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BYBLOS BANK SAL
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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Arab economies trail most regions on environmental, social and governance indicators

Global Risk Profile, a Swiss-based company specializing in third-party risk management, ranked Qatar in 60th place among 183 countries around the world and in first place among 19 Arab economies on its Environment, Social, and Governance (ESG) Index for 2023. The UAE followed in 68th place, then Bahrain (70th), Tunisia (71st) and Jordan (74th) as the five Arab countries with the best performance on the index. The index consists of 65 variables that are grouped in three sub-indices that are the Human Rights Sub-Index, the Environment Sub-Index, and the Health & Safety Sub-Index. The first sub-index carries a weight of 50% on the index, while the second and third sub-indices have weights of 30% and 20%, respectively. A country's overall score ranges from zero to 100, with a score of zero corresponding to the lowest level of ESG risk and a score of 100 reflecting the highest risk level. The Arab region's average score stood at 49.62 points in 2023, which reflects a decline in risks from an average score of 50.44 on the 2022 index, and higher risks than the global average score of 43.23 points. The average score of Gulf Cooperation Council (GCC) countries was 41.55 points, while the average of non-GCC Arab countries stood at 53.34 points. Also, the level of ESG risks in the Arab region was lower than in Africa (55.61); while it was higher than in Europe (28.15), South America (38.58), North America (40.05), Oceania (41.63), and Asia (46.22).

Source: Global Risk Profile, Byblos Research

Arab world trails most regions in press freedoms

International organization Reporters without Borders gave the Arab region a score of 38.25 on its Press Freedom Index for 2024, relative to a score of 40.6 in the previous survey. The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedoms. Reporters without Borders assigns index scores from zero to 100 per country, with a higher score reflecting a higher level of press freedom in a given jurisdiction. Further, the survey classifies countries in five categories of press freedom that are "good", "satisfactory", "problematic", "difficult", and "very serious". The Arab region's average score came lower than the global average score of 55.87 points. Further, the region's average score came below the average scores of North America (74.15 points), Europe & Central Asia (67.1 points), Sub-Saharan Africa (55.6 points), Latin America & the Caribbean (55.5 points), and East Asia & the Pacific (52.75 points), but it exceeded the average score of South Asia (37.2 points). The rankings of 11 Arab countries improved from the previous survey and those of nine economies deteriorated from 2023. In parallel, the scores of 12 countries regressed year-on-year, while the score of eight economies improved from the 2023 survey. Also, one Arab country came in the "satisfactory" segment, while one Arab economy was in the "problematic situation" category, eight Arab countries were classified in the "difficult situation" segment, and the remaining 10 Arab sovereigns fell in the "very serious situation" category.

Source: Reporters Without Borders

GCC

Fixed income issuance up 73% to $67bn in first four months of 2024

Fixed income issuance in Gulf Cooperation Council (GCC) countries reached $66.7bn in the first four months of 2024, constituting an increase of 73.2% from $38.5bn in the same period of 2023. Fixed income issuance in the first four months of the year consisted of $22.8bn in sovereign bonds, or 34.2% of the total, followed by $20bn in corporate bonds (29.8%), $16.5bn in corporate sukuk (24.7%), and $7.5bn in sovereign sukuk (11.2%). Further, aggregate bonds and sukuk issued by corporates in the GCC stood at $36.4bn in the first four months of 2024, or 54.6% of fixed income output in the region; while issuance by GCC sovereigns reached $30.3bn, or 45.4% of the total. GCC sovereigns issued $19.3bn in bonds and sukuk in January, $2.3bn in February, $2bn in March, and $6.7bn in April 2024. Also, companies in the GCC issued $13.3bn in bonds and sukuk in January, $8.6bn in February, $10.2bn in March, and $4.3bn in April 2024. In parallel, corporate output in April 2024 included $1.1bn in bonds issued by companies in Qatar, $1bn in sukuk and $10m in bonds issued by firms based in the UAE, and $95m in sukuk issued by companies in Oman. Also, sovereign proceeds in the covered month consisted of $5bn in bonds that the UAE issued, $1.38bn in sukuk issued by Saudi Arabia, and $324.7m in bonds that Oman issued.

