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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sustainable debt securities at $6.6 trillion at end-June 2024

Figures released by the Institute of International Finance indicate that the global outstanding sustainable debt, or the environmental, social and governance (ESG)-related debt, reached $6.6 trillion (tn) at the end of June 2024, constituting increases of 12% from $5.9bn at the end of 2023 and of 20.4% from $5.4tn at the end of June 2023. The outstanding ESG debt securities issued by developed markets amounted to $4.5tn at the end of June 2024 and accounted for 68.8% of the total, followed by emerging markets & frontier markets with $1.05tn (16%), sustainable debt securities issued by supranational institutions with $789bn (12%), and offshore financial centers with $215bn (3.3%). In addition, the aggregate amount of outstanding sustainable or ESG bonds was $4.7tn at end-June 2024, or 71% of global sustainable debt securities, while loans extended to green and sustainability-linked projects reached $1.9tn (29% of the total). The distribution of sustainable bonds shows that green bonds amounted to $2.5tn at the end of June 2024 and represented 38.5% of total ESG debt, followed by sustainability bonds with $929bn (14%), social bonds with $704bn (10.7%), sustainability-linked bonds with $266bn (4%), green municipal bonds with $142bn (2.2%), and green asset-backed securities with $99bn (1.5%). Further, sustainability-linked loans reached $1.2tn, or 18.2% of the total sustainable debt, while green loans amounted to $716bn (11% of the total).

Source: Institute of International Finance

More than 50% of rated sovereigns have investment grade rating at end-June 2024

S&P Global Ratings indicated that 53%, or about 73 of the 137 sovereigns that it rates globally had an investment grade rating at the end of June 2024, unchanged from end-2023 and compared to a share of 52% at the end of June 2023. It said that 22% of rated sovereigns were in the 'B'-rated category at the end of June 2024, 18.2% stood in the 'BBB' segment, 16% of sovereigns came in the 'BB' bracket, 15.3% stood in the 'AA' category, 11.7% were in the 'A' segment, 8.8% stood in the 'CCC' bracket or lower, and 8% of sovereigns came in the 'AAA' category. In parallel, S&P noted that there were 19 'positive' outlooks and nine 'negative' outlooks on the long-term foreign currency ratings of sovereigns at end-June 2024, relative to 13 'negative' outlooks and 10 'positive' outlooks on sovereign ratings at end-2023 and to 16 'negative' outlooks and eight 'positive' outlooks on sovereign ratings at end-June 2023. It pointed out that 14 sovereigns in the Europe, the Middle East and Africa (EMEA) region, four countries in the Americas, and one economy in the Asia-Pacific region carried a 'positive' outlook on their ratings at the end of June 2024; while five sovereigns in the Americas, three countries in the EMEA region, and one economy in the Asia-Pacific region had a 'negative' outlook on their ratings. In addition, it noted that it upgraded seven sovereigns and downgraded six countries in the EMEA region, while it upgraded two sovereigns and downgraded one economy in Latin America in the first half of 2024.

Source: S&P Global Ratings

Imports of sports goods up 5% to $64bn in 2022

Figures released by the World Trade Organization show that the global imports of sports goods reached $63.9bn in 2022, constituting an increase of 5.3% from $60.7bn in 2021. The distribution of the imports of sports goods shows that imports to the Americas stood at $26.2bn and accounted for 41% of the aggregate imports of sports goods in 2022. Europe followed with $19.8bn (31%), then Asia with $15bn (23.4%), Australia with $2.1bn (3.2%), and Africa with $0.8bn (1.3%). It pointed out that the average tariff rate of sports goods in Africa was 21.1% in 2022, followed by a rate of 19.9% in the Americas, 9.9% in Europe, 7.2% in Asia, and 6.5% in Australia. In addition, it indicated that the imports of footwear amounted to $19.7bn of aggregate imports of sports goods and accounted for 30.8% of the total in 2022, followed by the imports of sports articles and equipment with $16.9bn (26.4%), tracksuits with $10.5bn (16.4%), goods for golf with $7.4bn (11.6%), swimwear with $4bn (6.2%), goods for water sports with $2.4bn (3.7%), balls with $1.7bn (2.7%), and racquets with $1.4bn (2.2%). In parallel, it said that the U.S. ranked first in the import of sports goods with $19.5bn, or 30.5% of the global imports of sports goods in 2022, followed by the European Union with $13.8bn (21.6%), Japan with $3.7bn (5.7%), the United Kingdom with $3.5bn (5.5%), and South Korea with $3bn (4.6%). Further, it added that China exported $27.7bn in sports goods (43.4% of the total) in 2022, followed by Vietnam with $12.7bn (19.8%), Indonesia with $4bn (6.2%), the European Union with $3.2bn (5%), and Chinese Taipei with $3bn (4.6%).

