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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

More than 50% of rated sovereigns have investment grade rating at end-March 2024

S&P Global Ratings indicated that 53% of the 137 sovereigns that it rates globally had an investment grade rating at the end of March 2024, unchanged from end-2023 and compared to a share of 52% at the end of March 2023. It said that 22.6% of rated sovereigns were in the 'B'-rated category at the end of March 2024, 19% stood in the 'BBB' segment, 15.3% of sovereigns came in the 'BB' bracket, 13.1% in each of the 'AA' and the 'A' categories, 8.8% stood in the 'CCC' segment or lower, and 8% of sovereigns came in the 'AAA' bracket. In parallel, S&P noted that there were 15 'positive' outlooks and 14 'negative' outlooks on the long-term foreign currency ratings of sovereigns at end-March 2024, relative to 13 'negative' outlooks and 10 'positive' outlooks on sovereign ratings at end-2023. It pointed out that 12 sovereigns in the Europe, the Middle East and Africa (EMEA) region, and three countries in the Americas carried a 'positive' outlook on their ratings at the end of March 2024; while seven sovereigns in the EMEA region, six countries in the Americas, and one economy in the Asia-Pacific region had a 'negative' outlook on their ratings. In addition, it noted that it upgraded three sovereigns and downgraded one country in the EMEA region in the first quarter of 2024, while it upgraded two sovereigns in the Latin America region in covered quarter.

Source: S&P Global Ratings

EMERGING MARKETS

Frontier markets' debt at $3.5 trillion or 100.5% of GDP at end-2023

The Institute of International Finance indicated that the total debt of 43 frontier markets, which includes the debt of governments, corporates and households, reached $3.53 trillion (tn) at the end of 2023, constituting a decrease of $86bn, or of 2.4%, from $3.61tn at the end of 2022. It noted that the aggregate debt was equivalent to 100.5% of the frontier markets' GDP at end-2023 relative to 99.5% of their GDP at end-2022. It said that the government debt of frontier markets reached $1.95tn at the end of 2023, or 55.2% of total debt, followed by the debt of the non-financial corporate sector with $893bn (25.3%), household debt with $463bn (13%), and the debt of financial institutions with $226bn (6.4%). In parallel, it noted that the government debt of frontier markets excluding Venezuela was equivalent to 56.2% of GDP at end-2023 compared to 55.6% of GDP at end-2022. It added that the debt of the non-financial corporate sector was equivalent to 24.6% of GDP at end-2023 relative to 25% of GDP a year earlier, while the financial sector's debt stood at 6.4% of GDP at the end of 2023 compared to 5.9% of GDP at end-2022. In addition, it said that household debt increased from 12.9% of GDP at the end of 2022 to 13.3% of GDP at the end of 2023. The IIF indicated that debt in the Middle East was equivalent to 153% of the region's GDP at end-2023, followed by debt in Latin America excluding Venezuela (110.4% of GDP), Asia (96.9% of GDP), Europe (94.4% of GDP), and Africa (87.9% of GDP). It estimated that about $78.5bn in frontier market long-term public and publicly-guaranteed external debt will mature in 2024.

Source: Institute of International Finance

MENA

Area trails most regions in terms of energy performance

The World Energy Council ranked the UAE in 30th place among 126 countries globally and in first place among 14 Arab countries on its Energy Trilemma Index for 2024. Saudi Arabia followed in 38th place, then Qatar (40th), Kuwait (41st), and Bahrain (43rd), as the five countries with the best energy sector performance, while the energy sectors of Morocco (62nd), Jordan (66th), Lebanon (68th), Iraq (78th), and Mauritania (87th) posted the lowest performance level among Arab economies. The index measures a country's ability to provide a secure, affordable and environmentally-sustainable energy system. It assesses a country's energy performance based on three main dimensions that are Energy Security, Energy Equity, and Environmental Sustainability. Bahrain ranked in first place in the region on the Energy Security dimension, while Jordan came first on the Environmental Sustainability dimension, and the UAE, Qatar, and Kuwait ranked first on the Energy Equity dimension. The average score for the Arab countries included in the survey was 61.1 points, and was lower than the global average score of 62.8 points. The region's average score came below the average scores of North America (80 points), Europe & Central Asia (72.7 points), East Asia & the Pacific (63.8 points) and Latin America & the Caribbean (63.7 points). However, it exceeded the average scores of South Asia (49.6 points) and Sub-Saharan Africa (45.2 points).

