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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Most central banks expect to increase their gold holdings in 2024

A World Gold Council survey of 70 central banks around the world revealed that 81% of respondents anticipated central banks to increase their gold holdings in 2024, relative to 71% of participants in the 2023 survey that expected a rise in gold reserves, 61% of respondents in 2022, 52% of participants in 2021, 75% of respondents in 2020, and 54% of participants in 2019. Also, 29% of central banks anticipated their holdings to increase in the next 12 months, while 68% expected their gold reserves to remain unchanged and 3% projected a decrease in their gold assets in the coming 12 months. In comparison, the share of central banks that expected an increase in their gold reserves stood at 24% in 2023, while 72% anticipated their gold levels to remain unchanged and 3% forecast a decrease. Further, 71% of surveyed central banks indicated that their gold holdings increased in the past five years, with 76% of central banks in Emerging Markets and Development Economies (EMDEs) and 63% of central banks in advanced economies holding more gold in 2024 than they did five years ago. In parallel, 94% of participants cited interest rate levels as the most relevant factor in their decision to hold more gold, followed by inflation concerns (86% of respondents), and geopolitical instability (72% of participants). Further, 96% of participants in EMDEs cited inflation as the top factor in their decision to purchase gold, followed by interest rate levels (93% of respondents) and geopolitical instability (76% of participants), while 96% of central banks in advanced economies considered interest rates as the most important factor impacting their holdings of gold, followed by inflation concerns and geopolitical risks (67% each). The World Gold Council conducted the survey between February and April 2024.

Source: World Gold Council

EMERGING MARKETS

Trading in Credit Default Swaps at $312bn in first quarter of 2024

Trading in emerging markets Credit Default Swaps (CDS) reached $312bn in the first quarter of 2024, constituting a decrease of 18% from $380bn in the same quarter of 2023 and an increase of 34.2% from $232.5bn in the fourth quarter of 2023. The most frequently traded sovereign CDS contracts in the first quarter of 2024 were those of China at $25bn, followed by South Africa and Türkiye at $24bn each. As such, traded sovereign CDS contracts on China accounted for about 8% of the trading volume in emerging markets CDS in the first quarter this year, followed by CDS contracts on South Africa and Türkiye (7.7% each). In addition, the most frequently traded corporate CDS contracts in the covered quarter were those of Mexico's state-oil company Pemex at about $2bn, which accounted for nearly 0.6% of total trading in emerging markets CDS. The survey covered data on CDS contracts for 26 emerging economies and nine emerging market corporate issuers from 10 major international banks and broker-dealers.

Source: EMTA

MENA

Greenfield FDI down 13% to $177bn in 2023

Figures compiled by fDi Markets and released by the United Nations Conference on Trade and Development (UNCTAD) show that the Arab region attracted $176.9bn in greenfield foreign direct investments (FDI) in 2023, constituting a decline of 13.3% from $204bn in 2022. Greenfield FDI inflows to Arab countries accounted for 23.6% of such flows to developing economies and for 12.8% of global greenfield FDI in 2023 compared to 35.2% of inflows to developing economies and 16.6% of global greenfield FDI in 2022. Egypt was the destination of $41.9bn in greenfield FDI in 2023, equivalent to 23.7% of such investments in the Arab world. Mauritania followed with $34bn (19.2%), then Saudi Arabia with $28.8bn (16.3%), Morocco with $20.4bn (11.5%), Iraq with $17.4bn (9.8%), the UAE with $15.6bn (8.8%), Jordan with $11bn (6.2%), Libya with $2.1bn (1.2%) and Oman with $2bn (1.1%); while the remaining Arab countries received $3.7bn in greenfield FDI last year, or 2% of inflows to the region. In parallel, Arab countries attracted 2,203 greenfield FDI projects in 2023, up from 1,836 projects in 2022, and accounted for 27.5% of the aggregate number of greenfield FDI projects in developing economies and for 12% of such projects worldwide. The UAE was the destination of 1,323 greenfield FDI projects last year and accounted for 60% of the number of projects in the Arab world. Saudi Arabia followed with 389 projects (17.7%), then Egypt with 139 projects (6.3%), Morocco with 100 projects (4.5%), Qatar with 73 projects (3.3%), Oman with 43 projects (2%), and Bahrain with 33 projects (1.5%), while the remaining Arab countries attracted 96 greenfield FDI projects, or 4.4% of the total in 2023.