Source: World Trade Organization, Byblos Research

MENA

Stock markets down 1% in first seven months of 2024

Arab stock markets and Gulf Cooperation Council equity markets decreased by 1% each in the first seven months of 2024, relative to increases of 5.3% and 6.7%, respectively, in the same period of 2023. In comparison, global stocks grew by 11.5% and emerging market equities improved by 6.5% in the covered period. Activity on the Damascus Securities Exchange, based on the official stock market index, surged by 30% in the first seven months of 2024, the Egyptian Exchange rose by 18%, the Casablanca Stock Exchange advanced by 15.6%, the Tunis Bourse appreciated by 12%, and the Boursa Kuwait yielded 8.2%. Also, the Dubai Financial Market gained 5.1% in the covered period, the Muscat Securities Market increased by 3.3%, the Saudi Stock Exchange improved by 1.2%, and the Iraq Stock Exchange grew by 0.3%. In contrast, the Palestine Exchange dropped by 13.6% in the first seven months of 2024, the Beirut Stock Exchange regressed by 9.2%, and the Qatar Stock Exchange decreased by 6.2%. Also, the Abu Dhabi Securities Exchange contracted by 2.5% in the covered period, the Amman Stock Exchange shrank by 1%, and the Bahrain Bourse retreated by 0.1%.

Source: Local stock markets, Dow Jones Indices, Refinitiv, Byblos Research

OUTLOOK

WORLD

Global economy facing multiple scenarios

In its baseline scenario, global reinsurer Swiss Re projected the global economy to grow by 2.1% in 2025 and 1.9% in 2026, and expected inflation rates around the world at 2.5% in 2025 and 2.3% in 2026. It considered that the global economy is facing a benign outlook of steady economic growth, strong labor markets, a rise in real incomes as inflation moderates, and high interest rates that support insurance demand and profitability. However, it considered three alternative scenarios.

In its "renewed supply shocks" scenario, which consists of an escalation in geopolitical tensions or disruptive trade wars, it forecast global real GDP to contract by 0.1% in 2025 and to grow by 0.5% in 2026. It forecast the global inflation rates at 6% in 2025 and 4% in 2026, and for tighter global financial conditions and monetary policy to persist. It indicated that maintaining higher rates for long would lead to a global recession. Also, it considered that weak global growth and the reacceleration of inflation rates will impact the underwriting performance of insurers and reinsurers, as they would face mark-to-market losses in their asset portfolios, which will be gradually offset by reinvestment benefits from higher interest rates.

Further, under its "global recession" scenario, it projected global economic activity to shrink by 1% next year and to grow by 0.6% in 2026, and expected the inflation rate at 1.8% in 2025 and 0.5% in 2026. As such, it forecast a widespread decline in demand for insurance, and considered that higher insolvencies, bankruptcies or defaults would weaken the profitability of certain exposed lines, such as trade credit insurance. Also, under its "productivity revival" scenario, it forecast global real GDP growth rates at 3.2% in 2025 and 2.7% in 2026, and for the inflation rate to increase by 2.8% in 2025 and 2.4% in 2026, which would support demand for life and non-life products and boost investment returns.

Source: Swiss Re

EGYPT

Balanced risks to external financing outlook

Goldman Sachs considered that the devaluation of the Egyptian pound, along with an 8% inflation differential with trading partners, would help support Egypt's external financing outlook. Further, it estimated the current account deficit at 5.7% of GDP in FY2023/24 due to lower receipts from the Suez Canal and a deteriorating energy balance, although it anticipated the slippage from the previous year to be softened by a considerable increase in remittance inflows and the narrowing gap between the official and the parallel market exchange rates. Also, it projected the current account deficit to narrow to 3.4% in 2025, driven by higher receipts from tourism and the Suez Canal, despite further deterioration of the non-oil trade balance and a rise in imports, which will lead to a moderately higher deficit starting from 2026.

