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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Investment banking fees up 7% to $58bn in first half of 2024

Global investment banking fees totaled $57.7bn in the first half of 2024, constituting an increase of 7% from $53.9bn in the same period last year, and relative to $59.2bn in the first half of 2022. The financial sector accounted for $19.8bn or 34.3% of investment banking fees in the half of 2023, followed by the industrial sector with $6.3bn (11%), the energy & power sector with $5.7bn (10%), the healthcare sector with $5.1bn (8.8%), and government & government agencies with $4bn (7%). On a regional basis, the Americas represented $31.5bn, or 54.6% of total fees generated in the covered period, followed by Europe, the Middle East & Africa region with $14.6bn (25.3%), and the Asia-Pacific region with $11.6bn (20%). In parallel, fees from equity capital markets totaled $7.5bn in the first half of the year, down by 6% from $7.9bn in the same period of 2023, with follow-on issuance reaching $4.2bn in the covered period and representing 55.5% of total fees from equity capital markets, followed by fees from initial public offerings with $2.1bn (28.2%), and fees from convertible securities with $1.2bn (16.2%). Also, merger & acquisition advisory fees increased stood at $15.4bn in the first half of 2024, and rose by 3% from $15bn in the same period last year, syndicated lending fees totaled $14bn and grew by 3% from $13.6bn in the first half of 2023, while fees from debt capital markets reached $20.8bn and increased by 19% from $17.5bn in the same period of 2023.

Source: Refinitiv

MENA

Governance transformation varies across region

The Bertelsmann Stiftung's Governance Index ranked the UAE in 15th place among 137 countries globally and in first place among 19 Arab economies in 2024. Qatar followed in 21st place, then Djibouti (47th), Iraq (61st) and Kuwait (64th), as the five Arab economies with the best possible governance transformation level. In contrast, Lebanon (117th), Libya (125th), Yemen (130th), Sudan and Syria (134th each) are the five Arab countries with the lowest governance transformation level in the region. The index assesses the quality of political leadership that drives the political and economic transformation processes in a country. It is composed of five categories that are the Level of Difficulty, Steering Capability, Resource Efficiency, Consensus-Building, and International Cooperation. The scores per country range from one to 10 points, with a score of 10 points reflecting the best possible governance transformation level. The Arab region's average score stood at 3.97 points in the 2024 index relative to 4.1 points in the 2022 index, and came lower than the global average score of 4.6 points. Also, the rankings of 14 Arab countries improved from the 2022 index, those of four economies deteriorated, and the ranking of one country remained unchanged. In parallel, the scores of 10 Arab countries regressed year-on-year, those of seven economies improved, and the scores of two countries remained unchanged from the 2022 survey. Further, the UAE ranked first on the Level of Difficulty, the Steering Capability and the International Cooperation criteria. Also, Qatar came first on the Resource Efficiency category and Iraq ranked first on the Consensus-Building criteria.

Source: Bertelsmann Stiftung, Byblos Research

GCC

Projects awarded up 2% to $104.6bn in first half of 2024

The aggregate amount of projects awarded in Gulf Cooperation Council (GCC) countries reached $104.6bn in the first half of 2024, constituting a rise of 2.4% from $102.2bn in the same period of 2023. Also, the amount of projects awarded in GCC countries was $52.9bn in the first quarter and $51.7bn in the second quarter of 2024, compared to $37.9bn in the first quarter and $64.3bn in the second quarter of 2023. The amount of awarded projects in Saudi Arabia stood at $30.6bn in the second quarter of 2024 and accounted for 59.2% of the total, followed by the UAE with $16.3bn (31.6%), Kuwait with $2.3bn (4.4%), Oman with $1.7bn (3.2%), Bahrain with $608m (1.2%), and Qatar with $162m (0.3%). The value of projects awarded in Bahrain jumped by 60.8% annually in the second quarter of 2024, followed by a surge of 33% in new projects in Kuwait, and a rise of 10% in projects in Saudi Arabia. In contrast, the value of projects awarded in Qatar dropped by 98.5% in the covered period, followed by a decline of 33.2% in new projects awarded in Oman, and a decrease of 23.6% in projects in the UAE. In parallel, projects in the gas sector reached $14bn and accounted for 27% of the total amount of awarded projects in the second quarter of 2024, followed by projects in the construction industry with $10.8bn (20.8%), the power sector with $9.8bn (189%), the transport industry with $9.76bn (18.8%), the oil sector with $4.9bn (9.5%), the water industry with $1.8bn (3.5%), and industrial companies with $663m (1.3%).

