.

Source: Fitch Ratings

TÜRKIYE

Credit risk assessment maintained

S&P Global Ratings maintained Türkiye's Banking Industry Country Risk Assessment (BICRA) in 'Group 9' and its economic and industry risk scores at '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' consisting of the riskiest banking sectors. Other countries in 'Group 9' consist of Argentina, Azerbaijan, Bangladesh, Cambodia, El Salvador, Mongolia, and Vietnam. The agency indicated that Türkiye's economic risk score reflects its "very high risks" in its economic resilience, economic imbalances, and credit risks in the economy. It pointed out that Turkish banks are facing elevated risks from imbalances in the economy, amid the adjustment of real estate prices and the rapid growth in lending, and a vulnerable balance of payments position. It projected the sector's non-performing loans ratio to gradually increase from 1.6% as end-November 2023 to about 4.5% of by end-2024, and for the banks' credit losses to increase from 320 basis points in 2023 to 350 bps by year-end 2024 due to tightening financing conditions, slowing economic activity, a further depreciation of the Turkish Lira, and persistent inflationary pressures. In parallel, S&P noted that the industry score reflects the country's "very high risks" in its system-wide funding, in its institutional framework, and in its competitive dynamics. It noted that institutional balances and governance standards have eroded over the past few years. Further, it considered that refinancing risks remain elevated due to the banks' reliance on external funding and high deposit dollarization rates. It added that the trend for the economic and industry risks is 'stable'.

Source: S&P Global Ratings

KUWAIT

Banks' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of National Bank of Kuwait (NBK), and its affiliates NBK International (NBKI) and NBK France S.A. (NBKF), at 'A+', and maintained the ratings of Boubyan Bank (BBY), Bank of London and the Middle East (BLME), Gulf Bank (GB), and Kuwait Finance House (KFH) at 'A', as well as the IDR of Kuwait International Bank (KIB) at 'BB-'. Also, it affirmed the outlook on the banks' IDRs at 'stable'. It indicated that the banks' ratings take into account the high likelihood of extraordinary support from the government in case of financial distress and the state's guarantee of all customer deposits at banks in Kuwait. Further, it affirmed the Viability Ratings (VRs) of NBK at 'a-', the ratings of KFH at 'bb+', the VRs of GB and BB at 'bbb-', and the VR of KIB at 'bb-'. It pointed out that the VRs of BBY and NBK reflect their solid funding, modest profitability, and sound asset quality, while the ratings of GB, KFH and NBKI take into account their moderate funding and stable funding. Also, it stated that the VRs of BLME, BBY, GB, KFS, and NBK are constrained by the high concentrations of customer deposits, while weak profitability is weighing on the ratings of BLME and NBKF. Moreover, it said that the VR of KIB reflects its small franchise, higher risk appetite than peers, and reliance on wholesale deposits. In parallel, the agency said that it could downgrade the IDRs of all the banks if the probability of support from the government and from the parent company decrease.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $80 p/b in 2024

ICE Brent crude oil front-month prices reached $80 per barrel (p/b) on January 24, 2024, constituting an increase of 2.8% from $77.9 p/b a week earlier, mainly due to a Ukrainian attack on Russia's Baltic Sea fuel export terminal as well as to rising geopolitical tensions in the Middle East, which raised concerns about supply disruptions. In parallel, the International Energy Agency (IEA) forecast global oil demand to slow down from 2.3 million barrels per day (b/d) in 2023 to 1.2 million b/d in 2024, due to rising macroeconomic headwinds and to increasing demand for electric vehicles. Also, it projected global oil supply to reach 103.5 million b/d this year, which would represent an increase of 1.5% from 102 million b/d in 2023. It expected higher output from the U.S., Brazil, Guyana, and Canada in 2024, and for OPEC+ supply to remain stable this year, assuming a gradual phasing out of the voluntary cuts in the second quarter of 2024. As such, it anticipated the global oil market to be in surplus in 2024, as it expected elevated non-OPEC+ production to outpace oil demand growth. However, it noted that the airstrikes that the U.S. and the United Kingdom launched on Huthi targets in Yemen, in response to the latters' attacks on oil tankers in the Red Sea, have raised concerns that an escalation of the conflict could disrupt the flow of oil through key trade channels. It added that a rising number of ship owners are diverting cargoes away from the Red Sea. In addition, Fitch Ratings revised upwards its forecast on oil prices from $75 p/b to $80 p/b in 2024.

Source: IEA, Fitch Ratings, Refinitiv, Byblos Research

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

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 13.57 million barrels per day (b/d) in 2024, which would constitute an increase of 3.7% from 13.1 million b/d in 2023. The region's demand for oil would represent 23.3% of demand in non-OECD countries and 13% of global consumption in 2024.

Source: OPEC

Global gold reserves up 1% to 31,746 tons at end-September 2023

Global gold reserves reached 31,746.2 tons at the end of September 2023, constituting an increase of 1.4% from 31,316.6 tons at end-September 2022. Western Europe held 11,774.5 tons in gold reserves last year and accounted for 37.1% of such reserves worldwide, followed by North America with 8,133.5 tons (25.6%), Central and Eastern Europe with 3,575.7 tons (11.3%), East Asia with 3,574.3 tons (11.3%), the Middle East and North Africa with 1,541.4 tons (4.9%), South Asia with 887.9 tons (2.8%), South East Asia with 808.6 tons (2.5%), Central Asia with 744.5 tons (2.3%), Latin America and the Caribbean with 453.5 tons (1.4%), Sub-Saharan Africa with 172.3 tons (0.5%), and Oceania with 79.9 tons (0.3%).

