800 ISSUES+
Issue 802 | May 16, 2024

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 333% of GDP at end-March 2024

The Institute of International Finance (IIF) indicated that global debt, which includes the debt of governments, corporates and households, reached $315.1 trillion (tn) at the end of March 2024, constituting an increase of $1.3tn, or 2.6%, from $307tn at the end of March 2023. The debt of advanced economies accounted for 66.5% of the total, while the debt of emerging markets (EM) represented the balance of 33.5%. It noted that the debt level reached 332.7% of the weighted average global GDP at the end of March 2024 compared to 334.1% of global GDP at end-March 2023. It added that the debt of advanced economies amounted to $209.7tn or 377.6% of GDP, while the debt level of EMs totaled $105.4tn or 257.4% of GDP at end-March 2024. It pointed out that the aggregate debt of corporates excluding financial institutions totaled $94.1tn, or 95% of global GDP, at the end of March 2024, followed by government debt with $91.4tn (98.1% of GDP), financial sector indebtedness with $70.4tn (78.4% of GDP), and household debt with $59.1tn (61.1% of GDP). In parallel, it indicated that EM corporate debt ex-financial institutions totaled $44tn or 105.6% of GDP, followed by EM government borrowing at $28.4tn (69.8% of GDP), EM household debt at $19.2tn (47.2% of GDP), and financial sector indebtedness at $13.9tn (34.7% of GDP). Also, it noted that the borrowing of governments in advanced economies amounted to $63tn or 115% of GDP, followed by financial sector indebtedness at $56.5tn (104.6% of GDP), corporate debt ex-financial institutions at $50.2tn (88.6% of GDP), and household debt at $39.9tn (69.4% of GDP).

Source: Institute of International Finance

Greenfield FDI up 4% to $1.3 trillion in 2023

Figures released by fDi Markets show that global greenfield foreign direct investments (FDI) reached $1.34 trillion (tn) in 2023, constituting an increase of 4.4% from $1.28tn in 2022. There were 16,427 greenfield FDI projects in 2023 worldwide compared to 16,610 projects in 2022. The Asia-Pacific region attracted $449.9bn in greenfield FDI and accounted for 33.6% of the total in 2023, followed by Europe with $347.6bn (26%), the Middle East & Africa (ME&A) with $249.8bn (18.7%), North America with $168.3bn (12.6%), and Latin America & the Caribbean (LAC) with $121.4bn (9.1%). In addition, Europe was the recipient of 6,244 greenfield FDI projects in 2023 and accounted for 38% of the total, followed by the Asia-Pacific region with 4,115 projects (25%), the ME&A region with 2,658 projects (16.2%), North America with 2,278 projects (14%), and LAC with 1,132 projects (7%). Further, the renewable energy sector attracted $348bn in greenfield FDI, or 26% of the total in 2023, followed by the electronic components industry with $114.7bn (8.6%), the coal, oil & gas industry with $94bn (7%), the metals sector with $91.6bn (6.9%), and the real estate industry with $81bn (6.1%). In parallel, greenfield FDI projects created 2.82 million jobs in 2023, up by 16.4% from 2.42 million jobs in 2022. The United States was the largest source of greenfield FDI in 2023, as it invested $177.6bn in greenfield projects across the globe.

Source: fDi Markets, Byblos Research

MENA

Level of global connectedness varies across Arab world

The DHL Global Connectedness Index for 2024 indicates that the UAE is the eighth most connected economy among 181 countries globally and the most connected country in the Arab world. Qatar followed in 24th place, then Bahrain (25th), Lebanon (41st), and Saudi Arabia (49th). In contrast, Egypt (103rd), Algeria (120th), Mauritania (145th), Sudan (176th) and Yemen (180th) were the least connected Arab economies. The index measures the level of globalization of countries based on the international flow of trade, capital, information and people to and from a country, as measured by two sub-indices. The Depth Sub-Index quantifies a country's international flows of products and services, capital, information and people, relative to the size of its domestic economy, while the Breadth Sub-Index measures the geographical distribution of a country's international flows of trade, capital, information and people. A country's score on the index ranges from zero to 100, with a higher score reflecting a better performance in terms of global connectedness. The Arab region's average score stood at 51.6 points, higher than the global average score of 50.9 points. Also, the Gulf Cooperation Council (GCC) and non-GCC Arab countries had average scores of 58.3 points and 48.3 points, respectively. Further, the UAE was the top ranked Arab country on the Depth Sub-Index and on the Breadth Sub-Index.