Source: UNCTAD, Byblos Research

Cost of living increases in 12 Arab cities

Mercer's 2024 survey on the cost of living in 226 cities around the world showed that the cost of living in 12 out of 16 Arab cities increased in relative terms from the 2023 survey, while it regressed in three cities, and was unchanged in one city. The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment costs. It uses New York City as the base city for the index and compares all cities against it. Dubai has the highest cost of living in the Arab world and ranks in 15th place globally. Djibouti followed in 18th place, Abu Dhabi (43rd), Riyadh (90th) and Jeddah (97th) as the five cities with the highest cost of living regionally in 2024. In contrast, the Arab cities with the lowest cost of living are Cairo (168th), Rabat (173rd), Nouakchott (186th), Algiers (194th), and Tunis (210th). The cost of living increased in Algiers, Amman, Cairo, Casablanca, Djibouti, Doha, Dubai, Jeddah, Kuwait City, Muscat, Rabat and Tunis. In contrast, it decreased in Nouakchott, Manama and Riyadh, while it was unchanged in Abu Dhabi. Mercer conducts the survey annually to help multinational companies determine compensation allowances for their expatriate employees. The rankings demonstrate how currency fluctuations and changes in the prices of goods and services can affect the purchasing power of expatriates.

Source: Mercer, Byblos Research

OUTLOOK

EMERGING MARKETS

Economic activity to average 4% in 2024-25 period

The World Bank projected real GDP growth in emerging markets and developing economies (EMDEs) at 4% in each of 2024 and 2025, relative to a previous forecast of 3.9% for 2024 and 4% for 2025. It attributed its revision to improvements in domestic demand, a rebound in trade in EM economies excluding China, as well as to a moderate cyclical recovery from the effects of high inflation rates, tight financial conditions and weak industrial activity. Further, it forecast the real GDP of East Asia and Pacific to grow by 4.8% in 2024 and 4.2% in 2025 relative to a previous forecast of 4.5% for 2024 and 4.4% for 2025, and for economic activity in South Asia to expand by 6.2% in each of 2024 and 2025. Also, it expected the real GDP growth rate of Sub-Saharan Africa at 3.5% this year and 3.9% next year, compared to an earlier forecast of 3.8% of 2024 and 4.1% for 2025, while it anticipated economic activity in Emerging Europe and Central Asia at 3% in 2024 and 2.9% in 2025. Further, it projected the real GDP growth rate of Middle East & North Africa region at 2.8% in 2024 and 4.2% in 2025 relative to a previous forecast of 3.5% for each of 2024 and 2025.

In addition, it anticipated the pace of fiscal consolidation in EMDEs ex-China to advance steadily in the 2024-26 period, reflecting the governments' efforts to phase out subsidies. It considered that rebuilding fiscal buffers will be necessary to contain debt-servicing costs and to regain market confidence in EM economies, which will help reduce funding costs in EMDEs. However, it expected growing net interest costs to partially offset the efforts to reduce public expenditures, as about 40% of EMDEs are highly vulnerable to debt-related stress. Further, it pointed out that high debt and elevated debt-servicing costs will require EMDEs' policy makers to balance sizable investment needs with fiscal sustainability, such as by raising productivity growth, improving the efficiency of public investments, and building human capital.
Source: World Bank