Source: World Energy Council

GCC

Corporate earnings down 14% to $240.5bn in 2023

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $240.5bn in 2023, constituting a decrease of 13.6% from $278.5bn recorded in 2022. In parallel, listed companies in Saudi Arabia generated $120bn in profits, or 64.7% of total corporate earnings in the GCC last year, followed by listed firms in Abu Dhabi with $38.5bn (16%), in Dubai with $21.3bn (9%), in Qatar with $13bn (5.4%), in Kuwait with $8.4bn (3.5%), in Oman with $2.1bn (0.9%), and in Bahrain with $1.6bn (0.7%). Further, the earnings of listed companies in Dubai surged by 46% annually in 2023, followed by the profits of listed firms in Oman (+23.5%), in Kuwait (+20%), and in Abu Dhabi (+7.5%), while the earnings of listed firms in Bahrain dropped by 30.4%, followed by the profits of listed companies in Saudi Arabia (-23.7%), and in Qatar (-3%). Also, the earnings of listed firms in the GCC energy sector reached $127.1bn and accounted for 52.8% of total corporate earnings in 2023, followed by the profits of listed banks with $53.8bn (22.4%), utilities firms with $11.4bn (4.7%), telecommunication companies with $10.2bn (4.2%), and food, beverages, and tobacco firms with $8.8bn (3.7%). Further, the income of companies in the energy sector fell by $39bn in 2023, while the profits of banks increased by $10.2bn last year, followed by the income of food, beverages, and tobacco firms (+$4.3bn), telecommunication companies (+$1.1bn), and utilities (+$1bn).

Source: KAMCO

OUTLOOK

AFRICA

Economic activity to average 3.6% in 2024-25 period, outlook subject to downside risks

The World Bank projected the real GDP growth rate of Sub-Saharan Africa (SSA) to accelerate from 2.6% in 2023 to 3.4% in 2024 and 3.8% in 2025. It attributed the rebound in economic activity to receding inflationary pressures in the region, higher private consumption, the recovery in global trade, as well as to increased risk appetite and the expected gradual easing of global financial conditions.

Further, it projected economic activity in Eastern and Southern Africa (ESA) to grow by 3.2% in 2024 and 3.6% in the 2025-26 period, supported by an increase in capital inflows due to restored access to international capital markets, as well as to higher lending to the private sector. Also, it said that the recovery in agriculture and tourism, as well as deeper regional integration, will boost economic growth in the ESA region. Also, it forecast the real GDP growth rate of Western and Central Africa to expand by 3.7% in 2024 and 4.2% in the 2025-26 period due to the solid performance of Benin, Côte d'Ivoire, Niger, and Senegal.

In parallel, it considered that risks to the SSA region's economic outlook are tilted to the downside and include a rise in geopolitical tensions, a slower-than-expected return of global inflation to target levels, massive electoral process in SSA that can potentially weigh on economic activity, and growing geo-economic fragmentation. Also, it said that domestic risks include political instability in the region, fiscal slippages, and climate-related shocks.
Source: World Bank

MENA

Economic activity to grow by 2.7% in 2024, risks to the outlook tilted to the downside

The International Monetary Fund projected the real GDP growth rate of the Middle East & North Africa (MENA) region at 2.7% in 2024 compared to a January forecast of 2.9% in 2024. It attributed its downward revision to the impact of war in the Gaza Strip, to oil production cuts, as well as to disruptions to shipping in the Red Sea. It expected growth to improve to 4.2% in 2025, unchanged from its January forecast, as it assumes that the impact of the temporary factors of the conflict and oil production cuts would fade away gradually. Further, it forecast the real GDP growth rate of the region's oil-exporting countries at 2.9% in 2024 and 4.4% in 2025, amid robust non-oil sector activity in Gulf Cooperation Council economies (GCC) as governments continue to pursue economic diversification plans. As such, it expected economic growth in the GCC countries at 2.4% in 2024 and 4.9% in 2025, and for their non-oil real GDP to expand by 3.6% and 4.5% in 2024 and 2025, respectively. Also, it projected the real GDP growth rate of MENA oil-importing economies at 2.4% in 2024 and 4% in 2025, relative to 2.5% and 4.3% in 2024 and 2025, respectively in its January forecast, given the adverse impact of the conflict in the Gaza Strip. Further, it anticipated the inflation rate in the region to moderate from an average of 15.4% in 2024 to 12.4% in 2025, as it expected disinflation to continue in most MENA economies, in line with global trends.

