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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade to increase by 2.6% in 2024

The World Trade Organization projected the volume of global merchandise trade to grow by 2.6% in real terms in 2024 relative to a contraction of 1.2% in 2023. It attributed the expansion in global merchandise trade to lower inflations rates worldwide, which would trigger a rebound in the consumption of manufactured goods in 2024 and lead to interest rates cuts that would stimulate investments that require capital goods. It forecast the volume of merchandise exports from the Commonwealth of Independent States (CIS) and from Africa to rise by a real rate of 5.3% each in 2024, followed by an increase of exports from North American (+3.6%), the Middle East (+3.5%), Asia (+3.4%), South America (+2.6%), and Europe (+1.7%). In parallel, it expected the volume of merchandise imports to Asia to increase by 5.6% in real terms in 2024, followed by imports to Africa (+4.4%), South America (+2.7%), the Middle East (+1.2%), North America (+1%), and Europe (+0.1%), while it projected the volume of merchandise imports to the CIS to decrease by 3.8% this year. Also, it forecast the volume of merchandise exports from least developed countries to increase by 2.7% in 2024 compared to a growth rate of 4.1% in 2023, and expected the volume of merchandise imports to these economies to grow by 6% relative to a decrease of 3.5% in 2023.

Source: World Trade Organization

Cost of fraud at 3.9 times the value of lost transactions

A survey conducted by LexisNexis Risk Solutions between July and August 2023 showed that every fraudulent transaction in the Europe, Middle East & Africa (EMEA) region costs the retail, e-commerce, and financial services & lending sectors 3.9 times the value of the lost transaction. It said that the cost of fraud among financial institutions was 4.9 times the value of the lost transaction, while the cost of fraud was 3.2 times the value of the lost transaction among retailers. It stated that the cost of fraud among financial institutions in Kenya stood at 5.8 times the value of the lost transaction, followed by Germany (5.4) and the Netherlands (5.2), while the cost of fraud among retail companies in the UAE was 3.62 times the value of the lost transaction, followed by the Netherlands (3.58), and Germany (3.4). Further, it noted that fraud at online stores accounted for 32% of the total amount of frauds in the EMEA region in 2023, followed by in-person fraud with 25%, telephone and contact center fraud with 21%, and mobile fraud with 20%. Also, it pointed out that 52% of financial institutions and 53% of retail companies in the region reported an increase in fraud levels in the 12-month period that ended in July 2023. It noted that scams were the fastest-growing type of fraud that targeted financial institutions, with 54% of them reporting at least a 6% rise in this type of fraud, followed by 53% of companies citing a 6% or more increase in identity theft fraud and fraud that targets mobile transactions. Also, card-testing fraud was the fastest-growing type of fraud among retailers, with 56% of them reporting at least a 6% increase in this type of scam, followed by 55% of retail firms indicating a 6% or more rise in fraud through QR codes, and 54% of respondents noting an uptick in identity-theft fraud.

Source: LexisNexis Risk Solutions

Upgrades on sovereign foreign currency ratings at 11.8% of rated sovereigns in 2023

S&P Global Ratings indicated that six rated sovereigns defaulted on their obligations in 2023 worldwide compared to five defaults in 2022. It noted that there were three foreign currency (FC) defaults at rated sovereigns in 2023 relative to five defaults in 2022, while there were six local currency (LC) defaults last year compared to one default in 2022. It stated that local currency defaults outnumbered foreign currency defaults for the first time since 1999, with Argentina defaulting three times last year on peso-denominated debt exchanges. Further, it noted that Argentina, El Salvador, Mozambique, and Sri Lanka defaulted on their local currency debt, while Cameroon, El Salvador, and Ethiopia defaulted on their foreign currency obligations. In parallel, it stated that it upgraded the ratings of 16 sovereigns relative to 13 upgrades in the preceding year, and downgraded 11 sovereigns last year compared to 10 downgrades in 2022. Further, it said that 22.6% of rated sovereigns were in the 'B'-rated category at the end of 2023, 20.4% stood in the 'BBB' segment, 15.3% of sovereigns were in the 'BB' bracket, 14.6% stood in the 'AA' segment, 13% of sovereigns were in the 'A' category, 8% came in the 'AAA' bracket, and 5.8% of sovereigns stood in the 'CCC' segment or lower. In addition, it said that the global rate of FC defaults reached 2.2% last year, down from 3.6% in 2022, while the rate of LC defaults increased from 0.7% in 2022 to 2.9% in 2023. It added that the rate of FC downgrades increased from 4.3% in 2022 to 5.1% in 2023, while the rate of FC upgrades grew from 9.3% in 2022 to 11.8% in 2023. In comparison, the rate of LC downgrades decreased from 7% in 2022 to 4.3% in 2023, while the upgrade rate improved from 10% in 2022 to 10.7% in 2023.