Some banking systems to face elevated asset quality risks in near-term

Moody's Ratings expected the risk to the asset quality of banks in 13 out of 16 banking sectors in emerging markets (EM) to recede from peaks during or before the fallout of the COVID-19 outbreak to low or moderate levels in the 2024-25 period, supported by favorable macroeconomic and/or monetary policy conditions. But it noted that loan quality risks remain high in Egypt, Nigeria, and Türkiye amid pressures from elevated inflation and interest rates, as well as from their high exposure to weak sovereigns and foreign-currency risks. As such, it expected loan quality to deteriorate in Egypt and Türkiye, and to remain stable but weak in Nigeria. Further, it noted that Egyptian banks held sovereign debt that is equivalent to 554% of their capital at the end of 2023, the highest such ratio among the 16 EM banking systems, while Nigeria's and Turkiye's exposure was 269% and 216% of their capital, respectively, at end-2023.

In addition, it expected the average non-performing loans (NPLs) ratio of the 16 EM banking sectors at 3.1% in 2023 compared to 3.7% prior to the COVID-19 pandemic, but anticipated restructured loans to be elevated in Egypt, Indonesia, Nigeria, Thailand, and Türkiye. Also, it forecast banks in Colombia, China, Egypt, Qatar, South Africa, Türkiye and Vietnam to post higher NPL ratios if their economic performance weakens and/or in case of sectoral issues.

In parallel, it considered that high private sector debt, exposures to problematic sectors and foreign currency risks, exacerbated by higher-for-longer interest rates and related foreign currency volatility, will put pressure on the asset quality of EM banks. It indicated that the banks' significant exposure to currency fluctuations generates risks to the asset quality, liquidity and capital of several EM banking systems. It expected banks in Egypt, Nigeria, and Türkiye to be exposed to elevated foreign-currency risks in the near- to medium term, as their currencies have significantly depreciated this year. Further, it noted that banks in Egypt have low buffers against high asset risk, while banks in Nigeria and Türkiye are better positioned due to higher loan-loss reserves and/or elevated pre-provisioning income.
Source: Moody's Ratings

BANGLADESH

Economic outlook contingent on structural reforms

The International Monetary Fund (IMF) projected Bangladesh's real GDP growth rate to accelerate from 5.4% in the fiscal year that ends in June 2024 to 6.6% in FY2024/25 and 7.6% in FY2025/26, driven by the easing in foreign-currency liquidity pressures and a rebound in imports. However, it noted that the country's economy continues to face multiple challenges amid high international commodity prices and persistent global financial tightening. In addition, it forecast the average inflation rate to remain elevated at 9.4% in FY2023/24 but to decline to 7.2% in FY2024/25 and 5.9% in FY2025/26 due to the continued tighter policy mix and lower global food and commodity prices. It considered that risks to the economic outlook are tilted to the downside, as uncertainties remain elevated.

Further, the IMF projected the fiscal deficit to narrow from 4.6% of GDP in FY2023/24 to 4% of GDP in FY2024/25 amid higher tax receipts, but to widen to 4.8% of GDP in FY2025/26 as a result of elevated public expenditures. As such, it anticipated the public debt level at 41.3% of GDP at the end of June 2024, at 40.7% at end-June 2025, and at 40.9% at end-FY2025/26. In addition, it forecast the current account deficit to widen from 0.1% of GDP in FY2023/24 to 2.5% of GDP in FY2024/25 and 2.7% of GDP in FY2025/26 due to the widening of the trade deficit. It said the authorities' recent actions to realign the exchange rate regime to a crawling peg and the transition to a flexible exchange rate regime would boost foreign currency reserves. As such, it expected the reserves to increase from $19bn at end-June 2024 to $23.3bn at end-June 2025 and $32.1bn at end-June 2026.