Source: DHL, Byblos Research

UAE

Earnings of Abu Dhabi firms up 8%, profits of Dubai firms up 37% in 2023

The net income of 73 companies listed on the Abu Dhabi Securities Exchange that published their financials totaled AED143.7bn, or $39.1bn in 2023, constituting an increase of 7.8% from AED133.3bn, or $36.3bn in 2022. Listed financial firms generated net profits of $16.8bn and accounted for 43% of the total earnings of publicly-listed firms in the covered period. The energy sector followed with $6.6bn (17%), then utilities companies with $4.5bn (11.6%), industrial firms with $3.9bn (10%), telecommunication companies with $3.8bn (9.6%), basic materials firms with $1.3bn (3.4%), real estate companies with $925.8m (2.4%), consumer discretionary firms with $743.5m (1.9%), healthcare providers with $392.5m (1%), and consumer staples firms with $77.4m (0.2%). In parallel, the cumulative net income of 60 companies listed on the Dubai Financial Market that published their financials totaled AED80.6bn, or $21.9bn in 2023, constituting an increase of 37.4% from AED58.7bn or $16bn last year. Listed financial firms generated profits of $12bn, or 54.8% of net earnings in the covered period. Real estate firms followed with $5.4bn or 24.7% of the total, then utilities firms with $2.2bn (10.1%), industrial companies with $1.3bn (6%), telecommunications firms with $454.1m and consumer staples companies with $451.6m (2.1% each), consumer discretionary firms with $31.7m (0.1%), and materials providers with $15.3m (0.07%).

Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - April 2024

ALGERIA

President Abdelmadjid Tebboune met with Tunisian President Kaïs Saïed and the Chairman of the Presidential Council of Libya Mohamed al-Menfi, amid persisting tensions between Algeria and Morocco, as part of efforts to form a new regional bloc that excludes the latter and challenges the existing Arab Maghreb Union bloc that includes Mauritania and Morocco. However, Algeria's efforts were undermined after al-Menfi sent envoys to Mauritania and Morocco to emphasize the need to include both countries in the regional bloc.

ARMENIA

Azerbaijan accused Armenia in early April of firing at its troops and of building up its forces along the Armenia-Azerbaijan border. Armenia denied the accusations. After striking a deal on border delimitations with Azerbaijan, Armenia agreed to restore a section of the Soviet-era border between the two countries, effectively handing over four villages in Armenia's Tavush region to Azerbaijan. This triggered protests among Tavush residents, which eventually spread across the country. The U.S. and the EU pledged economic support to Armenia during their trilateral meeting in Brussels, which Russia described as a Western attempt to embroil "the South Caucasus into geopolitical confrontations", while Azerbaijan's President Ilham Aliyev voiced concerns about the military assistance promised to Armenia during the meeting.

EGYPT

President Abdel Fattah El-Sisi called for an immediate ceasefire in the Gaza Strip and expressed his support for negotiations towards a two-state solution between Palestinians and Israelis. Further, the Ministry of Foreign Affairs reiterated Cairo's opposition to a possible Israeli military operation in the city of Rafah in the south of the Gaza Strip, while the Egyptian authorities reportedly reinforced troops near the Gaza border in case the ground invasion of Rafah leads to a refugee crisis.

ETHIOPIA

Tensions rose between Ethiopia and Somalia, after the latter announced the expulsion of the Ethiopian ambassador to Somalia, ordered the closure of two Ethiopian consulates in the autonomous territories of Somaliland and Puntland, and recalled its ambassador to Ethiopia over Addis Ababa's plans to build a naval base in the disputed Somaliland region. Further, clashes escalated between Tigray and Fano forces, displacing almost 50,000 civilians in the Southern Tigray Zone, despite the Ethiopian government's efforts to address the territorial dispute between the two parties and allow for the return of displaced Tigrayans. Clashes occurred in Oromia between government forces and the Oromo Liberation Army, and in Addis Ababa, between government forces and Fano militants, after the authorities accused Fano, who enjoy significant local support, of planning a "terrorist attack".

IRAN

Iran unleashed a barrage of 300 drones, cruise missiles, and ballistic missiles at Israel, which according to Israeli and U.S. officials, were intercepted with near-total success and caused minor damage at an Israeli airbase. The attack came in response to an Israeli airstrike on the Iranian consulate in Damascus. Tehran said that the action was limited and had ended, but warned that any Israeli retaliation would be met with a greater counter-response. The U.S. sanctioned more than 24 persons and entities linked to the development or transfer of Iranian unmanned aerial vehicles.