In parallel, it projected the fiscal deficit of the MENA oil-importing countries at 7.6% of GDP in 2024 and 6.3% of GDP in 2025, relative to its January forecast of deficits of 8.1% of GDP in 2024 and 7.3% of GDP in 2025 due to fiscal consolidation; and forecast the fiscal balance of the region's oil-exporters to shift from a deficit of 0.1% of GDP in 2024 to a balance in 2025. In addition, it forecast the current account surplus of MENA oil-exporters at 4.8% of GDP in 2024 and 3.6% of GDP in 2025, and for the current account deficit of oil importers to reach 6.8% of GDP in 2024 and 4.9% of GDP in 2025.

It considered that an escalation of the conflict in the Gaza Strip and beyond, and disruptions to trade and shipping, to impact the tourism and trade sectors in the MENA region. It added that a resurgence of inflation could materialize in countries relying on central banks to finance their fiscal deficits, and that insufficient progress on the implementation of structural reforms remains a risk for growth prospects across the region.
Source: International Monetary Fund

SAUDI ARABIA

Economic growth to rebound to near 6% in 2025 on oil and non-oil sector activity

The World Bank projected the real GDP in Saudi Arabia to shift from a contraction of 0.9% in 2023 to a growth rate of 2.5% in 2024, driven by robust non-oil activity, despite the government's recent decision to extend oil production cuts until the end of June 202, which will lead to a contraction in oil-GDP by 0.8% in 2024. It indicated that loose fiscal policy, lower interest rates, strong private consumption and investments, will continue to support non-oil activity in the medium term and anticipated oil output to ramp up aggressively in 2025, which will lead economic growth to peak at 5.9% in 2025. Also, it forecast the inflation rate to average 2.2% in the medium term, due to subsidies on fuel and food, and to cheaper imports.

In parallel, it projected the fiscal deficit to widen from 2.1% of GDP in 2023 to 2.4% of GDP in 2024 driven by a continued expansionary fiscal policy and lower oil revenues. It added that Aramco's distribution of performance-linked dividends, which started in the third quarter of 2023, as well as the recovery in oil production levels, should improve the fiscal position in the medium term and forecast the fiscal deficit to narrow to 0.6% of GDP in 2025. As such, it forecast the public debt level at 27.7% of GDP in 2024 and to decline to 26.1% of GDP in 2025. Further, it expected the current account surplus to increase from 4% of GDP in 2023 to 4.2% of GDP in 2024 and 6.6% of GDP in 2025 due to a recovery in oil production and non-oil exports.

In addition, it considered that Saudi Arabia's outlook is subject to risks stemming from oil production cuts that could reduce the Kingdom's market share in the global oil market. It said that other downside risks include downward revisions of China's growth prospects, which would impact negatively one of the Kingdom's main export markets; while the intensification of the conflicts in the Middle East and Ukraine, and tighter-than-needed global financial conditions, may affect regional and global economic activity. It noted that delays in implementing structural reforms within the objectives of Vision 2030 could reduce the prospects for stronger long-term growth and employment.
Source: World Bank