Source: World Gold Council, Byblos Research

Non-OPEC ME&A's liquid hydrocarbons production nearly unchanged in 2024

OPEC projected the production of liquid hydrocarbons from non-OPEC producers in the Middle East & Africa region to average 5.69 million barrels per day (b/d) in 2024, constituting an increase of 0.4% from 5.67 million b/d in 2023. Further, the supply of oil from non-OPEC producers in the ME&A region would represent 16.6% of output in non-OECD countries and 8.1% of oil production in non-OPEC countries.

Source: OPEC

Base Metals: Aluminum prices to average $2,200 per ton in first quarter of 2024

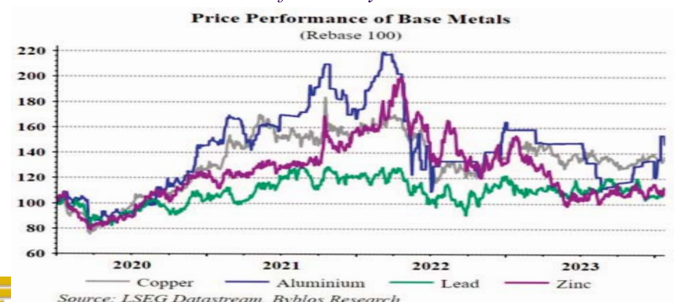
The LME cash price of aluminum averaged $2,255 per ton in 2023, constituting a decrease of 16.6% from an average of $2,703.7 a ton in 2022. Prices averaged $2,400.4 per ton in the first quarter of 2023, then decreased to $2,263.5 a ton in the second quarter and to $2,159.2 a ton in the third quarter, due mainly to weaker global demand of the metal and to lower output as a result of higher production costs amid elevated energy costs. Prices then increased to $2,196.3 per ton in the fourth quarter of 2024, driven by a blast at a Guinean bauxite supplier that sparked fears of aluminum shortages, as well as to predictions of policy rate cuts in China, and disruptions of maritime trade routes in the Middle East amid attacks on vessels, which reduced the shipments of the metal crossing through the Red Sea. In parallel, Citi Research projected the refined supply of aluminum at 73.34 million tons in 2024, which would constitute an increase of 2.6% from 71.69 million tons in 2023. It forecast refined demand for the metal at 73.22 million tons in 2024, which would represent an increase of 1.6% from 72.06 million tons in 2023. Further, in its bull case scenario, it expected aluminum prices to range between $2,800 and $2,900 a ton in 2024 in case of increased demand from China and large elevated supply risks, while in its bear case scenario, it forecasted prices to drop to less than $2,000 a ton if demand for the metal drops, which would cause decreases in supply by smelters. Also, it forecast aluminum prices to average $2,200 per ton in the first quarter of 2024.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $1,000 per ounce in first quarter of 2024

The prices of palladium averaged $1,338.8 per troy ounce in 2023, constituting a drop of 36.5% from an average of $2,107.5 an ounce in 2022. Prices averaged $1,566.6 per ounce in the first quarter of 2023, and then decreased to $1,444.9 an ounce in the second quarter, to $1,250.3 per ounce in the third quarter and to $1,093.5 an ounce in the fourth quarter of the year, due to slower economic growth that hurt auto sales, tighter monetary policies that reduced the appeal of the precious metal, global chip shortages in the automotive sector that have restrained the demand for the metal, and the substitution of palladium with platinum in catalytic converters. In parallel, Citi Research anticipated the supply of palladium at 9.9 million ounces in 2024, which would constitute an increase of 6.5% from 9.29 million ounces in 2023, with mine output representing 68.7% of global refined palladium production in 2024. Also, it forecast demand for the metal at 9.77 million ounces in 2024, which would represent a decrease of 1.2% from 9.88 million ounces in 2023. Further, it expected the price of the metal to regress in the long term due to the loss of autocatalyst demand, intense speculative short-selling and increased recycling of the metal. Moreover, it expected palladium prices to reach $1,000 per troy 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 (%)
	LT Foreign currency rating											
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 Negative	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	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- Stable	Ba3 Stable	BB- Stable	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+ Stable	Caa3 Stable	CCC -	- -	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C CWN**	Ca Negative	C -	- -	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B Positive	B3 Positive	B Stable	B+ Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD***	CCC -	- -	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
*** CreditWatch with negative implications*
**** Review for Downgrade*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	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	23-Jan-24	No change	19-Mar-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	24-Jan-24	No change	6-Mar-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	24-Jan-24	No change	07-Mar-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	19-Jan-24	Raised 100bps	15-Mar-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	12-Jan-24	No change	13-Feb-24
Bulgaria	Base Interest	3.80	28-Dec-23	Raised 16bps	31-Jan-24
Kazakhstan	Repo Rate	15.25	19-Jan-24	Cut 25bps	23-Fev-24
Ukraine	Discount Rate	15.00	14-Dec-23	Cut 100bps	25-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

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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