Source: S&P Global Ratings

GCC

Fixed income issuance at $56bn in first quarter of 2024

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $55.5bn in the first quarter of 2024, constituting an increase of 87% from $29.7bn in the same period of 2023. Fixed income issuance in the first quarter of the year consisted of $17.3bn in sovereign bonds, or 31.2% of the total, followed by $16.7bn in corporate bonds (30%), $15.4bn in corporate sukuk (27.7%), and $6.1bn in sovereign sukuk (11%). Further, aggregate bonds and sukuk issued by corporates in the GCC stood at $32.1bn in the first quarter of 2024, or 57.8% of fixed income output in the region; while issuance by GCC sovereign reached $23.4bn, or 42.2% of the total. GCC sovereigns issued $19.3bn in bonds and sukuk in January, $2.3bn in February, and $1.8bn in March 2024. Also, companies in the GCC issued $13.3bn in bonds and sukuk in January, $8.6bn in February, and $10.2bn in March 2024. In parallel, corporate output in March 2024 included $4.87bn in sukuk issued by companies in Saudi Arabia, $1.5bn in bonds issued by firms based in Qatar, $1bn in sukuk and $250m in bonds issued by companies in the UAE, and $188m in sukuk issued by companies in Oman. Also, sovereign proceeds in the covered month consisted of $875m in bonds that the UAE issued, $756m in bonds issued by Bahrain, and $208m in bonds issued by supranational issuer the Arab Petroleum Investments Corporation.

Source: KAMCO

POLITICAL RISKS OVERVIEW - March 2024

ALGERIA

Tensions rose between Algeria and Morocco after the latter announced plans to confiscate the buildings of the Algerian embassy in Morocco's capital. The decision came amid deteriorating relations between the two countries due to the Western Sahara issue. The Ministry of Foreign Affairs of Algeria called Morocco's plan "a provocation" and vowed to retaliate against the confiscation of the Algerian embassy's buildings in Rabat.

ARMENIA

During the seventh meeting to delimit the borders between Armenia and Azerbaijan, the two countries vowed to finalize the delimitation process "as soon as possible". However, the Deputy Prime Minister of Azerbaijan asked Armenia to return to Azerbaijan four villages that it allegedly holds, which are strategically positioned along the highway leading to Georgia and near the pipeline supplying Russian gas to Armenia. As a result, Armenian Prime Minister Nikol Pashinyan announced his decision to adjust the country's borders, and warned of another war if the two sides refuse to compromise. Relations between Armenia and Russia continued to deteriorate ahead of the planned trilateral meeting between Armenia, the United States, and the European Union, which Azerbaijan criticized as "biased". Also, Azerbaijan accused Armenia of amassing forces near the border with Azerbaijan. Armenia denied the allegations, while the EU Border Observation Mission reported "no unusual movements" of troops.

ETHIOPIA

The security situation in Ethiopia worsened as government forces faced substantial losses against rebel groups. Fighting between government forces and Amhara nationalist militias, known as Fano, reached major towns for the first time since hostilities intensified in August 2023, notably after Fano militants attacked Amhara's regional capital Bahir Dar. Moreover, the conflict spilled into Oromia, raising fears of inter-ethnic conflict after clashes between Fano and the Oromo Liberation Army (OLA) killed 27 persons. The OLA realized strategic gains in the West Guji region of the country, as the attention of government forces shifted to the Amhara region.

IRAN

Iran held elections for its Parliament and the Assembly of Experts on March 1, 2024, with the results showing a voters' turnout of 41%, the lowest for legislative races since the Islamic Republic was founded in 1979. The U.S. sanctioned numerous Iranian and Iran-linked entities, as it designated four entities and vessels for their role in a Quds Force-linked network supporting Huthi rebels, and sanctioned nine entities, individuals and tankers for "facilitating commodity shipments and financial transactions for the Iranian Revolutionary Guards Corps-Quds Force, the Huthis, and Hezbollah".

IRAQ

Tensions mounted between Baghdad and Erbil, as the Kurdish Democratic Party (KDP) announced the boycott of Kurdistan's parliamentary elections in June due to the Federal Supreme Court's ruling in February that annulled minority seats in Parliament, most of which are allocated to KDP-dominated areas. Also, minority Christian and Turkmen parties announced their boycott of the elections. Iraq and Türkiye reached a landmark deal to address the security threat that the Kurdistan Workers' Party (PKK) is posing to the two countries. They discussed measures against the group and decided to establish a permanent joint committee on combating terrorism, as well as on trade, agriculture, energy, water, healthcare, and transportation issues. Turkish President Recep El Tayep Erdoğan announced that the Iraqi border will be entirely secured by the summer, signalling the possible escalation of an anti-PKK campaign in coming months.

LIBYA

The Speaker of the House of Representatives, the head of the Tripoli-based High State Council, and the head of the Presidential Council met in Cairo under the mediation of the Arab League and agreed to form a technical committee that would supervise the long-delayed national elections. Further, the Speaker of Parliament Aguila Saleh issued a decree that imposes a tax rate of 27% on foreign currency transactions until the end of 2024 to raise money for "development projects and debt servicing". As such, the Central Bank of Libya ordered banks to comply with the tax on foreign currency purchases.

SUDAN

The Sudanese paramilitary group Rapid Support Forces (RSF) suffered strategic losses after the Sudanese Armed Forces (SAF) recaptured the city of Omdurman and took control of the national radio and television headquarters. Fears of protracted clashes in Khartoum increased amid speculations that the SAF is attempting to retake the capital after it launched an offensive into the RSF-controlled El Gezira state, given that the RSF's presence in the state's capital has allowed it to maintain its control over Khartoum due to the former's strategic location. Meanwhile, violence broke out in North Darfur's capital El Fasher after the SAF conducted airstrikes on RSF positions, which could potentially draw-in armed groups from Darfur that have so far remained neutral. In parallel, the World Food Program warned that the conflict risks triggering the "world's largest hunger crisis", with "over 25 million people across Sudan, South Sudan and Chad trapped in a spiral of deteriorating food security".