Source: KAMCO

SAUDI ARABIA

Two-founder startups raise $1.7bn in capital in 2014-23 period

Figures released by online platform Magnitt show that 44% of all funded startups in Saudi Arabia were established by two individuals in the 2014-23 period, 30% of startups were launched by one person, 18% of startups were set up by three entrepreneurs, and 8% of startups were formed by more than four individuals. It said that startups established by two persons raised $1.7bn in capital and accounted for 53% of total funding in the 2014-23 period, followed by three-founder startups with $728m (22%), single-founder startups with $506m (15%), and startups with more than four founders with $316m (10%). It pointed out that startups that were launched by males secured $3bn in capital in the Kingdom, or 98% of total funding in the 2014-23 period, while startups established by females raised $69m in capital (0.4% of the total funding), and startups established by males and females secured $12m in capital (2.1%) during the covered period. Also, it noted that 39% of the founders of Saudi startups in the 2014-23 period hold degrees in business, 35% of them are specialized in computer science, 26% of the founders are engineers, 14% of them hold degrees in finance, 6% studied arts, 2% of them have degrees in economics, medicine, law, or mathematics, and 1% are biologists. In addition, it indicated that 59% of those who established startups in the Kingdom have a technical background, 66% are first time founders, and 30% have prior experience with startups in the Middle East and North Africa region.

Source: Magnitt, Byblos Research

OUTLOOK

EGYPT

Real GDP growth rate at 3.5% in FY2024/25 on successful reforms' implementation

The National Bank of Kuwait projected Egypt's real GDP growth rate to accelerate from 2.5% in the fiscal year that ends in June 2024 to 3.5% in FY2024/25, supported by the implementation of policy reforms, the easing of inflation rates, the decrease in interest rates, and the improvement of foreign currency liquidity that will help the recovery of key sectors. In addition, it projected the inflation rate to decrease from 36% in FY2023/24 to 25% in FY2024/25. Further, it indicated that downside risks to the outlook consist of the escalation of regional geopolitical conflicts and higher-for-longer interest rates globally that would raise Egypt's external borrowing costs.

In addition, it forecast the fiscal deficit to narrow from 6% of GDP in FY2022/23 to 4% of GDP in FY2023/24, amid stricter fiscal consolidation measures, energy subsidy cuts, and an increase in non-tax revenues. It noted that new investments and loan commitments from the UAE government, the International Monetary Fund and other international bodies are providing a much stronger financial platform to Egypt, as the country received $18bn in local currency investments and concluded financing agreements worth $20bn for the next three years. But it expected the fiscal deficit to widen to 8.5% in FY2024/25.

Further, it projected the current account deficit to narrow from 6.3% of GDP in FY2023/24 to 2.9% of GDP in FY2024/25, driven by foreign investments, IMF funding, as well as by the recovery in remittance inflows, and in tourism and export receipts following the shift to a flexible exchange rate regime. Also, it forecast the current account deficit at 2% of GDP to 4% of GDP in the medium term, in case of sustained investment inflows. Further, it expected the net cumulative external financing gap to narrow from a high of $40bn in FY2022/23 to $10bn by the end of FY2025/26, which could easily be covered through Eurobond issuances of $3bn to $4bn per year. But it considered that reducing the financing gap will be contingent on maintaining a flexible exchange rate.

Source: National Bank of Kuwait

UAE

Large public finance buffers to mitigate external risks

The International Monetary Fund (IMF) projected the United Arab Emirates' real GDP growth rate at 4% in 2024, driven by robust domestic activity. It also forecast activity in the hydrocarbon sector to pick up this year, as it expected the UAE to increase its crude oil production relative to its OPEC+ quota. Further, it anticipated the inflation rate to remain close to 2% in 2024.

