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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Private sector investments in infrastructure down 5% to $86bn in 2023

Figures released by the World Bank show that private sector investments in infrastructure reached $86bn in 2023, constituting a decrease of 5% from $91.3bn in 2022. Further, private sector investments in infrastructure totaled $51.4bn in the East Asia & the Pacific region and accounted for 59.8% of total private investment commitments in infrastructure projects in 2023, followed by Latin America & the Caribbean (LAC) with $15.8bn (18.4%), South Asia with $8.2bn (9.5%), Europe & Central Asia with $4.1bn (4.8%), Sub-Saharan Africa (SSA) with $3.5bn (4.1%), and the Middle East & North Africa (MENA) region with $2.9bn (3.4%). Private sector investments in infrastructure surged by 104% in the MENA region in 2023, followed by investment commitments in East Asia & the Pacific (+28%), and Europe & Central Asia (+4%). In contrast, private sector commitments to invest in infrastructure declined by 43 in LAC last year, followed by decreases of 40% in South Asia and of 24% in SSA. In addition, private sector investments co-financed 102 infrastructure projects in LAC in 2023, followed by East Asia & the Pacific with 73 deals, SSA with 66 projects, Europe & Central Asia with 35 projects, South Asia with 32 deals, and the MENA region with 14 projects. In parallel, the energy sector attracted $62.4bn in private sector investments in infrastructure across 187 projects in 2023, followed by the transportation sector with $13.8bn (46 deals), the information and communication technology sector with $7.8bn (52 projects), the water supply and sanitation industry with $1.8bn (27 projects), and the municipal solid waste sector with $146m (11 deals).

Source: World Bank

Distressed exchanges account for 53% of corporate defaults in 2023

S&P Global Ratings indicated that a total of 19 corporate debt issuers in emerging markets (EMs) defaulted in 2023, relative to 26 issuers that defaulted in 2022. It added that all of the corporates that defaulted had speculative grade ratings and had a total of $7.3bn in outstanding debt. It noted that EMs accounted for 12.4% of the aggregate number of global corporate defaults in 2023 compared to 30.6% of global defaults in 2022. Further, it pointed out that Latin America & the Caribbean had 16 corporate defaults and accounted for 84.2% of the total number of defaults in EMs, followed by Emerging Asia with two defaulters (10.5%) and Asia-Pacific with one defaulter (5.3%). It noted that the main reasons for corporate defaults in EMs were distressed exchanges that represented 53% of defaults in 2023, followed by missed payments on interest or principal that accounted for 26% of the total. In parallel, it pointed out that the EM corporate default rate regressed from 1.23% in 2022 to 1.03% in 2023, with the EM corporate speculative-grade default rate decreasing from 2.38% in 2022 to 2.10% in 2023. It indicated that the default rate for EM issuers was 6.7% for the leisure time and media sector in 2023, followed by the transportation sector (4.6%), the healthcare and chemicals industries (3.8%), providers of forest & building products (2.1%), the real estate sector (2%), and the telecommunications sector (1.9%).

Source: S&P Global Ratings

MENA

Development level of travel & tourism sector varies across region

The World Economic Forum ranked the UAE in 18th place among 119 countries globally and in first place among 12 Arab economies on its Travel & Tourism (T&T) Development Index for 2024. Saudi Arabia followed in 41st place, then Qatar (53rd), Bahrain (58th), and Egypt (61st) as the Arab countries with the most developed T&T sectors; while Morocco (82nd), Tunisia (83rd), Kuwait (96th), and Algeria (98th) had the least developed T&T sectors in the region. The index measures the set of factors and policies that enable the sustainable development of the T&T sector. The index is the simple average of 17 component pillars grouped in five subindices. The Arab region's average score stood at 3.85 points in the 2024 index, relative to scores of 3.84 points on the 2021 index and 3.81 points in the 2019 survey, and came lower than the global average score of 3.96 points. The rankings of seven Arab countries improved from the previous survey in 2021 and those of five economies deteriorated from 2021. In parallel, the scores of six countries regressed year-on-year, while the score of six Arab economies improved from the 2021 survey. Further, Lebanon was the top Arab economy on the T&T Sustainability Sub-Index, the UAE ranked first on the Enabling Environment Sub-Index, the T&T Policy and Enabling Conditions Sub-Index, and the Infrastructure and Services Sub-Index, while Saudi Arabia came first on the T&T Resources Sub-Index.

