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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

EMERGING MARKETS

Eurobond issuance projected at $412bn in 2024

Bank of America projected sovereigns and corporates in emerging markets (EMs) to issue $412bn in Eurobonds in 2024, compared to $347bn of external debt output in 2023. It forecast EMs to issue $169bn in sovereign Eurobonds in 2024, or 41% of aggregate Eurobonds issuance for the year, which would constitute an increase of 29% from $131bn in 2023. Also, it expected EMs to issue $244bn in corporate bonds in 2024, or 59% of total external debt output, up by 12.4% from $217bn in 2023. Further, it estimated that sovereigns and corporates in EMs issued $257bn in Eurobonds in the first half of 2024, compared to $215bn in external debt output in the same period of 2023. It also estimated that EMs issued $107bn in sovereign Eurobonds, or 41.6% of aggregate issuance in the first half of 2024. On a regional basis, it noted that the Emerging Europe, the Middle East and Africa (EEMEA) region issued $50.3bn in external debt securities, and accounted for 47% of aggregate EM sovereign output in the first half of 2024, followed by the Gulf Cooperation Council (GCC) economies with $27.8bn (26%), Latin America with $23.5bn (22%), and Emerging Asia with $5.4bn (5%). In parallel, it pointed out that EMs issued $150bn in corporate bonds in the first half of 2024, or 58.4% of total external debt output. On a regional basis, it estimated that corporates in Emerging Asia issued $64.5bn, or 43% of total corporate Eurobond output in the first half of 2024, followed by the GCC countries with $33bn (22%), and the EEMEA region with $28.5bn (19%), and Latin America with $24bn (16%).

Source: Bank of America, Byblos Research

SAUDI ARABIA

Travel and tourism to contribute 12% of GDP in 2024

The World Travel & Tourism Council estimated that the travel and tourism (T&T) sector in Saudi Arabia contributed 11.5% of the country's GDP in 2023 compared to 9.6% of GDP in 2019. It estimated that the travel & tourism sector generated $118.5bn in revenues in 2023, constituting an increase of 29% from $91.8bn in 2019. It said that the T&T industry in Saudi Arabia employed around 2.52 million persons in 2023, up by 23.7% from 2.03 million jobs in 2019. As such, the industry accounted for 17.8% of the country's total employment in 2023 compared to a share of 15.7% in 2019. Also, it estimated the aggregate spending by international visitors in Saudi Arabia at $60.6bn in 2023 relative to $35.7bn in 2019, and expenditures by local visitors at $38bn in 2023, up by 36.8% from $27.8bn in 2019. It noted that spending by international visitors accounted for 11% of the country's exports of goods and services in 2019. Leisure spending by visitors in the country totaled $91.6bn in 2023 compared to $55.4bn in 2019, while spending by business visitors reached $7bn last year relative to $8.1bn in 2019. In parallel, it projected the contribution of the T&T sector to the country's GDP at $132.8bn in 2024 and at $223bn in 2034, equivalent to 12.3% of this year's GDP and 15.9% of GDP in 2034. It forecast employment in the T&T sector at around 2.67 million jobs in 2024, or 18.3% of total employment in Saudi Arabia this year, and at 3.63 million jobs or 19.7% of the country's total employment in 2034.

Source: World Travel & Tourism Council

MENA

Level of environmental performance varies across region

Yale and Columbia universities ranked the UAE in 53rd place among 180 countries globally and in first place among 16 Arab economies on their Environmental Performance Index for 2024. Oman followed in 54th place, then Jordan (74th), Qatar (79th), and Tunisia (88th) as the Arab countries closest to meeting internationally-established targets on environmental protection and combating climate change; while Sudan (132nd), Bahrain (151st), Mauritania (159th), Djibouti (167th) and Iraq (172nd) had the lowest environmental performance in the region. The index ranks countries on 11 components that are divided into three categories that are Environmental Health, Climate Change, and Ecosystem Vitality. The Arab region's average score stood at 41.8 points in the 2024 index, and came lower than the global average score of 46.8 points. In comparison, the level of environmental performance among Arab countries is higher than in the Asia-Pacific region (41.3 points), Sub-Saharan Africa (39 points) and Southern Asia (33.1 points), but it is lower than in the Global West (66.6 points), Eastern Europe (57.7 points), Latin America and the Caribbean (48.8 points), and the Commonwealth of Independent States (45.2 points). Further, Qatar was the top Arab economy on the Environmental Health category, Djibouti ranked first on the Climate Change category, and Oman came first on the Ecosystem Vitality category.

