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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Issuance of sustainable debt securities at $984bn in 2023

S&P Global Ratings indicated that the global issuance of sustainable bonds reached $984bn in 2023, constituting an increase of 5.8% from $930bn in 2022. The distribution of sustainable bonds shows that green bonds amounted to $575bn in 2023 and accounted for 58.4% of the total, followed by social projects bonds with $181bn (18.4%), sustainability bonds with $159bn (16.2%), sustainability-linked bonds with $66bn (6.7%), and transition bonds with $3bn (0.3%). Further, international public finance entities issued $285.4bn in sustainable debt securities last year, which represented 29% of the total, followed by non-financial corporates with $275.5bn (28%), financial services firms with $216.5bn (22%), sovereigns with $167.3bn (17%), and the U.S. public finance sector with $39.4bn (4%). In addition, Europe issued $442.8bn in sustainable bonds in 2023 and accounted for 45% of total issuance, followed by the Asia-Pacific region with $236.2bn (24%), North America with $128bn (13%), supranational institutions with $108.2bn (11%), Latin America with $49.2bn (5%), and the Middle East & Africa region with $19.7bn (2%). In parallel, S&P forecast the volume of sustainable debt issuance to range between $950bn and $1.05 trillion in 2024, which would represent about 14% of total bond issuance this year.
Source: S&P Global Ratings

International tourist arrivals up 34% to 1.3 billion in 2023

Figures released by the United Nations World Tourism Organization (UNWTO) show that international tourist arrivals reached 1.286 billion in 2023, constituting a surge of 34% from 960 million global tourist arrivals in 2022 and a decrease of 12.1% from 1.46 billion visitors in 2019. On a regional basis, the number of tourist arrivals to Europe stood at 700.4 million in 2023 and accounted for 54.5% of total arrivals, followed by Asia & the Pacific with 233.4 million (18.2% of the total), the Americas with 198.3 million (15.4%), the Middle East with 87.1 million (6.8%), and Africa with 66.4 million (5.2%). In addition, the number of tourist arrivals to the Asia & Pacific region surged by 155% in 2023, followed by a rise of 39.8% in arrivals to Africa, to the Middle East (+28.5%), to the Americas (+26.6%), and to Europe (+17.4%). In parallel, tourist arrivals to the Middle East increased by 22% in 2023 from 2019, while tourist arrivals to the Asia & Pacific region dropped by 35.2%, followed by a decrease of 9.6% in arrivals to the Americas, to Europe (-5.7%), and to Africa (-4%). Further, the UNWTO expected international tourist arrivals to fully recover to pre-pandemic levels in 2024, with initial estimates pointing to 2% growth from 2019 levels. In parallel, a UNWTO survey of its panel of tourism experts indicated that 69% of participants said the challenging economic environment is weighing on the recovery of international tourism, 55% of respondents considered that higher transport and accommodation costs are constraining the recovery, while 28% of participants said that extreme weather events constitute an obstacle to the recovery in tourism activity.
Source: World Tourism Organization, Byblos Research

MENA

Labor market resilience varies across region

The Global Labor Resilience Index for 2024 ranked the UAE in 33rd place among 136 countries worldwide and in first place among 14 Arab countries. Qatar followed in 56th place, then Jordan (66th), Kuwait (70th), Bahrain (72nd), and Saudi Arabia (74th), as the five Arab labor markets with the highest capacity to absorb shocks; while Oman (86th), Morocco (87th), Algeria (104th), Mauritania (128th) and Yemen (135th) were perceived to have the least resilient labor markets in the Arab region. Whiteshield, a global strategy and public policy advisory firm produces the index annually. It uses data sources from independent international organizations and research entities specializing in the global labor market to assess the resilience of labor markets in different countries. The scores on the index range from zero to 100 points, with higher scores reflecting the higher capacity of a country's labor market to absorb shocks. The Arab countries' average score stood at 49.6 points in the 2024 index, down from 50.3 points in the 2023 survey, compared to the global average score of 53.9 points. Further, it came higher than the average score of South Asia and the Latin America and Caribbean region (49 points each), as well as Sub-Saharan Africa (42 points); but it was lower than the average scores of North America (70 points), Europe (66 points), the East Asia and Pacific region (58 points), and Central Asia and the South Caucasus (54 points). Also, the rankings of seven Arab countries improved, those of six economies deteriorated and the rank of one Arab country was unchanged from the previous year; while the scores of three Arab countries increased, those of nine economies regressed, and the scores of two countries remained the same from the 2023 index.
Source: Whiteshield, Byblos Research