IRAQ

The U.S. and Iraq held a third round of talks on the drawdown of the U.S.-led anti-Islamic State mission in Iraq. Prime Minister Mohammed Al-Sudani met U.S. President Joe Biden in Washington, D.C., reaffirmed their commitment to the enduring strategic partnership between Iraq and the U.S., and discussed their vision for comprehensive bilateral cooperation under the 2008 U.S.-Iraq Strategic Framework Agreement. Further, they agreed on the importance of working together to advance regional stability, and to reinforce and respect Iraq's sovereignty, stability, and security. Also, President Recep El Tayep Erdoğan met PM Sudani in Baghdad and Kurdish authorities in Erbil, marking his first visit to Iraq since 2011. They discussed security, economic, and energy cooperation.

LIBYA

The United Nations Special Representative of the Secretary General for Libya Abdoulaye Bathily resigned, citing entrenched resistance among Libyan leaders and the lack of appetite for negotiations or reunification among rival governments and military coalitions. Further, the High National Elections Commission issued a statement affirming its readiness to conduct municipal and general elections, but added that the notable gaps in the electoral laws would likely hamper any vote. The eastern-based House of Representatives (HoR) enacted the 2024 budget for its government amid uncertainties over whether the Tripoli-based Central Bank of Libya would provide funds. Also, the HoR published a court order that appointed a guardianship committee over the Libyan Investment Authority and accused the Tripoli-based government of financial abuses and embezzlement.

SUDAN

Fears of ethnic conflict in North Darfur increased after three factions from the Joint Force of Armed Struggle Movements, a coalition of non-Arab armed groups, joined the Sudanese Armed Forces (SAF) in its fight against the Rapid Support Forces (RSF). This prompted Arab militias aligned with the RSF to torch villages around North Darfur's state capital El Fasher. Also, amid persisting fighting between the SAF and RSF in the states of Bahri, Gezira and South Kordofan; Saudi Arabia and the U.S. announced their commitment to restart the Jeddah talks that aim to resolve the conflict in Sudan, while the U.S. also called on countries to halt the export of weapons to Sudan and warned that El Fasher is "on the precipice of a large-scale massacre".

TÜRKIYE

President Recep El Tayep Erdoğan's ruling Justice and Development Party suffered its first electoral defeat since rising to power in 2002, as the opposition Republican People's Party (CHP) won the local elections with 37.7% of the votes relative to the AKP's share of 35.5% of the votes. The CHP secured victories in seven out of the eight largest and most economically significant cities in the country, including in Ankara, Istanbul, and Izmir. Further, the Turkish Armed Forces continued their operations against the Kurdish militant group Kurdistan Workers' Party (PKK) in northern Syria and northern Iraq, after President Erdoğan reiterated his plans for a summer offensive against the PKK to prevent it from forming a "terror corridor".

YEMEN

Huthi rebels continued their attacks on international shipping in the Red Sea and the Gulf of Aden, and targeted a number of Israeli, United Kingdom and U.S. ships. Further, clashes between the Huthis and the separatist Southern Transitional Council, which is part of the Presidential Leadership Council, erupted along the Karsh front in the Lahj governorate, reflecting increasing tensions on the western coast where the Huthis are attempting to consolidate their positions near Mocha city and the Bab al-Mandeb Strait to forestall possible ground operations against them. In parallel, the Huthi-controlled Central Bank of Yemen in Sanaa issued new 100-riyal coin in Huthi-governed areas in the north to replace damaged banknotes.

Source: International Crisis Group, Newswires

OUTLOOK

AFRICA

Economic activity to accelerate in 2024-25 period, outlook subject to multiple uncertainties

The International Monetary Fund (IMF) projected the real GDP growth rate of Sub-Saharan Africa (SSA) to accelerate from 3.4% in 2023 to 3.8% in 2024 and 4% in 2025, driven primarily by a rebound in economic activity among oil exporters excluding Nigeria. Also, it expected higher private consumption and investment to drive economic growth in 2025. It considered that the improvement of public finances, the focus of monetary policy on price stability, and the implementation of structural reforms to diversify funding sources and economies will support economic growth in the near- to medium term. Also, it forecast the real GDP growth rate of SSA's oil-exporting countries at 3.3% in 2024 and 3% in 2025. Further, it anticipated economic activity in resource-intensive economies to decelerate from 3% this year to 3.2% next year, and forecast the real GDP growth rate in non-resource intensive countries to increase from 5.7% in 2024 to 6.1% in 2025.

In parallel, it projected the public debt level of the region's oil-exporting countries at 52.4% of GDP at end-2024 and at 50.5% of GDP at end-2025. Also, it anticipated the public debt level of resource-intensive economies at 60.6% of GDP at end-2024 and 59.3% of GDP at end-2025, and of non-resource intensive at 54.2% of GDP at end-2024 and 51.9% of GDP at end-2025. In parallel, it expected the aggregate current account surplus of SSA oil exporters to decrease from 1.1% of GDP in 2024 to 0.6% of GDP in 2025. Also, it forecast the current account deficits of resource intensive countries at 1.3% of GDP in each of 2024 and 2025, and of non-resource intensive economies at 5.8% of GDP in 2024 and 5.2% of GDP in 2025.