Source: Yale University, Columbia University, Byblos Research

Level of economic competitiveness varies across Arab world

The International Institute for Management Development ranked the UAE in seventh place among 67 countries globally and in first place among six Arab economies on its World Competitiveness Rankings for 2024. Qatar followed in 11th place, then Saudi Arabia (16th) as the most competitive Arab economies; while Bahrain (21st), Kuwait (37th), and Jordan (48th) had the lowest levels of economic competitiveness among the Arab countries included in the survey. The index assesses the strengths and weaknesses of an economy in order to determine its competitiveness level. The index consists of 64 criteria grouped into four factors, which are the Economic Performance factor, the Government Efficiency factor, the Business Efficiency factor and the Infrastructure factor. The Arab region's average score stood at 75.1 points in the 2024 index relative to 77.1 points on the 2023 index, and came higher than the global average score of 66.6 points. Also, the average score of the ranked Arab economies exceeded the scores of the Asia-Pacific region (71.2 points), the Europe, Middle East and Africa area (67.7 points), and the Americas (52.5 points). The rankings of all the Arab countries included in the index improved from the previous survey. Further, the UAE was the top Arab economy on all the factors of the index. In parallel, Kuwait was the lowest ranked Arab country on the Business Efficiency factor, while Jordan came lowest regionally on the Economic Performance, Government Efficiency, and Infrastructure factors.

Source: International Institute for Management Development, Byblos Research

POLITICAL RISKS OVERVIEW - May 2024

ALGERIA

President Abdelmadjid Tebboune boycotted the Arab League summit in Bahrain due reportedly to tensions with the UAE, after the latter allegedly provided support to the military authorities in Mali. The boycott comes after relations between Algeria and Mali deteriorated, with the Algerian government rejecting several mediation initiatives by Gulf Cooperation Council countries. Further, Algeria threatened to cancel its natural gas exports to Spanish energy company Naturgy if the latter is acquired by the Emirati energy firm Taqa. The interior ministers of Algeria, Libya and Tunisia met in Rome amid persisting tensions between Algeria and Morocco, in an effort to form a new regional group to challenge the pre-existing body Arab Maghreb Union that includes Mauritania and Morocco.

ARMENIA

The normalization of relations between Armenia and Azerbaijan gained momentum after the two countries signed a protocol confirming the demarcation of their northernmost border, whereby Armenia effectively handed over four villages in the Tavush region of the country to Azerbaijan. However, this led to protests in Tavush that spread rapidly across the country, with the Archbishop of the Tavush Diocese emerging as the prominent leader of the movement. The police arrested hundreds of protestors, while the speaker of the Armenian parliament suggested taking steps to limit the involvement of the church in domestic politics. Armenia and Russia agreed to withdraw Russian border guards from several regions in Armenia, as well as from the main airport of the country. Relations with Russia deteriorated further after the latter recalled its ambassador to Armenia, and after Yerevan announced that it will cease its financial contributions to the Russia-led Collective Security Treaty Organization.

EGYPT

Tensions soared between Egypt and Israel after an exchange of fire between both sides that left one Egyptian soldier dead and several others injured. The incident comes after Israel launched its offensive on the city of Rafah in the Gaza Strip along the border with Egypt. Also, Egyptian authorities refused to coordinate humanitarian operations with Israel, halting the flow of aid through the Rafah border, and later on rejected the Israeli proposal to reopen the Rafah crossing under Israeli supervision due to fears of the Israeli military endangering aid convoys. In parallel, the Egyptian government announced that it would support South Africa's legal actions against Israel that accused the latter of genocide at the International Court of Justice.

IRAN

The Iranian president Ebrahim Raisi and the Minister of Foreign Affairs Hossein Amir-Abdollahian were killed in a helicopter crash in northwestern Iran on May 19, 2024. Supreme Leader Ali Khamenei appointed Vice-President Mohammad Mokhber as interim president, and announced that presidential elections will take place on June 28, 2024. Also, following legislative elections in March, the new parliament re-elected Mohammad Bagher Ghalibaf as speaker. In parallel, Australia sanctioned eight individuals and entities, including Iran's Minister of Defense and the commander of Iran Revolutionary Guard Corps Quds Force. Also, the Council of the European Union announced the expansion of sanctions on Iran's unmanned aerial vehicles activity to include persons and entities supplying, selling or otherwise being involved in transferring Iran's missiles and drones.