Source: KAMCO, Byblos Research

SAUDI ARABIA

Venture capital funding down 7% to $412m in first half of 2024

Figures released by online platform Magnitt show that venture capital (VC) funding in Saudi Arabia reached $412m in the first half of 2024, constituting decreases of 7% from $443m in the first half of 2023 and of 55.4% from $923m in the second half of 2023. Saudi Arabia ranked first in the region in terms of VC investments in the first half of 2024 and accounted for 53.6% of the Middle East and North Africa region's aggregate VC funding. Further, there were 63 deals in the Kingdom in the first half of 2024, down by 11.3% from 71 investments in the second half of 2024 and by 3.1% from 65 transactions in the first half of 2023. In parallel, VC investments in the e-commerce & retail sector amounted to $215m and accounted for 52.2% of aggregate VC investments in Saudi Arabia in the first half of 2024, followed by investments in fintech firms with $62m (15%), the transport & logistics industry with $45m (11%), the agriculture sector with $16m (4%), and the food & beverage industry with $14m (3.4%). Also, there were nine investments each in fintech companies and the transport & logistics industry, or 28.6% of the aggregate number of deals in the covered period, followed by the IT solutions industry with seven transactions (11.1%), and educational technology companies and enterprise software firms with six deals each (9.5% of the total each). In parallel, there were two exits from VC investments in the first half of 2024 compared to four exits in the first half of 2023.

Source: Magnitt, Byblos Research

POLITICAL RISKS OVERVIEW - June 2024

ALGERIA

President Abdelmadjid Tebboune signed a presidential decree to convene the Electoral College for the upcoming presidential elections that are scheduled for September 7, 2024. The Front des Forces Socialistes, the historic opposition party that has boycotted elections for 25 years, nominated its National Secretary Youcef Aouchiche as the party's candidate for the upcoming polls; while Saïda Neghza, the president of the main employers' union, La Confédération Générale des Entreprises Algériennes, announced her intention to run. The state-owned oil and gas company Sonatrach signed an agreement with the China Petrochemical Corporation (SINOPEC) and a deal with the American company Chevron, in order to expand its cooperation and boost output from southern gas fields. In parallel, the European Commission announced a dispute settlement procedure against Algeria, and accused it of restricting European exports and investments in violation of the 2005 trade agreement.

ARMENIA

Armenia and Azerbaijan exchanged draft peace treaties during June amid recent positive momentum in the peace process, although they remain far apart on important issues, including on the withdrawal of Azerbaijani troops from Armenia and the opening of the road that connects Azerbaijan with Nakhchivan. Further, local media reported that Prime Minister Nikol Pashinyan has instructed the Council of Constitutional Reforms to draft a new constitution by the end of 2026. Also, PM Pashinyan reiterated that Armenia could withdraw completely from the Russia-led Collective Security Treaty Organization. Yerevan held a strategic dialogue meeting with the U.S. and hosted the Armenia-European Union Partnership Committee meeting amid efforts to forge closer ties with the West.

EGYPT

Egyptian, Israeli and U.S. officials met in Cairo to discuss possible arrangements for the reopening the Rafah crossing point to allow humanitarian aid to enter the Gaza Strip, following the Israeli attacks on Rafah that caused the Egyptian government to suspend aid collaboration. President Abdel Fattah el-Sisi re-appointed Prime Minister Mostafa Madbouly and tasked him to form a new government, which is expected to continue the politically unpopular economic reforms in order to gain the confidence of international creditors. In parallel, the Egyptian government and the European Union signed a €1bn agreement to support economic reforms to boost the private sector.

ETHIOPIA

Violence between federal forces and Amhara nationalist militias, known as Fano, persisted in June. As such, the regional, federal and military leaders gathered in Bahir Dar for a peace conference, which resulted in the formation of a 15-member Regional Peace Council that consists of prominent figures from Amhara and that is backed by the federal government to facilitate talks with Fano militias. Further, Fano militants conducted attacks in the Oromia-Amhara borderlands, which threatened to increase inter-ethnic tensions. Also, the federal parliament authorized the Tigray People's Liberation Front to re-register as a political party.

IRAN

Iran held presidential elections to replace the deceased President Ebrahim Raisi. Voter turnout reached a low of 40% on June 28, 2024 as none of the candidates secured an absolute majority. The runoff between the centre-left candidate Masoud Pezeshkian and the far-right candidate Saeed Jalili took place on July 5 and resulted in the victory of Pezeshkian. The U.S. sanctioned several Iranian individuals, entities and ships for financing the Huthi rebels in Yemen, while Canada designated Iran's Revolutionary Guard Corps as a terrorist group.