In addition, it considered that the economic outlook of the SSA region is subject to downside risks that include uncertainties about the global economy, weaker external demand, disruptions to supply chains from an escalation of the conflict in the Middle East, heightened security risks and rising political instability in SSA, as well as frequent climate shocks.

Source: International Monetary Fund

SAUDI ARABIA

Growing debt issuance could put pressure on public finance metrics

S&P Global Ratings assessed the impact of new public debt on the Saudi economy during the 2024-30 period through a base case and three alternative scenarios of incrementally higher debt issuance. Under its base case scenario, it forecast the government and the Public Investment Fund (PIF) to issue $30bn in debt in the 2024-30 period to finance the projects under Vision 2030 and other expenditures, and for the net government debt to increase by 2.8 percentage points of GDP in the 2025-30 period. It expected the government's net asset position to deteriorate but to remain strong, along with prudent fiscal policies and a robust balance sheet, given that it anticipated that large public- and private-sector investments and changes to the projects' timelines, among other factors, would mitigate the impact on the government's balance sheet. Also, it forecast the capital expenditures that will be deployed for the execution of Vision 2030 projects to represent 15% of total government spending during the execution period.

In its three alternative scenarios, S&P expected the increase in debt issuance to put pressure on the sovereign's fiscal metrics, and that the fiscal balance will depend on the roles that foreign investments, the private sector, and capital markets will play in financing the projects under Vision 2030. It forecast the government and the PIF to issue between $51bn and $109bn in debt in the 2024-30 period to finance Vision 2030 projects and other expenditures, and for the net government debt level to increase by 3.9 percentage points of GDP to 8.4 percentage points of GDP in the 2025-30 period. Also, under the third alternative scenario, it anticipated capital expenditures that will be deployed for the execution of Vision 2030 projects to account for 50% of total public spending during the execution period. In addition, it noted that debt servicing costs would likely be higher if the new debt of the government and the PIF rises substantially, but expected interest payments to be lower than 5% of public revenues in all scenarios.

Source: S&P Global Ratings

UAE

Non-oil sector growth to average 4.3% in 2024-25 period

The National Bank of Kuwait (NBK) projected the real GDP growth rate of the United Arab Emirates to moderate from 3.5% in 2023 to 3.3% in 2024 and 3.4% in 2025. It forecast activity in the non-oil sector at 4.5% in 2024 and 4% in 2025, due mainly to strong demand supported by the ongoing property market expansion, solid performance by the financial sector, booming tourism sector, and attractive foreign investment climate. Also, it expected real oil GDP to shift from contractions of 2.2% in 2023 and 0.2% in 2024 to a growth rate of 1.8% in 2025, driven by capacity expansion initiatives in the hydrocarbon sector. It considered that the completion of the Crude Flexibility Project this year will allow the Ruwais refinery to process 420,000 barrels per day b/d of heavier and sour feedstock, and unlock higher-value crude for export. Further, it anticipated the inflation rate in the country to increase from an average of 1.6% in 2023 to 2.5% in 2024 and 2.6% in 2025, due to strong domestic demand, an expected increase in fuel prices, and rising housing rents.

In addition, it projected the fiscal surplus to narrow from 4.6% of GDP in 2023 to 3.6% of GDP in 2024 and 3.3% of GDP in 2025, due to lower oil revenues and the expected increase in welfare and capital spending. Also, it expected the federal government to issue additional dirham-denominated debt to help develop domestic capital markets. Further, it forecast the current account surplus at 7.4% of GDP in 2024 and 8.3% of GDP in 2025 amid comfortable external finances, robust sovereign wealth assets, and elevated foreign currency reserves.

In parallel, NBK considered that key downside risks to the economic outlook include a severe drop in oil prices, a sharper-than-expected correction in the property market, as well as rising geopolitical tensions in the region that could affect trade and regional supply chains. But it noted that higher-than-forecast oil prices would boost government finances and investments, while a pick-up in global growth and/or rapid cuts in interest rates would support the outlook. It also considered that strong economic growth and successful diversification are reducing the UAE economy's exposure to oil shocks.