Source: World Economic Forum, Byblos Research

GCC

Corporate earnings down 9% to $56.4bn in first quarter of 2024

The net income of listed companies in Gulf Cooperation Council (GCC) countries reached $56.4bn in the first quarter of 2024, constituting a decrease of 8.7% from $61.8bn recorded in the same quarter of 2023. In parallel, listed companies in Saudi Arabia generated $36.2bn in profits, or 64% of total corporate earnings in the GCC in the first quarter of 2024, followed by listed firms in Abu Dhabi with $7.9bn (14%), in Dubai with $5.4bn (9.6%), in Qatar with $3.6bn (6.4%), in Kuwait with $4.3bn (4.2%), in Oman with $500.8m, and in Bahrain with $493.4m (0.9% each). Further, the earnings of listed companies in Dubai grew by 10% in the first quarter of 2024 from the same quarter in 2023, followed by the profits of listed firms in Dubai (+9.2%), in Bahrain (+6.5%), in Qatar (+6.2%), and in Kuwait (+2%), while the earnings of listed firms in Abu Dhabi dropped by 28%, followed by the profits of listed companies in Saudi Arabia (-7.8%). Also, the earnings of listed firms in the GCC energy sector reached $29.8bn and accounted for 52.8% of total corporate earnings in the first quarter of 2024, followed by the profits of listed banks with $14.5bn (25.7%), telecommunication firms with $2.4bn (4.3%), real estate companies with $1.9bn (3.3%), and food, beverages, and tobacco firms with $1.8bn (3.1%). Further, the income of companies in the energy sector fell by $6.4bn in the first quarter of 2024 from the same quarter in 2023, followed by capital goods firms (-$1.9bn), and telecommunication companies (-$0.4bn), while the profits of banks increased by $1.5bn year-on-year.

Source: KAMCO

OUTLOOK

WORLD

Most economists expect geopolitics to affect economic activity in rest of 2024

The World Economic Forum's annual survey of chief economists indicated that 97% of respondents agreed that geopolitics will be a source of global economic volatility in the remainder of 2024, while 83% of participants considered that domestic political factors will affect global growth prospects this year, and only 3% of surveyed chief economists considered that the rapid development of artificial intelligence will impact the global economy in the remainder of this year. Further, it showed that 70% of respondents expected strong economic growth in South Asia in the remainder of 2024, while 45% of participants anticipated robust growth in the U.S., 32% projected solid economic activity in East Asia and the Pacific, and 13% forecast such growth in the Middle East and North Africa region. Also, it said that 9% of participants expected resilient economic growth in Central Asia, 8% of surveyed economists anticipated strong economic activity in Sub-Saharan Africa, and 4% of respondents projected robust real GDP growth in each of China and Latin America and the Caribbean in the rest of 2024. In contrast, it noted that 31% of participants expected moderate economic growth in Europe this year.

Further, the survey revealed that 42% of chief economists forecast the global real GDP growth rate to exceed 4% within the next three years, relative to 27% of respondents who anticipated such growth rate within three to five years, and 8% of participants who expected global economic activity to exceed 4% after five years. But it pointed out that 23% of surveyed chief economists did not expect global growth to reach 4% in the foreseeable future.

In parallel, it showed that 85% of respondents expected technological transformation to positively affect economic growth in high-income economies in the next five years, while 60% of respondents projected technological transformation to boost economic growth in low-income economies in the next five years. The results of the survey, which the WEF conducted in April 2024, are based on the responses of 29 chief economists across the world.

Source: World Economic Forum

SAUDI ARABIA

Economic activity to pick up to near 6% in 2025-26 period

Goldman Sachs projected Saudi Arabia's real GDP to shift from a contraction of 0.8% in 2023 to growth rates of 2.4% in 2024, 6% in 2025 and 5% in 2026, driven in part by higher growth in the non-hydrocarbon sector. Also, it expected the inflation rate to regress from 2.3% in 2023 to 1.8% in 2024 and to stabilize at 2.7% in each of 2025 and 2026.

