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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

More than 50% of experts have a 'better' outlook on global tourism for 2024

In its survey of panel experts on global tourism activity, the United Nations World Tourism Organization indicated that 33% of participants considered that the global tourism industry has already recovered from the COVID-19 pandemic, 31% of experts projected international tourism to return to its pre-pandemic levels in 2025 or later, 30% of participants anticipated the recovery of the global tourism industry in 2024, and 6% of surveyed experts estimated the rebound in tourism to have taken place in 2023. In parallel, 69% of respondents said the challenging economic environment is weighing on the recovery of global tourism, 55% of experts considered that higher transport and accommodation costs are constraining the recovery, and 24% of the surveyed professionals noted that the war in the Gaza Strip could hinder the industry's full recovery. Further, it revealed that 22% of participants considered staff shortages as an obstacle to the sector's recovery, followed by the Russian war in Ukraine and other geopolitical risks (19% each). In parallel, the survey showed that 41% of participants anticipated 'better' prospects for the tourism industry in the first four months of 2024, 9% expected 'much better' prospects, 36% were neutral, 14% foresaw 'worse' prospects, and 1% cited 'much worse' prospects. Also, 55% of the surveyed professionals stated that they have a 'better' outlook on the tourism sector in 2024, 12% anticipated 'much better' prospects, 28% are neutral, and 6% had a 'worse' outlook for international tourism in 2024.
Source: World Tourism Organization, Byblos Research

EMERGING MARKETS

Sovereigns' market borrowing projected at $3 trillion in 2024

S&P Global Ratings projected the commercial borrowing of sovereigns in the Emerging Europe, Middle East and Africa (EEMEA) region to reach $2.98 trillion in 2024 compared to $2.88 trillion in 2023. It expected that EEMEA sovereigns in the 'B' category would issue $687.2bn in aggregate market debt in 2024, which would account for 23% of the region's total debt issuance, followed by sovereigns in the 'A' bracket with $656.3bn (22%), issuers in the 'BB' range with $510.8bn (17.2%), sovereigns in the 'AA' category with $457.4bn (15.4%), issuers in the 'BBB' bracket with $443.8bn (15%), sovereigns in the 'Selective Default' category with $128.8bn (4.3%), and issuers in the 'CCC' range with $91.3bn (3%). In parallel, it forecast the sovereigns' gross long-term commercial borrowing at $492bn in 2024, down by 11.6% from $556.4bn in 2023 and would account for 16.5% of aggregate borrowing in the EEMEA region in 2024. It projected that sovereigns in the 'B' category would issue $162.6bn in long-term market debt in 2024, which would account for 33% of the total long-term commercial borrowing, followed by issuers in the 'A' bracket with $94bn (19%), sovereigns in the 'BBB' range with $78.1bn (16%), issuers in the 'AA' category with $67.1bn (13.6%), sovereigns in the 'BB' bracket with $63.5bn (13%), issuers in the 'Selective Default' category with $13.7bn (2.8%), and sovereigns in the 'CCC' range with $13.2bn (2.7%).
Source: S&P Global Ratings

MENA

Private equity funding at $16bn, venture capital investments at $3.8bn in 2023

Figures issued by information provider PitchBook Data indicate that the value of private equity (PE) deals in the Middle East and North Africa (MENA) region reached $15.7bn in 2023, constituting an increase of 21.2% from $12.9bn in 2022 and compared to $15.8bn in 2021, $10.2bn in 2020, and $7.6bn in 2019. It said that there were 146 PE deals in 2023, compared to 144 transactions in 2022, 121 deals in 2021, 98 transactions in 2020, and 105 deals in 2019. Further, it stated that the funds raised by PE firms in the MENA region totaled $0.8bn in 2023, constituting a drop of 94.2% from a record high of $13.6bn in 2022. Also, it said that there were 53 PE exits in 2023, up by 32.5% from 40 deals in 2022, while the value of PE exits stood at $13.7bn in 2023, up by 1.5% from $13.5bn in 2022. In parallel, it noted that venture capital (VC) funding in the MENA region reached $3.8bn in 2023, constituting a decrease of 20.8% from $4.8bn in 2022 and compared to $3bn in 2021, $1.4bn in 2020 and $0.9bn in 2019. It said that the number of VC deals in the region totaled 663 in 2023, relative to 875 transactions in 2022, 891 deals in 2021, 566 transactions in 2020, and 500 deals in 2019. Further, it noted that VC fundraising stood at $1.8bn in 2023, down by 72% from $6.4bn in 2022. It stated that the number of VC exits in the region reached 19 exits in 2023 relative to 41 exits in 2022, while the value of VC exits dropped from $3.7bn in 2022 to $0.3bn in 2023.
Source: PitchBook Data, Byblos Research