In parallel, the IMF urged the authorities to step up reforms efforts by diversifying exports, attracting more foreign direct investments, and strengthening governance. Also, it called on the authorities to modernize the monetary policy framework and improve policy transmission. It considered that strengthening public financial and investment management, along with enhancing the oversight of state-owned enterprises, are essential to improve spending efficiency and mitigate fiscal risks.
Source: International Monetary Fund

SAUDI ARABIA

Insurance penetration at 2.4% of non-oil GDP in 2023

Regional investment bank EFG Hermes indicated that the aggregate earnings of the 26 listed insurance companies in Saudi Arabia reached SAR3.4bn, or $906.7m, in 2023 compared to profits of SAR320m ($85.3m) in 2022, driven by favorable macroeconomic conditions and the repricing of premiums. Also, it pointed out that the aggregate gross written premiums (GWP) increased by 23% to SAR65bn in 2023, driven by a 38% rise in motor premiums and a 21% surge in medical premiums, and added that medical and motor premiums accounted for 81% of the sector's GWP in 2023. Further, it said that the insurance penetration rate in Saudi Arabia increased from 2.1% of non-oil GDP in 2022 to 2.4% of non-oil GDP in 2023; while the insurance density, or premiums per capita, rose from SAR1,564 ($417) in 2022 to SAR2,034 ($542.4) in 2023, and grew at a compound annual growth rate of 14% in the past five years. In parallel, it considered that the sector's outlook is tilted to the upside, due to an expected pick-up in medical and life premiums, the decrease in claims from a peak in the 2021-23 period, robust investment returns, and improved earnings quality after the implementation of international financial reporting standard IFRS17. But it said that an unforeseen rise in a medical claims and lower medical premiums may put pressure on the profits of insurers in the near term.

Source: EFG Hermes

UAE

Agency takes rating actions on emirates on strong fiscal buffers

Fitch Ratings upgraded the Emirate of Ras Al-Khaimah's (RAK) long-term local and foreign currency Issuer Default Ratings (IDRs) from 'A' and 'A+', and revised the outlook on the long-term ratings from 'positive' to 'stable'. It also affirmed the country ceiling at 'AA+'. It attributed the upgrade to its expectation that RAK's credit metrics will improve, driven by stronger medium-term growth forecasts, a record of resilience to external shocks, and prospects of stronger fiscal revenues and higher buffers that will further sustain prudent fiscal management. It expected the combination of investment projects and upcoming changes to tax legislation to support public receipts and help build additional fiscal buffers in the medium term. Further, it affirmed the Emirate of Abu Dhabi's long-term local and foreign currency IDRs at 'AA', and maintained the outlook on the long-term ratings at 'stable'. It also affirmed the country ceiling at 'AA+'. It noted that the ratings are balanced by the emirate's low government debt level and elevated sovereign net foreign assets, against its high dependence on hydrocarbons, a relatively weak but improving economic policy framework, and low governance indicators. It estimated Abu Dhabi's net foreign assets, which consist mostly of the Abu Dhabi Investment Authority's assets, at $672bn, or at 225% of GDP, at end-2023. Also, it pointed out that it could downgrade the ratings of the two emirates in case their fiscal balances deteriorate and/or if regional conflicts escalate. In contrast, it said that it could upgrade the ratings of RAK in case it posts robust economic growth and accumulate fiscal buffers, and it may upgrade Abu Dhabi's IDRs if geopolitical risks recede and if the emirate maintains strong fiscal and external surpluses.

Source: Fitch Ratings

ARMENIA

Credit profile reflects growth prospects and solid governance

In its periodic review of Armenia's sovereign ratings, Moody's Ratings indicated that the country's 'Ba3' issuer rating, which is three notches below investment grade, balances the economy's strong growth potential and institutions and governance strength, with relatively high geopolitical risks. It added that a countercyclical fiscal policy, credible monetary policy, and forward-looking prudential policies provide effective tools to contain the impact of economic shocks. It pointed out that Armenia's economic strength assessment of 'ba1' balances the economy's robust growth prospects against the country's small and middle-income economy that limits its capacity to absorb shocks. It added that the country's governance strength assessment of 'baa3' points to the improved credibility and effectiveness of macroeconomic policies and institutions, as well as to the authorities' structural reforms that aim to strengthen the control of corruption and the rule of law. It added that the government's fiscal strength assessment of 'b1' reflects its moderately elevated public debt level and the high share of foreign currency in the debt stock, which increases risks to the government's balance sheet if the dram depreciates. Further, the agency indicated that the susceptibility to events risks assessment of ‘b’ is driven by geopolitical risks from the persisting tensions between Armenia and Azerbaijan. In addition, it stated that the 'stable' outlook on the sovereign ratings reflects the balanced credit risks of the country, as well as the surge in income, capital and labor flows from Russia since the start of the war in Ukraine.