TUNISIA

Nearly 2,000 demonstrators protested in Tunis in early March against the deteriorating economic conditions in the country. The Tunisian General Labor Union organized the protests in the hope of extracting concessions from President Kais Saïed before the upcoming presidential elections in October. The Tunisian judiciary issued an international arrest warrant against a former minister under the Zine el-Abidine Ben Ali government after he publicly criticized President Saied. Also, the migrant crisis persisted after 34 migrants were reported to be missing off the south-eastern coast of Tunisia, 34 others were rescued, and two were found dead. As a result, the European Commission disbursed €150 million to Tunisia to improve migration control.

TÜRKIYE

Türkiye and Iraq enhanced their relations after a senior Turkish delegation met with Iraqi ministers, representatives of the Iran-backed Popular Mobilisation Forces, and the Interior Minister of the Kurdistan Regional Government in mid-March, and jointly established the Iraqi-Turkish permanent commissions on counterterrorism, water governance, trade, oil trade and transportation. Also, Baghdad designated the PKK as a "banned organization", which Turkish officials considered an important diplomatic win. Also, relations improved between Greece and Türkiye after the vice-foreign ministers of the two countries met in Ankara as part of the Turkish-Greek Political Dialogues.

YEMEN

The Huthi rebels killed three crewmembers in attacks on a Barbados-flagged ship in the Gulf of Aden on March 6, 2024, amid ongoing U.S-United Kingdom airstrikes on Huthi targets. Also, the Huthis continued to target merchant vessels as well as U.S. and United Kingdom warships in the Red Sea and the Gulf of Aden, and announced the targeting of ships in the Indian Ocean. Further, Huthi rebels agreed to ensure the safe passage of Chinese and Russian ships through the Red Sea in exchange for the two countries' political support.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Global growth to average 3.2% in 2024-25 period on more favorable outlook

The International Monetary Fund (IMF) projected the global real GDP growth rate at 3.2% in 2024, up from 3.1% in its January forecast, and at 3.2% in 2025, unchanged from its previous projection. It attributed its upward revision of growth for this year to the expected easing of global financial conditions. It forecast the real GDP growth rate of advanced economies at 1.7% in 2024 and 1.8% in 2025, compared to 1.5% in 2024 and 1.8% in 2025 in its January forecast, amid a recovery in economic activity in the Euro area from low levels in 2023. Also, it projected the real GDP growth rate in emerging markets and developing economies at 4.2% in each of 2024 and 2025, relative to a previous forecast of 4.1% for 2024 and 4.2% for 2025, amid higher capital flows and given that several low-income countries and frontier economies regained access to external capital markets.

Further, it projected the real GDP of Emerging & Developing Asia to grow by 5.2% in 2024 and 4.9% in 2025. Also, it expected economic activity in Sub-Saharan Africa to rise by 3.8% this year and by 4% next year, while it anticipated the real GDP growth rate of Emerging & Developing Europe at 3.1% in 2024 and 2.8% in 2025. Further, it forecast economic activity in Latin America & the Caribbean to expand by 2% this year and by 2.5% next year, and for the real GDP growth rate of the Middle East & North Africa region to reach 2.7% in 2024 and 4.2% in 2025.

The IMF considered that risks to the global economic outlook are more broadly balanced than in October 2023, given the scope for additional favorable developments to support global growth that include faster disinflation, short-term fiscal boost in the context of elections, a faster monetary policy easing, and the implementation of supply-side reforms. But it anticipated that commodity price increases amid regional conflicts, disruptive fiscal adjustment and debt distress, and the intensification of geo-economic fragmentation, to pose downside risks to the global outlook.
Source: International Monetary Fund

MENA

Real GDP growth rate revised downwards to 2.7% in 2024, Gaza war clouds outlook

The World Bank revised downward its projections for real GDP growth in the Middle East & North Africa (MENA) region to 2.7% in 2024 from 3.5% last October, due to the negative impact of the conflict in the Middle East on economic activity. Also, it forecast the region's real GDP growth rate at 4.2% in 2025, in case economic activity picks up. As such, it expected the real GDP growth rate of the region's oil-exporting countries at 2.8% in 2024, down from 3.5% in its October forecasts, and 4.3% in 2025, and for activity in Gulf Cooperation Council countries to accelerate from 2.8% this year, down from 3.6% last October, to 4.7% next year. In addition, it projected the real GDP growth rate of the MENA's oil-importing economies at 2.5% in 2024, down from 3.4% last October, and 3.9% in 2025, which reflects a downward revision of 0.9 percentage points for this year, due to the impact of the war in the Gaza Strip on fiscal and external balances, as well as to high public debt levels.