Quality of logistics infrastructure varies across region

Transport Intelligence, a research firm for the logistics industry, ranked the UAE in third place among 50 emerging economies and in first place among 13 Arab countries on its Agility Emerging Markets Logistics Index for 2024. Saudi Arabia followed in sixth place, then Qatar (seventh), Oman (14th), and Bahrain (16th) as the five countries that have the most attractive markets for the logistics industry in the Arab world. In contrast, Morocco (22nd), Tunisia (36th), Lebanon (37th), Algeria (42nd), and Libya (50th) have the least favorable market conditions for the logistics industry in the region. The index compares a country's prevailing operational environment to its current logistics opportunities and potential. It ranks emerging markets based on factors that make them attractive to logistics companies, air cargo carriers, shipping lines, freight forwarders and distribution firms. The index is an average of four equally weighted sub-indices that are Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals, and Digital Readiness. The Arab region's average score stood at 5.08 points, higher than the emerging markets' average of 5.01 points in this year's survey. Further, Qatar, the UAE and Saudi Arabia were the top ranked Arab countries on the Domestic Logistics Opportunities Sub-Index. Saudi Arabia, the UAE and Morocco led on the International Logistics Opportunities Sub-Index; while the UAE, Saudi Arabia and Qatar were the top ranked Arab countries on the Business Fundamentals Sub-Index. Also, the UAE, Qatar, and Saudi Arabia led on the Digital Readiness Sub-Index.
Source: Transport Intelligence, Byblos Research

POLITICAL RISKS OVERVIEW - February 2024

ALGERIA

Tensions persisted between Algeria and Mali, as the Prime Minister of Mali Choguel Kokalla Maïga condemned Algeria for interfering in Malian affairs. This came after a prominent Malian religious leader, whom the Malian authorities accuse of backing Tuareg rebels, reportedly visited Algeria for the second time since December. Algeria conducted military exercises along the border with Mali, and the Ministry of National Defence described them as preparations to "destroy a non-conventional enemy", threatening the Malian authorities. Further, Algeria announced plans to establish a free trade zone with Mauritania, Mali, Niger, Tunisia and Libya, in an effort to maintain influence in the Sahel region after Morocco launched an initiative aimed at providing access to the Atlantic Ocean to three landlocked countries of the Sahel.

ARMENIA

After months of relative calm, Azerbaijan claimed that Armenian troops opened fire at Azerbaijani positions along the southern border of the two countries, prompting Azerbaijan to announce a "retaliatory operation" that left four Armenian soldiers dead, one wounded and an army post destroyed in the southern Syunik region. As a result, risks of further small-scale clashes increased, even though Armenian and Azerbaijani officials vowed to continue peace talks following the Munich Security Conference that took place in mid-February. In parallel, Prime Minister Nikol Pashinyan proposed the drafting of a new constitution that no longer calls for the unification of Armenia with the Nagorno-Karabakh province. Yerevan announced that it froze its membership in the Russia-led Collective Security Treaty Organization amid souring ties with Moscow.

EGYPT

Turkish President Recep Tayyip Erdoğan paid his first official visit to Egypt since 2012, marking further steps in the diplomatic reconciliation between two countries. The Egyptian Ministry of Foreign Affairs announced that Cairo was committed to the Camp David Accords peace treaty with Israel as long as Israel remains committed to the agreement, following speculations that Egypt was ready to suspend the accords if Israel launches a ground offensive on the city of Rafah in the Gaza Strip.

ETHIOPIA

The federal government extended the state of emergency in the Amhara region by four months, as clashes persisted between the government forces and the Amhara nationalist militias known as Fano. Fighting also persisted in the Oromia region, as the counterinsurgency operation against the Oromo Liberation Army (OLA) continued, with federal forces claiming to have killed 70 OLA members in Oromia's West Shewa zone. Further, tensions rose between Tigray leaders and the federal government over disagreements about the Ethiopia-Tigray Peace Process, such as the lack of progress on disputed territories. The interim Tigray President Getachew Reda noted the lingering mistrust between his administration and the federal government of Ethiopia, and said that he would only engage with the latter through the African Union. Relations with Somalia remain tense, as Somali President Hassan Sheikh Mohamud accused Ethiopia of attempting to annex Somali territory.

IRAN

The International Atomic Energy Agency announced that Iran has reduced its stockpile of weapons-grade uranium in February 2024, after it increased three-fold its production of uranium in the preceding month. The U.S. sanctioned a procurement network of suppliers of materials and sensitive technology for Iran's ballistic missile and Unmanned Aerial Vehicle (UAV) programs, including the Shahed-series UAV produced by Iran's Shahed Aviation Industries Research Center. It also sanctioned six Iranian Revolutionary Guards Corps officials engaged in "malicious cyber activities", as well as seven persons and entities that include a subsidiary of the Central Bank of Iran.

