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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

GSSS debt of $1.2 trillion due between April 2024 and end-2028

S&P Global Ratings indicated that $1.2 trillion (tn) of rated green, social, sustainable and sustainability-linked bonds (GSSS bonds) will mature between April 2024 and December 2028. It noted that $116.9bn in GSSS bonds are due between April and December 2024, $239.8bn mature in 2025, $306.9bn are payable in 2026, $244.4bn come due in 2027, and $287.9bn have to be settled in 2028. The distribution of GSSS bonds shows that green bonds that mature between April 2024 and end-2028 amounted to $607.5bn and accounted for 53% of the total, followed by sustainability bonds with $262.8bn (20%), social bonds with $244.6bn (19%), sustainability-linked bonds with $77.6bn (7%), and transition bonds with $3.3bn (0.3%). Also, it noted that $1.12tn in investment-grade GSSS bonds, or 94% of the due debt, mature between August 2024 and December 2028, while $71.4bn in speculative-grade GSSS bonds (6%) come due during the covered period. In parallel, it pointed out that 'A'-rated GSSS bonds that mature between April 2024 and December 2028 stand at $294.8bn and represent 24.6% of the total, followed by bonds in the 'AAA' bracket with $294.8bn (24.6%), debt in the 'AA' range with $264.9bn (22.2%), GSSS bonds in the 'BBB' segment with $233.4bn (19.5%), bonds in the 'BB' bracket with $54.2bn (4.5%), debt in the 'B' range with $15.5bn (1.3%), and GSSS bonds in the 'CCC' segment or below with $1.6bn (0.1%).

Source: S&P Global Ratings

Mergers and acquisitions up 4% to $1 trillion in first half of 2024

Figures released by the Boston Consulting Group indicate that global mergers and acquisitions (M&A) transactions reached $1.03 trillion (tn) in the first half of 2024, constituting an increase of 4.1% from $992bn in the first half of 2023 and a decrease of 3.8% from $1.07tn in the second half of 2023. Further, it pointed out that M&A transactions in North America amounted to $631bn in the first half of 2024 and accounted for 61% of the total value of global deals, followed by Europe with $255bn (24.7%), the Asia-Pacific region with $117bn (11.3%), South & Central America with $16bn (1.5%), and Africa, the Middle East & Central Asia with $14bn (1.4%). Also, it said that the value of M&A deals in Europe increased by 23.2% in the first half of 2024 from the same period last year, followed by M&A investments in North America (+17.7%). In contrast, it stated that the value of M&A transactions in South & Central America declined by 53% in the covered period, followed by M&A deals in the Asia-Pacific region (-40.6%), and in Africa, the Middle East & Central Asia (-22.2%). Further, it noted that M&A investments in the technology, media & telecommunications sector stood at $288bn in the first half of 2024 and represented 28% of aggregate global M&A transactions, followed by M&A deals in the financial institutions & real estate sectors with $220bn (21.3%), the energy sector with $148bn (14.3%), the healthcare and materials industry with $111bn each (10.7% each), the consumer sector with $86bn (8.3%), and in industrials with $70bn (6.8%).

Source: Boston Consulting Group, Byblos Research

MENA

Arab region has third lowest cost of mobile-cellular service globally

Figures released by the International Telecommunication Union (ITU) show that the cost of a basket of mobile-cellular services in 20 Arab countries averaged about 1.21% of GNI per capita in 2023, the third lowest in the world behind North America (0.36% of GNI per capita) and Europe & Central Asia (0.54% of GNI per capita). The mobile-cellular basket covers the cost of a minimum of 70 minutes of outgoing calls per month and 20 SMS messages at pre-determined rates. The UAE has the cheapest mobile-cellular service among Arab countries at 0.08% of GNI per capita, followed by Qatar (0.15% of GNI), Libya (0.22% of GNI), Saudi Arabia (0.3% of GNI) and Egypt (0.32% of GNI). Further, the cost of a mobile broadband basket for a minimum of two Gigabytes (GB) in 20 Arab economies averaged 2.16% of GNI per capita last year, the fourth lowest in the world behind Europe & Central Asia (0.61% of GNI per capita), North America (0.68% of GNI per capita) and South Asia (2% of GNI per capita). The cost covers a monthly subscription to a data-only plan. Qatar has the least expensive mobile broadband basket for a minimum of 2GB among Arab countries at 0.12% of GNI per capita last year, while Yemen has the most expensive service at 7.7% of GNI per capita. The cost covers a monthly subscription to a data-only plan. In parallel, the cost of a fixed broadband basket for a minimum of 5GB in 19 Arab economies averaged about 3.9% of GNI per capita in 2023, the third lowest in the world behind North America (0.9% of GNI per capita) and Europe & Central Asia (1.46% of GNI per capita). The cost covers a monthly subscription to an entry-level fixed-broadband plan. The UAE has the cheapest fixed broadband basket among Arab countries at 0.44% of GNI per capita.