IRAQ

The President of the Kurdistan Regional Government (KRG) Nechirvan Barzani and the leader of the Kurdistan Democratic Party (KDP) met Iranian President Ebrahim Raisi and Supreme Leader Ali Khamenei, in order to normalize ties between Iran and the KRG and overcome historic tensions. President Barzani sought Iran's support to delay Kurdistan's parliamentary elections, reflecting KDP's perceived disadvantage vis-à-vis its rival after the Iraqi Federal Supreme Court annulled 11 quota seats that are under the de facto control of the KDP. In parallel, Prime Minister Mohammed Al-Sudani asked the United Nations (UN) Secretary General Antonio Guterres to permanently end the mandate of the UN Assistance Mission for Iraq (UNAMI) by the end of 2025, saying that the mission is no longer necessary for political stability. But minority groups opposed the decision, given UNAMI's role in resolving territorial disputes and tensions between Erbil and Baghdad. Parliament failed to elect a speaker for the second time since November, as neither of the two main candidates secured a majority during the tense session.

LIBYA

Italian Prime Minister Giorgia Meloni visited Tripoli and signed cooperation agreements with leaders from the Eastern-based House of Representatives and from the Tripoli-based High State Council on education, healthcare, and gas. Also, the eastern government proposed to the Russian company Tatneft to establish an oil refinery in Libya. The International Monetary Fund urged authorities to adopt governance reforms to fight corruption and called for the reunification of the central bank.

SUDAN

The United Nations declared that it raised only 12% of the funds it has requested for aid in Sudan, a sign that the international community is ignoring the looming famine and the atrocities being committed in Darfur and across the country. Military confrontations erupted in the city of El Fasher, as the Sudanese Armed Forces (SAF) and allied armed groups held western and central neighborhoods, and the Rapid Support Forces (RSF) controlled the north and east sectors and besieged the city. Also, the United Nations Special Adviser on the Prevention of Genocide warned of a growing risk of "genocide" in Sudan. Hostilities also escalated in the states of West Kordofan, North Kordofan, and Gezira, as well as in the capital city of Khartoum, without any decisive gains for either party. Several political coalitions, such as the SAF-aligned "National Forces Coordination" or the anti-war coalition "Tagadum", called for a transfer of power to civilians. The UN estimated that about 1,000 persons are cross ingthe Sudanese border every day to seek shelter in refugee camps in Chad.

TUNISIA

Tunisian authorities arrested a number of activists, journalists and lawyers, which prompted hundreds of protestors in Tunis to demand their release and for setting an official date for the next presidential elections. The UN, the European Union, France, and the U.S. expressed concerns over the government's attempt to repress civil society, causing the Tunisian Minister of Foreign Affairs to summon several foreign ambassadors to protest against external interference. Also, about 1,000 persons demonstrated in Tunis in support of the government and to protest against foreign interference in Tunisia's internal affairs. Amid a persisting migration crisis, the police raided the premises of organizations involved in the defense of migrants. In parallel, several hundreds of people demonstrated in Sfax, demanding the departure of migrants, while President Kais Saïed blamed Western non-governmental organizations for the migration crisis.

Source: International Crisis Group, Newswires

MENA

Economic outlook contingent on scope of regional conflict

The World Bank revised downward its projection for the real GDP growth rate in the Middle East & North Africa (MENA) to 2.8% in 2024 from 3.5% last January, due to the negative impact of the conflict in the Middle East on economic activity and to the extensions of additional voluntary oil production cuts by the OPEC+ coalition. Also, it forecast the region's real GDP growth rate at 4.2% in 2025, in case of a gradual increase in oil production. It expected the real GDP growth rate of the region's oil-exporting countries at 2.8% in 2024 and 4.2% in 2025, and for activity in Gulf Cooperation Council countries to grow by 2.8% this year, down from a January forecast of 3.6%, and by 4.2% next year. In addition, it projected the real GDP growth rate of the MENA's oil-importing economies at 2.9% in 2024, down from a forecast of 3.2% last January, and at 4% in 2025. It attributed its downward revisions for 2024 to the reassessment of the effects of the conflict on the region's economies, particularly on the tourism sector.

In parallel, it anticipated the fiscal deficit of the region's oil importers to widen in 2024, and estimated the fiscal surpluses in the Gulf Cooperation Council (GCC) economies to shrink this year, driven by a decline in oil receipts and an increase in spending as a result of expansionary fiscal stances in several countries.

Further, the World Bank considered that risks to the MENA growth outlook are tilted to the downside. It said that a prolonged, wider, or more intense conflict in the region would disrupt oil supply if major oil producers become heavily involved. It added that the region's growth prospects could be undermined through several channels, including the effects of increased uncertainty on business and consumer confidence, a decline in tourism receipts, capital outflows, and tighter financial conditions.