Source: Moody's Ratings

NIGERIA

Sovereign ratings affirmed, outlook 'positive'

Moody's Ratings affirmed Nigeria's long-term local and foreign currency issuer ratings and foreign currency senior unsecured debt ratings at 'Caa1', seven notches below investment grade, and maintained the 'positive' outlook on the long-term ratings. Also, it affirmed the local and foreign currency country ceilings at 'B2' and 'Caa1', respectively. It attributed its affirmation of the ratings to the elevated risks related to the uncertain fiscal outlook and to high and still rising inflation rates in the country. But it noted that the 'positive' outlook reflects the authorities' reform efforts to limit the deterioration of Nigeria's fiscal and external position, to support the country's external rebalancing, fight the elevated inflation rates, and strengthen the banking sector. It considered that higher government borrowing costs and additional social spending pressures will result in the loss of market confidence, which will impair liquidity as interest rates increase. Also, it said that the country's external rebalancing has continued to progress since the beginning of the year, following the authorities' initiatives to address the backlog of foreign currency demand and to improve the functioning of the foreign exchange market. As such, it expected the ongoing external adjustment to bring the balance of payments into surplus starting in 2025. In parallel, it noted that it could upgrade the ratings if the authorities manage to contain risks from higher inflation rates and fiscal headwinds, and if the government continues to implement reforms. It added that it could revise the outlook to 'stable' if the inflation rate rises significantly and if funding conditions tighten further.

Source: Moody's Ratings

WORLD

US dollar dominance to persist

Moody's Ratings indicated that the expiration of the U.S.-Saudi petrodollar deal to standardize the price of oil in US dollars will not change the US dollar's dominance in commodity markets. It considered the global implications of the expiration of the deal to be limited, given that US dollar-based global commodity markets are well established and are unlikely to be replaced by another currency because challengers like the euro, yen and the renminbi will struggle to replicate fully the dollar's scale, safety and convertibility. Also, it pointed out that oil market benchmarks are priced in US dollars and most market participants hedge their risks in dollars. It noted that countries without a reserve currency prefer to pay for their imports in the currency they earn from exports. It added that countries will reduce their exchange rate risks if they invest their foreign currency reserves in currencies to which they are pegged. Further, it said that the euro area, Japan and China could benefit from lower transaction costs if they can import oil in their own currencies, but only if Saudi Arabia and other countries are willing to earn export revenues in those currencies and hold them. In addition, it noted that Saudi Arabia and most Gulf Cooperation Council countries have longstanding links to the US dollar, which it expected to continue for some time.

Source: Moody's Ratings

MOROCCO

Banks' profitability to remain stable in 2024

Moody's Ratings indicated that the aggregate profits of Attijariwafa Bank, Bank of Africa, Banque Centrale Populaire, and Credit du Maroc, reached MAD17.8bn, or the equivalent of $1.8bn, in 2023, constituting an increase of 18.4% from MAD15bn ($1.5bn) in 2022. It attributed the rise in the banks' profits reflects to the improvement in their operating income, driven by rising lending rates, continued credit growth, high interest rates on the banks' sovereign securities portfolio, and enhanced asset yields that outpaced the growth in funding costs due to a large stable base of low-cost current and savings accounts. Further, it noted that gross loans increased by 4% in 2023 due to an uptick in demand for machinery and equipment financing from corporate clients. Also, it pointed that the banks' non-interest income reached MAD25.6bn ($2.5bn) in 2023, up by 22.5% from MAD20.9bn ($2.1bn) and represented 35% of their operating income in 2023 relative to a share of 32% in 2022. It said that the rise in non-interest income is supported by higher trading receipts, which doubled from MAD3.7bn ($0.36bn) to MAD7.4bn ($0.73bn) in 2023. In addition, it noted that the banks improved their cost efficiency, as the four banks' cost-to-income ratio declined from 56% in 2020 to 47% in 2023. However, it indicated that their loan-loss provisioning charges grew in 2023 due to problems loans that accounted for 8.6% of total loans last year, and the banks' combined coverage ratio declining from 95% of all problem loans in 2022 to 91% of total problem loans in 2023. In parallel, it expected the banks' profitability to remain broadly stable in 2024, driven by interest rate hikes and expanding business volumes, against expenditures in technology and higher provisioning chargers.