In parallel, it anticipated the fiscal deficits of the region's oil exporters at 1.5% of GDP in 2024 and 1.2% of GDP in 2025, and for their current account surpluses to decrease from 6.7% of GDP in 2023 to 5.1% of GDP this year and 5.5% of GDP next year, due to cuts in oil production and moderate oil prices. Further, it projected the fiscal deficit of the region's oil-importing economies at 5.7% of GDP in 2024 and 5.3% of GDP in 2025, while it forecast their aggregate current account deficits to widen from 1.8% of GDP in 2023 to 3.4% of GDP in each of 2024 and 2025 amid geopolitical instability that could affect capital markets and foreign investments. Further, the World Bank considered that the main risk to the MENA growth outlook is the continued uncertainties in the region, which would weaken private sector activity. It added that the accumulation of debt, mainly in oil-importing economies, which may be accompanied by costly interest payments, would gradually reduce the ability of governments to make other growth-supporting public investments.
Source: World Bank

IRAQ

Economic growth to average 4% in 2024-26 period, outlook subject to significant risks

The World Bank projected real GDP in Iraq to shift from a contraction of 2.5% in 2023 to a growth rate of 1.6% in 2024, driven by a recovery in non-oil activity. It forecast economic activity to peak at 6.1% in 2025 and to average 4% in the 2024-26 period, in case of a rebound in oil sector activity. But it noted that the economic outlook is contingent on global oil market prospects and the implementation of the three-year budget plans. Also, it forecast the inflation rate to decrease from 4.3% in 2023 to 3.8% in 2024 and 3.4% in 2025, as inflationary pressures have eased amid tighter monetary policy and the upward revaluation of the dinar against the US dollar.

In parallel, it projected the fiscal balance to shift from a surplus of 0.8% of GDP in 2023 to deficits of 5.1% of GDP in 2024 and 5.7% of GDP in 2025, due to lower oil revenues and to the sharp fiscal expansion that is increasing consumption and is weighing on fiscal and external balances. As such, it forecast gross financing needs to increase to an average of $24.2bn per year in the 2024-26 period, and for the public debt level to rise from 45.5% of GDP in 2023 to an average of 63.7% of GDP in the covered period. Further, it expected the current account balance to post deficits of 3.7% of GDP in 2024 due to a significant rise in the import bill and a substantial decline in exports, which will limit the accumulation of foreign currency reserves that stood at $102.7bn at end-2023. Also, it also projected the current account deficit at 4% in 2025, despite higher export receipts that will more than offset the imports.

In addition, it considered that Iraq's outlook is subject to significant downside risks. It said that risks include the volatility of the oil market, spillovers from the conflict in the Middle East that could impact fiscal and external balances, and climate change. It pointed out that Iraq's heavy reliance on oil makes it susceptible to oil shocks, which could lead to disruptions in the flow of oil exports and price fluctuations. Moreover, it urged authorities to mobilize revenues and reprioritize expenditures, which could free up fiscal space for growth-enhancing investments in human and physical capital, and improve long-term fiscal sustainability.
Source: World Bank

BAHRAIN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed Bahrain's short- and long-term foreign and local currency sovereign ratings at 'B' and 'B+', respectively, and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to the continued primary budget and current account surpluses, driven by high hydrocarbon prices and fiscal consolidation measures that aim to rationalize public expenditures. Also, it noted that the ratings are supported by ongoing financial assistance from Saudi Arabia, Kuwait and the UAE, which serves as a direct source of budget financing and as a key element in maintaining investor confidence and access to capital markets. But it said that the ratings are constrained by a high level of government debt, limited fiscal flexibility, and the sovereign's vulnerability to volatile hydrocarbon prices. It noted that the country's external vulnerabilities and its modest foreign currency reserves continue to weigh on the ratings. In addition, it projected the current account surplus to decline from 6.4% of GDP in 2023 to 5.9% of GDP in 2024 and 5.4% of GDP in 2025. In parallel, it indicated that the 'stable' outlook balances the sovereign's fiscal and external financing vulnerabilities and very high indebtedness, against the authorities' commitment to reforms, robust non-hydrocarbon growth, and sufficient financial support from Gulf Cooperation Council countries. Further, CI noted that it could change the outlook to 'negative' if public finances deteriorate, the public debt level rises, and/or if access to international markets tightens. But it said that it would change the outlook to 'positive' if fiscal outcomes are higher than expected due to fiscal consolidation measures and high hydrocarbon prices, or if the debt ratios decline.

Source: Capital Intelligence Ratings

QATAR

Insurance premiums to reach $2.5bn in 2028

Alpen Capital projected gross written insurance premiums in Qatar to increase from $2bn in 2023 to $2.5bn in 2028, and to post a compound annual growth rate (CAGR) of 4.8% during the 2023-28 period, driven mainly by the growth of non-life insurance premiums. Further, it projected non-life insurance premiums in the country to expand from $1.9bn in 2023 to $2.5bn in 2028 and to grow at a CAGR of 4.9% during the 2023-28 period due to rapid economic growth, ongoing infrastructure projects and improved geopolitical conditions. It noted that the implementation of mandatory health insurance for visitors and expatriates is expected to have a positive impact on the industry's penetration rate and profitability. It added that the country's insurance industry will launch climate insurance and tailored services for several sectors, and that it will expand the range of insurance products amid the development of local key sectors. Also, it said that the authorities' focus on industrial diversification and economic transformation will increase demand for cyber and export insurance. Further, it forecast life premiums to increase at a CAGR of 2.7% in the 2023-28 period and to reach $0.1bn due to rising awareness about insurance products among citizens and a stable population growth. It projected the insurance sector's penetration rate at 0.9% of GDP in the 2023-28 period and for insurance density, or premiums per capita, to increase from $694 in 2023 to $851.4 in 2028.