GCC

Projects awarded up 91% to $210bn in 2023

The aggregate amount of projects awarded in Gulf Cooperation Council (GCC) countries reached $209.7bn in 2023, constituting an increase of 91.3% from $109.7bn in 2022. The amount of awarded projects in Saudi Arabia stood at $98.9bn in 2023 and accounted for 45.2% of the total, followed by the UAE with $75.5bn (38%), Qatar with $19bn (9%), Kuwait with $8.2bn (4%), Oman with $6.9bn (3.3%), and Bahrain with $1.2bn (0.6%). Further, the value of projects awarded in Kuwait jumped by 290% in 2023 from the preceding year, followed by a surge of 199.4% in new projects in Oman, an increase of 168% in projects in the UAE, a rise of 58.6% in new projects in Saudi Arabia, an expansion of 29% in Qatari projects, and a growth of 19% in projects in Bahrain. In parallel, projects in the construction sector reached $61.2bn and accounted for 29.2% of the total amount of awarded projects, followed by the gas sector with $42.1bn (20%), the power industry with $28bn (13.4%), the transport sector with $24.2bn (11.5%), the water industry with $18bn (8.6%), the chemicals industry with $16.1bn (7.7%), the oil sector with $13.9bn (6.6%), and the industrial field with $6.1bn (2.9%).
Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - January 2024

ALGERIA

Tensions increased between Algeria and Mali, as the Malian military junta revoked the 2015 Algiers Peace Agreement after it accused Algeria of hosting Malian separatists on Algerian soil along the border with Mali, which allowed the separatists to resume their hostilities against the Malian government. The Minister of Foreign Affairs of Algeria responded by denouncing Mali's use of international mercenaries and receiving of funding by other countries. In parallel, the Algerian army and the ruling party, the National Liberation Front, expressed support for President Abdelmadjid Tebboune's candidacy in the upcoming presidential election.

ARMENIA

Baku and Yerevan exchanged a draft peace treaty amid continued bilateral efforts to normalize relations. However, the President of Azerbaijan Ilham Aliyev stated that the country could suspend its participation in the peace talks if Armenia refuses to compromise, especially about security measures along the border of the two countries. He also reiterated calls for a Russian-supervised corridor connecting mainland Azerbaijan with the exclave of Nakhchivan, and threatened military action if Armenia continued to acquire new weapons weapons or tried to reclaim the Nagorno-Karabakh territory. Prime Minister Nikol Pashinyan described Azerbaijan's territorial claims on the southern part of Armenia as "unacceptable", while the European Union threatened "severe consequences" if Azerbaijan violates Armenia's territorial integrity. In parallel, PM Pashinyan and his Georgian counterpart signed a memorandum on a "strategic partnership" for economic cooperation.

EGYPT

Tensions between Egypt and Israel increased, as Israel expressed its intentions to occupy the 14-kilometer long buffer zone along Egypt' border with Gaza, known as the Philadephi Corridor, in order to halt alleged weapons smuggling routes from Egypt into the Gaza Strip. The Egyptian authorities, which currently patrol the area, warned Israel that any move to control the Philadelphi Corridor would pose serious threats to their bilateral relations.

ETHIOPIA

Tensions rose between Somalia and Ethiopia after the latter signed a deal with the breakaway region of Somaliland in Somalia, recognized its independence, and said that it will develop a naval base along its coast. In parallel, clashes between federal forces and Amhara nationalist militias, known as Fano, continued after the latter entered the North Shewa Zone's administrative capital, while also attacking Gondar city and disrupting transport and business for two days. Further, tensions remained elevated in the Oromia region between government forces and the Oromo Liberation Army after security forces conducted drone strikes in the Horo Guduru Wollega Zone, pushing the insurgency group to declare a 20-day ban on transport and business throughout region. In parallel, the interim administration in Tigray declared that the region is on the brink of a humanitarian catastrophe, as about 4.5 million persons are at risk of famine due to the war-related economic destruction, drought and inadequate relief efforts.

IRAN

The International Atomic Energy Agency (IAEA) announced that Iran has increased three-fold its production of uranium, which has a 60% enrichment level, and stressed the need for urgent diplomatic efforts to prevent Iran from increasing its nuclear arsenal. Tensions rose between the Kurdistan Regional Government and Iran after the latter launched three missiles at the house of a prominent Kurdish businessman, and claimed that it has targeted a location of Israeli intelligence.

LIBYA

The United Nations Special Envoy to Libya's attempts to hold discussions about the organization of national elections and form a unified Libyan government stalled. The Speaker of the eastern-based House of Representatives (HoR) rejected the UN envoy's invitation to attend the meeting with Libya's five main political stakeholders to settle "issues impeding progress toward elections". He insisted that the first step should be the formation of a new unity government that would oversee the elections process. He also called for the HoR-backed government to be present at the meeting.