IRAQ

The Kurdistan Democratic Party (KDP) reached an agreement with the Federal Supreme Court (FSC) on Kurdistan's parliamentary elections. The KDP announced that it ended its boycott of the elections after the FSC annulled the minority quota seats in Kurdistan's parliament, and ordered the allocation of five seats to minorities across Erbil, Sulaymaniyah and Duhok provinces in a more even distribution, which put minority seats under the de facto control of the KDP. The President of the Kurdistan Regional Government set October 20, 2024 as the new date for the parliamentary elections, while the electoral commission extended the deadline for candidates' registration until July 4.

LIBYA

Despite broader political deadlock, the High National Elections Commission launched the voter registration process for elections in 60 municipalities due to be held this year, and extended the registration deadline to July 7, 2024 amid high voters' registration. The U.S. Embassy in Tunis hosted a Libya Economic Dialogue with representatives of political and financial bodies, as well as representatives from the World Bank, the U.S. Treasury and the United Nations to facilitate the agreement between rival governments on the 2024 budget. But the dialogue ended without a final accord on the budget.

SUDAN

The Rapid Support Forces (RSF) overran the capital of the state of Sennar and could capture the entire state, which expanded the conflict to previously peaceful parts of Sudan. Also, the RSF continued to besiege the city of El Fasher, launching offensives from multiple fronts in and around the city with growing support from Arab militias. The Sudanese Armed Forces (SAF) and Darfuri armed groups intensified airstrikes and offensives in the RSF-controlled eastern and south-eastern parts of El Fasher, as well as in RSF strongholds and Arab villages around North Darfur. In parallel, the African Union Peace and Security Council met on June 21 to discuss the situation in Sudan, leading to the formation of a Presidential Committee, which aims to facilitate meetings between the head of SAF General Abdel Fattah al-Burhan and the leader of RSF Mohamed Hamdan Dagalo.

TUNISIA

Political tensions and scattered unrest continued ahead of the presidential election that is due by October 2024. Tunis pursued closer ties with Beijing and Tehran as support from the European Union wavered. President Kais Saïed participated in the Ministerial Conference of Sino-Arab Cooperation Forum in Beijing, resulting in the announcement of a bilateral strategic partnership in the economic, technical and cultural fields. Also, the Tunisian government abolished the entry visa requirements for Iranian and Iraqi tourists following President Saïed's visit to Tehran. Tunisia and Libya signed an agreement to reopen the Ras al-Jedir crossing point at their border for humanitarian and diplomatic needs.

YEMEN

The attacks of Huthi rebels on shipping in the Red Sea intensified amid continued airstrikes from the U.S. and the United Kingdom. Further, the Huthis detained around 60 employees from the United Nations agencies and various local and international non-governmental organizations in several cities, accusing them of spying for the U.S. and other Western countries. In parallel, the Huthis reinforced their military presence in the Lahj governorate amid fears that local forces could receive support from the U.S. to push them away from the Red Sea coast, and then launched attacks on the forces of the Southern Transitional Council on the frontline between the Lahj and Taiz governorates.

Source: International Crisis Group, Newswires

OUTLOOK

WORLD

Global growth to average 3.2% in 2024-25 period despite upside risks to inflation

In its recent update on the global economy, the International Monetary Fund (IMF) projected the global real GDP growth rate at 3.2% in 2024, in line with its April forecast, and at 3.3% in 2025, up from 3.2% from its previous projection, as cyclical factors wane and economic activity becomes better aligned with global growth potential. It forecast the real GDP growth rate of advanced economies at 1.7% in 2024 and 1.8% in 2025, unchanged from its April forecast, amid a recovery in economic activity in the Euro area from low levels in 2023. Also, it projected the real GDP growth rate in emerging markets and developing economies at 4.3% in each of 2024 and 2025, relative to a previous forecast of 4.2% in each of 2024 and 2025, amid stronger activity in Asia, mainly in China and India.

Further, it projected the real GDP of Emerging & Developing Asia to grow by 5.4% in 2024 and 5.1% in 2025. Also, it expected economic activity in Sub-Saharan Africa to rise by 3.7% this year and by 4.1% next year, while it anticipated the real GDP growth rate of Emerging & Developing Europe at 3.2% in 2024 and 2.6% in 2025. Further, it forecast the real GDP growth rate of the Middle East & North Africa region to reach 2.2% in 2024 and 4% in 2025 compared to a previous projection of 2.7% in 2024 and 4.2% in 2025, and for economic activity in Latin America & the Caribbean to expand by 1.9% this year and by 2.7% next year.