Source: National Bank of Kuwait

EGYPT

Outlook on sovereign ratings revised to 'positive' on reduced external financing risks

Fitch Ratings affirmed Egypt's long-term local and foreign currency issuer default ratings (IDRs) at 'B-', which is six notches below investment grade, and affirmed the country's short- local and foreign currency IDRs at 'B'. It also revised the outlook on the long-term local and foreign currency IDRs from 'stable' to 'positive'. It attributed the outlook revision to the reduced risks to Egypt's external financing, to stronger foreign direct investments, to additional foreign capital flows from the International Monetary Fund's Extended Fund Facility, as well as to policy adjustments. Further, it expected gross foreign currency reserves to increase from $16.2bn in the fiscal year that ends in June 2024 to $53.3bn at end-FY2024/25, and for the current account deficit to narrow from an estimated 5.2% of GDP in FY2023/24 to 2.3% of GDP in FY2024/25. Also, it indicated that the ratings take into account the normalization of non-tax revenues and the additional increase in debt servicing costs that would lead to a widening of the fiscal deficit to 8.8% of GDP in FY2024/25. In parallel, the agency indicated that it could downgrade the ratings in case of increased debt sustainability risks, renewed external financing pressures, and/or if geopolitical tensions escalate. It added that it could upgrade the ratings if fiscal consolidation reduces debt servicing costs and puts the public debt level on a downward path over the medium term, if external vulnerability risks recede, and/or if confidence in the durability of the policy adjustment to support the exchange rate's flexibility increases.

Source: Fitch Ratings

BANGLADESH

Macroeconomic outlook contingent on structural reforms

The International Monetary Fund indicated that Bangladesh's authorities made significant progress on structural reforms, but it noted that macroeconomic challenges remain due to persistently high inflation rates and declining foreign exchange reserves as a result of spillovers from tightening global financial conditions and elevated international commodity and food prices. It considered that continued monetary policy tightening, supported by fiscal consolidation, will help alleviate inflationary pressures resulting from the exchange rate realignment to a crawling peg regime. Further, it projected real GDP to grow by 5.4% in the fiscal year that ends in June 2024, and at 6.6% in FY 2024/25 as imports rebound and foreign currency reserves increase. Further, it expected the inflation rate at 9.4% in FY2023/24 and projected it to decline to 7.2% in FY2024/25 due to continued tighter policy and lower global food and commodity prices. However, it noted that the authorities need to develop a medium- and long-term public revenues strategy, to build resilience to climate change to mitigate macroeconomic and fiscal risks, as well as to reduce subsidies and improve expenditure efficiency. Further, the IMF stated that it has reached a staff-level agreement on the second review of the authorities' program that is supported by the IMF's Extended Credit Facility, Extended Fund Facility, and Resilience and Sustainability Facility, which will provide the country access to about $1.15bn.

Source: International Monetary Fund

KUWAIT

Non-oil GDP to grow by 2% in 2024

The International Monetary Fund (IMF) estimated that Kuwait's real GDP contracted by 2.2% in 2023, due mainly to the oil production cuts under the OPEC+ agreement, and projected it to shrink by 1.4% in 2024. It anticipated activity in the oil sector to decline by 4.3% this year, and for real non-oil GDP to grow by 2% compared to an average growth rate of 3.6% in Gulf Cooperation Council countries, driven by strong domestic demand. It noted that the conflicts in the Middle East and the shipping disruptions in the Red Sea had a limited impact on the Kuwaiti economy, but expected the volatility of global oil prices and production to pose risks to growth and inflation, and to the fiscal and external balances. It added that continued delays in fiscal and structural reforms due to political gridlock would amplify the risk of procyclical fiscal policy, and undermine investor confidence, and hinder progress towards diversifying the economy and enhancing its competitiveness. Further, it highlighted the need to enact the Public Debt Law in order to facilitate fiscal financing and develop the local debt market. In parallel, the IMF estimated the fiscal balance to have shifted from a surplus of 11.8% of GDP in the fiscal year ending in March 2023 to a deficit of 4.3% of GDP in FY2023/24 as oil revenues dropped and government expenditures rose, and projected the deficit to widen further over the medium-term without fiscal consolidation measures. Also, it estimated the current account surplus to have moderated from 34.5% of GDP in 2022 to 32.9% of GDP in 2023 due to the lower trade surplus that has offset higher international investment income.