Source: Alpen Capital

CÔTE D'IVOIRE

Near term economic growth projected at 6.5%

The International Monetary Fund projected Côte d'Ivoire's real GDP growth rate at 6.5% in the near term, supported by stronger private domestic demand, a recovery in cocoa production, and improving external conditions. Also, it forecast the fiscal deficit to decline from 4% of GDP to 3% of GDP in 2024-25 period, driven by the ongoing domestic revenue mobilization efforts. It expected the recent successful Eurobond issuance and associated liability management operation to strengthen the public debt's sustainability. It indicated that the government's reforms to boost revenue mobilization by 0.5% of GDP annually will support the key objectives of the 2021-25 National Development Plan and preserve fiscal and debt sustainability. Further, it projected the current account deficit to narrow from 5.7% of GDP to 2% of GDP during the 2024-26 period due to favorable terms of trade and more diversified exports, resulting in the gradual increase of foreign currency reserves. In addition, it expected the government to adopt its comprehensive medium-term revenue mobilization strategy in May 2024 and help advance tax policy and administration reforms, in order to achieve the tax revenue target of at least 20% of GDP. In parallel, it said that it has reached with the government of Côte d'Ivoire a staff-level agreement on both the second semi-annual review of the country's economic reform program supported by the Extended Fund Facility and Extended Credit Facility arrangements, and the first review of their climate change reform program supported by the Resilience and Sustainability Facility (RSF) arrangement. It noted that the performance under the programs has been satisfactory and that the authorities are on track in implementing the reform measures of the RSF.

Source: International Monetary Fund

GHANA

Structural reforms driving positive results

The International Monetary Fund (IMF) indicated that the Ghanaian authorities have made progress on key structural reforms and that their policies to restore macroeconomic stability, debt sustainability and inclusive growth are generating positive results. It added that Ghana's economic activity was robust in 2023 and that monetary policy has remained tight, resulting in a rapid decline in the inflation rate. It said that the external sector improved significantly, the financial condition was stable and that banks posted solid profits in 2023. In parallel, the IMF indicated that Ghana's fiscal performance has been strong, in line with the authorities' commitments under the IMF-supported program, and said that the primary fiscal balance improved by about 4 percentage points of GDP in 2023 and expected it to post a surplus of 0.5% of GDP in 2024. Also, it stated that the authorities have kept spending within the budget's limits, expanded social protection programs, and met the government's non-oil revenues target. It added that ambitious structural fiscal reforms are boosting public revenues, strengthening public financial and debt management, and enhancing transparency. However, the IMF stressed that, in order to secure pledges for the needed external financing, the authorities have to agree with official creditors on a Memorandum of Understanding on the terms of an external debt treatment that is consistent with the agreement that they reached in January 2024.

Source: International Monetary Fund

ARMENIA

Banking sector assessment upgraded on decline in credit risk

S&P Global Ratings upgraded Armenia's banking sector from 'Group 8' to 'Group 7' under its Banking Industry Country Risk Assessment (BICRA), as it raised the economic risk score from '8' to '7' and kept the industry risk score at '8'. The BICRA framework evaluates banking systems based on economic and industry risks facing the sector, with 'Group 10' including the riskiest banking sectors. Other countries in BICRA's 'Group 7' include Bahrain, Cyprus, Georgia, Greece, Guatemala, Morocco, Oman, and Thailand. It indicated that Armenia's economic risk score reflects "high risks" in its economic resilience and economic imbalances, and "very high" credit risks in the economy. Further, it revised the country's economic risk trend from 'positive' to 'stable'. It said that the Armenian banking sector benefitted from the improved credit risk in the Armenian economy due to the decline of the dollarization rate of the banks' loan portfolio. It pointed out that the share of foreign currency loans stood at 34% of total loans in the sector at the end of 2023, which is lower than other highly-dollarized peer countries. It noted that imbalances in the Armenian banking sector are rising due to the jump in real estate prices, despite the rapid appreciation of the local currency that boosted the economy's capacity to service its debt. In parallel, it said that the banking sector's industry score reflects the country's "high risk" in its competitive dynamics, as well as "very high risks" in its institutional framework and system-wide funding.

Source: S&P Global Ratings

OMAN

Agency upgrades ratings on five banks on improving operating environment

Capital Intelligence Ratings upgraded the long-term foreign currency ratings of Ahli Bank Oman (AB), Bank Muscat (BM), the National Bank of Oman (NBO), and Oman Arab Bank (OAB) from 'BB' to 'BB+', and the long-term National Scale Rating of Alizz Islamic Bank (AIB) from 'omAA' to 'omAAA'. It also upgraded the Bank Standalone Ratings of AB, BM, NBO and OAB from 'bb' to 'bb+'. Further, it revised the outlook on the ratings of the five banks from 'positive' to 'stable'. It attributed the upgrades to the recent upgrade of Oman's sovereign rating from 'BB' to 'BB+' and to the improvement in the banking sector's operating environment. It said the outlook revision reflects its expectations that the five banks will maintain broadly stable business and sound financial metrics, and that their ratings will remain unchanged in the next 12 months. It indicated that the improving operating environment and strengthened investor confidence in Oman would provide better prospects for loan growth and a possible stabilization of asset quality for the banking sector, which would also be supported by robust capital buffers at rated banks. In parallel, it pointed out that the ratings of the five banks are constrained by the high concentration of their loan book and deposit base. In addition, it said that the ratings of the five banks benefit from a moderate probability of government support in case of need, as well as by their strong capital ratios, adequate asset quality, and sound profitability.