In addition, it projected the fiscal balance to post a surplus of 5% of GDP in 2024 and the public debt level to decline to 30% of GDP as a result of active debt management. It anticipated that capital spending will meet ongoing infrastructure needs, and that the introduction of the corporate income tax will support non-oil revenues in coming years. Also, it welcomed the authorities' efforts to continue building fiscal space and complete the implementation of the Dirham Monetary Framework, which aims to strengthen the resilience of the country's financial system. Also, it called for the development of a sovereign asset-liability management framework that would ensure the efficient management of public investments and enhance fiscal policy-making and risk-monitoring. Further, it forecast the current account surplus at 9% of GDP in 2024.

In parallel, it noted that the economic outlook is subject to external risks, such as geopolitical tensions, global growth and financial conditions, commodity price volatility, as well as the uncertain impact of climate change. But it considered that the UAE's large public financial buffers would help mitigate these risks, and that structural reforms to develop low-carbon and renewable energy and technology could accelerate growth more than expected.

Source: International Monetary Fund

IRAQ

Economic outlook contingent on structural reforms and oil prices

The International Monetary Fund (IMF) expected Iraq's economic growth to shift from a contraction of 2.2% in 2023 to growth rates of 1.4% in 2024 and 5.3% in 2025, and to stabilize at 3.5% in the medium term due to fiscal expansion and a gradual recovery of oil output, as it expected daily production to return to its 2022 level by the end of 2025. It projected the country's non-oil real GDP growth rate to slow down from 6% in 2023 to 3.5% in 2024 and 3.3% in 2025, and to stabilize at about 2.5% in the medium term. It indicated that the inflation rate declined from 7.5% in January 2023 to 4% at end-2023, and expected it to gradually moderate following the tighter monetary policy, and forecast it at 4% in 2024 and 2025. It considered that a large decline in oil prices or extended oil production cuts from the OPEC+ coalition could weigh on the country's fiscal and external accounts. As such, it forecast the fiscal deficit at 7.6% in 2024 and expected it to widen further in the medium term assuming no policy changes, which would lead the government to rely on monetary financing. Also, it projected the public debt level to increase from 44.2% of GDP at the end of 2023, to 48.2% of GDP in 2024 and to 54.6% of GDP in 2025, and to nearly double to 86.6% of GDP by 2029.

In addition, it anticipated the decline in oil prices over the medium term to further widen the current account deficit, which would lead foreign currency reserves to decline from $112bn in 2023 to $100.5bn in 2024, $93.4bn in 2025, and $30.6bn in 2029. As such, it projected the current account balance to shift from a surplus of 2.6% of GDP in 2023 to deficits of 3.6% of GDP in 2024 and 5.1% of GDP in 2025, and to widen further over the medium term.

In parallel, the IMF stressed the importance of a significant fiscal adjustment through containing the public wage bill, increasing non-oil tax revenues, strengthening public financial management, and limiting fiscal risks. It added that a sustained fiscal adjustment would help rebuild fiscal buffers and stabilize the public debt over the medium term. In addition, it stressed the need to implement structural reforms to help the development of the private sector and the diversification of the economy.

Source: International Monetary Fund

QATAR

Economic growth to average 4.5% annually in medium term

The International Monetary Fund (IMF) indicated that Qatar's economic growth has normalized and reached 1.5% in 2023, following the growth that was driven by the 2022 FIFA World Cup. It projected the real GDP growth rate to gradually pick up to 1.75% in the 2024-25 period and to accelerate to about 4.5% annually in the medium term, supported by the increase of liquid natural gas production as a result of the completion of the North Field East and South projects, as well as by a pick-up in activity in the non-hydrocarbon sector as the results of the Third National Development Strategy (NDS3) start to materialize. Also, it expected the inflation rate to ease to 2.5% in 2024 and to gradually converge to 2% over the medium term. Further, it estimated the fiscal surplus at 5.5% of GDP in 2023 due to the improvement of the non-hydrocarbon primary balance by more than 2 percentage points (ppts) of non-hydrocarbon GDP. As such, it estimated the central government's debt to have regressed by 3 ppts to less than 40 percent of GDP by end-2023. Further, it anticipated the external and fiscal accounts to remain in surplus over the medium term, assuming that hydrocarbon prices stay elevated and fiscal prudence continues. It considered that risks to Qatar's outlook are broadly balanced. It noted that current structural reforms aim to encourage a more dynamic labor market, support start-ups, achieve further digital transformation, and deepen the financial markets. In parallel, it pointed out that the Qatar Central Bank has improved its liquidity management through the calibrated issuance of Treasury bills, and that its measures have encouraged the use of domestic sources of funding for banks in order to reduce the banks' short-term foreign asset-liability mismatches.