Further, it forecast the fiscal deficit to widen from 2% of GDP in 2023 to 4.3% of GDP in 2024 due to the increase in current spending and in capital expenditures, as well as to lower oil export revenues, which will offset the rise in non-oil revenues. However, it projected the fiscal deficit to narrow to 3.1% of GDP in 2025 and 2.7% of GDP in 2026. It anticipated the external debt issuance to average $16bn per year between 2024 and 2026, up from an average of $10bn per year in the preceding three years, and considered that the debt issuance will not pose financing risks in the medium term. Further, it expected the government's public debt level at 30.7% of GDP at end-2024, 31.6% of GDP 2025, and 32.4% of GDP in 2026. It noted that Saudi Arabia has strong access to international capital markets and has plenty of fiscal space to accumulate more debt in the near- to medium term.

Also, it projected the current account surplus to decrease from 11.5% of GDP in 2023 to 9.9% of GDP in 2024, and to reach 11% of GDP in 2025 and 10.3% of GDP in 2026 amid higher foreign direct investments. It considered that the scale of investments is likely to continue to rise in coming years and to constitute an important driver of non-hydrocarbon sector growth, given that the Saudi authorities are planning to increase domestic investments from 45% of non-oil GDP to 65% of non-oil GDP in the coming six years. Moreover, it forecast the Kingdom's foreign currency reserves to increase from $596.4bn at end-2023 to $626.5bn at end-2024, $683.8bn at end-2025, and $747.3bn at end-2026.

Source: Goldman Sachs

EGYPT

Near-term growth prospects contingent on external backdrop

Regional investment bank EFG Hermes projected Egypt's real GDP growth rate to accelerate from 2.6% in the fiscal year that ends in June 2024 to 4% in FY2024/25 and 4.6% in FY2025/26, in case of a strong recovery in tourism revenues, if the availability of foreign currency resolves supply shocks, and if the inflation rate in the country recedes. Further, it considered that the unprecedented fiscal tightening is raising concerns about the country's economic growth amid the absence of solid policy support to private sector activity. But it noted that upside risks to the outlook include a de-escalation of regional geopolitical risks and stronger-than-expected policy support to economic activity.

In addition, it forecast the fiscal deficit to narrow from 6% of GDP in 2022/23 to 4.4% of GDP in FY2023/24 amid fiscal consolidation measures, but to widen to 7.7% of GDP in FY2024/25 and 6.4% of GDP in FY2025/26 due in part to higher public sector wages. In parallel, it revised its projection for the current account balance from deficits of 2.8% of GDP in FY2023/24 and 2.6% of GDP in FY2024/25 to deficits of 5.7% of GDP in FY2023/24 and 4.3% of GDP in FY2024/25. It attributed its revision to the deterioration in the energy balance amid the drop in gas production and to the prevailing regional geopolitical instability that is weighing on the country's revenues from the Suez Canal and from tourism activity. It added that the deficit for FY2023/24 also reflects the payback of government arrears, as well as the impact of the partial currency devaluation on the country's nominal gross domestic product. However, it anticipated the current account deficit to narrow to 3.6% of GDP in FY2025/26 in case of higher capital and portfolio inflows.

In parallel, it anticipated the Egyptian pound to appreciate in the near term to between EGP45 per US dollar and EGP50 per dollar, as it considered that the authorities are likely to favor building foreign currency buffers rather than let the pound appreciate further. It pointed out that prolonged pressure on the external sector would pose downside risks to the local currency.

Source: EFG Hermes

GCC

Agencies take rating actions on sovereigns

Moody's Ratings affirmed Bahrain's long-term issuer and senior unsecured ratings at 'B2', which is five notches below investment grade, and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to Bahrain's very weak and deteriorating debt burden and debt affordability metrics, as well as to the country's elevated government liquidity and external vulnerability risks. It added that the ratings reflect Bahrain's relatively high per-capita income and its well-diversified economy, which support the sovereign's shock absorption capacity and economic resilience, and the improvements in the country's external sector since 2021. It noted that the 'stable' outlook balances the high likelihood of financial support from Gulf Cooperation Council governments, against a deterioration in fiscal metrics if oil prices decline more rapidly than expected. In parallel, Fitch Ratings affirmed Oman's short- and long-term local and foreign currency issuer default ratings at 'B' and 'BB+', respectively, with a 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by the positive impact of recent budget reforms and the decline in the government's debt level. But it noted that the ratings are constrained by the country's dependence on the oil sector, modest financial buffers, and Oman's net external debtor position. In parallel, it said that it could downgrade the ratings in case the public debt level increases and/or if Oman's external balance sheet deteriorates. In contrast, it noted that it could upgrade the ratings if the public debt level decreases, if non-oil sector activity improves, and/or if the government's balance sheet strengthens.