The IMF considered that risks to the global economic outlook remain balanced and include the prospects of higher-for-longer interest rates, which, in turn, increases global external, fiscal, and financial risks. It added that the escalation of trade tensions could raise near-term risks to inflation by increasing the cost of imported goods along the supply chain. It said that the appreciation of the US dollar could disrupt global capital flows and impede planned monetary policy easing in the near term.
Source: International Monetary Fund

EGYPT

Expected large external inflows point to improving growth prospects

The Institute of International Finance projected Egypt's real GDP growth rate to accelerate from 2.9% in the fiscal year that ended in June 2024 to 4% in FY2024/25 and 4.5% in FY2025/26, driven by improved sentiment, the availability of foreign currency, lower interest rates, and higher export receipts. But it considered that public consumption and investments will weigh on economic growth amid a substantial increase in imports. Further, it forecast the inflation rate to regress from 33.4% in FY2023/24 to 20.5% in FY2024/25 and 13.8% in FY2025/26, due to strong base effects, which will outweigh marginal increases in utility and energy prices, as well as the gradual lifting of food subsidies.

In addition, it projected the fiscal deficit to widen from 4.1% of GDP in FY2023/24 to 8.1% of GDP in FY2024/25 and to narrow to 5.8% of GDP in FY2025/26. It said that a surge in debt servicing costs, an increase in the wage bill and in social spending, as well as a substantial rise in public investments in FY2024/25, will offset a robust increase in tax revenues. It considered that Egypt needs to enhance its tax-revenue mobilization, control infrastructure spending, and reduce energy subsidies. Also, it expected the primary surpluses at 3% of GDP in FY2024/25 and 3.5% of GDP in FY2025/26, which will help put the public debt level on a downward trajectory. It forecast the public debt level at 84% of GDP in FY2024/25 and at 81% of GDP in FY2025/26.

In parallel, it expected the current account balance to post deficits of 4.1% of GDP in FY2023/24, 3.2% of GDP in FY2024/25 and 2% of GDP in FY2025/26. It anticipated robust tourism receipts, a sharp increase in remittance inflows amid the unification of multiple exchange rates, and elevated foreign direct investments, to support the current account balance. But it noted that geopolitical risks, the deceleration in global economic activity, and commodity price shocks could impact the economy, which has yet to build buffers to properly offset such factors.
Source: Institute of International Finance

ANGOLA

Higher oil production and prices, lower payments to China to improve foreign currency liquidity

Standard Chartered Bank projected Angola's real GDP growth rate to accelerate from 1.9% in 2024 to 3.5% in each of 2025 and 2026, driven by a stabilization in oil production after several years of decline, as well as by higher oil prices. Also, it forecast the average inflation rate to remain elevated at 28.3% in 2024, and expected the lifting of fuel subsidies to be gradual, which may be delayed until the inflation rate eases in 2025. It stressed the need to further tightening monetary policy this year to contain inflationary pressures. In addition, it anticipated the inflation rate at 15% in 2025 and 12% in 2026 and expected the Banco Nacional de Angola (BNA) to ease its monetary policy to 15% in 2025 and 12% in 2026.

In parallel, it projected the fiscal surplus to decrease from 1.1% of GDP in 2024 to 0.5% of GDP in 2025 and 0.3% of GDP in 2026, and for the current account surplus to decline from 4.1% of GDP in 2024 to 2% of GDP in 2025 and 1.3% of GDP in 2026. It said that Angola's commitments to China dropped from $21bn at end-2022 to $16.2bn at end-March 2024, which reduced the country's external public debt from $51.2bn at end-2022 to $48.3bn at end-March 2024. It considered that this should ease the concerns of investors about the lack of transparency on the debt servicing of the country's debt to China. It noted that China may no longer be Angola’s largest bilateral creditor starting in 2025, given that the country has increased its borrowing from other sources.

It indicated that lower debt levels may enable the debt ratio to consolidate in 2024 to within the reach of the Ministry of Finance's target of 69.2% of GDP, despite the depreciation of the kwanza. It added that the issuance of Eurobonds will remain market dependent and will likely require that the yields on external debt drop from current levels. It said that the BNA expects additional supply of foreign currency in the local market after the government secured an arrangement with China that allows more flexibility of Angola's payments in its escrow account at the China Development Bank. It expected the exchange rate of the kwanza at AOA900 per US dollar at end-2024, AOA915 per dollar at end-2025, and at AOA933 per dollar at end-2026.
Source: Standard Chartered Bank