IRAQ

The head of Iraq's Popular Mobilization Forces, or Hashed al-Shaabi, demanded the withdrawal of the U.S.-led coalition forces from the country following deadly airstrikes by the U.S. against targets linked to Iran's Islamic Revolutionary Guards Corp. More than 100 members of parliament signed on February 8, 2023 a proposal to enact the Foreign Forces Expulsion Law. But Parliament failed to convene for a vote on expelling U.S. troops, as Kurdish, Sunni, and almost half of the Shia legislators boycotted the session on February 10, indicating widespread reluctance for a rushed withdrawal. Further, Iraq and the U.S. resumed talks on the drawdown of forces.

LIBYA

The eastern-based House of Representatives (HoR) established the Libyan Development and Reconstruction Fund, which will be funded by the Central Bank of Libya, and that aims to lead reconstruction efforts across the country. The HoR also established a new finance committee that will sign off on countrywide budgetary disbursements. The Tripoli-based Interior Minister Imad Trabelsi said that at least five armed groups that have been controlling Tripoli for the past 10 years have agreed to return to their barracks by April 9, following deadly clashes in recent months.

SUDAN

The U.S. Secretary of State announced the appointment of a Special Envoy for Sudan, signaling stepped-up efforts to end the war following months of failed mediation. The Sudanese Armed Forces (SAF) advanced into the state of North Kordofan and broke the Rapid Support Forces' (RSF) siege of an SAF military base in Omdurman near Khartoum. In parallel, the RSF claimed that it has captured the SAF's Jebel Al Daier base in North Kordofan, leaving the paramilitary in control of the whole state except for its capital. The RSF faced mounting opposition among local communities in the Gezira state and struggled to enforce law and order in South Darfur, while it struggled to protect the Reziegat communities in North and South Darfur from SAF strikes, which has fueled discontent among the RSF's main support base.

TUNISIA

The judicial authorities sentenced the president of the Islamist An-Nahda Party, as well as his son-in-law, to three years in prison over charges of illegal foreign financing of the party. Tunisian courts also sentenced the former president of Tunisia Moncef Marzouki to eight years in prison for allegedly attempting to overthrow the government, as well as a prominent opposition figure, to six months in prison on charges of conspiring against state security. Further, the second round of local council elections, which determines the composition of the lower chamber of the Assembly of the Representatives of the People of Tunisia had a voter turnout of 12.44%, almost as low as in the first round, amid boycott by opposition parties.

YEMEN

The Huthi rebels launched near-daily attacks on shipping in the Red Sea and expanded their strikes to the Gulf of Aden. The U.S. and the United Kingdom struck at least 36 Huthi targets in 13 locations and hit the Huthis' weapons systems in Port of Salif. Further, the European Union officially launched a Red Sea maritime mission to ensure the "freedom of navigation". Also, the United Nations Special Envoy of the Secretary-General for Yemen met local and regional leaders in February in an effort to maintain the peace process alive. In parallel, the U.S. designation of the Huthis as a global terrorist organization came into effect on February 16.

Source: International Crisis Group, Newswires

OUTLOOK

SAUDI ARABIA

Economic growth to pick up to 4.5% in 2024

Barclays Capital projected Saudi Arabia's real GDP to shift from a contraction of 0.9% in 2023 to a growth rate of 4.5% in 2024 due to strong domestic demand and despite oil production cuts. It also forecast economic activity to grow by 3.8% in 2025, driven by an increase in oil production. However, it noted that a significant shortfall in oil receipts and the Kingdom's reduced market share in the global oil market amid voluntary oil production cuts are weighing on the country's growth and fiscal balance. Also, it indicated that ongoing geopolitical uncertainties might put short-term pressure on foreign investments.

Further, it considered that the authorities may extend unilateral oil output cuts, which would weigh on the Kingdom’s market share in the long term and increase macroeconomic imbalances, given that Saudi Arabia accounts for more than two-thirds of the world's 5.1 million barrels of oil per day of spare capacity. It indicated that large funding needs led by ambitious capital expenditures plans call for revenue mobilization, which exacerbates pressures to increase the country's global oil market share. It forecast the fiscal deficit at 2% of GDP in 2024, unchanged from 2023, as it anticipated a decrease in public expenditures despite the upward pressure on capital expenditures that may exceed government projections. Also, it expected the slowdown in domestic demand to weigh on tax revenues in 2024, despite the resilience of domestic demand. Also, it said that the 2024 budget takes into account medium-term fiscal pressures and projected narrower deficits through 2026. In parallel, it forecast current account surpluses of 3.7% of GDP in 2024 and 4.2% of GDP in 2025, and for the government debt level to remain stable at 24.4% of GDP in 2024 and 24.2% of GDP in 2025.