SUDAN

The paramilitary group Rapid Support Forces (RSF) stepped up efforts to form a civil administration and security structures in the parts of the Darfur region that it controls, in order to further consolidate its grip on the area. The RSF attacked the Sudanese Armed Forces' (SAF) positions in South Kordofan, leading to skirmishes with the rebel group Sudan People's Liberation Movement-North (al-Hilu) due to the latter's ethnic affiliation with the Sudanese army. Meanwhile, the leader of the RSF signed a declaration with Taqaddum, a civilian coalition, that agrees to ceasefire talks with the SAF, but the latter rejected the declaration.

TÜRKIYE

The Turkish Parliament ratified Sweden's accession to the North Atlantic Treaty Organization in exchange for the green light to purchase F-16 fighter jets from the United States. The Islamic State (IS) terrorist group conducted its first attack on Turkish soil since 2017 and targeted an Italian Catholic Church located on the outskirts of Istanbul, killing one individual. As a result, Turkish security forces conducted a series of raids in Istanbul and detained nearly 50 IS-linked suspects. Further, the Turkish armed forces intensified their bombing of the Kurdistan Regional Government's territory, as Kurdish forces continued to attack Turkish troops in Northern Iraq.

YEMEN

The United States and the United Kingdom launched large-scale airstrikes on various Yemeni regions, including Sanaa, Sa'adah, Taiz, Hajjah and Hodeida, in retaliation to the Houthi rebels' attacks on ships passing through the Red Sea. Further, after removing the group from the list of "Foreign Terrorist Organizations" in 2021, the U.S. re-designated the Houthis as a "Specially Designated Global Terrorist" group, citing the need to impede their funding. In parallel, local fighting escalated, as Houthi rebels attacked government soldiers in several locations, including in the governorates of Al-Jawf and Marib.

Source: International Crisis Group, Newswires

OUTLOOK

MENA

War's expansion to negatively affect global economy

The Institute of International Finance's (IIF) baseline scenario for the conflict in the Middle East considers that the current unrest in the region will remain a short-lived development without major consequences for the outlook on the global economy. It forecast oil and natural gas prices to stay at around $80 per barrel throughout this year, and for most commodity prices to remain stable. Further, it estimated that inflation rates in advanced and emerging economies would continue to decline towards their target rates by end-2024, and that conditions would be conducive to start lowering policy rates in advanced economies (AEs) by mid-year. As such, it projected a real GDP growth rate of 2.8% for the global economy, of 1.4% for AEs, and of 4% for emerging markets and developing economies (EMDEs). Also, it forecast the average inflation rate at 2.7% in AEs and at 7.8% in EMDEs this year, and for the volume of global trade to increase by 1.6%.

In parallel, the IIF's pessimistic scenario for the conflict in the Middle East considers that the unrest will escalate and that attacks on shipments through the Suez Canal and the Strait of Hormuz will intensify. It forecast oil prices to jump by 40% and to reach $120 per barrel this year, given that about 30% of global oil consumption transits through the strait, which will result in a significant increase in freight and insurance costs. It estimated that the main risk for AEs under this scenario is the potential of keeping interest rates higher for longer in order to avoid a resumption of inflationary pressures. As such, it projected a real GDP growth rate of 2.4% for the global economy, of 1% for AEs, and of 3.6% for EMDEs in 2024. Also, it forecast the average inflation rate at 3% in AEs and at 8.1% in EMDEs this year, and for the volume of global trade to increase by 0.8%. The IIF assigned a 70% probability for its baseline scenario and a 30% possibility for its pessimistic scenario.

Source: Institute of International Finance

SAUDI ARABIA

Economic diversification and reforms to pick up in 2024

Bank of America (BofA) projected Saudi Arabia's real GDP growth rate at 0.1% in 2024 and 4.5% in 2025, relative to a contraction of 0.9% in 2023, supported by economic diversification and by the mega projects that the Public Investment Fund (PIF) is implementing, and forecast real non-hydrocarbon GDP to grow by 4% to 5% in 2024. Further, it expected the emergence of the tourism industry to attract a portion of the spending of Saudi nationals on foreign tourism. It noted that the launch of four special economic zones could attract additional investments, in order to take advantage of financial and non-financial incentives. It expected the PIF, the National Development Fund, and the Shareek program, a private investment program, to drive investments in the Kingdom in the near- to medium terms. It said that the Shareek program aims to unlock private investments of SAR5 trillion in the 2021-30 period, with Saudi Aramco and SABIC accounting for SAR3 trillion of these investments.