Source: Capital Intelligence Ratings

KUWAIT

Banks and financial institutions' ratings affirmed, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDRs) of National Bank of Kuwait (NBK) at 'A+', and maintained the ratings of the Industrial Bank of Kuwait (IBK), Kuwait International Bank (KIB), Al Ahli Bank of Kuwait (ABK), Commercial Bank of Kuwait (CBoK), Kuwait Finance House (KFH), and Warba Bank (WB) at 'A', as well as the IDR of Kuwait Investment Company (KIC) at 'BB'. Also, it affirmed the outlook on the banks' IDRs at 'stable'. It indicated that the ratings of the banks take into account the high likelihood of extraordinary support from the government in case of financial distress. Further, it affirmed the Viability Ratings (VRs) of NBK at 'a-', the ratings of KFH and CBoK at 'bb+', the VRs of ABK at 'bb-', and the VR of KIB and WB at 'bb-'. It pointed out that the VRs of IBK, KIB, ABK, CBoK, KFH, NBK, and WB reflect their adequate capitalization, while the ratings of KIB, ABK, CBoK, KFH, and NBK also take into account their stable funding and sound liquidity. Further, it noted that the ratings of ABKM CBoK, NBK, and WB are supported by their solid asset quality, while KIB and KFH are facing asset quality pressures. Also, it stated that the VRs of the rated banks are constrained by the high concentrations of customer deposits. In parallel, the agency said that it could downgrade the IDRs of the banks if the probability of support from the government and from the parent company decrease.

Source: Fitch Ratings

NIGERIA

New capital requirements to trigger banking sector's consolidation

Moody's Ratings indicated that the Central Bank of Nigeria (CBN) announced that it has raised the capital requirements for banks, and that it has asked banks to submit related plans by April 30, 2024. As such, the agency considered that the banks will benefit from a stronger balance sheet and the ability to grow their loan books and absorb credit losses, ahead of the implementation of Basel III standards. It noted that the banks have three options to comply with the new requirements, as they can sell shares to new shareholders or conduct a rights issue to existing shareholders, or consolidate through mergers and acquisitions, or change their banking license from an international license to a national or regional one in order to reduce the amount of the new capital requirements. It indicated that the CBN mandated that the new minimum capital must consist of only paid up capital and subscription shares by new or existing shareholders, and that retained earnings and Tier One capital cannot be earmarked to the new minimum capital. It expected the new regulations to lead to the sector's consolidation, particularly for banks that cannot raise their capital. In parallel, Fitch Ratings said that the increase in the paid-in capital requirements will trigger equity issuance by Nigerian banks in the next two years. It added that small and medium-sized banks may face difficulties in raising the necessary capital, which would lead to mergers and acquisitions and result in a concentrated banking sector. But it estimated that the new regulations will not have significant implications on the banks' ratings, as the Long-Term Issuer Default Ratings (IDRs) of the majority of Nigerian banks are constrained by Nigeria's 'B-' Long-Term IDR.

Source: Moody's Ratings, Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $90 p/b in second quarter of 2024

ICE Brent crude oil front-month prices averaged $89.8 per barrel (p/b) in the first two weeks of April 2024, constituting an increase of 5.1% from $85.5 p/b in the same period last year, driven by supply threats due to the rise of geopolitical tensions in Ukraine and the Middle East. Further, oil prices reached a recent high of $91.2 p/b on April 5, 2024, representing an increase of 4.2% from the end of March. The rise in oil prices has been driven by elevated geopolitical risks in the Middle East and persisting concerns of lower supply as major producers are keeping output cuts in place. In parallel, the U.S. Energy Information Administration (EIA) expected that the combination of stable oil production and rising consumption 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 keep oil prices at around $90 p/b in the covered quarter. Further, it projected production from non-OPEC+ members to grow by 1.8 million b/d in 2024, driven primarily by higher output from the U.S., Brazil, Canada and Guyana, which would offset the 0.9 million b/d in crude oil output cuts by OPEC+ countries in 2024. It anticipated that oil prices will remain relatively higher for the rest of the year at $89 p/b before decreasing to an average of $87 p/b in 2025 when supply cuts from OPEC+ members are set to expire. In addition, it forecast global oil demand to grow by 0.9 million b/d in 2024 and 1.4 million b/d in 2025.

Source: EIA, Refinitiv, Byblos Research

OPEC's oil basket price up 3.7% in March 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $84.22 per barrel (p/b) in March 2024, constituting an increase of 3.7% from $81.23 p/b in February 2024. The price of Nigeria's Bonny Light was $87.86 p/b, followed by Algeria’s Sahara blend at $87.54 p/b and Equatorial Guinea’s Zafiro at $86.84 p/b. All prices in the OPEC basket posted monthly increases of between $1.39 p/b and $3.53 p/b in March 2024.

Source: OPEC

Saudi Arabia's oil export receipts at $19bn in January 2024

Total oil exports from Saudi Arabia stood at 7.8 million barrels per day (b/d) in January 2024, constituting an increase of 5.4% from 7.4 million b/d in December 2023 and a decrease of 12.1% from 8.8 million b/d in January 2023. Further, oil export receipts reached $18.9bn in January 2024, representing decreases of 1.4% from $19.2bn in December 2023 and of 13.5% from $21.9bn in January 2023.