In addition, it anticipated Egypt's financing sources to remain robust and to cover the country's external financing requirements in the medium term. As such, it expected policymakers to demonstrate their strong commitment to the ongoing fiscal consolidation and policy tightening efforts, which would lead to elevated foreign direct investments and portfolio inflows in the coming years. It considered that the agreement with the International Monetary Fund, along with financing deals with the European Union and other partners, would unlock a substantial stream of additional third-party funding. Also, it forecast foreign currency reserves to increase from $44.8bn at end-FY2023/24 to $48.2bn at end-FY2024/25 and $51.5bn at end-FY2025/26, which would provide a supportive environment for the exchange rate.

In parallel, it considered that the risks to external financing needs and sources are balanced in the medium term. It said that upside risks consist of higher tourism receipts and remittance inflows, a resolution to the Suez Canal shipping crisis before the end of 2024 that would bolster current account earnings, and elevated capital inflows, mainly from the sales of state asset, including the possibility of further land sales. But it noted that downside risks include a potential reversal in portfolio flows that would widen the funding gap, a sharp rise in regional geopolitical tensions, and an unexpected tightening in global financial conditions.

Source: Goldman Sachs

ETHIOPIA

IMF deal points to favorable outlook

The International Monetary Fund (IMF) projected Ethiopia's real GDP growth rates at 6.5% in the fiscal year that ends in June 2025 and at 7.1% in FY2025/26, and for the inflation rate to average 30.1% in FY2024/25 and 16.2% in FY2025/26. It indicated that the authorities agreed with the IMF on a four-year Extended Credit Facility arrangement of $3.4bn that will support their comprehensive reforms plan. It said that the policy package will help address macroeconomic imbalances, restore external debt sustainability, and implement wide-ranging reforms to stimulate private sector activity. It added that the key policies include moving to a market-determined exchange rate to help address external imbalances and relieve foreign currency shortages; combating inflation through modernizing the monetary policy framework; stopping the monetary financing of the budget; creating space for priority public spending; restoring debt sustainability by reaching debt restructuring agreements with external creditors; and strengthening the financial position of state-owned enterprises to tackle critical macro-financial vulnerabilities.

It noted that the authorities took measures that include moving to a market-determined exchange rate, removing current account restrictions, and modernizing the monetary policy framework to control inflation. It urged the authorities to carry out supportive macroeconomic policies, including the elimination of monetary financing of government deficits, tightening monetary policy, prudent fiscal management, moving to a market-determined exchange rate, and addressing exchange rate shortages.

Further, it forecast the fiscal deficits to widen from 1.7% of GDP in FY2024/25 to 2.1% of GDP in FY2025/26, and for the public debt level to reach 42.9% of GDP in 2024/25 and 38.8% of GDP in 2025/26. It stressed the need to reach a comprehensive external debt treatment under the G20 Common Framework. In addition, it projected the current account deficit at 4.3% of GDP in 2024/25 and 3.2% of GDP in 2025/26; and forecast foreign currency reserves at 1.2 months of import coverage at the end of FY2024/25 and at 2 months of imports at end-FY2025/26.

Source: International Monetary Fund

ECONOMY & TRADE

KUWAIT

Insurance sector facing intermediate risks

S&P Global Ratings indicated that the Insurance Industry and Country Risk Assessment of the property and casualty (P&C) and of the healthcare insurance sectors in Kuwait is "intermediate". It noted that it derived its assessment as a result of a "moderately high" country risk level and a "moderately low" industry risk level for the domestic P&C and health insurance sectors. It pointed out that the insurance industry's risk assessment in Kuwait is at the same level as risks in Qatar, Saudi Arabia and the UAE. Further, it indicated that the risk assessment takes into account Kuwait's weak institutional framework and relatively low barriers to market entry for insurers. But it said that the industry risk assessment is based on the market's satisfactory profitability, supported by relatively low product risks and strong growth prospects. It added that the insurance law that the authorities enacted in March 2021 and the establishment of a new insurance regulator will help improve underwriting discipline and the oversight of capital requirements in the coming years. Also, it expected higher interest rates to continue to support the investment results of insurers in the 2024-25 period, and anticipated the sector's return on equity at 8% to 9% in the covered period. In addition, it said that the insurance industry in Kuwait has limited product risk, as most domestic insurers mainly hold short-tail policies and are largely reinsured.