Also, it forecast the fiscal balance to post a deficit of $34.9bn, or 3.2% of GDP in 2024, due to lower oil receipts. It projected public spending to increase by 5% in 2024, as it anticipated capital expenditures and spending on goods and services to remain robust. Further, it noted that the medium-term budgeted fiscal trajectory for Saudi Arabia incorporates the impact of lower oil prices and continued Eurobond issuance. As such, it forecast the Kingdom to issue $15bn in Eurobonds in 2024 to cover its budgeted financing needs and the government's targeted financing mix. However, it expected the size of the domestic bond market to grow, which could increase the reliance on local issuance to meet funding needs. Also, it projected the current account balance to post surpluses of 4.3% of GDP in 2024 and of 4.1% of GDP in 2025, and forecast foreign currency reserves at $412.7bn in 2024 and $412.9bn in 2025. In parallel, BofA considered that Saudi Aramco is well positioned to increase its production to balance the global oil market, given its large spare capacity, in case of elevated tensions in the Red Sea.

Source: Bank of America

EGYPT

Economic activity to decelerate in FY2023/24, vulnerabilities persist

BNP Paribas projected Egypt's real GDP growth rate to decelerate from 3.8% in the fiscal year that ended in June 2023 to 3% in FY2023/24 due to geopolitical risks in the Middle East, which would reinforce the slowdown in economic activity that started in the first quarter of FY2022/23. It indicated that the balance of payments crisis and its implications on foreign currency availability and cost, the high inflation rate, as well as the negative impact of geopolitical risks on tourism are weighing on economic activity. It added that high inflation and interest rates, as well as the short-term uncertainties about the exchange rate of the pound, will continue to constrain household consumption and corporate investments. Further, it expected the inflation rate to rise from 24% in FY2022/23 to 32% in FY2023/24. It noted that reaching an agreement with the International Monetary Fund (IMF) would result in a significant devaluation of the exchange rate and would lead to additional inflationary pressures.

In addition, it projected the fiscal deficit to widen from 7.3% of GDP in FY2022/23 to 10.1% of GDP in FY2023/24, despite the expansion of the tax base. It considered that the debt burden is unsustainable and expected debt servicing to absorb 70% of government revenues in FY2023/24 and to remain very high in FY2024/25, due to the sensitivity of public finances to the foreign currency liquidity crisis and to the rise in interest rates.

In parallel, it projected the current account deficit to widen from 1.2% of GDP in FY2022/23 to 2.4% in FY2023/24 due to the geopolitical factors that will negatively impact the tourism sector and revenues from the Suez Canal, to the persisting wide gap between the official and parallel exchange rates that will adversely affect remittances, and to lower hydrocarbon receipts. It considered that a combination of international support, foreign direct investment flows, including revenue from privatizations, and an additional increase in the net external liabilities of commercial banks, would help Egypt to cover its foreign currency financing needs and increase the Central Bank of Egypt's foreign exchange reserves. However, it said that the recent exclusion of Egypt from an international benchmark bond index would negatively impact foreign inflows into the local debt market.

Source: BNP Paribas

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Angola's long- and short-term sovereign credit ratings at 'B-' and 'B', respectively, and maintained the 'stable' outlook on the long-term ratings. It said the ratings take into account the substantial risks to fiscal, monetary, and economic stability from the economy's heavy dependence on oil production and revenues, the sensitivity of Angola's policy options to external shocks, and the elevated debt-servicing payments. It indicated that debt servicing costs peaked in 2023, and expected them to moderate starting in 2024 due to active liability management and a tighter fiscal policy. It added that total external public debt repayments, including oil-backed facilities with Chinese lenders, stand at $10.1bn in 2024 and $9.9bn in 2025, while Eurobonds account for 8% and 16.6% of external public debt repayments in 2024 and 2025, respectively. Also, it forecast the country's gross external financing needs at 110% of current account receipts plus usable reserves in 2024 and at 113.6% and 115% such receipts and reserves in 2025 and 2026, respectively. It added that the supply of foreign currency will remain constrained through 2027 due to high debt repayments and limited upside to oil production, resulting in a limited ability of the government to support the economy in case of successive shocks. Further, the agency indicated that the 'stable' outlook on the long-term ratings balances the country's elevated external funding needs and financing risks in the next 12 months, against expectations of supportive oil prices and stable oil reserves. In parallel, it noted that it would upgrade the ratings if the authorities' economic and fiscal reforms result in a sustained recovery in the non-oil economy, reduce debt-serving costs, and increase foreign currency reserves.