Source: International Monetary Fund

DEM REP CONGO

Economic growth at 8.3% in 2023

The International Monetary Fund (IMF) estimated the real GDP growth rate in the Democratic Republic of the Congo (DRC) at 8.3% in 2023, driven by the rapid growth of the extractive sector. It noted that the inflation rate was 23.8% at the end of 2023, but slowed down to 21.2% at end-April 2024. Further, it indicated that the fiscal deficit was 1.3% of GDP in 2023, but exceeded the pre-set target due to higher spending on general elections and security conditions in the east of the country. Also, it said that gross foreign currency reserves reached $5.5bn at end-2023, which is equivalent to two months of imports. It noted that the security situation in the east of the country and the general elections slowed the pace of structural reforms under the IMF's three-year Extended Credit Facility, and welcomed the authorities' efforts to reform fuel subsidies and the Banque Centrale du Congo's readiness to take additional measures to tighten monetary policy. In parallel, it urged the government to improve fiscal governance and ameliorate spending efficiency, as well as to build external resilience by increasing international reserves. It pointed out that improving the efficiency of public expenditures, increasing transparency in the use of public resources, supporting the private sector's development and promoting diversification in non-extractive sectors is critical for the DRC's economy.

Source: International Monetary Fund

CÔTE D'IVOIRE

Outlook on sovereign ratings revised to 'positive' on improving fiscal metrics

S&P Global Ratings affirmed Côte d'Ivoire's short-term and long-term local and foreign currency sovereign credit ratings at 'B' and 'BB-', respectively, and revised the outlook on the long-term ratings from 'stable' to 'positive'. It attributed the outlook revision to solid economic growth driven by reforms, continued support from the International Monetary Fund, political and monetary stability, as well as rising commodity exports that are expected to reduce the country's external and fiscal imbalances. It noted that the ratings are supported by an improving current account balance, as it projected the current account deficit to narrow from 6.6% of GDP in 2023 to 3% of GDP in 2025 due to an increase in hydrocarbon and mining exports, as well as elevated cocoa prices given that the country is one of the largest cocoa exporters in the world. Also, it expected the budget deficit to narrow from a record 6.8% of GDP in 2022 to 3% of GDP in 2025, driven by the authorities' efforts to increase government revenues through revised tariffs and taxes, and to reduce spending. Further, it said that the government raised $2.6bn from a Eurobond issuance in January 2024, which will help it improve its debt profile. Also, it projected the country's gross external financing needs to decrease from 123.7% of current account receipts and usable reserves in 2023 to 120% and 110.2% of such reserves and receipts in 2024 and 2025, respectively. In parallel, S&P indicated that it could downgrade the ratings if the fiscal deficit does not narrow as anticipated or in case of a significant rise in sociopolitical tensions that would affect economic stability. But it said that it would upgrade the ratings if fiscal metrics improve better-than-expected, or in case the Central Bank of West African States ameliorates its capacity to conduct monetary policy and support macroeconomic stability.

Source: S&P Global Ratings

TUNISIA

Economic conditions contingent on advancing reforms

The European Bank for Reconstruction and Development (EBRD) estimated that Tunisia's real GDP growth rate decelerated from 2.6% of GDP in 2022 to 0.4% in 2023. It attributed the economic slowdown to a contraction in the agricultural sector as a result of the drought, and to lower phosphate sales, which was partially offset by the expansion in tourism, financial services and industrial activity. It added that government finances continued to be constrained, and that access to external financing remained limited due to the high yields on Tunisian sovereign bonds. However, it noted that continuous but slow progress of public sector reforms, which includes a gradual fiscal consolidation by reducing of the public sector wage bill and by reforming subsidies. It added that the authorities are paying all of the country's outstanding external debt on schedule. Further, it projected economic activity to grow by 1.9% in 2024 and by 2% in 2025 amid continued fiscal consolidation and reform efforts. In parallel, it indicated that significant downside risks stem from limited fiscal space, a high external debt burden and the economy's vulnerability to external shocks. In comparison, it forecast economic activity in the Southern and eastern Mediterranean countries at 3.4% in 2024 and 3.9% in 2025.