Source: Moody's Ratings, Fitch Ratings

DEM REP CONGO

Improvement in credit profile contingent on structural reforms

In its periodic review of the Democratic Republic of Congo's (DRC) credit profile, Moody's Ratings indicated that long-term local and foreign-currency issuer ratings of 'B3' reflect the sovereign's high level of political risks, weak institutional framework, low revenue mobilization capacity, and very low GDP per capita. It added that these challenges are balanced by economic growth prospects supported by the country's large resource endowment and low public debt metrics. It added that the DRC's 'b1' economic strength assessment is constrained by low per capita income, infrastructure deficiencies, and a high dependence on the mining industry. Further, it attributed the country's 'a1' fiscal strength assessment to the government's low and affordable debt burden, despite the vulnerability of its tax base to commodity price shocks. Also, it said that the 'b' assessment on the susceptibility to event risk is driven by elevated political risks due to the ongoing conflict in the east of the country and to growing regional disparities. Further, the agency stated that the 'stable' outlook on the ratings reflects the balance between the rapid growth in the mining sector and the ongoing implementation of reforms under the IMF program, with the country's very weak governance level and its vulnerability to the volatility of commodity prices. It said that it could upgrade the ratings if the ongoing structural reforms lead to stronger institutions and higher economic shock-absorption capacity.

Source: Moody's Ratings

IRAQ

Sovereign ratings trajectory contingent on governance improvement

In its periodic review of Iraq's credit profile, Moody's Ratings indicated that Iraq's rating of 'Caa1' reflects credit challenges that are weighing on the economy's competitiveness, that limit policy effectiveness, and that constrain the government's capacity to respond to domestic and external shocks, due to very weak institutions and governance. Also, it considered that the economy, the government's finances and the external account rely heavily on the hydrocarbon sector, which exposes the sovereign to the volatility in global oil prices and to significant carbon transition risks. It said that the ratings are also constrained by inherently elevated domestic sociopolitical and geopolitical event risks. It added that Iraq's 'ba2' economic strength assessment balances the country's relatively large but undiversified economy, against volatile economic growth and inadequate infrastructure. In addition, it said that the country's institutions and governance rating of 'caa3' reflects significant institutional challenges and very weak policy effectiveness. Further, it attributed the country's 'ba1' fiscal strength assessment to the moderate debt burden and relatively favorable composition of the government's debt, which are balanced by Iraq's very high fiscal vulnerability to global oil demand and prices. Also, it said that the country's 'b ' assessment on the susceptibility to event risk is driven by very high levels of political risk due to internal divisions and rising social pressures, as well as to exposure to regional tensions.

Source: Moody's Ratings

BANGLADESH

Sovereign ratings downgraded on deteriorating external buffers

Fitch Ratings downgraded Bangladesh's long-term foreign and local currency issuer default ratings from 'BB-' to 'B+', which is four notches below investment grade. It also revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the downgrade to the sustained weakening of Bangladesh's external buffers, despite recent policy reforms, which is making the country more vulnerable to external shocks. It noted that the policy actions since early 2022 have been insufficient to limit the decline in foreign currency reserves and address foreign currency shortages. But it said that the recent shift to a crawling peg regime aims to increase the flexibility of the exchange rate. Further, it attributed the outlook revision to the implementation of the International Monetary Fund's reforms to improve macroeconomic stability and address banking sector weaknesses, as well as to the moderate government debt level and promising medium-term growth prospects. It indicated that the authorities have implemented several tax reforms and measures to increase revenue collection. In parallel, it said that it could downgrade the ratings in case external vulnerabilities increase due to a significant decline in foreign currency reserves or other liquidity buffers. In contrast, the agency noted that it could upgrade the ratings if external finances improve, in case a structural increase in fiscal revenue collection supports fiscal consolidation and improves the interest-to-revenues ratio, and/or if the institutional capacity and the implementation of measures to address economic vulnerabilities advance significantly.