Source: S&P Global Ratings

PAKISTAN

Government to honor external debt obligations

Barclays Capital expected the upcoming new Pakistani government, whether it is led by Nawaz Sharif's Pakistan Muslim League-Nawaz (PML-N) or by Imran Khan's Pakistan Tehreek-e-Insaf (PTI), or by a military or caretaker administration, to secure external financing and a new program with the International Monetary Fund (IMF) to address economic challenges, as part of its budget planning for the fiscal year that ends in June 2025. Also, it anticipated the government to repay its $1bn Eurobond due on April 15, 2024, given the country's improved foreign currency reserves position, and did not expect the new government to default on its Eurobonds. It considered that the PML-N will likely work closely with its coalition partners to secure external flows in a timely manner and to expand negotiations with bilateral lenders. However, it said that a PTI-backed government would likely prioritize its political agenda over economic issues, which could delay or slow the talks with the IMF. Further, it noted that gross foreign currency reserves increased from $3.1bn in early February 2023 to $12.5bn by early February 2024 and exceeded three months of imports. It pointed out that the current account deficit is forecast to reach $5.6bn, or 1.6% of GDP in FY2023/24, and that the IMF revised downward the country's gross external financing needs for the next two years from $28bn to $25bn in FY2023/24 and from $27bn to $22bn in FY2024/25.

Source: Barclays Capital

MOROCCO

Real GDP growth rate to reach 3.5% in medium term

The International Monetary Fund indicated that economic growth in Morocco has strengthened in 2023, driven by the recovery in domestic demand and higher exports. It expected the country's real GDP growth rate to increase gradually to around 3.5% in the medium term, boosted by stronger investments. It anticipated the inflation rate to continue to decelerate slowly, as pressures on commodity and food prices fade, and urged Bank Al-Maghrib to resume its transition to an inflation-targeting framework. Further, it welcomed the authorities' commitment to fiscal consolidation in the medium term; and stressed the importance of completing the reform of the tax system, including of the value-added tax, as well as of improving the tax administration and rationalizing spending, including the transfers to state-owned enterprises (SOEs). It noted that the gradual narrowing of the fiscal deficit in the next three year aims to achieve the right balance between the authorities' intention to rebuild fiscal buffers and finance structural reforms. It called for assessing, monitoring and reporting the potential budgetary implications of future public-private partnership programs, in light of the expected increase of the private sector's participation in the infrastructure investment plan. It said that further improvements of the fiscal framework include the mobilization of real government assets and quantifying the impact of all new policy measures on the fiscal deficit in the next few years. In parallel, it said that the current monetary policy stance is appropriate and should remain data dependent.

Source: International Monetary Fund

NIGERIA

Outlook contingent on in-depth reforms

The International Monetary Fund (IMF) projected Nigeria's real GDP growth rate at 3% 2024 and 3.1% in 2025, amid the implementation of structural reforms and a rebound in the country's hydrocarbon sector. It noted that the authorities implemented the reforms in the context of challenging circumstances, including low government revenues, a decrease in foreign currency reserves, security concerns in the northern parts of the country, food insecurity, and a high level of poverty. It indicated that the authorities lifted fuel subsidies and unified the official exchange rates, and that they are focusing on developing revenue mobilization plans to ensure fiscal sustainability, to contain debt vulnerabilities, and to support government investments. It said that the Central Bank of Nigeria (CBN) tightened monetary policy to stabilize prices and sterilize excess liquidity in the market, and forecast the inflation rate to average 25.2% in 2024. Also, it anticipated the fiscal deficit to narrow from 5.4% of GDP in 2023 to 4.3% of GDP in 2024 and 4.5% in 2025, which would help contain debt vulnerabilities and reduce the need for CBN financing. Also, it projected the current account balance to post surpluses of 0.7% of GDP in 2024 and 0.6% 2025. It noted that the authorities are seeking to improve Nigeria's foreign currency reserves position, but it projected the reserves to decrease from $27.9bn at the end of 2023 or five months of import cover, to $23.8bn or 4.4 months of imports at end-2024 due to falling crude oil prices and the volatile exchange rate.