ANGOLA

Debt profile subject to oil prices and exchange rate volatility

S&P Global Ratings indicated that Angola is exposed to fluctuating terms-of-trade and exchange rate volatility, given that it has a high percentage amount of government debt denominated in foreign currency and is highly dependent on oil prices. It noted that Angola's government debt, net of liquid assets, reached 81.3% of GDP at end-2023, and forecast it to moderate to 70% by 2027 in case of gradual fiscal consolidation and improving economic growth. It said that the amount of government debt in foreign currency or foreign currency-linked debt dropped by $2.4bn in 2023, due to repayments of external debt, and expected this trend to continue in 2024 and 2025, as it anticipated the government to have sufficient resources to repay its debt according to the redemption profile in the next two years. It said that the government's decision to accelerate the pre-payment of loans to China will provide some cash flow relief starting in 2024, given that China is Angola's largest creditor. In parallel, it indicated that the depreciation of the kwanza could exacerbate public debt vulnerabilities, since 78% of the government's debt is either denominated in foreign currency or is foreign currency-linked. It said that the country's debt-servicing capacity depends largely on foreign currency inflows from the oil sector, which accounts for 50% of fiscal revenues and 95% of export earnings. It noted that the government's ability to repay its debt hinges on oil prices remaining above its fiscal breakeven oil price of $65 per barrel, as irregular oil production due to aging infrastructure poses risks to foreign currency earnings and government revenues.

Source: S&P Global Ratings

EGYPT

Concerns about debt affordability remain

Standard Chartered Bank revised downward its projection for Egypt's real GDP growth rate for the fiscal year that ends in June 2024 from 3.8% to 3.4%, and for FY2024/25 from 4.5% to 4.4% due to fiscal and monetary tightening. But it expected economic growth to recover in the near term amid a material improvement in foreign currency liquidity, despite concerns about the impact of the conflict in the Middle East on the tourism sector, Suez Canal receipts, and gas export revenues. Further, it expected the inflation rate to decline from 30% in FY2023/24 to 13% in FY2024/25, as it forecast additional increases in interest rates by 300 basis points this year. It considered that consistent foreign currency inflows will be crucial to narrow Egypt's net foreign liabilities position and to support the exchange rate of the Egyptian pound against the US dollar. In addition, it projected the fiscal deficit to narrow from 10.5% of GDP in FY2023/24 to 8.5% of GDP in FY2024/25. It said that the authorities raised their primary surplus target from 2.5% of GDP to 3.5% of GDP in FY2024/25 and expected the public debt level to be regress to less than 80% of GDP in the next three years. But it noted that debt sustainability remains a medium-term concern in case of significant monetary tightening and a weaker pound, despite the improvement in short-term liquidity that will increase the government's ability to meet its foreign debt obligations. Moreover, it forecast the current account deficit to slightly narrow from 3.5% of GDP in FY2023/24 to 3% of GDP in FY2024/25.

Source: Standard Chartered Bank

SUDAN

Real GDP growth to rebound to 5.4% in 2025 in case conflict ends

The International Monetary Fund (IMF) estimated Sudan's real GDP to have contracted by 18.3% in 2023 and projected a contraction of 4.2% in 2024 before shifting to a growth rate of 5.4% in 2025. It said that Sudan is facing a humanitarian crisis and substantial damage to its infrastructure, driven by a conflict that has displaced about 8.4 million persons. However, it expected the war to end in mid-2024 and for the authorities to reengage with the international community. Also, it anticipated the inflation rate to decrease from 171.5% in 2023 to 145.5% in 2024 and 62.7% in 2025. In parallel, it projected the fiscal deficit to narrow from 3.3% of GDP in 2023 to 2.5% of GDP in 2024 and 1.9% of GDP in 2025. Also, it expected the public debt level to decrease from 316.5% of GDP at end-2023 to 280.3% of GDP at the end of 2024 and to 263% of GDP at the end of 2025. In parallel, the IMF forecast Sudan's exports of goods & services to increase from $1.9bn in 2023 to $3.4bn in 2024 and $5.4bn in 2025, and projected the country's imports of goods & services to rise from $4.2bn in 2023 to $6.3bn in 2024 and $9.8bn in 2025. As such, it projected the current account deficit to widen from 5.4% of GDP in 2023 to 6.9% of GDP in 2024 and 11% of GDP in 2025. It anticipated the country's gross external debt to decline from 319% of GDP at end-2023 to 284.1% of GDP at end-2024 and 266.7% of GDP at end-2025. In addition, it estimated Sudan's gross foreign currency reserves at $1.2bn, or 2.3 months of import coverage at end-2023, and forecast them at $1bn or 1.3 months of imports at end-2024 and at $1bn or 1.1 months of imports at end-2025.