Source: Barclays Capital

EGYPT

Expected large capital inflows point to favorable outlook

The Institute of International Finance revised its projection for Egypt's real GDP growth rate for the fiscal year that ends in June 2024 from 2.2% to 2.6% due to the large hard currency windfall from the $35bn investment in the Ras al-Hikma project that will help ease the financing pressures that Egypt has been facing. It expected the $24bn in foreign currency liquidity that the UAE will transfer to Egypt to help cover any remaining financing needs in the foreseeable future, such as clearing the imports backlog and moderating the pressure in the parallel exchange rate market. Further, it anticipated that the financial support from the International Monetary Fund (IMF) will boost Egypt's foreign currency reserves and will mobilize additional multilateral aid. It noted that the combined inflows from the IMF and the Ras al-Hikma project can lead to an increase in gross international reserves from $32.8bn at end-FY2022/23 to $51.1bn at end-FY2023/24, which would cover eight months of imports.

Also, it pointed out that the $11bn in UAE deposits at the Central Bank of Egypt (CBE) that will be converted to Egyptian pounds will help reduce the CBE's net foreign liabilities by around 3% of GDP, leading to a net foreign asset position in FY2023/24. It stated that the swap of the UAE deposits at the CBE will reduce Egypt's external debt, as it forecast the latter to decline from a peak of $164.7bn in FY2022/23 to $157.6bn in FY2023/24, despite non-resident debt inflows and other official lending. But it expected the external debt level to increase from 41.8% of GDP in FY2022/23 to 45% of GDP in FY2023/24, as it anticipated the nominal GDP in dollar terms to contract from the expected devaluation of the local currency.

In addition, it stressed the importance of the agreement with the IMF to implement structural reforms that will focus on macroeconomic stability, restoring reserve buffers, and shifting towards a market-determined exchange rate.

Source: Institute of International Finance

ANGOLA

Near-term economic outlook contingent on economic diversification

The International Monetary Fund (IMF) projected Angola's real GDP growth rate to accelerate from 0.5% in 2023 to 2.6% in 2024 supported by an increase in oil production and a recovery in the non-oil sector. It anticipated real oil GDP to shift from a contraction of 6.1% in 2023 to a growth of 1.2% in 2024, and for activity in the non-oil sector to expand by 3% in 2024. It stressed the need for the successful implementation of the National Development Plan in order to diversify the economy and sustain growth. It called on the authorities to improve the business environment and access to finance, strengthen climate adaptation and resilience, and sustain efforts to address issues related to anti-money laundering and combating the financing of terrorism, governance, and corruption. In addition, it forecast the annual inflation rate to rise from 13.6% in 2023 to 22% in 2024, due to the pass-through effect of the depreciation of the exchange and the authorities' plans to continue lifting fuel subsidies.

In parallel, it projected the fiscal balance to shift from a deficit of 0.1% of GDP in 2023 to a surplus of 2.6% of GDP in 2024, supported by the continued reduction of fuel subsidies in the 2024 budget. It urged the authorities to accelerate the implementation of fiscal structural reforms to enhance the budget's credibility and contingency planning, as well as to improve revenue mobilization and debt management. It expected the primary fiscal balance to remain in surplus, given the expected continuation of fuel subsidy reforms, lower debt service starting in 2024, and the economic recovery. It also forecast the public debt level to decline from 84.5% of GDP at the end-2023 to 69.5% of GDP at end-2024, in case the fiscal balance improves. Further, it projected the current account surplus to increase from 3.1% of GDP in 2023 to 4.9% of GDP in 2024 due to the improvement in the country's terms of trade. It also forecast the country's gross international reserves at $15.1bn or 7.6 months of import coverage at the end of 2024.

The IMF considered that risks to the outlook are tilted to the downside, and include the economy's vulnerability to a larger-than-expected decrease in global oil prices or a sustained decline of the country's oil production. It added that other risks include the delay in implementing fuel subsidy reforms and the materialization of debt and financial sector risks. As such, it stressed the need for continued fiscal consolidation and structural reforms to maintain macroeconomic stability, and to foster diversified, resilient, and inclusive growth.

Source: International Monetary Fund

GCC

Agencies take rating actions on sovereigns

Capital Intelligence Ratings upgraded Oman's long-term foreign and local sovereign ratings from 'BB' to 'BB+', affirmed the short-term foreign and local sovereign ratings at 'B', and changed the outlook on the long-term ratings from 'stable' to 'positive'. It attributed the upgrade to the improvement in Oman's fiscal and external metrics due to favorable hydrocarbon prices, prudent fiscal and debt management policies, and the country's commitment to structural reforms. It added that the ratings are supported by Oman's sound banking system, as well as by expectations of support from Gulf Cooperation Council (GCC) countries in case of need. But it pointed out that the ratings are constrained by the economy's limited diversification, weak budget structure, moderate contingent liabilities from state-owned enterprises, and high geopolitical risks. In parallel, Fitch Ratings affirmed Bahrain's long- and short-term foreign and local currency Issuer Default Ratings at 'B+' and 'B', respectively, and maintained the 'stable' outlook on the long-term ratings. It also affirmed the Country Ceiling at 'BB+'. It indicated that strong financial support from GCC peers, high GDP per capita and human development indicators support the ratings. But it noted that weak public finances, high fiscal dependence on oil revenues and low levels of foreign currency reserves constrain the ratings. It stated that it could upgrade the ratings if the improvement in public finance metrics reduces the need for financial support from GCC countries. It added that it may downgrade the ratings if public finances deteriorate, and/or if weakening support from the GCC puts pressures on the balance of payments and the currency peg.