Source: JODI, General Authority for Statistics, Byblos Research

OPEC oil output stable in March 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.604 million barrels of oil per day (b/d) in March 2024, nearly unchanged from 26.601 million b/d in February 2024. On a country basis, Saudi Arabia produced 9 million b/d, or 34% of OPEC's total output, followed by Iraq with 4.2 million b/d (15.8%), Iran with 3.2 million b/d (12%), the UAE with 2.93 million b/d (11%), and Kuwait with 2.5 million b/d (9.2%).

Source: OPEC

Base Metals: Zinc prices to average $2,600 per ton in second quarter of 2024

The LME cash prices of zinc averaged $2,477.6 per ton in the year-to-April 17, 2024 period, constituting a drop of 19.8% from an average of $3,089.4 a ton in the same period in 2023 due the oversupply of the metal and weak demand for zinc by China's construction sector. Also, zinc prices stood at $2,833 a ton on April 12, 2024, their highest level since April 18, 2023 when they reached $2,880 per ton. The recent increase in the price of the metal was due to the tightening of the global supply of zinc because of reduced output by zinc smelters. Also, S&P Global Market Intelligence stated that the recent increase in zinc prices is driven by expectations of improved manufacturing activity in major economies, which would boost demand for the metal. In parallel, Citi Research projected the global supply of zinc at 13.82 million tons in 2024 relative to 13.79 million tons last year, with mine output representing 90.5% of the total. Further, it forecast demand for the metal at 13.57 million tons in 2024 compared to 13.75 million tons in 2023. As such, it expected the surplus in the zinc market to narrow from 221,000 tons in 2023 to 64,000 tons in 2024. In its base case scenario, it expected the price of the metal to average $2,625 per ton in 2024, supported by expectations of improved economic activity around the world. Further, in its bear case scenario, it forecast zinc prices to average $2,250 per ton this year due to subdued demand from the Chinese property and construction markets, while in its bull case scenario, it projected zinc prices to average $2,838 per ton in 2024, driven by a rebound in global economic activity, especially in China. Also, it forecast zinc prices to average $2,600 per ton in the second quarter of 2024, with a low of $2,200 per ton and a high of $2,800 a ton in the covered period.

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

Precious Metals: Platinum prices to average $1,008 per ounce in second quarter of 2024

Platinum prices averaged $917.8 per troy ounce in the year-to-April 17, 2024 period, constituting a decrease of 8% from an average of $996.9 an ounce in the same period last year due to slower auto sales and subdued demand from China. Also, platinum prices reached $999 an ounce on April 12, 2024, their highest level since January 1, 2024 when they reached $1,006 an ounce. The recent jump in the metal's price was due to elevated inflows into platinum-backed exchange-traded funds and fears of a decline in the global supply of the metal. In parallel, Citi Research projected global demand for platinum to reach nearly 7.74 million ounces in 2024 and to decrease by 0.6% from 7.79 million ounces in 2023. Also, it forecast the global supply of platinum to decline by 0.4% from 7.05 million ounces in 2023 to 7.02 million ounces in 2024, with mine output representing 78% of global refined platinum production this year. It projected the deficit in the platinum market at 721,000 tons in 2024 relative to 744,000 in 2023, driven by the recovery in autocatalyst demand due to the substitution of palladium to platinum in the production of electrical vehicle batteries. It noted that demand for platinum by the autocatalyst industry increased from 42.6% of total platinum demand in 2023 to a projected 45.7% of the metal's aggregate demand in 2024. Further, S&P Global Market Intelligence forecast platinum prices to average $1,008 per ounce in the second quarter of 2024, with a low of $900 an ounce and a high of $1,200 per ounce in the covered period.

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	- -	- -	- -	- -	-3.7	54.9	-	-	-	-	2.0	0.4
Angola	B- Stable	B3 Positive	B- Stable	- -	-1.0	82.6	4.5	53.7	27.0	110.0	1.6	-4.3
Egypt	B- Positive	Caa1 Positive	B- Stable	B Negative	-7.2	86.6	2.8	85.1	58.8	158.1	-3.6	13.4
Ethiopia	SD -	Caa3 Stable	CCC- -	- -	-3.0	29.0	0.5	37.9	7.2	157.6	-3.3	3.0
Ghana	SD -	Ca Stable	RD -	- -	-4.8	84.4	1.2	50.4	25.1	139.6	-1.5	3.5
Côte d'Ivoire	BB- Stable	Ba2 Stable	BB- Stable	- -	-4.2	54.4	4.7	47.6	15.7	112.3	-4.1	2.3
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-2.5	14.9	1.4	5.2	2.0	102.2	-5.6	4.2
Morocco	BB+ Positive	Ba1 Stable	BB+ Stable	- -	-4.1	65.8	4.9	30.4	7.3	94.0	-1.4	0.5
Nigeria	B- Stable	Caa1 Positive	B- Stable	- -	-4.0	43.7	3.0	38.7	20.3	109.8	1.9	0.1
Sudan	- -	- -	- -	- -	-5.0	91.0	-	-	-	-	-5.0	0.2
Tunisia	- -	Caa2 Negative	CCC- -	- -	-5.6	33.7	-	-	26.1	-	-2.8	-1.1
Burkina Faso	CCC+ Stable	- -	- -	- -	-5.5	61.9	0.5	66.8	12.3	173.5	-4.9	0.5
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	-4.8	67.8	2.8	19.2	9.5	115.9	-10.1	4.5
Middle East												
Bahrain	B+ Stable	B2 Stable	B+ Stable	B+ Stable	-4.0	120.8	-4.0	148.5	26.5	359.2	3.7	1.0
Iran	- -	- -	- -	B Stable	-	27.1	-	-	-	-	4.2	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	38.3	-15.3	3.4	2.0	41.2	7.3	-2.0
Jordan	B+ Stable	B1 Positive	BB- Stable	B+ Positive	-1.1	90.6	1.9	69.7	10.9	151.4	-4.5	1.8
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ Stable	-3.3	4.9	2.7	41.9	0.4	99.3	18.3	-3.0
Lebanon	SD -	C -	RD -	- -	-0.2	270.6	9.0	165.9	6.5	151.3	-9.5	0.5
Oman	BB+ Stable	Ba1 Stable	BB+ Stable	BB+ Stable	1.5	35.5	1.7	28.5	7.6	107.5	4.4	2.5
Qatar	AA Stable	Aa2 Stable	AA- Positive	AA Stable	-2.4	40.1	2.3	114.7	4.2	160.9	21.8	-2.4
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-0.7	25.6	10.2	21.9	3.8	65.0	1.6	-0.3
Syria	- -	- -	- -	- -	-	49.0	-	-	-	-	-15.5	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	-	29.9	-	-	4.3	-	6.7	-
Yemen	- -	- -	- -	- -	-	50.7	-	-	-	-	-19.2	-