QATAR

Acceleration of economic diversification to lift medium-term growth

The International Monetary Fund indicated that hosting the World Cup 2022 has accelerated Qatar's economic diversification into non-hydrocarbon sectors, as its massive public infrastructure investment program since 2011 has built ports, roads, the metro and airports. It noted that the public investment program helped drive most of Qatar's economic diversification in the past decade, which contributed 5 percentage points (pps) to 6 pps annually to non-hydrocarbon real GDP growth. It considered that the newly built infrastructure can be leveraged to generate new jobs, businesses, and opportunities in sectors beyond the oil and gas industries. Also, it said that the authorities implemented initiatives to improve the business environment and attract foreign direct investments, and said that the country has advanced digitalization efforts significantly. Further, it indicated that Qatar's key challenge consists of transitioning from public sector-led growth to a more diversified, private sector-driven model, as envisioned by National Vision 2030. In addition, it considered that reforms to attract more skilled foreign workers, ease access to financing for small- and medium-sized enterprises, and encourage competition and trade could generate the most significant growth gains. It noted that a comprehensive package of labor market and business environment reforms could boost non-hydrocarbon growth by 3 pps annually in the medium term.

Source: International Monetary Fund

UAE

Favorable conditions to support insurance premium growth in 2024

In its Insurance Industry and Country Risk Assessment, S&P Global Ratings maintained at "intermediate" the industry and country risk levels for the property and casualty (P/C) and healthcare insurance segments in the UAE. It indicated that the P/C and healthcare segments benefit from profitable underwriting results, supported by relatively low insurance product risks, high barriers to market entry, favorable economic conditions, and developed regulations. It pointed out that listed insurers generated net profits of about AED1.8bn in 2023 relative to AED1.5bn in 2022, and posted a return on equity of about 9% in 2023. It expected the UAE's P/C and healthcare insurance market to be profitable in 2024, driven by material rate adjustments for motor and other lines, as well as by favorable investment returns amid elevated interest rates, despite large weather-related claims earlier in the year, investments in high-risk assets, and fierce competition. But it added that the introduction of a corporate tax rate of 9% on net profits will weigh on the earnings of insurers this year. It considered that insurance demand will be driven by ongoing investments in infrastructure projects and by population growth in 2024. In addition, it said that many motor insurers in the UAE have increased their insurance rates by up to 50% for certain segments last year due to a surge in the frequency and costs of claims, and anticipated another round of rate increases for motor policies following the recent floods. It also expected the rates for property risks to increase, as local insurers and international reinsurers review their pricing following a rise in the frequency and severity of rainstorms in the UAE.

Source: S&P Global Ratings

TÜRKIYE

Sovereign ratings upgraded, outlook 'positive'

Moody's Ratings upgraded Türkiye's long-term foreign- and local-currency issuer and the foreign-currency senior unsecured ratings from 'B3' to 'B1', which is four notches below investment grade. It also maintained the 'positive' outlook on the long-term ratings. It attributed its upgrade to improvements in governance and to the return to orthodox monetary policy. It said that the tight monetary policy stance is materially reducing Türkiye's elevated external vulnerabilities, but that political risks remain a constraint to the ratings. It pointed out that the 'positive' outlook reflects the credibility and effectiveness of monetary policy, macroeconomic stability, and the strengthening of institutions, which would support Türkiye's diversified and competitive economy, as well as its strong fiscal and debt metrics. Further, it expected that a return to relatively low budget deficits will help stabilize the public debt level at 30% of GDP. In parallel, the agency noted that it could upgrade the ratings if the authorities manage to reduce the inflation rate, de-dollarize the economy and achieve a stronger current account position, and/or if the government reduces its dependence on energy imports. In contrast, it pointed out that it could downgrade the ratings if the authorities prioritize economic growth over containing inflationary pressures, and/or if elevated inflation rates persist. It added that it could revise the outlook to 'stable' if the improvements in disinflation, in de-dollarization and in the current account balance are not accompanied by structural changes that would reduce the risk of long-lasting inflation shocks in the future.

Source: Moody's Ratings

PAKISTAN

Unlocking external financing contingent on sustained reforms

Moody's Ratings indicated that the International Monetary Fund (IMF) and Pakistani authorities reached a Staff-Level Agreement on a 37-month Extended Fund Facility (EFF) arrangement of about $7bn, which, if approved by the IMF's Executive Board, will improve Pakistan's funding prospects. It said that the program will provide credible sources of financing from the IMF and catalyze funding from other bilateral and multilateral partners to meet Pakistan's external financing needs. But it noted that the government's ability to implement reforms will be essential to help the country to continually unlock financing over the duration of the IMF program. It considered that a resurgence of social tensions due to the high cost of living and weak governance could weigh on the implementation of reforms in the near term, which will increase the risks to the IMF's ability to complete its reviews. It added that Pakistan is vulnerable to policy slippages. Also, it pointed out that Pakistan's external position remains fragile, given that the country's external financing needs are about $21bn for the fiscal year that ends in June 2025 and nearly $23bn for FY2026/27. It said that Pakistan's foreign currency reserves of $9.4bn as of July 5, 2024 are well below the country's needs. In parallel, it noted that the EFF comes with conditions of broadening the tax base; making timely adjustments to energy tariffs to restore the energy sector’s viability; improving the management of state-owned enterprises' management and their privatization; phasing out agricultural subsidies; advancing anti-corruption and governance reforms; and gradually liberalizing trade policy.