Source: World Bank

SAUDI ARABIA

Economy has positive prospects with balanced risks

The International Monetary Fund (IMF) projected Saudi Arabia's real non-oil GDP growth to decelerate from 3.8% in 2023 to 3.5% in 2024, as it anticipated investments to moderate this year before picking up starting in 2025. Also, it forecast real oil GDP to contract by 4.6% this year, in line with oil production cuts under the OPEC+ agreement, and to grow by 5.1% in 2025, reflecting a gradual recovery in oil output to 10 million barrels per day next year. As such, it projected the Kingdom's real GDP growth rate at 4.5% in 2025 and to average 3.5% per year in the medium term. In addition, it anticipated the inflation rate at 1.9% in 2024 and expected inflationary pressures to remain contained by domestic subsidies, despite a projected positive output gap over the medium term.

Further, it anticipated the fiscal balance to post a deficit of 3% of GDP in 2024 due to higher broad-based spending in the first quarter of this year. It forecast the fiscal deficit to average 2.5% of GDP to 3% of GDP in the medium term, in case the authorities reduce current expenditures and if they do not introduce new revenue measures. It also projected the public debt level to increase from 26.2% of GDP at the end of 2023 to 35% at end-2029 due to borrowing on international capital markets. Further, it forecast the current account balance to shift from a surplus of 3.2% of GDP in 2023 to a deficit in 2024, and to average 2.3% of GDP between 2026 and 2029 due to lower oil export proceeds and increased investment-linked imports.

In parallel, the IMF considered that risks to the outlook are broadly balanced and include accelerated structural reforms and investments that could boost real GDP growth rates. In contrast, it indicated that downside risks include subdued global economic activity, delays in the implementation of reforms, financial markets volatility, geopolitical risks, and a quicker shift in demand away from fossil fuel that could hinder growth prospects in the medium- to long terms.

Source: International Monetary Fund

ARMENIA

Economic growth to average 5.7% in 2024-25 period

The International Monetary Fund (IMF) projected Armenia's real GDP growth rate to decelerate from 8.7% in 2023 to 6% in 2024 and 5.3% in 2025, but to remain robust due to consumption and public capital spending. Further, it expected the inflation rate to increase from 2% in 2023 to 2.2% in 2024 and 3.8% in 2025, and considered that additional policy rate decisions should remain dependent on the evolution of inflation rates and on inflation expectations. It considered that downside risks to the economic outlook are elevated and include geopolitical and regional tensions, lower trade in case of a slowdown in major trading partners, and capital outflows. In contrast, it expected stronger-than-anticipated export receipts and the faster implementation of structural reforms to support economic growth in the near term.

Further, it forecast the fiscal deficit to widen from 2% of GDP in 2023 to 4.6% of GDP in each of 2024 and 2025 amid higher expenditures. Also, it projected the public debt level to increase from 48% of GDP at the end of 2023 to 50% of GDP at end-2024 and 50.8% of GDP at end-2025. In parallel, it expected the current account deficit to widen from 2.1% of GDP in 2023 to 2.5% of GDP in 2024 and 4.9% of GDP in 2025 due to the high level of imports. It forecast Armenia's gross foreign currency reserves to rise from \$3.6bn,or 2.9 months of import coverage at the end of 2023, to \$3.8bn or 3.2 months of import coverage at end-2024, and to reach \$3.5bn or 3 months of import coverage at end-2025. Also, it anticipated net foreign direct investments at \$316m in 2024 and \$437m in 2025.

In parallel, the IMF called on the authorities to maintain their prudent policies and to step up efforts to implement structural reforms. It considered that reforms should focus on improving revenue mobilization, on prioritizing spending, on strengthening the public investment management framework, as well as on enhancing the supervisory framework of the Central Bank of Armenia, diversifying exports, enhancing governance indicators, and reducing corruption vulnerabilities in the public sector.

Source: International Monetary Fund

GCC

Agency take rating actions on sovereigns

S&P Global Ratings affirmed Kuwait's short- and long-term local and foreign currency sovereign credit ratings at 'A+' and 'A-1', respectively, and maintained the 'stable' outlook on the long-term ratings. It also affirmed the transfer and convertibility (T&C) assessment ratings at 'AA-'. It indicated that the ratings reflect the country's strong fiscal and external balance sheets, large fiscal net assets, low government debt burden, and robust current account surpluses. It said that the ratings are further supported by the increasing prospects of the implementation of structural and fiscal reforms following the suspension of Parliament. But it noted that the ratings are constrained by the economy's heavy dependence on the oil sector, its general welfare system and large public sector, and fiscal deficits. Further, it expected Kuwait's short-term external debt ratio to increase from 39.4% of current account receipts (CARs) in FY2023/24 to 43.5% of CARs in FY2024/25. It said that it could downgrade the ratings if fiscal imbalances rise significantly or if the parliament delays fiscal reforms. In parallel, it affirmed Bahrain's short- and long-term local and foreign currency sovereign credit ratings at 'B+' and 'B', respectively, and maintained the 'stable' outlook on the long-term ratings, as well as the country's T&C ratings at 'BB-'. It indicated that the ratings reflect the country's resilient banking sector, fiscal and structural reforms that strengthen its non-oil revenue base, financial support from Gulf Cooperation Council governments. But it noted that the ratings are constrained by the economy's heavy dependence on the oil sector, large and deteriorating debt burden, high gross external financing needs, elevated debt servicing cost, and the government's low levels of liquid assets.