Source: International Monetary Fund

JORDAN

Sovereign ratings upgraded on effective macroeconomic and fiscal management

Moody's Ratings upgraded Jordan's long-term local and foreign currency issuer ratings and foreign currency senior unsecured debt from 'B1' to 'Ba3', which is three notches below investment-grade, and revised the outlook on the long-term ratings from 'positive' to 'stable'. Also, it upgraded Jordan's local and foreign currency Country Ceilings from 'Ba1' to 'Baa2' and 'Baa3', respectively. It attributed the upgrades to the authorities' track record of effective macroeconomic and fiscal management, and of risk mitigation measures, that will continue to provide a credible buffer against shocks. It noted that the ratings are supported by solid policymaking institutions, strong international financial and technical support, and access to sizeable domestic savings. But it considered that the ratings are constrained by elevated debt levels, structural limitations to economic growth, high unemployment rates, as well as a volatile regional geopolitical environment. In parallel, Fitch Ratings affirmed Jordan's short- and long-term foreign and local currency issuer default ratings (IDRs) at 'B' and 'BB-', respectively, and maintained the 'stable' outlook on the long-term IDRs. It indicated that the ratings are supported by the country's record of macroeconomic stability, by the authorities' progress on fiscal and economic reforms, as well as by financing from the liquid banking sector, the public pension fund, and international support. But it noted that it could downgrade the ratings in case geopolitical tensions intensify, if the public debt level increases in the medium term, and/or if external support decreases.

Source: Moody's Ratings, Fitch Ratings

BANKING

GCC

Drop in interest rates to affect banks' profitability

S&P Global Ratings expected the profitability of banks in Gulf Cooperation Council countries to remain elevated in 2024 due to the delay in interest rate cuts by the U.S. Federal Reserve. It also anticipated the banks' asset quality to be resilient despite higher-for-longer interest rates, amid supportive economies, contained leverage and a high level of precautionary reserves. It pointed out that GCC banks have benefited from the increase in interest rates, and expected the high rates to continue to support the banks' profitability in 2024. Also, it said that the average return on equity of the top 45 banks in the region increased from 1.2% in 2021 to 1.7% in 2023. However, it expected a slight deterioration in the banks' profitability in 2025, as the U.S. Federal Reserve could start cutting rates in December 2024. It noted that lower rates are likely to reduce the amount of unrealized losses that GCC banks have accumulated in past years and estimated these losses at $2.8bn, or 1.9% on average of their total equity. Further, it indicated that several factors would mitigate the impact on the banks' profitability in 2025. First, it stated that fixing interest rates at current levels for some of the banks' assets, or swapping variables rates for fixed interest rates, would support the banks' profitability metrics. Second, it expected some deposits to shift from interest-bearing instruments to non-interest bearing deposits if interest rates decline. Third, it said that the reduction of the banks' provisioning needs would lower the banks' cost of risk if interest rates decrease and that the banks would reprice their corporate loans. Fourth, it expected the increase in lending to compensate for the narrower interest margins.

Source: S&P Global Ratings

NIGERIA

Outlook on bank ratings changed to 'positive'

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Access Bank (AB), Zenith Bank (ZB), United Bank for Africa (UBA), Guaranty Trust Bank Limited (GTB), Guaranty Trust Holding Company (GTCO), and Bank of Industry Limited (BOI) at 'B-', and revised the outlook on the banks' IDRs from 'stable' to 'positive'. Also, it maintained the viability ratings (VRs) of AB, ZB, UBA, GTB, and GTCO at 'b-'. It indicated that the IDRs of the banks, excluding BOI, take into account their stable standalone creditworthiness, while their VRs reflect their solid business profiles, strong profitability, and large capital and foreign-currency liquidity buffers. It added that the VRs of the five banks are constrained by their high exposure to the sovereign, as they hold fixed-income government securities, cash reserves at the Central Bank of Nigeria (CBN), and foreign exchange swaps with the CBN that are backed by the banks' capital. In parallel, it attributed the upward revision of the outlook on the banks' ratings to its similar action on the sovereign ratings due to the implementation of new reforms that support macroeconomic stability and enhance policy coherence and credibility. It noted that the outlook revision on BOI's ratings reflect the increased likelihood of government support in case of need, as it is a state-owned bank with a public policy role. But it said that the government's ability to provide support is limited, as indicated by the sovereign's long-term IDR of 'B-'.

Source: Fitch Ratings

TÜRKIYE

Sustained policy mix to reduce banking industry risks

S&P Global Ratings considered that the risks to Turkish banks would decline in case the authorities maintain their monetary and credit tightening measures, which would help reduce economic imbalances. Also, it anticipated Turkish banks to face elevated but manageable credit losses amid a slowdown in economic activity. Further, it expected the Turkish lira to depreciate to TRY43 per US dollar by end-2025, which would erode the borrowers' ability to repay their loans and increase the banks' impairment charges from 138 basis points (bps) in 2023 to between 170 basis points (bps) and 190 bps in the 2024-25 period. As such, it forecast the non-performing loans ratio (NPLs) to rise from 1.5% in April 2024 to between 3% and 3.5% by the end of 2025. Also, it expected Turkish banks to be able to refinance most of their $100bn in short-term debt. It noted that the banks' foreign currency liquidity, which it estimated at $143bn at end-January 2024, provides a cushion against any unexpected reduction in rollover rates, even though a part of this liquidity is held at the Central Bank of the Republic of Türkiye (CBRT) and may not be fully accessible. It expected Turkish banks to maintain access to external funding at a manageable cost and to successfully roll over most of their external debt. Further, it pointed out that foreign currency deposits accounted for 57% of total deposits in April 2024, which is exacerbating the banks' currency mismatches and is putting pressure on the CBRT's usable foreign currency reserves. In parallel, it considered that the industry risks to Turkish banks could decline if the authorities reduce the dollarization rate of deposits and restore investor confidence by sustaining their current policies and following a predictable macro prudential framework.