Source: S&P Global Ratings

BANGLADESH

Sovereign ratings downgraded on deteriorating external metrics

S&P Global Ratings downgraded Bangladesh's long-term foreign and local currency sovereign credit ratings from 'BB-' to 'B+', which is four notches below investment grade, and revised the outlook on the long-term ratings from 'negative' to 'stable'. It attributed the downgrade to persistent pressure on Bangladesh's external metrics, driven mainly by a continued decline in foreign currency reserves, despite a decline in imports and a narrower current account deficit. It added that the country's modest per capita income, limited fiscal flexibility, low revenue-generation capacity, and high interest burden are weighing on the ratings. But it noted that strong economic growth, a moderate public debt burden, and an external position that is supported by broad engagement with bilateral and multilateral development partners, large remittances inflows, and a globally competitive garment manufacturing sector are supporting the ratings. It added that downside and upside risks to its external balance sheet are currently broadly balanced. It forecast the country's gross external financing needs at 100.6% of current account receipts and usable reserves in 2024, as well as at 102.6% of such receipts and reserves in 2025, 102.4% in 2026, and 102.1% in 2027. Also, it noted that Bangladesh relies entirely on official bilateral and multilateral partners for its foreign currency borrowing, which partially mitigates risks to its debt profile. Further, it pointed out that foreign currency reserves reached $21.8bn at end-June 2024 and dropped by 35% from a year earlier due to interventions to support the taka. It said that it could downgrade the ratings if the country's external position worsens, in case of lower current account receipts, and/or if foreign currency reserves decline.

Source: S&P Global Ratings

ARMENIA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Armenia's long-term foreign and local currency issuer default ratings at 'BB-', which is three notches below investment grade, with a 'stable' outlook on the long- term ratings. It attributed the ratings' affirmation to the country's robust macroeconomic policy framework, increase in per capita income, and favorable governance indicators. It noted that a wide fiscal deficit relative to the country's peers, weak external finances, the high dollarization rate of the banking sector, and geopolitical risks are weighing on the ratings. Further, it forecast the fiscal deficit to widen from 1.9% of GDP in 2023 to 4.5% of GDP in 2024, given the increase in capital expenditures, and of spending on defense and on the refugees. Also, it projected the current account deficit to widen from 2.1% of GDP in 2023 to 4.3% of GDP in 2024 due to a significant capital expenditures and strong domestic consumption. It noted that foreign-currency reserves stood at $3.3bn at the end of June 2024, compared to their peak of $4.2bn in August 2023. In parallel, it said that it could downgrade the ratings in case geopolitical risks undermine political and economic stability, if the public debt level rises substantially, and/or in case of a sizeable and sustained decline in foreign reserves. It added that it could upgrade the ratings if fiscal consolidation supports a decline in the public debt level and/or in case of a durable decline in geopolitical risks.

Source: Fitch Ratings

PAKISTAN

Sovereign ratings upgraded on improved funding conditions

Fitch Ratings upgraded Pakistan's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'CCC' to 'CCC+', which is seven notches below investment grade. It also affirmed the short-term foreign and local IDRs at 'C' and the country Ceiling at 'B-'. It attributed the upgrade to Pakistan's improved external funding conditions following its Staff-Level Agreement (SLA) with the International Monetary Fund (IMF) on a $7bn 37-month Extended Fund Facility (EFF). But it noted that large external financing needs would affect the implementation of challenging reforms, which could undermine the IMF program performance and funding. It said that the government aims under the new EFF to longstanding structural weaknesses in Pakistan's tax system, energy sector and state-owned enterprises. It added that the authorities are committed to shift to a flexible exchange rate regime and improve the monetary policy framework. Further, it forecast the current account deficit to stay relatively contained at about $4bn, or 1% of GDP, in the fiscal year that ends in June 2025, after narrowing to $700m in FY2023/24, given tight financing conditions and subdued domestic demand. It expected foreign currency reserves of the State Bank of Pakistan, including gold, to rise from $15bn at end-June 2024 to $22bn at end-June 2026 amid inflows of new funding and limited current account deficits. In parallel, it said that it could downgrade the sovereign ratings if external liquidity conditions deteriorate or in case of signs that the authorities are considering a debt restructuring. But it noted that it could upgrade the ratings if the country's foreign currency reserves increase, in case external financing risks recede, and/or if the government's debt level declines.