Source: International Monetary Fund

BANKING

ARMENIA

Banks' ratings upgraded on improving operating environment

Fitch Ratings upgraded the long-term Issuer Default Ratings (IDRs) of Armeconombank (AEB) and Evocabank (Evoca) from 'B' to 'B+', and the long-term IDRs of ACBA Bank (ACBA) from 'B+' to 'BB-,' while it maintained the long-term IDR of Ardshinbank (ARB) at 'BB-'. It also revised the outlook on the IDRs of Evoca, AEB, and ACBA from 'positive' to 'stable' and affirmed its outlook on ARB at 'stable'. In addition, it upgraded the Viability Ratings (VRs) of AEB and Evoca from 'b' to 'b+', and the ratings of ACBA from 'b+' to 'bb-', while it affirmed the VRs of ARB at 'bb-'. It attributed the upgrade of the IDRs of AEB, Evoca and ACBA, and the affirmation of ARB's ratings, to their solid VRs that reflect the credit strength of the banks. It noted that the VRs are supported by the revised score of the banking sector's operating environment from 'b+' to 'bb-' due to strong economic growth in Armenia, the improved sovereign credit profile, and a resilient local currency. Further, it indicated that the banks' VRs take into account their solid profitability, while those of AEB, ACBA and ARB are also supported by their strong capital buffers. It added that the ratings of Evoca and ARB reflect the strong growth in their business volumes because of the increased inflows of individuals and associated money transfers to Armenia in 2022. It considered that the VRs of Evoca, ACBA and ARB demonstrate their adequate liquidity and stable funding, while tight liquidity conditions are weighing on the ratings of AEB.

Source: Fitch Ratings

EGYPT

Debt restructuring to have varying effects on Egyptian banks

Moody's Investors Service considered that the potential restructuring of the Egyptian government's debt would have a significant impact on the creditworthiness of local banks, given that they are highly exposed to the sovereign. It noted that government securities accounted for 31% and loans to government-related entities for 15% of the banking sector's assets at end-August 2023. It considered that the two largest state-owned banks would be severely hit due to their higher exposure to government securities and lower capital buffers, as such securities accounted for 42% of the assets of the National Bank of Egypt, while they represented 32% of Bank Misr's assets at end-September 2023. In contrast, it said that the two rated private-sector banks, Commercial International Bank (CIB) and the Bank of Alexandria (BoA), have higher capital buffers that allow them to absorb the impact of sovereign debt losses and still maintain CAR ratios above the required minimum. It pointed that government securities accounted for 25% of CIB's assets and 27% of BoA's assets as at end-September 2023. In parallel, it did not expect Egypt to default on its debt and estimated that the government's track record of fiscal reforms will help unlock a financial support package from the International Monetary Fund. Further, Moody's indicated that the Egyptian government would extend support to local banks in the form of capital injections and would give banks time to restore their capital buffers, in case of need.

Source: Moody's Investors Service

NIGERIA

Agency takes rating actions on banks following currency depreciation

Fitch Ratings downgraded the long-term Issuer Default Rating (IDR) of Ecobank Nigeria from 'B-' to 'CCC+' and removed it from 'Rating Watch Negative' (RWN), due to the breach of the regulatory minimum capital adequacy ratio (CAR) requirement of 10% in light of the recent depreciation of the Nigerian naira and the heightened risks of credit concentration. Also, it affirmed the IDRs of First City Monument Bank and Union Bank of Nigeria at 'B-' and maintained their RWN, as they have remained compliant with the CAR requirement but are at risk of breaching it given the naira's depreciation and credit losses. Further, it affirmed the long-term IDRs of Access Bank, Zenith Bank, FBN Holdings, First Bank of Nigeria, United Bank for Africa, Guaranty Trust Holding Company, Guaranty Trust Bank, Fidelity Bank, Wema Bank and Jaiz Bank at 'B-', with a 'stable' outlook. It attributed the ratings' affirmation to its expectation that the banks will remain compliant with minimum CAR requirements, and that they will have sufficient buffers to absorb a further moderate depreciation of the naira and to withstand the challenging economic environment on asset quality. It indicated that the new exchange rate regime will put pressure on the banks' asset quality and capital ratios. But it pointed out that asset-quality risks are mitigated by the small size of the banks' loan books and that pre-impairment operating profits provide a sufficient buffer to absorb loan impairment charges without affecting the banks' capital.

Source: Fitch Ratings

QATAR

Capital adequacy ratio at 19%, NPLs at 3.8% at end-June 2023

The International Monetary Fund considered that the Qatari banking sector is healthy due to its strong capitalization and profitability, high provisioning, and increasing liquidity. It said that the sector's capital adequacy ratio was 19% at end-June 2023 relative to 19.3% at end-2022. It added that the banks' liquid assets represented 25.4% of total assets at end-June 2023 compared to 26.3% at end-2022, while they were equivalent to 62.5% of short-term liabilities at end-June 2023 relative to 57.4% at end-2022. Also, it noted that the loans-to-deposits ratio stood at 154.4% at end-June 2023 compared to 148.5% at end-2022. It pointed out that the growth of the banks' lending to the private sector slowed down from 9.5% in 2021 to 7.4% in 2022 and to 6.2% in September 2023 on an annual basis amid tightening financial conditions and reduced borrowing needs from public entities. It indicated that the non-performing loans ratio increased from 3.6% at end-2022 to 3.8% at end-June 2023, and that the provisioning coverage ratio rose from 77% at end-2022 to 80% at end-June 2023. It added that provisions could weigh on the banks' profitability, while slower credit demand would reduce their income. It said that the sector's return on assets and return on equity were 1.5% and 14.6%, respectively, in the first half of 2023 on an annual basis, compared to 1.4% and 14%, respectively, in 2022. It noted that tighter policy measures have reduced the banks' exposure to non-resident deposits that dropped by more than one-third, and were replaced in part by higher public sector deposits, which has reduced vulnerabilities amid tight global financial conditions.