Source: European Bank for Reconstruction and Development

BANKING

GCC

Banks' profits up 10% to $14.4bn in first quarter of 2024

Figures released by financial services firm KAMCO indicate that listed banks in the six Gulf Cooperation Council (GCC) countries posted aggregate net profits of $14.4bn in the first quarter of 2024, constituting an increase of 10% from $13.1bn in the same quarter of 2023. It attributed the rise in income in the covered quarter mainly to an increase in net interest income by $1.6bn to $21.3bn and a rise in non-interest income by $1.2bn to $10.2bn, as well as to a decline of $0.7bn to $2.3bn in loan-loss provisions in the first quarter of 2024 from the same quarter of 2023. It added that the aggregate revenues of banks reached $31.4bn in the first quarter of 2024, representing an increase of 9.4% from $28.7bn in the same quarter in 2023. Further, it indicated that the aggregate assets of GCC banks stood at $3.27 trillion (tn) at end-March 2024 and grew by 2.8% from $3.18tn at end-2023 and by 8.8% from $3tn a year earlier. In addition, it said that the banks' aggregate net loans reached $1.92tn at the end of March 2024 and increased by 2.2% from $1.88tn at end-2023 and by 8.4% from $1.78tn at end-March 2023, while customer deposits amounted to $2.45tn, and rose by 2.8% from end-2023 and by 7.7% from the end of March 2023. As such, it pointed out that the aggregate loans-to-deposits ratio of GCC listed banks was 78.7% at the end of March 2024 compared to 78.1% a year earlier.

Source: KAMCO

ARMENIA

Banking sector assessment maintained

S&P Global Ratings maintained Armenia's banking sector in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), and kept the economic and industry scores at '7' and '8', respectively. 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 8' include Azerbaijan, Costa Rica, Cyprus, Honduras, Jamaica, Jordan, Kazakhstan, Paraguay, and Uzbekistan. It indicated that economic risk score for the banks reflects "high risks" in its economic resilience and economic imbalances, and "very high" credit risks in the economy. Further, it maintained the country's economic risk trend at 'stable'. It said that the Armenian banking sector benefitted from the improved credit risk in the local economy due to the decline of the dollarization rate of the banks' loan portfolio, as well as to the decrease of the share of Stage 3 loans from 7.8% of total loans at the end of 2018 to 5.3% of total loans at end-2023. However, it noted that credit risks persist due to the country's net external liability positions, as well as the high loan-to-value ratios offered by banks for new mortgages. 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, and maintained the country's industry risk trend at 'stable'. It indicated that banking regulations and supervision in Armenia are better than in other countries in the Commonwealth of Independent States, but fall below international standards. Also, it noted that the banking sector is becoming more concentrated, as the five largest banks in Armenia represented 57% of the sector's assets at end-2023.

Source: S&P Global Ratings

JORDAN

Construction and general trade account for 38.5% of lending at end-2023

Figures released by the Central Bank of Jordan indicate that credit facilities extended by commercial banks in Jordan totaled JD33.4bn, or $47.1bn at the end of 2023, constituting an increase of 2.4% from JD32.6bn ($46bn) at the end of 2022. Loans in foreign currency represented 11.9% of the total at the end of 2023 relative to 12.6% a year earlier. The resident private sector accounted for 87.8% of total credit at the end of 2023 relative to 88.6% at the end of 2022, followed by the central government with 6.3%, unchanged from a year earlier; public entities with 3.2%, the non-resident private sector with 2.5%, and financial institutions with 0.2%. Also, the distribution of credit by main sectors shows that construction represented JD8bn or 24% of the total at end-2023 relative to 25.3% a year earlier, followed by public services & utilities with JD5.5bn (16.4%), general trade with JD4.8bn (14.5%), industry with JD3.9bn (11.6%), financial services with JD963.6m (3%), tourism, hotels & restaurants with JD667.6m (2%), agriculture with JD589.5m (1.8%), transportation with JD419.1m (1.3%), and mining with JD139.7m (0.4%). In parallel, loans & advances reached JD20.8bn at end-2023, followed by receivables of Islamic banks with JD9.3bn, overdrafts with JD2.8bn, credit cards with JD329.4m, and discounted bills with JD183.2m.