Source: Fitch Ratings

BANKING

QATAR

Banks' profits increase on lower provisioning charges

Regional investment bank EFG Hermes indicated that the aggregate net income of Qatar National Bank, Doha Bank, Masraf Al Rayan, Qatar Islamic Bank, the Commercial Bank of Qatar, and Dukhan Bank stood at QAR6.8bn in the second quarter of 2024, constituting an increase of 5% from the second quarter of 2023, due mainly to higher fee income and lower provisioning charges, and decreased by 5% from the first quarter of 2024. It pointed out that the aggregate net interest margin (NIM) of the banks regressed by eight basis points (bps) in the second quarter of 2024 from the same quarter last year, given that higher funding costs outpaced higher asset yields. Further, it noted that the combined cost of risk of the six banks dropped from 95 bps in the second quarter of 2023 to 74 bps in the second quarter of 2024 due to the decrease in provisioning charges. It indicated that the aggregate non-performing loans ratio of the six banks stood at 5.5% of total loans at the end of June 2024, nearly unchanged from 5.4% at end-March 2024, amid low write-offs. In parallel, it noted that the banks' aggregate lending grew by 6% and their deposits increased by 12% in the 12-month ending June 2024. It stated that loans accounted for 101% of deposits at end-June 2024 relative to 111% a year earlier. It added that current and savings accounts represented 24% of total deposits at the end of June 2024, well below the ratio at banks in Saudi Arabia, Kuwait and the UAE. Also, it pointed out that the banks' Common Equity Tier One ratio slightly increased from 14.6% in the first quarter to 14.8% in the second quarter of 2024, and said that Qatari banks have partially implemented Basel III reforms in the first quarter of the year.

Source: EFG Hermes

DEM REP CONGO

Kinshasa to continue implementation of AML/CFT action plan

In its June 2024 update, the Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that it maintained the Democratic Republic of the Congo (DRC) on its list of "jurisdictions under increased monitoring". It said that the DRC made in October 2022 a high-level political commitment to work with the FATF and the Governor of the Banks of the States of Central Africa, in order to improve the effectiveness of the country's AML/CFT regime. It noted that, since then, the authorities have disseminated the results of their National Risk Assessments and provided financial and human resources to the supervisors of financial institutions and of Designated Non-Financial Businesses and Professions. It considered that the DRC should continue to work to implement its FATF action plan to address its strategic deficiencies by developing and implementing a risk-based supervision plan, building the capacity of the Financial Intelligence Unit to conduct operational and strategic analysis, strengthening the capabilities of authorities involved in the investigation and prosecution of ML/TF, and demonstrating the effective implementation of TF and funds-related Targeted Financial Sanctions.

Source: Financial Action Task Force

TÜRKIYE

Banks' ratings upgraded on improving operating conditions

Moody's Ratings upgraded the local and foreign-currency long-term deposit, issuer and senior unsecured ratings, as well as the Baseline Credit Assessments of 17 Turkish banks, following its similar action on the sovereign ratings. It also maintained the 'positive' outlook on the banks' long-term ratings. It attributed its upgrade to the banks' resilient financial performance and to their improving operating conditions. It indicated that the Turkish government's decisive and increasingly well-established return to orthodox monetary policy, has eased the pressure on the banks' financial performance and improved the banking sector's access to foreign funding. It added that the government's policy is yielding positive results in terms of inflation, domestic confidence in the Turkish Lira, and foreign capital inflows, which is supporting the funding profile of the banking sector. It pointed out that the ratings of the banks are underpinned by their robust profitability and strong asset quality. But it expected the potential economic slowdown in the country to lead to a deterioration in the banks' asset quality and profitability metrics. Also, it noted that the 'positive' outlook on all of the banks' long-term deposit, issuer and senior unsecured ratings reflect the potential for additional improvement in their operating environment, which may lead to the strengthening of the banks' financial fundamentals. In addition, it indicated that it may change the outlook to 'stable' if the authorities revert to unorthodox policies, if the banking sector's solvency and funding profiles deteriorate, and/or in case it revises the outlook on the sovereign rating to 'stable'.