Source: S&P Global Ratings

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Angola's long-term local and foreign-currency issuer default ratings at 'B-', which is six notches below investment grade, and maintained the outlook on the ratings at 'stable'. It indicated that the ratings are supported by a significant level of foreign currency reserves relative to peers, current account surpluses, and manageable debt repayment risks in case of a supportive oil price environment in the next two years. But it noted that the country's weak governance indicators, elevated inflation rates, high level of foreign currency-denominated government debt, and significant reliance on commodities are weighing on the sovereign ratings. It forecast the government's debt level to decrease from 85.2% of GDP in 2023 to 72% of GDP in 2024, driven by expectations of solid economic growth and slower exchange rate depreciation. Further, it expected Angola's current account surplus to increase from 4.7% of GDP in 2023 to 5.8% in 2024 due to a lower import bill, but to decline to 2.2% of GDP in 2025 due to lower oil exports receipts. Also, it forecast international reserves at the Banco Nacional de Angola to increase modestly from $15.2bn at end-2023 to $15.4bn at end-2024, and to decline to $14bn in 2025 due to government debt repayments. In parallel, it indicated that it could upgrade the ratings if external refinancing risks recede, if the country's public and external debt sustainability improve, or if Angola's monetary policy-making and foreign-currency management improves.

Source: Fitch Ratings

GHANA

Ratings' upgrade depends on debt restructuring

S&P Global Ratings indicated that Ghana's short- and long-term foreign currency sovereign credit ratings of 'Selective Default' take into account the government's default on its foreign commercial debt obligations in December 2022. But it noted that the government consolidated its budget deficit, restructured its domestic debt, and initiated external debt re-profiling discussions with creditors. It added that the authorities have made considerable progress in reducing the average interest cost on government debt to around 9% on an accrual basis and 5% on a cash basis. As such, the lower debt servicing cost, the limits on government expenditures and the solid revenues performance narrowed the budget deficit from 11% of GDP in 2022 to 4.6% in 2023. Further, it stated that the Ghanaian authorities reached an agreement with their creditors to reschedule the government's bilateral foreign currency debt, which would allow the International Monetary Fund (IMF) to approve the next disbursement of $360m as part of the Extended Credit Facility program. It pointed out that the financial support from the IMF will improve foreign currency liquidity and boost confidence in the economy. In addition, it noted that Ghana's net foreign currency reserves covered two months of exports as at end-April 2024, up from 0.6 months of exports at end-2022; and that the country's usable reserves increased from $2.12bn as at-end 2022 to $2.64bn at end-2023. Also, it indicated that risks to Ghana's debt sustainability include insufficient haircuts on the country's external debt, the deterioration of the exchange rate or weaker terms-of-trade that would put downward pressure on foreign currency reserves, higher government expenditures, and the failure to raise government revenues to targets set by the IMF.

Source: S&P Global Ratings

PAKISTAN

Outlook contingent on fiscal discipline and IMF agreement

Standard Chartered Bank projected Pakistan's real GDP growth rate at 3% in the fiscal year that ends in June 2025 and 3.5% in FY2025/26, driven by a pick-up in economic activity amid better performance in the industry and services sectors and the recovery of domestic demand. Further, it forecast the average inflation rate at 15% in FY2024/25 and 12% in FY2025/26 due to a decline in food inflation. It anticipated the State Bank of Pakistan to cut its policy rate from 21% by end-FY2023/24 to 16% by end-FY2024/25 and 12% by end-FY2025/26. In addition, it stressed the need to narrow the fiscal deficit and to target a sustained primary surplus in the medium term. Also, it expected the country's external funding needs to reach $23bn per year in the next three years to finance the current account deficit and service the external debt. But it estimated that securing a financing agreement with the International Monetary Fund (IMF), along with strong bilateral and multilateral support, would help meet funding needs. Also, it considered that an agreement with the IMF would lead to the implementation of reforms that include strengthening public finances, securing the energy sector's viability, and improving public service delivery. It expected the IMF to agree with the authorities on a 36-month Extended Fund Facility of $6bn, with the possibility of an additional Resilience and Sustainability Trust facility that could increase IMF disbursements by $2bn.