Source: S&P Global Ratings

PAKISTAN

Capital adequacy ratio at 19.7%, NPLs ratio at 7.6% at end-2023

The International Monetary Fund (IMF) indicated that the Pakistani banking sector is well capitalized, with a capital adequacy ratio (CAR) of 19.7% at the end of 2023, well above the minimum regulatory requirement of 11.5%. It said that the CAR of two privately-owned banks and one state-owned bank are currently below the regulatory minimum, and noted that the microfinance sector faces persistent vulnerabilities. In parallel, it pointed out that the banking sector's sovereign exposure increased from 48% of assets at the end of June 2021 to 57.4% at end-January 2024. It added that the non-performing loans ratio (NPLs) ratio rose from 7.3% at end-2022 to 7.6% at end-2023, while it noted that provisioned NPLs stood at 92.7% of total NPLs at the end of 2023 compared to 89.5% of total NPLs at end-2022. Further, it said that the banking sector is highly liquid, as liquid assets were equivalent to 63.5% of total assets and to 101% of deposits at end-2023, and that the banks' loans-to-deposits ratio stood at 41.8% at end-2023 relative to 50.4% at the end of 2022. In addition, the IMF stressed the need to closely monitor the banking sector and to address undercapitalized financial institutions to ensure financial stability.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $86.4 p/b in second quarter of 2024

ICE Brent crude oil front-month prices reached $82.8 per barrel (p/b) on May 15, 2024, constituting a decrease of 5.8% from $87.9 p/b at the end of April, amid newly released data that showed higher-than-expected inflation rates in the U.S., which dampened expectations of the U.S. Federal Reserve cutting interest rates soon. The recent drop in prices is also due to the International Energy Agency (IEA) reporting an increase in global crude oil inventories of 34.6 million barrels in March as trade disruptions led to a sharp rise in oil stocks. In parallel, the IEA projected the global demand for oil to increase by 1.1 million barrels per day (b/d) in 2024, down by 140,000 b/d from its previous projection in April, due to weaker demand from Europe. Further, it forecast oil production by OPEC+ members to contract by 840,000 b/d in 2024 due to voluntary production cuts, while it projected non-OPEC+ oil output to rise by 1.4 million b/d this year. As such, it expected global oil supply to increase by 580,000 b/d to 102.7 million b/d in 2024. Also, it anticipated that expectations of a rebound in global economic activity would lead to an increase in oil demand and support oil prices in the near term. In addition, it forecast global oil supply to increase by 1.8 million b/d in 2025, as it projected non-OPEC+ output to expand by 1.4 million b/d and OPEC+ output to grow by 330,000 b/d in case voluntary cuts remain in place. Further, it expected the U.S., Guyana, Canada and Brazil to increase their oil output in 2025. In addition, Refinitiv projected oil prices, through its latest crude oil price poll of 43 industry analysts, to average $86.4 p/b in the second quarter and $86.2 p/b in the third quarter of 2024.

Source: IEA, Refinitiv, Byblos Research

OPEC's oil basket price up 6% in April 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $89.12 per barrel (p/b) in April 2024, constituting an increase of 5.8% from $84.22 p/b in March 2024. The price of Nigeria's Bonny Light was $93.17 p/b, followed by Equatorial Guinea’s Zafiro at $91.29 p/b and by Algeria’s Sahara blend at $90.79 p/b. All prices in the OPEC basket posted monthly increases of between $3.25 p/b and $5.33 p/b in April 2024.

Source: OPEC

MENA's crude oil exports down 3% in 2024

The International Monetary Fund anticipated crude oil exports from the Middle East & North Africa region to reach 18.2 million barrels per day (b/d) in 2024, which would constitute a decrease of 2.7% from 18.7 million b/d in 2023. The GCC countries' oil exports would account for 64.8% of the region's oil exports this year. On a country basis, it projected Saudi Arabia's crude oil exports at 6.1 million b/d this year, or 33.5% of the region's oil exports, followed by Iraq at 3.4 million b/d (18.7%), and the UAE at 2.5 million b/d (13.7%).