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	-4.3	46.5	2.0	29.8	9.8	114.6	-3.0	2.2
China	A+ Stable	A1 Negative	A+ Stable	- -	-3.0	61.5	10.6	26.0	5.8	64.7	2.2	0.7
India	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-8.1	84.1	6.6	27.5	28.1	84.3	-1.5	1.5
Kazakhstan	BBB- Stable	Baa2 Positive	BBB Stable	- -	-2.7	26.1	4.0	26.6	7.9	99.2	-2.8	2.2
Pakistan	CCC+ Stable	Caa3 Stable	CCC -	- -	-5.8	76.9	0.9	36.8	48.2	138.2	-2.7	0.4
Central & Eastern Europe												
Bulgaria	BBB Positive	Baa1 Stable	BBB Positive	- -	-2.8	23.3	1.2	18.4	1.7	108.2	-0.8	1.8
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-4.9	47.9	3.9	23.4	6.4	100.2	-6.3	2.0
Russia	- -	- -	- -	- -	-0.8	19.8	11.6	23.0	3.6	61.1	2.0	-0.6
Türkiye	B Positive	B3 Positive	B+ Positive	B+ Stable	-3.6	29.1	1.2	77.3	9.5	166.0	-2.4	1.2
Ukraine	CC Negative	Ca Stable	CC -	- -	-17.0	95.0	4.6	38.1	10.2	105.8	-6.6	1.4

** Current account payments*

Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2024

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	20-Mar-24	No change	01-May-24
Eurozone	Refi Rate	4.50	11-Apr-24	No change	N/A
UK	Bank Rate	5.25	21-Mar-24	No change	09-May-24
Japan	O/N Call Rate	0.00	19-Mar-24	Raised 10bps	26-Apr-24
Australia	Cash Rate	4.35	19-Mar-24	No change	07-May-24
New Zealand	Cash Rate	5.50	10-Apr-24	No change	22-May-24
Switzerland	SNB Policy Rate	1.50	21-Mar-24	Cut 25bps	20-Jun-24
Canada	Overnight rate	5.00	10-Apr-24	No change	05-Jun-24
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Mar-24	No change	22-Apr-24
Hong Kong	Base Rate	5.75	14-Dec-23	No change	N/A
Taiwan	Discount Rate	2.00	21-Mar-24	Raised 12.5bps	N/A
South Korea	Base Rate	3.50	12-Apr-24	No change	23-May-24
Malaysia	O/N Policy Rate	3.00	7-Mar-24	No change	09-May-24
Thailand	1D Repo	2.50	10-Apr-24	No change	12-Jun-24
India	Repo Rate	6.50	05-Apr-24	No change	07-Jun-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	23-May-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	50.00	21-Mar-23	Raised 500bps	25-Apr-24
South Africa	Repo Rate	8.25	27-Mar-24	No change	30-May-24
Kenya	Central Bank Rate	13.00	03-Apr-24	No change	N/A
Nigeria	Monetary Policy Rate	24.75	26-Mar-24	Raised 200bps	21-May-24
Ghana	Prime Rate	29.00	25-Mar-24	No change	27-May-24
Angola	Base Rate	19.00	15-Mar-24	Raised 100bps	17-May-24
Mexico	Target Rate	11.00	21-Mar-24	Cut 25bps	09-May-24
Brazil	Selic Rate	10.75	20-Mar-24	Cut 50bps	N/A
Armenia	Refi Rate	8.50	12-Mar-24	Cut 25bps	30-Apr-24
Romania	Policy Rate	7.00	04-Apr-24	No change	13-May-24
Bulgaria	Base Interest	3.79	1-Apr-24	Cut 1bps	01-May-24
Kazakhstan	Repo Rate	14.75	12-Apr-24	No change	31-May-24
Ukraine	Discount Rate	14.50	14-Mar-24	Cut 50bps	25-Apr-24
Russia	Refi Rate	16.00	22-Mar-24	No change	26-Apr-24

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