Source: Capital Intelligence Ratings, Fitch Ratings

EGYPT

Outlook on sovereign ratings revised to 'positive'

Moody's Investors Service affirmed Egypt's long-term issuer and senior unsecured ratings at 'Caa1' and revised the outlook on the long-term ratings from 'negative' to ' positive '. It also affirmed the local and foreign currency Country Ceiling at 'B1' and 'B3', respectively. It attributed the outlook's revision to the recent announcement of foreign direct investments by the United Arab Emirates that would cover the country's external financing gap, as well as to the shift to a managed float exchange rate and to the Central Bank of Egypt's increase of its policy rate by 600 basis points. It added that the ratings' affirmation reflects Egypt's high debt level and very weak debt affordability. It forecast the government's interest-to-revenues ratio at 65% in the fiscal year that ends in June 2024 and for the ratio to temporarily deteriorate due to the devaluation of the Egyptian pound. It noted that economic vulnerabilities persist due to the country's repeated reliance on large external support packages and to the slow progress on reforms. Further, the agency indicated that it could downgrade the ratings if the authorities delay reforms, which would prevent bilateral support, in case a deterioration in debt affordability undermines confidence in the government's capacity to service its local currency debt, and/or in case of a reduction in confidence in the government's capacity to reduce its interest bill without a debt restructuring. In contrast, it said that it could upgrade the ratings in case of a sustained shift to a managed float and inflation targeting regime and/or if debt affordability improves.

Source: Moody's Investors Service

TÜRKIYE

Sovereign ratings upgraded on successful policy implementation

Fitch Ratings upgraded Türkiye's long-term local and foreign currency issuer default ratings (IDRs) from 'B' to 'B+', which is four notches below investment grade, and affirmed the short-term local and foreign currency IDRs at 'B'. Also, it upgraded the Country Ceiling from 'B' to 'B+' and revised the outlook on the long-term ratings from 'stable' to 'positive'. It attributed the upgrade and the change in outlook to the policies that the authorities implemented since 2023 that include monetary policy tightening, and to the decline in macroeconomic and external vulnerabilities that led to narrower current account deficits and liquidity buffers. It expected external liquidity risks to decrease and forecast the current account deficit to narrow from 4.2% of GDP in 2023 to 2.6% of GDP in 2024. Further, it projected foreign currency reserves to increase from $131bn at end-March 2024 to $148bn at end-2024 and $159bn at end-2025, driven by the sustained improvement in external financing conditions and some portfolio inflows, which would raise reserve coverage to 4.5 months of current external payments. In parallel, the agency noted that it could downgrade the ratings in case the authorities are not able to maintain a policy mix consistent with reducing macroeconomic and financial stability risks, if international reserves do not increase, and/or in case of a deterioration in political or security conditions. It said that it could upgrade the ratings if the inflation rate declines significantly, and/or if the balance of payments' position strengthens.

Source: Fitch Ratings

TUNISIA

Economic conditions to remain fragile

BNP Paribas projected Tunisia's real GDP growth rate at 2.2% in 2024 relative to 0.6% in 2023 despite fragile macroeconomic conditions. It indicated that the contraction in the agricultural sector due to severe drought, financing constraints, high inflation rates, and the lack of flexibility in the budget are weighing on economic activity in the country. Also, it forecast the fiscal deficit at 6.6% of GDP in 2024 and 6.1% of GDP in 2025. It added that the government's financing needs would exceed 17% of GDP in 2024 due to high subsidies on energy and basic products, and to the increase in debt servicing costs, given the reliance on domestic financing. It noted that the repeated budgetary underperformance constitutes a barrier to external financing. It indicated that the volume of bank refinancing with the Central Bank of Tunisia (CBT) has increased and that the monetary authorities are buying back Treasury bills and are developing measures to allow the CBT to directly finance the government. In parallel, it projected the current account deficit at 4.4% of GDP in 2024 and 4.7% of GDP in 2025 due to the elevated oil imports bill and the dependence on Europe for exports, as well as to $3.6bn in external debt amortization in 2024. It expected net foreign direct investments to remain low in the coming months due to the country's macroeconomic difficulties, and forecast foreign currency reserves to decrease from $8.3bn in 2023 to $8bn in 2024 and $7.9bn in 2025. It noted that reaching an agreement with the International Monetary Fund remains conditional on the implementation of fiscal reforms that President Saïed has largely rejected due to their high social costs.