Source: Moody's Ratings

TÜRKIYE

Outlook on banking sector revised to 'improving' on policy shift

Fitch Ratings revised the outlook on the Turkish banking sector from 'neutral' to 'improving', due to the adequate policies that the authorities implemented since 2023, which have reduced external financing pressures and the risks to the stability of the banking sector. It noted that investor confidence in the Turkish banking sector has increased, leading to lower dollarization rates and better access to external financing. It said that the Turkish banks' foreign exchange swaps with the Central Bank of the Republic of Türkiye (CBRT) have decreased, as their debt issuance has grown to $6.5bn in 2024 so far due to reduced risk premiums and improved access to external markets. As a result, it indicated that the newly-issued debt enhanced the sector's liquidity, lengthened its maturity profiles and provided a partial hedge against the depreciation of the Turkish lira. Further, it noted that the outlook revision reflects the sector's adequate profitability, sound capital ratios and solid provisioning capacities. Also, it pointed out that the CBRT continues to unwind macroprudential regulations that previously impacted the banks' ability to reduce their financial risks. It expected the CBRT to continue implementing adequate policies amid lower foreign currency demand and expectations of an increasingly stable exchange rate. Still, it anticipated uncertainties about the impact of the authorities' policies on the country's inflation rates, as well as risks to the consistency of the CBRT's policies.

Source: Fitch Ratings

EGYPT

Banks' profits surge in first quarter of 2024 on currency devaluation

Regional investment bank EFG Hermes indicated that the aggregate net profits of Qatar National Bank Alahli, Commercial International Bank, Crédit Agricole Egypt (CAE), Al Baraka Bank Egypt, Abu Dhabi Islamic Bank-Egypt, Housing & Development Bank, Egyptian Gulf Bank, and Faisal Islamic Bank stood at EGP32.9bn, or $923.8m, in the first quarter of 2024, constituting an increase of 85% from the same quarter of 2023. It attributed the surge in profits to higher net interest margins and elevated non-interest income, driven mostly by the depreciation of the Egyptian pound, which more than offset an inflation-driven increase in operating expenses and in provisioning costs. It pointed out that the sector's net interest margin increased by 98 basis points annually in the first quarter of 2024, given that higher asset yields outpaced the increase in funding costs. As such, it expected net interest margins to be stable and for the banks' earnings to be strong in 2024. Further, it noted that banks with a higher share of foreign currency-denominated loans benefited from the appreciation of the US dollar following the floatation of the pound in March 2024. Also, it indicated that the amount of non-performing loans at the covered banks increased by 10% on average in the first quarter of 2024. In parallel, it said that the Tier One Capital ratios of the covered banks decreased in the first quarter of 2024 from the preceding quarter, as the depreciation of the pound drove an increase in risk-weighted assets from loans and other interest-earning assets denominated in foreign currencies.