Source: Moody's Ratings

NIGERIA

Windfall tax to affect banks' capital adequacy

Moody's Ratings indicated that the Nigerian Presidency announced a one-off 50% windfall tax on the foreign-currency revaluation profits that Nigerian banks generated in 2023, in order to raise funding for infrastructure and other critical spending as part of a NGN6.2 trillion, or the equivalent of $4bn, addition to the 2024 budget. It noted that the new tax will significantly reduce the profits that banks can use for provisioning for problem loans and can transfer to retained earnings as part of the regulatory capital. It added that the windfall tax will have a negative effect on banks whose capital adequacy is close to the regulatory thresholds. It pointed out that the tax is in line with the Central Bank of Nigeria's policy of September 2023, which prohibits banks from using foreign currency-related profits to cover operational expenditures and dividends. The agency indicated that eight out of the nine Nigerian banks that it rates reported in excess of NGN3.5 trillion in aggregate pretax profits in 2023 compared to NGN1.1 trillion in 2022, and estimated that more than one third of the profits originated from foreign-currency revaluation and trading gains. It said that it is unclear what proportion of the revaluation gains will be taxed. But it considered that the government could impose an additional 50% windfall tax on banks' foreign-currency revaluation gains, which would be equivalent to 6% of the aggregate equity of the rated banks. It stated that the banks would need to fully comply with the windfall tax directive by the end of 2024 or face penalties of 10% per year on the tax amount due.

Source: Moody's Ratings

ENERGY / COMMODITIES

Oil prices to average $78 p/b in third quarter of 2024

ICE Brent crude oil front-month prices averaged $83.5 per barrel (p/b) in the first seven months of 2024, constituting an increase of 4.3% from $80 p/b in the same period of 2023, due to heightened geopolitical risks in the Middle East and strong demand for oil, particularly in the U.S. Brent prices have been fluctuating in July 2024, trading at between a low of $78.6 per barrel (p/b) on July 30 and a high of $87.4 p/b on July 4. However, prices decreased in July amid growing concerns over a slowdown in economic activity in China, which would result in a decline in oil demand. In parallel, BP indicated that sustained economic growth in emerging economies will support energy demand in the near- to medium term, despite the expected acceleration of the energy transition. It noted that aviation and marine transportation are shifting to hydrogen-derived fuels. It anticipated oil demand to decrease in the long-term, driven by the replacement of oil by electricity as the main energy source for road transport. However, it expected global energy consumption to reach between 80 million barrels per day (b/d) and 100 million b/d by 2035. Further, it expected oil supply from the U.S. to tighten in the long-term, which will be offset by higher production from Brazil and Guyana where output would reach around 5 million b/d and 1.5 million b/d, respectively. In addition, Citi Research projected oil prices to average $78 p/b in the third quarter, $74 p/b in the fourth quarter of 2024, and $80 p/b in full year 2024.

Source: BP, Citi Research, Refinitiv, Byblos Research

Middle East demand for gold jewelry down 11% in first half of 2024

Demand for gold jewelry in the Middle East totaled 82 tons in the first half of 2024, constituting a decline of 7% from 88.2 tons in the first half of 2023, and accounted for 10.6% of global demand for gold jewelry. Demand for gold jewelry in the UAE reached 18.8 tons, or 23% of the region's consumption in the covered period, followed by Saudi Arabia with 16.9 tons (20.6%), Egypt with 14.8 tons (18%), Iran with 13.4 tons (16.4%), and Kuwait with 6.1 tons (7.5%).

Source: World Gold Council, Byblos Research

Iraq's oil exports at 102.3 million barrels in June 2024

Figures issued by the Iraq Ministry of Oil show that crude oil exports from Iraq totaled 102.3 million barrels in June 2024, constituting a decline of 1.7% from 104.1 million barrels in May 2024 and an increase of 2.3% from 100.06 million barrels in June 2023. Exports from the central and southern fields stood at 102 million barrels in June 2024 compared to 104.1 million barrels in May 2024.