Source: BNP Paribas

JORDAN

Private sector lending up 2% at end-2023

The consolidated balance sheet of commercial banks in Jordan indicates that total assets reached JD66.2bn, or $93.4bn, at the end of 2023, constituting an increase of 3.2% from JD64.15bn at the end of 2022. Claims on the resident private sector grew by 2% from the end of 2022 to JD30.28bn and credit to the non-resident private sector rose by 27.1% to JD845m, leading to an expansion of 2.4% in overall private sector credit facilities in 2023. Lending to the resident private sector accounted for 45.7% of total assets at end-2023 relative to 46.4% a year earlier. In parallel, resident private sector deposits reached JD34.2bn at end-2023, constituting an increase of 3% from JD33.2bn at the end of 2022; while non-resident private sector deposits stood at JD5.7bn, up by 7.6% from JD5.3bn a year earlier. Also, the government's deposits totaled JD1.22bn and those of public non-financial institutions reached JD338m at end-2023, while claims on the public sector accounted for 24.5% of total assets, nearly unchanged from a year earlier. Further, the banks' reserves at the Central Bank of Jordan totaled JD7.85bn, or $11.1bn, at end-2023 and increased by 9.5% from end-2022; while capital accounts and allowances stood at JD10.2bn, or $14.4bn, and grew by 8.7% from JD9.4bn at end-2022. Also, deposits at foreign banks reached JD4.12bn, or $5.8bn, at end-2023 and increased by 5.1% in 2023; while the sector's foreign liabilities stood at $15.06bn at end-2023.

Source: Central Bank of Jordan

BANGLADESH

Banking system has 'stable' outlook

Moody's Investors Service indicated that it revised the outlook on Bangladesh's banking sector from 'negative' to 'stable' due to solid capital buffers, to expectations that profitability risks and liquidity pressures will decline, and to the high probability of government support in case of need, despite elevated asset quality risks and deteriorating economic conditions. It expected asset quality to deteriorate given that rising borrowing costs, high inflation rates, and the decrease in exports are weighing on the repayment capacity of domestic companies. Further, it projected non-performing loans (NPLs) to remain elevated and expected the low loan-loss reserves ratio to provide a limited cushion against growing loan losses. Further, it anticipated the banking sector's capitalization to be modest despite internal capital generation, as the sector's Common Equity Tier 1 ratio stood at 7.4% as at end-September 2023, which provides banks with a limited buffer against large and unexpected loan losses. Also, it noted that state-owned banks will remain undercapitalized due to their weak earning capacity amid high levels of NPLs and the absence of capital injections. Moreover, it expected funding and liquidity pressures to ease in the banking sector amid net foreign currency inflows, supported by Bangladesh Bank's measures to restrict imports and the opening of letters of credit, which has limited foreign currency outflows, as well as to the incentives to increase remittance inflows from expatriates. But it stated that the Bangladesh Bank's declining foreign currency reserves pose risks to commercial banks, as their access to foreign currency through the central bank in times of need will be limited. It also anticipated domestic currency liquidity to remain tight because of high interest and inflation rates.

Source: Moody's Investors Service

IRAQ

CBI issues recommendations to improve ESG practices at banks

The Central Bank of Iraq (CBI) indicated that the average score of adopting environmental, social, and governance (ESG) practices among 62 banks operating in Iraq reached 47% in 2022, with the score of eight leading Iraqi banks exceeding 70%. It said that eight banks had a score between 61% and 70%, 18 banks posted a score in the 51% to 60% range, and 28 banks had a score of less than 50% in 2022. As such, it stressed the importance to improve ESG practices in the Iraqi banking sector given the global market trend of adopting ESG policies. It expected the authorities to draft a roadmap for financial sustainability in early 2024. It pointed out that ESG practices focus first on the implementation of a framework of ESG standards and commitments; second, on the structure and composition of the board of directors; third, on the role of the main departments at banks and the management committees; fourth, on disclosures and transparency for an effective framework for working ESG standards; fifth, on commitment to ESG standards; and sixth, on the role of shareholders and stakeholders. Further, the CBI encouraged banks to enhance the effectiveness of their boards of directors in line with the requirements of corporate governance and environmental and social standards, to work to improve disclosure and transparency, enhance the integration of environmental and social considerations into the banks' activities and operations, as well as to protect shareholders' rights.