Source: International Monetary Fund

Oil prices to average $82.7 p/b in first quarter of 2024

ICE Brent crude oil front-month prices reached $82.03 per barrel (p/b) on February 21, 2024, constituting an increase of 7.4% from $77.33 p/b on February 2, 2024, mainly due to rising geopolitical risks in the Middle East and to elevated tensions in the Red Sea. In parallel, the International Energy Agency (IEA) forecast global oil demand to slow from 2.3 million barrels per day (b/d) in 2023 to 1.2 million b/d in 2024, due to an expected decrease in oil demand from China. Also, it projected global oil supply to increase by 1.7 million b/d to 103.8 million b/d this year, with the non-OPEC+ coalition providing 95% of the incremental barrels. It expected higher output from the U.S., Brazil, Canada, and Guyana to offset the expected rise in global demand this year. But it noted that output declined sharply in January 2024, as extreme weather conditions that shut more than 900,000 b/d of production in North America and the OPEC+ coalition's voluntary output cuts of 300,000 b/d, led to a decline of 1.4 million b/d in global oil supply. But it anticipated an increase in global production for the rest of the year due to higher output from non-OPEC+ producers. As such, it anticipated a slight build-up in inventories in the first quarter of 2024 due to the robust outlook for non-OPEC+ supply. It added that a modest surplus in the global oil market may help contain market volatility, given heightened geopolitical risks and low global oil inventories. In parallel, Refinitiv projected oil prices, through its latest crude oil price poll of 38 industry analysts, to average $82.7 p/b in the first quarter of 2024.
Source: IEA, Refinitiv, Byblos Research

Saudi Arabia's oil export receipts at $21.9bn in October 2023

Total oil exports from Saudi Arabia amounted to 7.3 million barrels per day (b/d) in October 2023, constituting an increase of 4% from 7.1 million b/d in September 2023 and a decline 21.5% from 9.4 million b/d in October 2022. Further, oil export receipts reached $21.9bn in October 2023, representing decreases of 1% from $22.2bn in September 2023 and of 18.3% from $26.8bn in October 2022.
Source: JODI, General Authority for Statistics, Byblos Research

OPEC's oil basket price up 1.3% in January 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $80.04 per barrel (p/b) in January 2024, up by 1.3% from $79 p/b in December 2023. The price of Saudi Arabia's Arab Light was $82.14 p/b, followed by Equatorial Guinea's Zafiro at $81.66 p/b, and Algeria's Sahara blend at $81.36 p/b. All prices in the OPEC basket posted monthly increases of between $0.57 p/b and $2.53 p/b in January 2024.
Source: OPEC

Middle East demand for gold bars and coins up 23% in 2023

Net demand for gold bars and coins in the Middle East totaled 113.8 tons in 2023, constituting a rise of 23% from 92.6 tons in 2022. Demand for gold bars and coins in Iran reached 44.4 tons and accounted for 39% of the region's aggregate demand in 2023. Egypt followed with 30.3 tons (26.6%), then Saudi Arabia with 14.1 tons (12.4%), the UAE with 11.2 tons (10%), and Kuwait with 5.2 tons (4.6%).
Source: World Gold Council, Byblos Research