Source: EFG Hermes

ENERGY / COMMODITIES

Oil prices to average $85.7 p/b in third quarter of 2024

ICE Brent crude oil front-month prices stood at $86 per barrel (p/b) on June 24, 2024, reaching their highest levels since April 30, 2024, due to expectations of higher oil demand for the summer season and to rising tensions along the border between Lebanon and Israel. In parallel, the International Energy Agency expected global oil demand to increase by 100,000 barrels per day (b/d) to 960,000 b/d in 2024 and to 1 million b/d in 2025, reflecting weak global economic growth, increasing demand for electric vehicles, and the deployment of clean energy technology. Further, it forecast global oil supply to rise by an average of 690,000 b/d in 2024, led by a 1.4 million b/d increase from non-OPEC+ countries. It considered that, given that OPEC+ members decided to lift their voluntary supply reductions of up to 2.2 million b/d from October 2024 through September 2025, the OPEC+ coalition could halt or reverse the increase depending on market conditions. Also, it expected global oil supply to grow by 1.8 million b/d in 2025, driven by a 1.5 million b/d increase in oil output from non-OPEC+ members and a 320,000 b/d rise in OPEC+ production. In addition, Goldman Sachs expected oil prices to increase in the near-term due to elevated demand for global jet fuel. It noted that the oil market outlook is contingent on geopolitical concerns, given the intensification of the Huthi rebels' attacks on ships in the Red Sea and of drone attacks on Russia's oil infrastructure. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 41 industry analysts, to average $85.7 p/b in the third quarter of 2024.

Source: International Energy Agency, Goldman Sachs, Byblos Research

Saudi Arabia's oil export receipts at $21.2bn in April 2024

Total oil exports from Saudi Arabia stood at 7.37 million barrels per day (b/d) in April 2024, constituting decreases of 3.8% from 7.67 million b/d in March 2024 and of 16.8% from 8.86 million b/d in April 2023. Oil export receipts reached $21.15bn in April 2024, representing decreases of 0.3% from $21.2bn in March 2024 and of 4.2% from $22.1bn in April 2023.

Source: JODI, General Authority for Statistics, Byblos Research

Global steel output up 6% in May 2024

Global steel production reached 165.1 million tons in May 2024, constituting increases of 6% from 155.7 million tons in April 2024 and of 2.2% from 161.6 million tons in May 2023. Production in China totaled 92.9 million tons and accounted for 56.3% of global steel output in May 2024, followed by production in India with 12.2 million tons (7.4%), Japan with 7.2 million tons (4.4%), the U.S. with 6.9 million tons (4.2%), Russia with 6.3 million tons (3.8%), and South Korea with 5.2 million tons (3%).

Source: World Steel Association, 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 13.44 million barrels per day (b/d) in 2024, which would constitute an increase of 2.7% from 13.09 million b/d in 2023. The region's demand for oil would represent 23% of consumption in non-OECD countries and 13% of global consumption in 2024.

Source: OPEC

Base Metals: Copper prices to average $9,500 per ton in third quarter of 2024

LME copper cash prices averaged $9,092.3 per ton in the year-to-June 26, 2024 period, constituting an increase of 4.3% from an average of $8,713.9 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, fears of supply disruptions of the metal, 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 20, 2024 to $9,399.3 per ton on June 26, 2024 amid a recent surge in copper supplies and of exports by Chinese smelters, as well as by dampened expectations that the U.S. Federal Reserve will cut interest rates soon, which strengthened the US Dollar Index and reduced the appeal of the metal. Also, S&P Global Market Intelligence added that copper prices decreased due to the recent import tax on Chinese electric vehicles the US and the EU, which could increase the export costs for China-based automakers and depress copper demand from the sector. In parallel, it projected the global production of refined copper at 26.82 million tons in 2024, which would constitute an increase of 3.5% from 25.91 million tons in 2023. In addition, it forecast global demand for refined copper at 26.85 million tons in 2024, which would represent a rise of 3.2% from 26.03 million tons in 2023. As such, it expected the balance in the refined copper market to post a deficit of 24,000 tons in 2024. It noted that global copper prices could face downward pressure due to high inventories and subdued demand from China, as well as a strengthened U.S. dollar, against shortages in the copper concentrate market. Further, it forecast copper prices to average at $9,500 per ton in the third quarter 2024.