Source: Standard Chartered Bank

WORLD

Artificial intelligence to pose risks to financial institutions

The Financial Stability Board indicated that artificial intelligence (AI) may offer significant benefits to financial institutions in reducing costs and generating revenues, but it noted that they must consider the potential broader risks of AI. First, it said that model risk, which refers to the consequences of the poor design or misuse of AI models, is a key risk for financial institutions that are using AI tools. As such, it urged financial institutions to manage data quality, design, and governance. Second, it noted that the application of AI tools by financial firms could present financial stability risks, as AI models may introduce or amplify the interconnectedness among financial firms if model outputs are more highly correlated given that they rely on the same data sources, or if firms are using the same model. It indicated that the interconnectedness may exacerbate herd behavior or procyclicality. It considered that it is difficult to predict how AI models might perform when they rely on a wider range of data. Third, it pointed out that AI has the potential to change the competitive landscape of financial services, as significant investments to develop AI models may benefit certain institutions over others, as small institutions with less access to data may be have a disadvantage in their ability to develop or access AI. Fourth, it noted that the outputs of AI tools have significant implications for consumers and investors. It indicated that consumers would face challenges in correcting inaccuracies in their data and that the lender's reliance on such historical data may be particularly problematic if the reasoning of a model is not clear.

Source: Financial Stability Board

BAHRAIN

Agencies take rating action on five banks

Fitch Ratings affirmed the long-term Issuer Default Rating (IDR) of Gulf International Bank (GIB) at 'A-', the ratings of the Arab Banking Corporation (ABC) and Ahli United Bank (AUB) at 'BB+', the IDRs of the Bank of Bahrain & Kuwait (BBK) and the National Bank of Bahrain (NBB) at 'B+', and maintained the 'stable' outlook on the IDRs of all the banks. Also, it downgraded the Viability Rating (VR) of AUB from 'bb' to 'bb-', and affirmed the VRs of GIB at 'bbb-', the VR of ABC at 'bb+', and the ratings of BBK and NBB at 'b+'. It noted that the IDRs of ABC, BBK and GIB reflect their solid creditworthiness, while those of AUB and GIB take into account the solid probability of receiving support from the parent company and from the government, respectively, in case of need. It stated that the VRs of the banks are supported by their good asset quality, adequate and improving profitability, stable funding, robust capital buffers, comfortable liquidity metrics, and their solid franchises. In parallel, Moody's Ratings affirmed the long- and short-term deposit ratings of BBK and NBB at 'B2', with a 'stable' outlook on the banks' ratings. Also, it maintained the Baseline Credit Assessment of the banks at 'b2'. It noted that the ratings of the banks reflect strong government support in case of need, as well as their solid franchises, good asset quality, adequate capitalization, stable funding, sound liquidity, and satisfactory profitability. But it said that the ratings are limiteded by high levels of deposit and credit concentration, as well as by their significant exposure to the sovereign.

Source: Fitch Ratings, Moody's Ratings

NIGERIA

Large banks maintain robust profitability despite challenging environment

Moody's Ratings indicated that the aggregate net profits of Access Bank, Zenith Bank, United Bank for Africa, First Bank of Nigeria, and Guaranty Trust Bank totaled NGN1.24 trillion (tn), or $930m, in the first quarter of 2024, constituting a surge of 313% from nearly NGN400bn in the same period of 2023. It stated that the banks posted robust financial metrics in 2023 and in the first quarter of 2024 despite ongoing challenges in the country, which include foreign currency shortages, high inflation rates, and the depreciation of the local currency. It added that the banks' reported return on asset ranged from 2.3% to 6.7% in 2023, relative to a range of 1.1% and 2.3% in 2022. It noted that the improvement of the banks' profitability metrics originated from the widening of their net interest margins and from the rise in their non-interest income. It said that the rise in non-interest income reflects the banks' foreign currency-related gains following the naira's depreciation, as most banks maintained substantial balances of foreign currency-denominated assets and collectively generated about NGN780bn ($586m) in foreign exchange-related income in the first quarter of 2024 and NGN2.8tn ($3.2bn) in 2023. It added that the banks' solid foreign currency-related earnings allowed them to increase their loan-loss provisions by 40% in the first quarter of 2024. But it noted that the banks are constrained by high operating costs, which increased by 45% in 2023 from the previous year and by 93% in the first quarter of 2024 from the same period in 2023, due to elevated inflation rates and the sharp depreciation of the local currency.