Base Metals: Copper prices to average $7,735 per ton in first quarter of 2024

LME copper cash prices averaged $8,316.2 per ton in the first eight weeks of 2024, constituting a decline of 7.5% from an average of $8,986 a ton in the same period of 2023. The decrease in prices was due mainly to a slowdown in global economic activity, reduced copper demand in China, and the U.S. Federal Reserve suspending its interest rates hiking cycle, which resulted in lower demand for the metal amid a strengthened U.S. dollar. Copper prices increased by 4.5% from a three-month low of $8,065 per ton on February 9, 2024, to $8,456.5 a ton on February 21, 2024, amid falling copper inventories, expectations that the U.S. Federal Reserve would reduce interest rates, and a potential rebound in Chinese demand supported by a recent reduction in the country's benchmark mortgage rates that aims to encourage construction activity and stimulate demand for copper. In parallel, the latest available figures from the International Copper Study Group (ICSG) show that global demand for refined copper was 27 million tons in 2023, constituting an increase of 4.6% from 25.8 million tons in 2022 due to an increase of 9% in Chinese demand for the metal, given that China is the world's largest consumer of the metal, which offset the 2% decline in demand for refined copper from the European Union, Japan, and the United States. Also, it noted that the global production of refined copper reached 26.9 million tons in 2023, representing a rise of 6% from 25.4 million tons in 2022, as higher output from China and the Democratic Republic of the Congo was partially offset by lower production in Chile, Finland, India, Indonesia, Japan, Sweden, and the U.S. It added that mine production accounted for 81.9% of the aggregate output of refined copper in the covered period relative to 86.4% in 2022. Further, it forecast copper prices to average $7,734.9 a ton in the first quarter of 2024 and $7,817 per ton in full year 2024.
Source: ICSG, S&P Global Market Intelligence, Refinitiv

Precious Metals: Platinum prices to average $975 per ounce in first quarter of 2024

Platinum prices averaged $915.9 per troy ounce in the first eight weeks of 2024, constituting a decrease of 10% from an average of $1,015.9 an ounce in the same period last year due to slower economic growth that hurt auto sales and a strengthened U.S. dollar that reduced the appeal of the metal. Also, platinum prices reached a six-month high of $1,006 per ounce on January 1, 2024 due to elevated inflows into platinum-backed exchange-traded funds and fears of supply reductions by South African miners. Prices then regressed to $902 an ounce on February 21, 2024, driven by the growth in supply, the decrease in demand for the metal, and the shift in investments from platinum to gold. In parallel, Citi Research projected global demand for platinum to reach nearly 7.79 million ounces in 2024 and to decrease by 1.8% from 7.94 million ounces in 2023. Also, it forecast the global supply of platinum to grow by 6.4% from 7.08 million ounces in 2023 to 7.54 million ounces in 2024, with mine output representing 76.6% of global refined platinum production this year. It expected the deficit in the platinum market to narrow, driven by the recovery in autocatalyst demand due to the substitution of palladium to platinum in the production of electrical vehicles batteries. It noted that the demand for platinum by the autocatalyst industry increased from 40.8% of total platinum demand in 2023 to a projected 43% of the metal's total demand in 2024. Further, it forecast platinum prices to average $975 per ounce in the first quarter of 2024.
Source: Citi Research, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B- Stable	Caa1 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	31-Jan-24	No change	20-Mar-24
Eurozone	Refi Rate	4.50	25-Jan-24	No change	7-Mar-24
UK	Bank Rate	5.25	01-Feb-24	No change	21-Mar-24
Japan	O/N Call Rate	-0.10	23-Jan-24	No change	19-Mar-24
Australia	Cash Rate	4.35	06-Feb-24	No change	19-Mar-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-Feb-24	No change	20-Mar-24
Hong Kong	Base Rate	5.75	14-Dec-23	No change	N/A
Taiwan	Discount Rate	1.875	14-Dec-23	No change	21-Mar-24
South Korea	Base Rate	3.50	22-Feb-24	No change	12-Apr-24
Malaysia	O/N Policy Rate	3.00	24-Jan-24	No change	07-Mar-24
Thailand	1D Repo	2.50	07-Feb-24	No change	10-Apr-24
India	Repo Rate	6.50	08-Feb-24	No change	05-Apr-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	21.25	01-Feb-24	Raised 200bps	28-Mar-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	45.00	25-Jan-23	Raised 250bps	22-Feb-24
South Africa	Repo Rate	8.25	25-Jan-24	No change	27-Mar-24
Kenya	Central Bank Rate	13.00	06-Feb-24	Raised 50bps	N/A
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	27-Feb-24
Ghana	Prime Rate	29.00	29-Jan-24	Cut 100bps	25-Mar-24
Angola	Base Rate	18.00	19-Jan-24	Raised 100bps	15-Mar-24
Mexico	Target Rate	11.25	8-Feb-24	No change	21-Mar-24
Brazil	Selic Rate	11.25	31-Jan-24	Cut 50bps	N/A
Armenia	Refi Rate	8.75	30-Jan-24	Cut 50bps	12-Mar-24
Romania	Policy Rate	7.00	13-Feb-24	No change	N/A
Bulgaria	Base Interest	3.79	1-Feb-24	Cut 1bps	1-Mar-24
Kazakhstan	Repo Rate	15.25	19-Jan-24	Cut 25bps	23-Feb-24
Ukraine	Discount Rate	15.00	25-Jan-24	No change	14-Mar-24
Russia	Refi Rate	16.00	16-Feb-24	No change	22-Mar-24

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