Source: International Monetary Fund, Byblos Research

Middle East demand for gold jewelry down 4% in first quarter of 2024

Demand for gold jewelry in the Middle East totaled 42 tons in the first quarter of 2024, down by 4% from 43.7 tons in the first quarter of 2023, and accounted for 9.8% of global demand for gold jewelry. Demand for gold jewelry in the UAE reached 8.8 tons, or 21% of the region's consumption in the covered period. Saudi Arabia followed with 8.6 tons (20.5%), Egypt with 8 tons (19%), Iran with 7.1 tons (17%), and Kuwait with 3 tons (7%).

Source: World Gold Council, Byblos Research

ton in second quarter of 2024

LME copper cash prices averaged $8,830.6 per ton in the first 19 weeks of 2024, constituting a decrease of 0.4% from an average of $8,848.4 a ton in the same period of 2023. The decrease in prices was due mainly to reduced copper demand in China and to a stronger US dollar, which reduced the metal's appeal. However, copper prices reached $10,124.8 per ton on May 15, 2024, marking the metal's highest price since April 5, 2022 when it reached $10,433 a ton. The recent rise in prices is due to China's gradual issuance of stimulus bonds worth 1 trillion yuan, which are expected to support the construction industry in the country and boost copper demand. It is also due to supply cuts by Chinese copper smelters, increased demand from manufacturers of power lines, appliances, wind turbines, and electric vehicles, and the recent ban by 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, Citi Research projected the global production of refined copper at 26.2 million tons in 2024, which would constitute an increase of 1.2% from 25.8 million tons in 2023. Also, it forecast global demand for refined copper at 26.4 million tons in 2024, which would represent a rise of 1.8% from 25.9 million tons in 2023, driven in part by robust demand for the metal from Asia. As such, it expected the deficit in the copper market to widen from 66,000 tons in 2023 to 207,000 tons in 2024. Further, it forecast copper prices to average $9,000 a ton in the second quarter of 2024 and $9,125 per ton in full year 2024.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $955 per ounce in second quarter of 2024

Platinum prices averaged $925.7 per troy ounce in the first 19 weeks of 2024, constituting a decrease of 8.8% from an average of $1,014.7 an ounce in the same period last year due to slower auto sales and subdued demand from China. Also, platinum prices reached $1,049 per ounce on May 15, 2024, their highest level since May 22, 2023 when they reached $1,074 an ounce. The recent jump in the metal's price was due to a deeper-than-expected deficit in the platinum market caused by lower supply from mines in Russia and South Africa, as well as to the announcement by global mining company Anglo American that it will exit the platinum mining industry. In parallel, the World Platinum Investment Council projected global demand for platinum to reach 7.6 million ounces in 2024 and to decrease by 5.4% from 8 million ounces in 2023. Moreover, it noted that demand for platinum grew by 1.2% in the first quarter of 2024 from the preceding quarter, driven by increases of 3% and 5% of demand in the automotive industry and the jewelry sector, respectively, which was balanced by significant outflows from platinum-backed exchange-traded funds. Also, it forecast the global supply of platinum to contract from 7.2 million ounces in 2023 to 7.1 million ounces in 2024, or by 1%, with mine output representing 77% of global refined platinum production in 2024. It forecast the metal's market deficit to narrow from 851,000 ounces in 2023 to 476,000 ounces in 2024, as it expected the global supply of platinum to continue to outpace demand for the metal in 2024. Further, S&P Global Market Intelligence projected platinum prices to average $955.5 per ounce in the second quarter of 2024, with a low of $900 an ounce and a high of $1,050 per ounce in the covered period.

Source: S&P Global Market Intelligence, World Platinum Investment Council, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating											
Africa												
Algeria	- -	- -	- -	- -	-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- Positive	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	Ba3 Stable	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	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	01-Mayr-24	No change	12-Jun-24
Eurozone	Refi Rate	4.50	11-Apr-24	No change	06-Jun-24
UK	Bank Rate	5.25	09-May-24	No change	20-Jun-24
Japan	O/N Call Rate	0.10	26-Apr-24	No change	14-Jun-24
Australia	Cash Rate	4.35	07-May-24	No change	06-Aug-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	02-May-24	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	09-May-24	No change	11-Jul-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	05-Jun-24
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	09-May-24	No change	27-Jun-24
Brazil	Selic Rate	10.50	08-May-24	Cut 25bps	N/A
Armenia	Refi Rate	8.25	30-Apr-24	Cut 25bps	11-Jun-24
Romania	Policy Rate	7.00	13-May-24	No change	05-Jul-24
Bulgaria	Base Interest	3.78	1-May-24	Cut 1bps	03-Jun-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	26-Apr-24	No change	07-Jun-24

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