Source: Iraq Ministry of Oil, Byblos Research

Middle East demand for gold bars and coins down 14% in first half of 2024

Net demand for gold bars and coins in the Middle East totaled 53.4 tons in the first half of 2024, constituting a decrease of 14% from 62 tons in the same period of 2023. Demand for gold bars and coins in Iran reached 22.5 tons and accounted for 42% of the region's aggregate demand in the first half of 2024. Egypt followed with 12.8 tons (24%), Saudi Arabia with 7.8 tons (14.6%), the UAE with 4.6 tons (8.7%), and Kuwait with two tons (3.7%).

Source: World Gold Council, Byblos Research

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

The LME cash prices of zinc averaged $2,661.1 per ton in the first seven months of 2024, constituting a decrease of 4% from an average of $2,773.3 a ton in the same period of 2023, due to weak demand for zinc from China. 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. In parallel, Citi Research projected the global supply of zinc at 13.75 million tons in 2024 relative to 13.72 million tons last year, with mine output representing 90.2% of the total. Further, it forecast demand for the metal at 13.83 million tons in 2024 compared to 13.54 million tons in 2023. As such, it expected the zinc market to shift from a surplus of 173,000 tons in 2023 to a deficit of 82,000 tons in 2024. In its base case scenario, it expected the price of the metal to average $3,000 per ton in the next three months due to lower mine supply and weak refined output. Further, in its bear case scenario, it forecast zinc prices to average $2,560 per ton this year due to subdued demand from the Chinese property and construction markets; while in its bull case scenario, it projected zinc prices to average $2,960 per ton in 2024, driven by a rebound in global economic activity, which will lead to higher demand for the metal. Also, it forecast zinc prices to average $2,900 per ton in the third quarter of 2024, with a low of $2,500 per ton and a high of $3,200 a ton in the covered period.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $2,326 per ounce in third quarter of 2024

Gold prices averaged $2,233.5 per ounce in the first seven months of 2024, constituting a rise of 15.4% from an average of $1,935.7 an ounce in the same period of 2023, 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 and as a hedge against inflationary pressures. Also, gold prices reached a two-week high of $2,421.9 per ounce on July 31, 2024, amid expectations that the U.S. Federal Reserve might start cutting interest rates in September 2024. In parallel, the World Gold Council indicated that global demand for gold totaled 2,044.2 tons in the first half of 2024 and decreased by 5.3% from 2,159.6 tons in the same period of 2023. It attributed the decline to a surge of 141.7% in outflows from gold-backed exchange-traded funds (ETF), a decrease of 10.2% in jewelry consumption, and a retreat of 0.7% in demand for bars and coins, which were partly offset by a rise of 11% in demand from the technology sector and a 5.1% increase in net purchases by central banks. Also, the global supply of gold reached 2,441.3 tons in the first half of 2024, constituting an increase of 1.3% from 2,410.8 tons in the same period last year, with mine output representing 73.2% of the total. It indicated that downside risks to the global gold market outlook include a pull-back in central bank buying. It noted that upside risks include a decline in policy rates, which would increase the appeal of gold as an investment destination. Further, S&P Global Market Intelligence projected gold prices to average $2,326 per ounce in the third quarter of 2024, with a low of $2,200 per ton and a high of $2,425 a ton in the covered quarter.

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

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	LT Foreign currency rating											
Africa												
Algeria	-	-	-	-								
	-	-	-	-	-3.7	56.9	-	-	-	-	-3.2	0.4
Angola	B-	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 Congo	B-	B3	-	-								
	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	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	31-Jul-24	No change	N/A
Eurozone	Refi Rate	4.25	06-Jun-24	Cut 25bps	12-Sep-24
UK	Bank Rate	5.25	20-Jun-24	No change	01-Aug-24
Japan	O/N Call Rate	0.25	31-Jul-24	Raised 15bps	20-Sep-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	23-Jul-24	No change	20-Aug-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	29-Jul-24	No change	30-Sep-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	31-Jul-24	No change	N/A
Armenia	Refi Rate	7.75	30-Jul-24	Cut 25bps	10-Sep-24
Romania	Policy Rate	6.75	05-Jul-24	Cut 25bps	07-Aug-24
Bulgaria	Base Interest	3.53	01-Aug-24	Cut 10bps	02-Sep-24
Kazakhstan	Repo Rate	14.25	12-Jul-24	Cut 25bps	29-Aug-24
Ukraine	Discount Rate	13.00	25-Jul-24	No change	19-Sep-24
Russia	Refi Rate	16.00	07-Jun-24	No change	13-Sep-24

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