Source: International Monetary Fund

SYRIA

Economy to contract by 1.5% in 2024

The World Bank indicated that the decade of conflict in Syria has had devastating economic and social consequences on the country. It added that several external shocks, including economic turmoil in neighboring Lebanon and Türkiye, the effects of the war in Ukraine on commodity prices, earthquakes in Syria and Türkiye in February 2023, as well as attacks and trade disruptions related to the ongoing conflict in the Middle East, are weighing on the country’s economy. It pointed out that Syria's nominal GDP has contracted by 54% between 2010 and 2021. It estimated that the economy contracted by 1.2% in 2023 and projected it to shrink by 1.5% in 2024, due to elevated political and economic uncertainties and assuming that the regional conflict will remain largely contained this year. Also, it forecast the inflation rate to increase from 92.6% in 2023 to 99.7% in 2024, due to the currency depreciation and to persistent shortages and reduced rationing of food and fuel. In parallel, it projected the fiscal deficit to narrow from 8.2% of GDP in 2023 to 8% of GDP in 2024, given that government capital expenditures will remain constrained due to low revenues and a lack of access to financing. In addition, it considered that the outlook is subject to significant downside risks. It pointed out that a broader regional conflict could lead to a rise in commodity prices and affect negatively Syria as a net food and fuel importer. It added that escalating airstrikes and bombings may lead to additional infrastructure damage, potentially further disrupting supply chains and increasing logistics costs in the country.

Source: World Bank

BANKING

ARMENIA

Rapid mortgage growth poses risks to asset quality

Moody's Investors Service indicated that risks from mortgage lending amid rising real estate prices in Armenia could increase if lending growth continues to expand at double-digit rates, as housing affordability deteriorates. It said that the shrinking pool of high-quality borrowers amid continuously strong demand for residential properties may prompt banks to soften underwriting standards and offer additional mortgages at high loan-to-value ratios, which would increase their vulnerability to a sudden drop in property prices. It noted that retail loans increased from 35% of total gross loans at end-2020 to 43% at end-2023, driven by a rise in mortgages. It stated that the total amount of retail loans increased from 55% of nominal household income at end-2020 to 70% at end-2023, which poses risks to asset quality given that lending growth outpaced household income gains by 32 percentage points during the covered period. It pointed out that the volume of mortgages grew by 30% on average annually in the 2021-23 period and accounted for 21% of gross loans at end-2023, up from 12% three years earlier, driven by the income tax refund program for interest payments on mortgages for property purchased in the primary market. In addition, it stated that the non-performing loans ratio decreased from 4.1% at end-2022 to 3% at end-2023, although unsecured consumer loans stood at 18% of gross loans at end-2023. But it said that the banks' loan-loss provisions declined from 44% of pre-provision income at end-2021 to 17.9% at end-2022. Further, it indicated that the Central Bank of Armenia does not have immediate plans to introduce restrictions based on the weak debt-servicing capacity of borrowers. But it noted that the authorities plan to phase out the state income tax refund program for mortgage interest payments by the end of 2025, which will lead to a slowdown in mortgage growth.

Source: Moody's Investors Service

QATAR

Banks' ratings affirmed, outlook 'stable'

Capital Intelligence Ratings (CI) affirmed the long-term foreign currency rating of Qatar National Bank (QNB) at 'AA', the rating of Qatar Islamic Bank (QIB) at 'AA-', the ratings of Qatar International Islamic Bank (QIIB) and Al-Ahli Bank at 'A+', and the rating of Commercial Bank (CB) at 'A-'. Also, it maintained the outlook on the four banks' the long-term ratings at 'stable', which indicates that the ratings are unlikely to change in the next 12 months. It noted that the banks' ratings reflect the high probability of support from the government in case of need. In addition, it affirmed the Bank Standalone Ratings (BSRs) of QNB and QIB at 'a-', the BSRs of QIIB and Al-Ahli Bank at 'bbb+', and the rating of CB at 'bbb-'. Further, it pointed out that the ratings of the five banks balance their sound asset quality with their exposure to the cyclical real estate sectors. It indicated that the ratings of QNB, QIB, QIIB, and Al-Ahli Bank are supported by their strong capitalization and good profitability metrics, while the ratings of CB reflect a drop in its capital ratios and improving profitability. It said that the ratings of QNB, QIB, and CB are underpinned by their well-established domestic franchise. Also, it pointed out that the ratings of QNB, QIB, and QIIB take into account their sound liquidity profile, while the ratings of CB and Al-Ahli Bank are constrained by their tight liquidity ratios.