Source: Fitch Ratings

BANKING

UAE

Banking sector resilient amid strong capital and liquidity buffers

The International Monetary Fund (IMF) indicated that banks in the UAE are adequately capitalized and liquid, while the sector's asset quality has improved and credit growth remains resilient despite high interest rates. It noted that the Central Bank of the UAE plans to restore the reserve requirements for demand deposits from 7% to 14% of total bank deposits. Also, it welcomed the authorities' continued coordination with the Ministry of Finance on the development of domestic capital markets, as well as their efforts to implement and use the Dirham Monetary Framework, which seeks to improve liquidity conditions in the domestic market and aims to strengthen the resilience of the country's financial system. Further, it cited the authorities' efforts to digitalize the financial system and payment methods in the UAE, and pointed out that they should maintain a risk-based approach. In parallel, it said that the Financial Action Task Force removed the UAE from its 'grey list', which consists of countries that are addressing deficiencies in their anti-money laundering and terrorist financing policies, due to the authorities' enhanced monitoring of the banking system. It noted that the outlook on the country's banking sector is subject to uncertainties and external risks stemming from the real estate sector, geopolitical tensions, and commodity price volatility. As such, the IMF called on the authorities to maintain financial and monetary stability, and to remain agile to respond to economic and geopolitical uncertainties.

Source: International Monetary Fund

OMAN

Banking sector has capacity to absorb external shocks

Fitch Ratings anticipated that the improving operating conditions of Omani banks will help the banking sector withstand potential external shocks from increased geopolitical tensions in the Middle East in 2024. It expected the high global energy prices and the authorities' economic diversification strategy to continue to support growth. It added that the banks' funding and liquidity metrics, which are closely linked to the general macroeconomic environment, will remain strong as long as high oil prices prevail. Also, the agency indicated that Omani banks are highly exposed to the sovereign through lending to the government, to government-related entities, and to public sector employees. It added that it has reassessed the banking sector's asset quality risks and expected the related metrics to continue to improve slightly in 2024 due to favorable operating conditions, while loans write-offs will reduce the sector's impaired loans ratio. It added that asset quality will continue to improve in 2024, but it noted that there is limited potential to improve the profitability of banks. In addition, it stated that the majority of restructured loans, which account for 10% of the sector's total loans at end-2023, are in the Stage 2 segment and are adequately covered, and added that it does not expect their reclassification to Stage 3 loans despite the prevailing pressures on the real-estate, construction and hospitality sectors. Further, it projected credit growth at 5.5% to 6% this year. In parallel, the agency said that Omani banks are exposed to event risk due to the high single-obligor concentrations, given the narrow nature of the domestic economy.

Source: Fitch Ratings

IRAQ

Central Bank authorizes digital banks

The Central Bank of Iraq (CBI) issued details about the regulations of for licensing digital banks in Iraq. It stipulates that local and foreign banks operating in Iraq must have a minimum capital of IQD100bn to be eligible to apply for a license for digital banking, which they should raise over a period of five years in equal amounts of IQD20bn per year. It added that banks must place 15% of the annual amount that they raise at the CBI for precautionary reasons as a guarantee against the misuse of the license. It indicated that the percentage will decrease from 15% to 10% once the minimum capital requirements are met, and added that the funds could be released to the bank as needed. Further, it pointed out that it will not issue licenses to the branches of foreign digital banks to operate in Iraq, unless they are licensed by the relevant authorities in their home country. It said that foreign digital banks can open branches in Iraq in accordance with the same terms and regulations that apply to local commercial banks, and that they must comply with the laws, regulations, and controls of the CBI. In addition, it stated that digital banks have to provide all the necessary infrastructure for financial transactions, including the systems and applications for the users, in order to serve their operations, economic feasibility, and the services that they offer. In parallel, it noted that the ceiling for credit facilities that digital banks can extend should not exceed IQD50m dinars per client, which includes the financing extended by traditional banks in case the latter adopt digital channels.