Source: Moody's Ratings

EMERGING MARKETS

Markets face challenges in addressing stablecoin risks

The Financial Stability Board indicated that global stablecoins (GSCs), which are an asset class that could be widely used as a means of payment and/or store of value across multiple jurisdictions, could pose significant risks to global financial stability. It said that stablecoins present concerns related to financial integrity, illicit finance, data privacy, cyber-security, consumer and investor protections, market integrity, as well as fiscal and macroeconomic stability. As such, it noted that several emerging market and developing economies (EMDEs) may be exposed to macro-financial risks associated with the use of foreign currency-pegged GSCs, which can destabilize financial flows and strain fiscal resources. Further, it pointed out that EMDEs are facing several common implementation challenges to address the risks from stablecoins that include data gaps, cross-border cooperation and information sharing, capacity development and resource investment constraints, and challenges from cross-border operations. It indicated that EMDEs may consider taking additional measures that go beyond the global regulatory baseline to address specific risks, which include getting technical assistance, addressing data gaps, listing requirements for offshore stablecoins, improving digital payments infrastructure, and regulatory sandboxes. In addition, it said that the implementation of the FSB's High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements and crypto-asset activities and markets will help address financial stability and financial integrity risks, and support macroeconomic policies and address other risks. Also, it noted that EMDEs are making progress to regulate stablecoins by applying, clarifying, or amending existing rules, or by developing new and bespoke frameworks.

Source: Financial Stability Board

LIBYA

Financial stability contingent on full unification of central bank

The International Monetary Fund (IMF) indicated that the continued progress on the reunification of the Central Bank of Libya (CBL) has led to improved coordination in the banking sector's management, supervision, and of its liquidity level. It noted that the CBL has been proactive in strengthening the prudential framework and guiding banks to increase their capital, as well as in reinforcing the Financial Information Unit and in promoting financial inclusion through enhancements in electronic payments. It considered that the full reunification of the central bank, along with reforms to strengthen monetary policy, are crucial to maintaining financial stability. Further, it pointed out that the aggregate risk-weighted capital adequacy ratio of banks in Libya stood at 15.3% at end-2023 compared to 15.7% at end-2022. Also, it stated that the sector's non-performing loans (NPLs) ratio reached 22.2% at end-2023 compared to 24.1% at end-2022. It considered that improving the reporting of NPLs and monitoring the capitalization of banks would enhance financial intermediation. In parallel, it indicated that the banks' liquid assets stood at 66.9% of total assets at end-2023, up from 66.7% at end-2022, while they were equivalent to 70.8% of the banks' short-term liabilities at end-2023 relative to 83.2% at end-2022.

Source: International Monetary Fund

MOROCCO

Banks' profitability alleviates potential asset and capital risks

Fitch Ratings indicated that the sound profitability of Moroccan banks provides them with a good cushion to absorb potential asset quality shocks and their impact on capital metrics. It said that the aggregate net income of the banks increased by 32% in the first quarter of 2024 from the same quarter of 2023, despite a rise of 49% in loan impairment charges that was driven by higher provisions. It noted that the banks' robust profitability was boosted by a surge in trading revenues, in line with declining interest rates. It pointed out that the net interest income and fee revenues grew moderately in the first quarter of 2024 from the same period last year, due to muted credit demand and strong competition. Further, it expected lending growth to be in mid-single digits in the 2024-25 period as interest rates decline, macroeconomic conditions improve, and large infrastructure projects related to the 2030 World Cup gain momentum. It estimated that the banks' average pre-impairment operating profits were equivalent to 4% of gross loans in the first quarter of 2024, which provides a reasonable cushion to absorb asset quality shocks without negatively affecting the capital of banks. Also, it considered that the repricing of loans to lower rates will take place due to the long maturities of the loan books, and said that the Stage 3 loans ratio stood at 10.3% at end-2023. It added that some banks have tight buffers that exceed the minimum regulatory requirements, but that they could increase or preserve capital ratios through rights issues and lower dividend payouts. Further, it expected the banks' profitability to be affected by the still-high cost of risk in 2024, and anticipated the sector's net income to grow by 15% to 20% in the 2024-25 period.