Source: Capital Intelligence Ratings

TÜRKIYE

Outlook on banking sector revised to 'positive' on improving operating environment

Moody's Investors Service revised the outlook on the Turkish banking sector from 'stable' to 'positive', due 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 to higher liquidity buffers. It indicated that the recalibration of macroprudential measures is easing the pressure on the banks' margins and boosting investor confidence. However, the banks' core margins squeezed from 3.8% in 2022 to 1.1% in 2023 due to macroprudential measures taken in the first half of 2023 and interest rate hikes in the second half of the year. In addition, it noted that the banks' capital levels declined modestly from 19.4% of risk-weighted assets in 2022 to 19% in 2023 due to very high credit growth amid elevated inflation rates, and to the depreciation of the exchange rate, and anticipated the capital level to remain stable as modest credit growth balances internal capital generation. It considered that the banks' funding and liquidity are improving, and anticipated foreign capital market funding prospects to remain robust, and for improving investor sentiment to reduce foreign currency funding costs. Further, it indicated that the government is willing to support banks, and considered that the positive outlook on the sovereign ratings will strengthen the authorities' capacity to support banks in case of need. Still, it anticipated problem loans to increase as high inflation rates, the anticipated economic slowdown, and a weaker currency will weigh on the repayment capacity of borrowers.

Source: Moody's Investors Service

ALGERIA

Capital adequacy ratio at 21%, NPLs at 19.8% at end-June 2023

The International Monetary Fund considered that the Algerian banking sector is liquid, solvent, and profitable but that non-performing loans (NPL) are weighing on their balance sheets. It noted that state-owned banks are well capitalized and profitable. It said that the sector's capital adequacy ratio (CAR) was 20.9% at the end of June 2023 relative to 21.5% at end-2022, with the public banks' CAR at 21.4% and the private banks' CAR at 18.84% at end-June 2023. It added that the banks' liquid assets represented 39.7% of total assets at end-June 2023 compared to 40.2% at end-2022, while they were equivalent to14.1% of short-term liabilities at end-June 2023 relative to 108.5% at end-2022. Further, it pointed out that lending to the private sector picked up in the second half of 2023 and grew by 5.7% in 2023 relative to 2.5% in 2022. It indicated that the sector's non-performing loans (NPLs) ratio exceeded 19.5% since 2021 and reached 19.9% in 2022 and 19.8% at end-June 2023, with the NPLs ratio of public banks at 21.4% compared to an NPLs ratio of 8.6% for private banks at end-June 2023. It attributed the high level of NPLs to in part the severity of the NPL classification rules and judiciary constraints. However, it said that most NPLs are provisioned or backed by guarantees and present limited risk for the stability of the financial system. It said that the sector's return on assets and return on equity were 1.4% and 13.5%, respectively, in 2022.

Source: International Monetary Fund

Oil prices to average $87 p/b in second quarter of 2024

ICE Brent crude oil front-month prices reached $89 per barrel (p/b) on April 25, 2024, constituting an increase of 2.2% from $87.1 p/b a week earlier, following a surprise drop in U.S. crude oil inventories by 3.2 million barrels amid elevated global demand. However, oil prices stood at $87 p/b on April 22, as traders saw limited risks that Israel's retaliatory strike on Iran would trigger a wider war that will disrupt crude supply. In parallel, the International Energy Agency (IEA) projected global oil supply to increase by 770,000 (barrels per day) b/d to 102.9 million b/d in 2024, due to higher output of 1.6 million b/d from non-OPEC+ producers, which will offset a decrease of 820,000 b/d from OPEC+ output if voluntary cuts remain in place. It considered the additional production from the U.S., Brazil, Canada, and Guyana could come close to meeting the rise in global demand for oil in 2024 and in 2025, given that the four countries are set to produce oil at records-high levels. Also, it forecast global oil demand to slow down from 2.3 million b/d in 2023 to 1.2 million b/d in 2024, amid surging electrical vehicles sales. In addition, Goldman Sachs indicated that upside risks to oil prices include the extension of OPEC+ oil production cuts and the damage to oil infrastructure in case the conflicts in Ukraine and in the Middle East escalate. It added that downside risks consist of the easing of geopolitical tensions and expectations that the U.S. Federal Reserve will hold rates steady in the next two year. In parallel, it projected oil prices to average $87 p/b in the second quarter of 2024.