Source: Moody's Ratings

QATAR

Banks' ratings benefit from government support

Moody's Ratings downgraded the long-term local and foreign currency issuer ratings of Masraf Al Rayan Bank from 'A1' to 'Aa3', and revised the outlook on the ratings from 'negative' to 'stable'. It attributed the downgrade to the bank's weakened profitability, declining loan-loss provisioning capacity, high concentration risks and deteriorating asset quality. But it said that the bank has sound liquidity, solid capitalization, and high likelihood of government support in case of need. Further, the agency affirmed the long-term deposit ratings of Commercial Bank of Qatar at 'A3' and maintained the 'stable' outlook on the ratings. It said that the ratings are supported by sound profitability, solid capital buffers, healthy liquidity, improving loan-loss coverage capacities, and high likelihood of government support in case of need. It pointed out that the ratings are constrained by the bank's weak asset quality, high balance sheet concentration levels, and elevated reliance on market and external funding. In parallel, in its periodic review of the ratings of banks in Qatar, it indicated that Dukhan Bank's (Dukhan) and Qatar International Islamic Bank's long-term issuer ratings of 'A2', as well as Qatar Islamic Bank's (QIB) long-term deposit ratings of 'A1' reflect their solid franchises, sound profitability, robust capital buffers, comfortable liquidity, and high probability of government support in case of need. But it noted that the ratings of the banks are constrained by high levels of balance sheet concentration.

Source: Moody's Ratings

Oil prices to average $83.7 p/b in second quarter of 2024

ICE Brent crude oil front-month prices reached $85.1 per barrel (p/b) on June 19, 2024, constituting an increase of 3% from $82.6 p/b a week earlier, amid expectations of higher global oil demand during the summer season, and due to increasing concerns about escalating conflicts in the Middle East. In parallel, the U.S. Energy Information Administration (EIA) estimated that maintaining the oil production cuts by the OPEC+ coalition will increase oil prices to an average of $85 p/b in the second half of 2024. Also, it anticipated several countries around the world to release additional oil inventories in the remainder of 2024. It expected that the extension of all voluntary cuts until the end of the third quarter of 2024 will cause global oil inventories to decline by an average of 0.6 million barrels per day (b/d) between October 2024 and March 2025, and to put upward pressure on oil prices during the covered period. Further, it anticipated the increase in global oil supply to outweigh the rise in global oil demand, following the start of the unwinding of voluntary OPEC+ supply cuts in October 2024 and due to the ongoing rise of supply from non-OPEC+ producers. It projected oil output from non-OPEC+ producers to increase by 2 million b/d in 2024, led by higher production from the U.S., Canada, Brazil, and Guyana. Also, it expected that several OPEC+ producers will keep their production level below the targets in an effort to limit the increase in global oil inventories. In parallel, it projected oil prices to average $83.7 p/b in the second quarter and $83.3 p/b in the third quarter of 2024.
Source: U.S. EIA, Refinitiv, Byblos Research

OPEC's oil basket price down 6% in May 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $83.59 per barrel (p/b) in May 2024, constituting a decrease of 6.2% from $89.12 p/b in April 2024. The price of Saudi Arabia's Arab Light was $85.6 p/b, followed by Kuwait's Kuwait Export at $85.15 p/b and Nigeria's Bonny Light at $84.16 p/b. All prices in the OPEC basket posted monthly decreases of between $4.36 p/b and $9.01 p/b in May 2024.
Source: OPEC

Kuwait's crude oil production unchanged in February 2024

Crude oil production in Kuwait totaled 2.41 million barrels per day (b/d) in February 2024, the most recent figure, unchanged from January 2024, and constituting a decline of 9.8% from 2.68 million b/d in February 2023. Further, total crude oil exports from Kuwait amounted to 2.39 million b/d in February 2024, representing an increase of 6% from 2.26 million b/d in January 2024 and a decrease of 9.1% from 2.63 million b/d in February 2023.
Source: Joint Organizations Data Initiative, Byblos Research

OPEC oil output nearly unchanged in May 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.629 million barrels of oil per day (b/d) in May 2024, nearly unchanged from 26.600 million b/d in April 2024. On a country basis, Saudi Arabia produced 9 million b/d, or 33.8% of OPEC's total output, followed by Iraq with 4.2 million b/d (15.8%), Iran with 3.2 million b/d (12.1%), the UAE with 2.9 million b/d (11%), and Kuwait with 2.4 million b/d (9.1%).
Source: OPEC