Source: Central Bank of Iraq

JORDAN

Banking sector has stabe funding

Moody's Ratings indicated that the 'weak (+)' macroeconomic profile of the Jordanian banking sector reflects the country's structural constraints against solid macroeconomic policy-making institutions, strong international financial and technical support, and access to sizeable domestic savings. It noted that the constraints include low economic growth rates, high unemployment and underlying social pressures, a volatile regional geopolitical environment, credit concentration in the banking system, and a lack of transparency in the corporate sector that weighs on the banks' credit conditions. It stated that banks have stable funding, as 66% of the sector's total assets consisted of deposits at the end of March 2024, and that most deposits are retail deposits. It added that Jordanian banks have the capacity to increase lending without relying on more volatile and costly external funding, as demonstrated by the 76% loans-to-deposits ratio at end-March 2024. Also, it considered that the sector has robust liquidity buffers, as liquid assets constituted 38% of the banks' assets at end-March 2024. It pointed out that banks benefit from low dollarization rates, as deposits in US dollars accounted for 21% of total deposits at end-March 2024. However, it noted that the Jordanian banking sector remains concentrated, with the five largest banks accounting for more than 50% of the system's domestic assets. In addition, it said that Jordanian banks have a high level of credit concentration in corporate lending and are exposed to the real estate sector, as commercial and residential real estate loans stood at 19.3% of total credit facilities and 29% of the sector's credit facilities had real estate as collateral at end-2022.

Source: Moody's Ratings

ENERGY / COMMODITIES

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

ICE Brent crude oil front-month prices reached $83.6 per barrel (p/b) on May 29, 2024, constituting an increase of 2.1% from $81.9 p/b a week earlier, as the market is focusing on the upcoming meeting of the OPEC+ coalition on June 2, 2024. However, oil prices regressed by 0.7% on May 29 from $84.2 p/b on May 28 on worries about weak U.S. gasoline demand and economic data that could cause the U.S. Federal Reserve to keep interest rates higher for longer. In parallel, Goldman Sachs expected geopolitical risks and the strong start of the traveling season to support oil prices in the near term. As such, it forecast global jet fuel demand to grow by 0.6 million barrels per day (b/d) in 2024. Further, under its bullish scenario, it estimated that there is a 36% chance that OPEC+ members may decide to increase oil production at their upcoming meeting on June 2. In parallel, the International Energy Agency expected global oil demand to ease to 1.2 million b/d this year and 1.1 million b/d in 2025 as a result of a normalization of global economic activity following the disruptions in the 2020-23 period, when oil markets were affected by the COVID-19 pandemic and the global energy crisis that was triggered by Russia's invasion of Ukraine. It considered that the use of electric vehicles, as well as efforts by Middle Eastern economies, mainly Saudi Arabia, to reduce the quantity of oil used in power generation, will lead to a gradual easing of oil demand in the rest of this decade. 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 of 2024.
Source: Goldman Sachs, International Energy Agency, Byblos Research

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

The Organization of Petroleum Exporting Countries projected the consumption of crude oil in the Middle East & Africa to average 13.45 million barrels per day (b/d) in 2024, which would constitute an increase of 2.8% from 13.09 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

Saudi Arabia's oil export receipts at $20.7bn in March 2024

Total oil exports from Saudi Arabia stood at 7.67 million barrels per day (b/d) in March 2024, constituting decreases of 0.5% from 7.71 million b/d in February 2024 and of 14.8% from 9 million b/d in March 2023. Oil export receipts reached $20.7bn in March 2024, representing an increase of 5.5% from $19.6bn in February 2024 and a decrease of 7.3% from $22.3bn in March 2023.
Source: JODI, General Authority for Statistics, Byblos Research

Middle East demand for gold down 8.3% in first quarter of 2024

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 67.5 tons in the first quarter of 2024, constituting a decrease of 8.3% from 73.7 tons in the first quarter of 2023. Gold demand in the region accounted for 9.31 of the global consumption of the precious metal in the first quarter of 2024. Consumer demand for gold in Iran reached 18.6 tons and represented 27.6% of the region's aggregate demand in the covered period, followed by Egypt with 13.2 tons (19.5%), Saudi Arabia with 12.4 tons (18.4%), the UAE with 12 tons (16%), and Kuwait with 4 tons (5.9%).
Source: World Gold Council, Byblos Research