Source: EIA, Goldman Sachs, Refinitiv, Byblos Research

Saudi Arabia's oil export receipts at $19.5bn in February 2024

Total oil exports from Saudi Arabia stood at 7.7 million barrels per day (b/d) in February 2024, constituting decreases of 1.7% from 7.8 million b/d in January 2024 and of 13.8% from 8.9 million b/d in February 2023. Further, oil export receipts reached $19.5bn in February 2024, representing an increase of 3% from $18.9bn in January 2024 and a decrease of 3.8% from $20.3bn in February 2023.

Source: JODI, General Authority for Statistics, Byblos Research

MENA's natural gas output to grow by 3.5% in 2024

The International Monetary Fund forecast natural gas production in the Middle East & North Africa region to average 17.8 million barrels of oil equivalent per day (boe/d) in 2024, which would constitute an increase of 3.5% from 17.2 million (boe/d) in 2023. The GCC countries' natural gas output is expected to account for 57.9% of the region's gas production this year. It projected Iran's natural gas output at 5.4 million (boe/d) in 2024, or 30.3% of the region's gas production, followed by Qatar with 5 million boe/d (28.1%), and Saudi Arabia with 2.6 million boe/d (14.6%).

Source: International Monetary Fund, Byblos Research

ME&A's oil demand to grow by 3% in 2024

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 13.49 million barrels per day (b/d) in 2024, which would constitute an increase of 3% from 13.1 million b/d in 2023. The region's demand for oil would represent 23% of demand in non-OECD countries and 13% of global consumption in 2024.

Source: OPEC

Base Metals: Copper prices to average $8,930 per ton in second quarter of 2024

LME copper cash prices averaged $8,655.1 per ton in the year-to-April 25, 2024 period, constituting a decline of 3% from an average of $8,915.7 a ton in the same period of 2023. The decrease in prices was due mainly to the slowdown in global economic activity, reduced copper demand in China, and the U.S. Federal Reserve suspending its interest rates hiking cycle, which resulted in lower demand for the metal amid a strengthened US dollar. However, copper prices reached $9,797.2 per ton on April 19, 2024, marking the metal's highest price since April 27, 2022 due to supply cuts by Chinese copper smelters, and to increased demand from the manufacturing of power lines, appliances, wind turbines, and electric vehicles. The recent increase in the metal's prices is also driven by the ban from the London Metal Exchange on Russian metal exports following new trade sanctions that the U.S. and the United Kingdom imposed on Russia in response to the latter's military actions in Ukraine. In parallel, S&P Global Market Intelligence projected the global production of refined copper at 26.94 million tons in 2024, which would constitute a rise of 3.5% from 26 million tons in 2023. In addition, it forecast global demand for refined copper at 26.8 million tons in 2024, which would represent a rise of 3% from 26 million tons in 2023, driven in part by robust demand for the metal from Asia. As such, it expected the balance in the copper market to post a surplus of 137,000 tons in 2024. Also, it expected Russia to redirect its copper exports to China, Türkiye, and the Middle East due to the ban. Further, it forecast copper prices to average $8,930 a ton in the second quarter of 2024 and $8,768 per ton in full year 2024.

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

Precious Metals: Gold prices to average $2,315 per ounce in second quarter of 2024

Gold prices averaged $2,131.9 per ounce in the year-to-April 25, 2024 period, constituting an increase of 11.5% from an average of $1,912.4 an ounce in the same period of 2023, mainly due to the eruption of the war in the Gaza Strip that exacerbated geopolitical tensions, which reinforced the appeal of the metal as a safe haven for investors, as well as to expectations that the U.S. Federal Reserve will reduce policy rates that would result in a weaker US dollar and increase demand for gold. Further, gold prices reached an all-time high of $2,413 per ounce on April 12, 2024, amid elevated demand and heightened geopolitical tensions in the Middle East. In addition, Citi Research expected gold prices to average $2,500 per ounce in the second half of 2024, as the number of options or futures contracts as well as trading volumes have seen steady increases in the last few weeks, indicating robust liquidity and improved investor sentiment. It anticipated higher gold demand from central banks as well as from bar and coin wholesalers, and an increase in over-the-counter investments, to offset outflows from gold-backed gold exchange traded funds. Also, it expected tighter physical supply of gold to support the metal's price in the near term. In addition, it anticipated gold mine production to reach 3,722 tons in 2024, driven by expansions in Canada, the U.S., Ghana, Mongolia, and South Africa. Further, Citi projected gold prices to average $2,315 per ounce in the second quarter of 2024.