Source: Central Bank of Iraq

NIGERIA

Policy tightening aims to address economic challenges

Fitch Ratings indicated that the Central Bank of Nigeria (CBN) increased recently its monetary policy rate by 400 basis points to 22.75% and the cash reserve ratio for commercial banks from 32.5% to 45%, in an effort to contain inflation and support a more market-determined exchange rate, following the sharp decline in the naira's value in January. But it expected the inflation rate to continue to increase in the first half of 2024 before moderating in the second half of the year, due to the CBN's slow monetary policy response to macroeconomic challenges in the country, the depreciation of the local currency, persisting security challenges, and high transport costs. It expected the inflation rate to stabilize in the second half of the year due to the deceleration of the currency's depreciation amid the recent monetary tightening measures. Further, it indicated that the CBN's monetary tightening signaled its efforts to address the shortages of foreign currency liquidity in the market and to restore business confidence, as it announced plans to clear backlogs of unsettled foreign currency forwards and has already settled $400m out of $2.2bn in arrears. But it noted that restoring investor confidence in the foreign exchange market could take time, especially in the absence of transparent monetary and exchange rate policies. In addition, it expected the authorities' fiscal consolidation to be limited in the near term due to higher spending, which would weaken the effectiveness of monetary policy. It also considered that the lack of policy coordination and a weak net reserve position would hinder the implementation of the CBN's monetary tightening.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $88 p/b in second quarter of 2024

ICE Brent crude oil front-month prices reached $84 per barrel (p/b) on March 13, 2024, constituting an increase of 2.6% from $81.9 p/b in the previous day, as Ukraine hit refineries in Russia, which will pose risks to production and supply. However, prices decreased from $83.6 p/b in February 29 to $81.9 p/b on March 12, 2024 mainly due to diminishing concerns about potential disruptions to oil supply resulting from conflicts in the Middle East and to softer demand in China. In parallel, the U.S. Energy Information Administration (EIA) expected that the extension of the production cuts from the OPEC+ coalition will tighten global oil supply in the second quarter of 2024. Also, it forecast global oil inventories to decrease by 0.9 million barrels per day (b/d) in the second quarter of the year, which will increase oil prices to $88 p/b in the coming quarter. Further, it projected production from non-OPEC+ members to grow by 1.5 million b/d in 2024, driven primarily by higher output from the U.S., Brazil, Canada, and Guyana, which would offset the decline in crude oil production from OPEC+ countries by 1.1 million b/d in 2024. It anticipated that oil prices will remain relatively stable for the rest of the year before decreasing to an average of $85 p/b in 2025 when supply cuts from OPEC+ members are set to expire. But it noted that the outlook on oil prices is highly uncertain, given that production could still be disrupted or that some oil production in the Middle East could be halted due to the attacks in the Red Sea. In addition, it forecast global oil demand to grow by 1.4 million b/d in 2024 and in 2025. Moreover, the EIA forecast oil prices to average $88 p/b in the second quarter of 2024.
Source: EIA, Refinitiv, Byblos Research

OPEC's oil basket price up 1.5% in February 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $81.23 per barrel (p/b) in February 2024, up by 1.5% from $80.04 p/b in January 2024. The price of Algeria’s Sahara blend was $86 p/b, followed by Nigeria's Bonny Light at $85.65 p/b, and Equatorial Guinea’s Zafiro at $85.3 p/b. All prices in the OPEC basket posted monthly increases of between $0.16 p/b and $4.81 p/b in February 2024.
Source: OPEC

Saudi Arabia's oil export receipts at $19.2bn in December 2023

Total oil exports from Saudi Arabia stood at 7.4 million barrels per day (b/d) in December 2023, constituting declines of 3.7% from 7.2 million b/d in November 2023 and of 15.8% from 8.8 million b/d in December 2022. Further, oil export receipts reached $19.2bn in December 2023, representing decreases of 0.5% from $19.3bn in November 2023 and of 15.8% from $22.8bn in December 2022.
Source: JODI, General Authority for Statistics, Byblos Research

OPEC oil output up 1% in February 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.6 million barrels of oil per day (b/d) in February 2024, constituting an increase of 0.8% from 26.4 million b/d in January 2024. On a country basis, Saudi Arabia produced 8.98 million b/d, or 33.8% of OPEC's total output, followed by Iraq with 4.2 million b/d (15.8%), Iran with 3.15 million b/d (11.8%), the UAE with 2.93 million b/d (11%), and Kuwait with 2.42 million b/d (9.1%).
Source: OPEC

Base Metals: Zinc prices to average $2,595 per ton in first quarter of 2024

The LME cash prices of zinc averaged $2,448.6 per ton in the first 10 weeks of 2024, constituting a drop of 23.1% from an average of $3,185.4 a ton in the same period of 2023, due to the slowdown in global economic activity and to the oversupply of the metal against weak demand. In parallel, the latest available figures released by the International Lead and Zinc Study Group (ILZSG) show that global demand for refined zinc stood at 13.7 million tons in the 2023, constituting an increase of 1.7% from 13.4 million tons in 2022 due to the rise in demand for the metal from China and India, which was offset by lower demand from Europe, Japan, Taiwan, Thailand, Türkiye and the United States. Also, global zinc production was 13.9 million tons in 2023, representing an rise of 3.8% from 13.4 million tons in 2022, due to the increase in refined metal output in Australia and Mexico, which was partly offset by lower production in Germany, Japan, and Norway. In addition, mine output accounted for 88.4% of global refined zinc production in 2023. It added that inventories held in LME and Shanghai Futures Exchange warehouses, as well as those reported by producers, consumers, and merchants increased by 170,000 tons to 824,000 tons in 2023. Further, S&P Global Market Intelligence projected zinc prices to average $2,595 per ton in the first quarter of 2024, with a low of $2,425 a ton and a high of $3,131 per ton in the covered quarter.
Source: ILZSG, S&P Global Market Intelligence, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $2,200 per ounce in the next three months