Base Metals: Copper prices to average $10,000 per ton in second quarter of 2024

LME copper cash prices averaged $8,979.2 per ton in the year-to-May 29, 2024 period, constituting an increase of 2.3% from an average of $8,775.4 a ton in the same period of 2023. The increase in prices was due mainly to improving copper demand from China's copper-intensive construction industry, as well as to elevated demand from the manufacturers of power lines, appliances, wind turbines, and electric vehicles. Further, the metal's price dropped from a peak of $10,800.8 a ton on May 5, 2024 to $10,204.6 per ton on May 27, 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. In parallel, the latest available figures from the International Copper Study Group show that global demand for refined copper was 6.58 million tons in the first quarter of 2024, constituting an increase of 4.1% from 6.32 million tons in the same period of 2023 due to a rise of 6.5% in Chinese demand for the metal, given that China is the world's largest consumer of copper. Also, it noted that the global production of refined copper reached 6.86 million tons in the first quarter of 2024, representing an increase of 5.3% from 6.52 million tons in the same period of 2023, as higher output from Chile, China, the Democratic Republic of the Congo, Peru, and the U.S. was partially offset by lower production in the European Union. It added that mine production accounted for 80.4% of the aggregate output of refined copper in the covered period relative to 79.8% in the first quarter of 2023. In parallel, Citi Research projected LME copper prices at $10,000 per ton in the second quarter of 2024 and to average $9,610 per ton in full year 2024.
Source: ICSG, Citi Research, Refinitiv

Precious Metals: Global diamond prices down amid weak demand

The RapNet Diamond Index (RAPI) for 1-carat diamonds dropped by 3.5% in the first four months of the year, while the RAPI for 0.5-carat diamonds grew by 3.1% in the covered period. Also, the RAPI for 0.5-carat and 1-carat diamonds fell by 20.7% and 19.7%, respectively, in the 12 months ending April 2024, driven by a decrease in global demand for diamonds as economic challenges persisted, and due to the sanctions that the governments of the Group of Seven and the European Union imposed on the Russian diamond industry, which created uncertainties about the diamond market, given that Russia is a major producer of diamonds. Uncertainties further deepened after global mining company Anglo American announced its plans to sell De Beers, the world's largest diamond producer, due to political challenges and weaker demand for diamonds in China. Also, the slowdown in the diamond market reflected the decrease in the sales of polished diamonds, due to high inflation and interest rates in the U.S., which deterred consumers from purchasing diamonds, as well as to consumers in China preferring to purchase gold rather than diamonds. Further, global rough diamond production regressed amid weak demand for polished diamonds, which caused the Okavango Diamond Company, Botswana's state-owned diamond firm, to report a decline in rough diamonds sales of 68% year-on-year in the 12 months ending April 2024 to $34.6bn at end-April 2024. As a result, Botswana-owned De Beers reduced its forecast output by 10% from 29 million carats to 26 million carats in 2024.
Source: Rapaport Report, 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- 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	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											
Asia												
Armenia	BB-	Ba3	BB-	B+								
	Stable	Stable	Stable	Positive	-4.3	46.5	2.0	29.8	9.8	114.6	-3.0	2.2
China	A+	A1	A+	-								
	Stable	Negative	Stable	-	-3.0	66.1	10.6	25.8	5.9	64.5	2.3	0.7
India	BBB-	Baa3	BBB-	-								
	Stable	Stable	Stable	-	-8.0	86.0	6.6	27.5	28.9	87.2	-3.1	1.5
Kazakhstan	BBB-	Baa2	BBB	-								
	Stable	Positive	Stable	-	-2.7	26.1	4.0	26.6	7.9	99.2	-2.8	2.2
Pakistan	CCC+	Caa3	CCC	-								
	Stable	Stable	-	-	-7.5	71.3	0.7	34.9	55.9	133.4	-1.3	0.4
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Positive	Stable	Positive	-	-2.8	23.8	1.7	19.9	1.7	105.0	-0.2	1.8
Romania	BBB-	Baa3	BBB-	-								
	Stable	Stable	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	B3	B+	B+								
	Positive	Positive	Positive	Stable	-3.6	29.1	1.2	77.3	9.5	166.0	-2.4	1.2
Ukraine	CC	Ca	CC	-								
	Negative	Stable	-	-	-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	23-May-24	No change	18-Jul-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	27-May-24	No change	29-Jul-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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