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

Precious Metals: Gold prices to average $2,267 per ounce in third quarter of 2024

Gold prices averaged $2,203.2 per ounce in the year-to-June 26, 2024 period, constituting an increase of 14% from an average of $1,934 an ounce in the same period of 2023, mainly due to the increase in geopolitical risks as a result of the war in the Gaza Strip, 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, prices reached an all-time high of $2,431.8 per ounce on May 21, 2024 amid heightened geopolitical tensions in the Middle East, strong demand for the metal by central banks, and solid inflows into physically-backed gold exchange traded funds. Prices then decreased to $2,301.9 an ounce on June 26, 2024, due to the U.S. Federal Reserve's decision to delay policy rate cuts. In parallel, the World Gold Council indicated that May 2024 marked the first month in a year of net inflows into physically-backed gold exchange traded funds (ETFs). It noted that inflows into gold-backed ETFs reached 5.6 tons in Europe and 5 tons in Asia in May, which has offset outflows from gold-backed ETFs of 2.3 tons in North America. As such, it pointed out that the global net inflows into gold ETFs totaled 8.2 tons in May 2024. It added that the aggregate holdings of global gold-backed ETFs grew from 3,079.7 tons in April to 3,087.9 tons in April 2024, which has supported the recent rise in the metal's price. Further, S&P Global Market Intelligence projected gold prices to average $2,267 per ounce in the third quarter of 2024.

Source: S&P Global Market Intelligence, World Gold Council, 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-	B3	B-	-								
	Stable	Positive	Stable	-	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-4.3
Egypt	B-	Caa1	B-	B								
	Positive	Positive	Positive	Negative	-7.2	86.6	2.8	85.1	58.8	158.1	-3.6	13.4
Ethiopia	SD	Caa3	CCC-									
	-	Stable	-	-	-2.9	26.2	0.5	33.4	7.8	157.9	-3.4	2.0
Ghana	SD	Ca	RD	-								
	-	Stable	-	-	-4.8	78.1	1.1	41.1	22.7	127.6	0.9	2.0
Côte d'Ivoire	BB-	Ba2	BB-	-								
	Positive	Stable	Stable	-	-4.5	57.7	4.7	47.6	15.7	112.3	-4.4	2.3
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-2.5	15.0	1.4	5.1	2.0	102.1	-5.6	4.2
Morocco	BB+	Ba1	BB+	-								
	Positive	Stable	Stable	-	-4.1	65.8	4.9	30.4	7.3	94.0	-1.4	0.5
Nigeria	B-	Caa1	B-	-								
	Stable	Positive	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	CCC-	-								
	-	Negative	-	-	-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+	B2	B+	-								
	Stable	Stable	Stable	-	-4.8	68.0	3.6	22.5	9.6	111.1	-10.6	3.5
Middle East												
Bahrain	B+	B2	B+	B+								
	Stable	Stable	Stable	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-	Caa1	B-	-								
	Stable	Stable	Stable	-	-4.5	38.3	20.3	4.0	2.0	33.0	11.5	-1.8
Jordan	B+	Ba3	BB-	BB-								
	Stable	Stable	Stable	Stable	-1.1	90.6	1.9	69.7	10.9	151.6	-4.6	1.8
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	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+	Ba1	BB+	BB+								
	Stable	Stable	Stable	Stable	1.4	34.5	1.8	31.4	8.2	113.0	1.3	2.5
Qatar	AA	Aa2	AA-	AA								
	Stable	Stable	Positive	Stable	4.2	41.7	2.4	125.2	4.2	174.5	15.8	-2.4
Saudi Arabia	A	A1	A+	A+								
	Stable	Positive	Stable	Positive	-2.0	23.0	10.2	23.8	3.4	66.1	1.4	0.1
Syria	-	-	-	-								
	-	-	-	-	-	49.0	-	-	-	-	-15.5	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	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	20-Jun-24	No change	01-Aug-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	1.25	20-Jun-24	Cut 25bps	26-Sep-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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