Source: Citi Research, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-3.7	56.9	-	-	-	-	-3.2	0.4
Angola	B- Stable	B3 Positive	B- Stable	- -	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-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- -	- -	-2.9	26.2	0.5	33.4	7.8	157.9	-3.4	2.0
Ghana	SD -	Ca Stable	RD -	- -	-4.8	78.1	1.1	41.1	22.7	127.6	0.9	2.0
Côte d'Ivoire	BB- Stable	Ba2 Stable	BB- Stable	- -	-4.5	57.7	4.7	47.6	15.7	112.3	-4.4	2.3
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-2.5	15.0	1.4	5.1	2.0	102.1	-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	- -	-4.4	47.4	2.9	41.7	23.3	113.6	0.5	0.1
Sudan	- -	- -	- -	- -	-5.0	91.0	-	-	-	-	-5.0	0.2
Tunisia	- -	Caa2 Negative	CCC- -	- -	-5.6	88.7	-	-	26.1	-	-2.7	-1.1
Burkina Faso	CCC+ Stable	- -	- -	- -	-5.5	61.8	0.5	64.8	12.3	168.7	-3.6	0.5
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	-4.8	68.0	3.6	22.5	9.6	111.1	-10.6	3.5
Middle East												
Bahrain	B+ Stable	B2 Stable	B+ Stable	B+ Stable	-4.0	120.8	-4.1	148.5	26.5	363.8	3.7	1.0
Iran	- -	- -	- -	B Stable	-4.2	26.1	-	-	-	-	3.5	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	38.3	20.3	4.0	2.0	33.0	11.5	-1.8
Jordan	B+ Stable	B1 Positive	BB- Stable	B+ Positive	-1.1	90.6	1.9	69.7	10.9	151.6	-4.6	1.8
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ Stable	-2.1	4.7	2.8	41.3	0.4	97.3	19.4	-3.0
Lebanon	SD -	C -	RD -	- -	-0.2	270.6	9.0	165.9	6.5	151.4	-9.5	0.5
Oman	BB+ Stable	Ba1 Stable	BB+ Stable	BB+ Stable	1.4	34.5	1.8	31.4	8.2	113.0	1.3	2.5
Qatar	AA Stable	Aa2 Stable	AA- Positive	AA Stable	4.2	41.7	2.4	125.2	4.2	174.5	15.8	-2.4
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-2.0	23.0	10.2	23.8	3.4	66.1	1.4	0.1
Syria	- -	- -	- -	- -	-	49.0	-	-	-	-	-15.5	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	5.5	29.9	-	-	4.3	-	6.8	-2.0
Yemen	- -	- -	- -	- -	-2.7	50.7	-	-	-	-	-19.2	-2.3

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	66.1	10.6	25.8	5.9	64.5	2.3	0.7
India	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-8.0	86.0	6.6	27.5	28.9	87.2	-3.1	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 -	- -	-7.5	71.3	0.7	34.9	55.9	133.4	-1.3	0.4
Central & Eastern Europe												
Bulgaria	BBB Positive	Baa1 Stable	BBB Positive	- -	-2.8	23.8	1.7	19.9	1.7	105.0	-0.2	1.8
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-5.9	49.0	4.3	25.4	6.4	99.6	-6.9	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	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	0.10	26-Apr-24	No change	14-Jun-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	22-Apr-24	No change	20-May-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	25-Apr-23	No change	23-May-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	08-May-24
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	13.50	25-Apr-24	Cut 100bps	13-Jun-24
Russia	Refi Rate	16.00	22-Mar-24	No change	26-Apr-24

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