Source: Central Bank of Jordan

EGYPT

Outlook on banks' ratings revised to 'positive'

Fitch Ratings affirmed the short- and long-term foreign-currency Issuer Default Ratings (IDRs) of the National Bank of Egypt, Banque Misr, Commercial International Bank, and Banque du Caire at 'B' and 'B-', respectively. Further, it revised the outlook on the long-term IDRs of the banks from 'stable' to 'positive', following its similar action on the sovereign ratings due to the improving credit profile of Egypt, which is supported by greater macroeconomic stability, large investments by the UAE, support packages by the International Monetary Fund, exchange rate flexibility, and improving foreign currency liquidity in the banking sector. Also, it affirmed the Viability Ratings (VRs) of the four banks at 'b-'. It indicated that the banks' VRs reflect their substantial holdings of sovereign debt securities that are equivalent to 8.3 times their shareholders' equity, which links the creditworthiness of the banks to that of the government. It stated that the banks' foreign-currency liquidity conditions have improved, as the banking sector's net foreign liability position dropped from $17.5bn in February 2024 to $2.8bn in March 2024 due to the banks' accumulation of foreign assets, strong capital inflows into the banking sector by the UAE, increased remittance flows, and the return of sizeable of non-resident inflows into the domestic market. Further, it noted that the ratings are constrained by pressure on the banks' capital buffers due to the depreciation of the local currency. However, it indicated that the outlook on the banks' capitalization has improved due to expectations of stronger profitability, internal capital generation, and a broadly stable exchange rate. It added that the banking sector's common equity Tier One capital ratio increased from 11.1% at end-2022 to 13% at end-2023, and expected the sector's capital ratios to recover during the rest of 2024.

Source: Fitch Ratings

Oil prices to average $86.3 p/b in second quarter of 2024

ICE Brent crude oil front-month prices reached $81.9 per barrel (p/b) on May 22, 2024, constituting a decrease of 6.8% 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 U.S. Energy Information Administration (EIA) reporting an increase in U.S. crude oil inventories of 2.8 million barrels in the week ending March 17, 2024 while total commercial petroleum inventories increased by 7.5 million barrels last week. In parallel, Emirates NBD Bank considered that the last decision by OPEC+ members to extend the voluntary oil production cuts would push oil markets into a sizeable deficit of nearly 1.4 million barrels per day (b/d) in the third quarter of 2024. It noted that the expected extension of oil production cuts on June 1, 2024 comes as an attempt by OPEC+ members to keep inventory levels under control and avoid a global oversupply of oil amid projections of non-OPEC+ producers increasing their future output. In addition, it said that a further extension of voluntary production cuts by OPEC+ would support prices in the $80p/b to $90 p/b range. In parallel, S&P Global Market Intelligence projected oil prices to average $86.3 p/b in the second quarter of 2024 with a low of $80 p/b and a high of $92 p/b.

Source: U.S. EIA, S&P Global Market Intelligence, Emirates NBD, Byblos Research

OPEC oil output nearly unchanged in April 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.575 million barrels of oil per day (b/d) in April 2024, down by 0.2% from 26.623 million b/d in March 2024. On a country basis, Saudi Arabia produced 9.03 million b/d, or 34% of OPEC's total output, followed by Iraq with 4.18 million b/d (15.7%), Iran with 3.21 million b/d (12.1%), the UAE with 2.93 million b/d (11%), and Kuwait with 2.44 million b/d (9.2%).