Gold prices averaged $2,049.1 per troy ounce in the first 10 weeks of 2024, constituting an increase of 9.6% from an average of $1,870.3 an ounce in the same period of 2023, mainly due to strong expectations of policy rate cuts by the U.S. Federal Reserve, which would result in a weaker US dollar and increase the demand for gold, as well as to the war in the Gaza Strip that reinforced the appeal of the metal as a safe haven for investors. Further, prices reached an all-time high of $2,184.7 per ounce on March 11, 2024 amid macroeconomic indicators suggesting lower-than-expected inflation rates in the U.S. at the time, which weakened the US Dollar Index and increased anticipations that the U.S. Federal Reserve will start cutting interest rates. Prices then decreased to $2,163.1 per ounce on March 12, 2024 due to newly-released data showing rising inflation rates in the U.S. and casting doubts about the timing of the rate cuts. In parallel, the World Gold Council indicated that February 2024 marked the ninth consecutive month of net outflows from physically-backed gold exchange traded funds (ETFs). It noted that outflows from gold-backed ETFs reached 36.8 tons in North America in February, followed by outflows of 14.7 tons in Europe, which has offset inflows into gold-backed ETFs of 2.8 tons in Asia. As such, it pointed out that the global net outflows from gold ETFs totaled 49.1 tons in February of this year. It indicated that the aggregate holdings of global gold-backed ETFs dipped from 3,174.7 tons in January to 3,125.6 tons in February 2024, which has also supported the recent rise in the metal's price. Further, Citi Research forecast gold prices to average $2,200 an ounce in the next three months and $2,300 per ounce in the coming six-to-eight months.
Source: Citi Research, World Gold Council, Refinitiv, Reuters, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	Stable	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B-	Caa1	B-	B								
	Stable	Positive	Stable	Negative	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	SD	Caa3	C									
	-	Stable	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD	Ca	RD	-								
	-	Stable	-	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba2	BB-	-								
	-	Stable	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BB+	Ba1	BB+	-								
	Stable	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa2	CCC-	-								
	-	Negative	-	-	-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+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Positive	Negative	Stable	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-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Positive	Stable	Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	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+	Ba1	BB+	BB+								
	Stable	Stable	Stable	Stable	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA								
	Stable	Positive	Positive	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A	A1	A+	A+								
	Stable	Positive	Stable	Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	BB-	Ba3	BB-	B+								
	Stable	Stable	Stable	Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+	A1	A+	-								
	Stable	Stable	Stable	-	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB-	Baa3	BBB-	-								
	Stable	Negative	Negative	-	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB-	Baa3	BBB	-								
	Stable	Positive	Stable	-	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+	Caa3	CCC	-								
	Stable	Stable	-	-	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Stable	Stable	Stable	-	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB-	Baa3	BBB-	-								
	Negative	Negative	Negative	-	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C	Ca	C	-								
	CWN**	Negative	-	-	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B	B3	B+	B+								
	Positive	Positive	Positive	Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B-	B3	CCC	-								
	CWN	RfD***	-	-	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

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

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	31-Jan-24	No change	20-Mar-24
Eurozone	Refi Rate	4.50	07-Mar-24	No change	21-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	28-Feb-24	No change	10-Apr-24
Switzerland	SNB Policy Rate	1.75	14-Dec-23	No change	21-Mar-24
Canada	Overnight rate	5.00	6-Mar-24	No change	01-Apr-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	7-Mar-24	No change	09-May-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	27.25	06-Mar-24	Raised 600bps	28-Mar-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	45.00	22-Feb-23	No change	21-Mar-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	22.75	27-Feb-24	Raised 400bps	26-Mar-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	8.50	12-Mar-24	Cut 25bps	30-Apr-24
Romania	Policy Rate	7.00	13-Feb-24	No change	N/A
Bulgaria	Base Interest	3.80	1-Mar-24	Raised 1bps	01-Apr-24
Kazakhstan	Repo Rate	14.75	23-Feb-24	Cut 50bps	12-Apr-24
Ukraine	Discount Rate	14.50	14-Mar-24	Cut 50bps	25-Apr-24
Russia	Refi Rate	16.00	16-Feb-24	No change	22-Mar-24

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