Source: Fitch Ratings

CÔTE D'IVOIRE

Capital adequacy ratio at 13.8%, NPLs ratio at 7.3% at end-2023

The International Monetary Fund considered that Côte d'Ivoire's banking sector is sound, despite tighter monetary conditions in 2023. It said that the average risk-weighted capital adequacy ratio of banks increased from 12.4% at the end of 2021 to 13.1% at end-2022 and 13.8% at end-2023, and came above the regulatory standard of 11.5% for the West African Economic and Monetary Union (WAEMU) to which Côte d'Ivoire belongs. Also, it indicated that the non-performing loans (NPLs) ratio decreased from 7.8% at end-2022 to 7.3% at end-2023, although general provisions covered 64.5% of NPLs at end-June 2023, the latest available figure, relative to 69.5% at end-2022. It added that the banks' NPLs net of provisions were equivalent to 3.3% of total loans and to 25.5% of capital at end-June 2023, up from 2.5% of total loans and 17.2% of capital at end-2022. As such, it noted that Ivoirian banks are performing better than their counterparts in the WAEMU, as the region's average NPLs ratio stood at 8.7% and its NPLs ratio net of provisions was 3.4% at end-2023. Further, it pointed out that the banks' liquid assets were equivalent to 35.2% of total deposits at end-June 2023 compared to 36.2% at end-2022. It added that the banks' total loans stood at 82.2% of their aggregate deposits relative to 75.2% at end-2022, while their aggregate deposits reached 67.2% of their total liabilities at end-2023 compared to 71.2% at end-2022.

Source: International Monetary Fund

Oil prices to average $85.1 p/b in third quarter of 2024

ICE Brent crude oil front-month prices reached $81.7 per barrel (p/b) on July 24, 2024, constituting a decrease of 4% from $85.1 p/b a week earlier, driven by concerns about weaker oil demand in China, the world's larger crude importer, as well as by expectations of a nearing ceasefire agreement in the Middle East. In parallel, Goldman Sachs indicated that rising concerns about the wildfires in Canada have not materialized into severe oil production disruptions yet, even though the wildfires are threatening the production of 0.4 million barrels per day of oil sands. Also, it said that oil demand from China continues to recover on a pick up in the operations of domestic refineries and on higher purchases of Middle Eastern crude oil. It anticipated China's economic activity to rebound in the third quarter of 2024 on increased support from policy easing, which will lead to an increase in oil demand, while it noted that Russia aims to keep more crude oil available on the market. Also, it expected oil production from the U.S. to increase in the near term. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 44 industry analysts, to average $85.1 p/b in the third quarter, $83.7 p/b in the fourth quarter of 2024, and $83.9 p/b in full year 2024.

Source: Goldman Sachs, Refinitiv, Byblos Research

Global demand for natural gas to increase by 2.5% in 2024

The International Energy Agency projected global natural gas demand to reach 4,199 billion cubic meters (bcm) in 2024, constituting an increase of 2.5% from 4,095 bcm in 2023. It forecast demand for natural gas in North America at 1,172 bcm and to represent 28% of the world's aggregate demand in 2024, followed by the Asia Pacific region with 948 bcm (22.6%), Eurasia with 650 bcm (15.5%), the Middle East with 610 bcm (14.5%), Europe with 487 bcm (11.6%), Africa with 181 bcm (4.3%), and Central and South America with 152 bcm (3.6%).

Source: International Energy Agency, Byblos Research

Global steel output down 2% in June 2024

Global steel production reached 161.4 million tons in June 2024, constituting a decrease of 2.2% from 165.1 million tons in May 2024 and an increase of 1.6% from 158.8 million tons in June 2023. Production in China totaled 91.6 million tons and accounted for 56.8% of global steel output in June 2024, followed by production in India with 12.3 million tons (7.6%), Japan with 7 million tons (4.3%), the U.S. with 6.7 million tons (4.2%), Russia with 6 million tons (3.7%), and South Korea with 5.1 million tons (3.2%).

Source: World Steel Association, Byblos Research

Global petroleum and liquid fuels consumption to grow by 1.1% in 2024

The U.S. Energy Information Administration projected the global consumption of petroleum and liquid fuels at 102.91 million barrels per day (b/d) in 2024, constituting an increase of 1.1% from 101.8 million b/d in 2023. It forecast the consumption of petroleum and liquid fuels of non-OECD economies at 57.3 million b/d, or 55.7% of global demand, and for the consumption of OECD countries to reach 45.6 million b/d, or 44.3% of the total.