Base Metals: Zinc prices to average $2,900 per ton in third quarter of 2024

The LME cash prices of zinc averaged $2,629.5 per ton in the year-to-June 19, 2024 period, constituting a decline of 8.3% from an average of $2,867.6 a ton in the same period of 2023, due to the oversupply of the metal and weak demand for zinc by China's construction sector. Prices peaked at $3,085.2 per ton on May 21, 2024, their highest level since February 22, 2023 when they reached $3,088.8 a ton. The recent peak was due to supply disruptions from mine closures, as well as to expectations of the U.S. Federal Reserve cutting interest rates, which would weaken the U.S. dollar and increase demand for the metal. Prices then decreased to $2,813.6 a ton on June 19, 2024, due to expectations of increased zinc supply from Peru, as well as to lower-than-expected manufacturing activity in China. In parallel, the International Lead and Zinc Study Group (ILZSG) forecast the global demand for refined zinc at 13.96 million tons in the 2024, constituting an increase of 1.8% from 13.71 million tons in 2023 due to the anticipated increase in demand for the metal in China, India, the U.S., Italy, Japan and Türkiye, which would be offset by expectations of lower demand from Australia, Bulgaria, South Korea and Spain. Also, it projected global refined zinc production at 14.01 million tons in 2024, representing a rise of 0.6% from 13.93 million tons in 2024, due to expectations of an increase in mined zinc output in Australia, Mexico, the Democratic Republic of the Congo and China, relative to lower production in Europe, the U.S., South Africa, Canada and Peru. In addition, it forecast mine output to account for 88.7% of global refined zinc production in 2024. Further, Citi Research projected zinc prices to average $2,900 per ton in the third quarter of 2024, with a low of $2,500 a ton and a high of $3,200 per ton in the covered quarter.
Source: ILZSG, Citi Research, Refinitiv, Byblos Research

Precious Metals: Palladium prices to average $1,000 per ounce in third quarter of 2024

The prices of palladium averaged $977.6 per troy ounce in the year-to-June 19, 2024 period, constituting a drop of 35.7% from an average of $1,521.2 an ounce in the same period last year. The decrease in palladium prices has been mainly driven by declining demand for autocatalysts in the automotive sector due to higher penetration levels of electric vehicles that have restrained the demand for the metal, as well as by the substitution of palladium with platinum in catalytic converters and a rebound in the recycling of the metal. Further, the metal's price dropped from a peak of $1,030 a ton on May 21, 2024 to $904 per ton on June 19, 2024 amid expectations of the U.S. Federal Reserve delaying interest rates cuts, as well as to anticipations of increased supply of the metal in South Africa. In parallel, Citi Research anticipated the global supply of palladium at 8.85 million ounces in 2024, down by 1.8% from 9 million ounces in 2023, with mine output representing 70% of global output in 2024. Also, it forecast demand for the metal at 10.06 million ounces in 2024, nearly unchanged from 10.04 million ounces in 2023. Further, it projected the global production of palladium to decrease in the short term due to expectations of job cuts and maintenance plans across major palladium miners, while it forecast short-term demand to improve due to the recovery of autocatalyst demand. However, it anticipated global demand for the metal to decline in the long term, driven by higher penetration levels of electric vehicles that have reduced the demand for the metal. Moreover, it forecast palladium prices to average $1,000 per ounce in the third quarter of 2024 and $975 an ounce in full year 2024.
Source: Citi Research, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-3.7	56.9	-	-	-	-	-3.2	0.4
Angola	B- Stable	B3 Positive	B- Stable	- -	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-4.3
Egypt	B- Positive	Caa1 Positive	B- 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	BB- Stable	-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 Ratings, 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	12-Jun-24	No change	31-Jul-24
Eurozone	Refi Rate	4.25	06-Jun-24	Cut 25bps	N/A
UK	Bank Rate	5.25	09-May-24	No change	20-Jun-24
Japan	O/N Call Rate	0.10	14-Jun-24	No change	31-Jul-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	4.75	05-Jun-24	Cut 25bps	24-Jul-24
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Jun-24	No change	22-Jul-24
Hong Kong	Base Rate	5.75	02-May-24	No change	N/A
Taiwan	Discount Rate	2.00	13-Jun-24	No change	19-Sep-24
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	12-Jun-24	No change	21-Aug-24
India	Repo Rate	6.50	07-Jun-24	No change	08-Aug-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	30-May-24	No change	18-Jul-24
Kenya	Central Bank Rate	13.00	05-Jun-24	No change	N/A
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	19-Jun-24	No change	N/A
Armenia	Refi Rate	8.00	11-Jun-24	Cut 25bps	30-Jul-24
Romania	Policy Rate	7.00	13-May-24	No change	05-Jul-24
Bulgaria	Base Interest	3.78	03-Jun-24	No change	01-Jul-24
Kazakhstan	Repo Rate	14.50	31-May-24	Cut 25bps	12-Jul-24
Ukraine	Discount Rate	13.00	13-Jun-24	Cut 50bps	25-Jul-24
Russia	Refi Rate	16.00	07-Jun-24	No change	13-Sep-24

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