Source: OPEC

MENA's oil production to decrease by 0.8% in 2024

The International Monetary Fund projected oil production in the MENA region to average 26.2 million barrels per day (b/d) in 2024, which would constitute a decrease of 0.8% from 26.4 million b/d in 2023. Oil production in the Gulf Cooperation Council countries would account for 63.4% of the region's oil output this year. On a country basis, Saudi Arabia's oil production is projected at 9.3 million b/d in 2024, equivalent to 35.5% of the region's oil output, followed by Iraq at 4.1 million b/d (15.6%), and Iran at 3.2 million b/d (12.2%).

Source: International Monetary Fund, Byblos Research

Middle East demand for gold bars and coins down 15% in first quarter of 2024

Net demand for gold bars and coins in the Middle East totaled 25.6 tons in the first quarter of 2024, constituting a decrease of 14.7% from 30 tons in the same period of 2023. Demand for gold bars and coins in Iran reached 11.5 tons and accounted for 45% of the region's aggregate demand in the first quarter of 2024. Egypt followed with 5.2 tons (20.4%), Saudi Arabia with 3.8 tons (15%), the UAE with 2 tons (8%), and Kuwait with one ton (4%).

Source: World Gold Council, Byblos Research

Base Metals: Copper prices to average $8,247 per ton in second quarter of 2024

LME copper cash prices averaged $8,914.3 per ton in the year-to-May 21, 2024 period, constituting an increase of 1.1% from an average of $8,813.6 a ton in the same period of 2023. The metal's prices soared from $8,401.5 a ton on December 29, 2023 to $10,742 per ton on May 21, 2024 due mainly to higher copper demand from China, which exceeded the rise in copper production of major miners in Chile and Peru. Copper prices reached $10,800.8 per ton on May 20, 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 increased demand for renewable energy and electric vehicles, and to the arbitrage operations of shipping copper to the United States to benefit from higher prices on the Chicago Mercantile Exchange (CME) compared to prices on the London Metal Exchange. In parallel, S&P Global Market Intelligence projected the global production of refined copper at 26.92 million tons in 2024, which would constitute an increase of 4% from 25.9 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 3.2% from 26 million tons in 2023, driven by strong buying by investment funds in the futures markets and tight concentrate supply. It expected the balance in the refined copper market to post a surplus of 65,000 tons in 2024. Further, it forecast copper prices to average $8,246.6 per ton in the second quarter 2024, with a low of $7,800 a ton and a high of $8,700 per ton in the covered period.

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

Precious Metals: Gold prices to average $2,204 per ounce in second quarter of 2024

Gold prices averaged $2,171.8 per troy ounce in the first 21 weeks of 2024, constituting an increase of 12.6% from an average of $1,929.3 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 peaked at $2,431.75 an ounce on May 21, 2024 but regressed to $2,392 an ounce on May 22, 2024, 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. Moreover, S&P Global Market Intelligence indicated that gold is trading at a record above $2,400 due to international geopolitical concerns that drive demand for gold from central banks in China, India, Turkey, and other emerging markets. In parallel, the World Gold Council indicated that April 2024 marked the 11th consecutive month of net outflows from physically-backed gold exchange traded funds (ETFs). It noted that outflows from gold-backed ETFs reached 52.1 tons in Europe in April, which has offset inflows into gold-backed ETFs of 18.9 tons in Asia and of 1.1 tons in North America. As such, it pointed out that the global net outflows from gold ETFs totaled 33.2 tons in April of this year. It indicated that the aggregate holdings of global gold-backed ETFs dipped from 3,112.6 tons in March to 3,079.5 tons in April 2024, which has also supported the recent rise in the metal's price. Further, it projected gold prices to average $2,203.6 per ounce in the second quarter of 2024, with a low of $2,000 per ounce and a high of $2,350 an ounce during the quarter.

Source: World Gold Council, S&P Global Market Intelligence, 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- Positive	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	22-May-24	No change	10-Jul-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-May-24	No change	20-Jun-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	23-May-24	No change	11-Jul-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	27-Jun-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	26.25	21-May-24	Raised 150bps	23-Jul-24
Ghana	Prime Rate	29.00	25-Mar-24	No change	27-May-24
Angola	Base Rate	19.50	17-May-24	Raised 50bps	18-Jul-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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