Source: U.S. Energy Information Administration

Base Metals: Copper prices to average $9,567 per ton in third quarter of 2024

LME copper cash prices averaged $9,146.4 per ton in year-to-July 24, 2024 period, constituting an increase of 5.5% from an average of $8,670.7 a ton in the same period of 2023. The increase in prices was due 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 5, 2024 to $8,976.4 per ton on July 24, 2024 driven by a slowdown in China's industrial activity, which reduced demand for industrial metals, including copper. In parallel, the latest available figures from the International Copper Study Group (ICSG) show that global demand for refined copper was 11.2 million tons in the first five months of 2024, constituting an increase of 3.7% from 10.8 million tons in the same period of 2023 due to a rise of 5.5% in Chinese demand for the metal. Also, it noted that the global production of refined copper reached 11.6 million tons in the first five months of 2024, up by 6% from 10.9 million tons in the same period of 2023, as higher output from China, the Democratic Republic of the Congo, Japan, and the U.S. was partially offset by lower production in Chile and the European Union. It added that mine production accounted for 80% of the aggregate output of refined copper in the covered period. In parallel, S&P Global Market Intelligence expected global refined copper demand to grow by 3.2% in 2024, driven by the green energy transition. Also, it projected China to continue to lead the increase in global refined copper production in 2024, with Latin America and Africa the main contributors to mine production growth. Further, it forecast copper prices at $9,567 per ton in the third quarter of 2024.

Source: ICSG, S&P Global Market Intelligence, Refinitiv

Precious Metals: Palladium prices to average $975 per ounce in 2024

The prices of palladium averaged $976.4 per troy ounce in the year-to-July 24, 2024 period, constituting a drop of 34% from an average of $1,479.4 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 and to 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 $941 per ton on July 24, 2024 due to lower l industrial demand globally. In parallel, the World Platinum Investment Council projected global demand for palladium to reach 10 million ounces in 2024 and to decrease by 3.2% from 10.36 million ounces in 2023, driven mainly by lower automotive demand. It expected net flows to palladium exchange-traded funds to shift from inflows of 86 million ounces in 2023 to outflows of 35 million ounces in 2024. Also, it forecast the global supply of palladium to contract from 9 million ounces in 2023 to 8.75 million ounces in 2024, or by 3%, with mine output representing 69.8% of global refined palladium production in 2024. It forecast the metal's market deficit to narrow from 1.35 million ounces in 2023 to 1.28 million ounces in 2024. In addition, it anticipated the palladium market to transition to a market surplus in 2026 in case of a substantial rise in recycling supply, which will increase the availability of the metal in the longer term. Moreover, Citi Research forecast palladium prices to average $975 an ounce in full year 2024.

Source: World Platinum Investment Council, 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				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 (%)
	S&P	Moody's	Fitch	CI								
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	B1 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	10-Jul-24	No change	14-Aug-24
Switzerland	SNB Policy Rate	1.25	20-Jun-24	Cut 25bps	26-Sep-24
Canada	Overnight rate	4.50	24-Jul-24	Cut 25bps	04-Sep-24
Emerging Markets					
China	One-year Loan Prime Rate	3.35	22-Jul-24	Cut 10bps	20-Aug-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	11-Jul-24	No change	22-Aug-24
Malaysia	O/N Policy Rate	3.00	11-Jul-24	No change	05-Sep-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	18-Jul-24	No change	05-Sep-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	50.00	27-Jun-23	No change	25-Jul-24
South Africa	Repo Rate	8.25	18-Jul-24	No change	19-Sep-24
Kenya	Central Bank Rate	13.00	05-Jun-24	No change	06-Aug-24
Nigeria	Monetary Policy Rate	26.75	23-Jul-24	Raised 50bps	24-Sep-24
Ghana	Prime Rate	29.00	27-May-24	No change	29-Jul-24
Angola	Base Rate	19.50	19-Jul-24	No change	19-Sep-24
Mexico	Target Rate	11.00	27-Jun-24	No change	08-Aug-24
Brazil	Selic Rate	10.50	19-Jun-24	No change	31-Jul-24
Armenia	Refi Rate	8.00	11-Jun-24	Cut 25bps	30-Jul-24
Romania	Policy Rate	6.75	05-Jul-24	Cut 25bps	07-Aug-24
Bulgaria	Base Interest	3.63	01-Jul-24	Cut 15bps	01-Aug-24
Kazakhstan	Repo Rate	14.25	12-Jul-24	Cut 25bps	29-Aug-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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