Source:International Telecommunication Union

Level of bribery risk varies across Arab world

TRACE, a non-profit international business association that aims to assess the multidimensional nature of bribery, ranked Jordan in 69th place among 194 countries, territories and autonomous regions and in first place among 19 Arab countries on its Bribery Risk Matrix for 2023. The UAE followed in 79th place, then Tunisia (86th), Kuwait (91st), and Lebanon (127th) as the five countries with the lowest level of bribery risk in the Arab world, while Iraq (166th), Mauritania (177th), Libya (179th), Yemen (190th), and Syria (192nd) had the highest such risks in the region. The matrix, which is based of four risk categories, aims to help companies gauge the risks of encountering bribery practices in the public sector of jurisdictions where they plan to conduct business. The rankings are based on scores that range from zero to 100, with a score of 100 reflecting the highest risk of graft. The Arab countries' average score stood at 63.2 points in 2023 compared to the global average score of 49.2 points. Also, the region's risk of graft was lower than the corresponding risk level in Sub-Saharan Africa (134.1 points), South Asia (115.4 points), Latin America & the Caribbean (92.3 points), East Asia & the Pacific (84.7 points), but higher than the risk level in Europe & Central Asia (59.5 points) and North America (11 points).

Source: TRACE, Byblos Research

POLITICAL RISKS OVERVIEW - July 2024

ALGERIA

President Abdelmadjid Tebboune announced his candidacy for a second term in office in the presidential election that is expected to take place on September 7, 2024. The leader of the Algerian Workers' Party, Louisa Hanoune, withdrew from the race citing unfair conditions and called on her party to boycott the upcoming election. Further, 11 prominent opposition figures wrote an open letter denouncing the "authoritarian climate" surrounding the upcoming election and called for a democratic change. Also, the elections body announced that 16 persons submitted their candidacy, but that only three of them qualified and would compete in the poll. The three candidates are President Tebboune, the National Secretary of the Front des Forces Socialistes Youcef Aouchiche, and Abdelaali Hassani Cherif of the Mouvement de la Société pour la Paix. In parallel, Algiers recalled its ambassador from France over its Western Sahara policy shift, following France's announcement that it considered a Moroccan plan for the autonomy of Western Sahara to be the "only basis" to solve the conflict.

ARMENIA

The ministers of Foreign Affairs of Armenia and Azerbaijan and U.S. Secretary of State Antony Blinken met in Washington, D.C. on margins of the NATO summit. Yerevan and Baku finalized the demarcation of a small section of their border, even though concerns persisted about the future of the demarcation process amid slow peace talks and disagreements about what the maps to use. The European Council endorsed talks with Armenia on visa liberalization and provided Yerevan with €10m in military assistance within the framework of the European Peace Facility. Armenian and Turkish special envoys met at a shared border location to resume discussions that aim to normalize bilateral ties.

EGYPT

The new government, which included the replacement of several ministers, was sworn in on July 3, 2024. Prime Minister Mostsfa Madbouly presented the government's program, which is in line with existing priorities that include maintaining national security, promoting economic growth, and implementing political reforms that the August 2023 national dialogue initiative suggested. Security forces detained over 100 individuals since the beginning of July for calling for protests against rising prices and power cuts. Cairo hosted an EU-Egypt dialogue on migration and investments.

ETHIOPIA

After the formation in June of a Regional Peace Council to facilitate talks with Fano militias, several factions formed the Amhara Fano Popular Organization and elected former journalist Eskinder Nega as its leader, who in June stressed the need for a united front before talks with the government can begin. Clashes between security forces and Fano forces continued in several areas of the country. Tensions persisted over the return of displaced Tigrayans to disputed territories between the Tigray and Amhara states, sparking two-day protests from Amhara residents who said that Tigray soldiers were among the returnees to the Tselemti district in Tigray's North Western Zone, and to the Alamata town in Southern Tigray Zone. Clashes between the Ethiopian military and the Oromo Liberation Army persisted across the Oromia region during July.

IRAN

In the second round of the presidential elections that took place on July 5, 2024, reformist candidate Masoud Pezeshkian won the presidency with 53.6% of the vote and was inaugurated on July 30th. President Pezeshkian's campaign emphasised political cohesion, less restrictive social and cultural policies, enhanced economic management, and improved relations with the West. The U.S. imposed sanctions on Iran-linked entities and individuals for their alleged involvement in the proliferation of weapons of mass destruction, for being associated with the financing networks of the Huthi rebels, and for facilitating Iran's missile and drones program.

IRAQ

Iraqi and U.S. officials held a second round of the Joint Security Cooperation Dialogue to discuss the transition from the U.S.-led Global Coalition against the Islamic State terrorist group to a bilateral security relationship. Further, the leader of the Kurdistan Democratic Party (KDP) Massoud Barzani visited Baghdad for the first time in six years, and said that talks with Prime Minister Mohammed Shia' al-Sudani represented a "real breakthrough" in relations between Baghdad and Erbil. Also, the KDP submitted a list of candidates for the local elections following the latest of several extensions of registration deadlines for candidates.

LIBYA

Around 130 members from the East-based House of Representatives (HoR) and the Tripoli-based High State Council (HSC) met in Cairo and announced that they agreed to form a unity government and to organize legislative and presidential elections. The procedures for a potential new government and election laws remained in a state of uncertainty. The HoR approved an additional budget of $18.3bn to finance the country's eastern-based institutions, while the HSC rejected the proposal due to the large amount of the requested additional funds.

SUDAN

Fighting between the Sudanese Armed Forces and the Rapid Support Forces persisted in multiple states. The World Health Organization said that fighting has made access "impossible" to the North Darfur's capital El Fasher. The African Union held a preparatory meeting in Addis Ababa with around 20 political and civil society groups for the Inter-Sudanese Political Dialogue. As a result, participants agreed to hold a conference to establish an interim caretaker government. The chairman of the Sovereign Council Abdel Fattah al-Burhan survived an apparent assassination attempt on July 31, 2024.

YEMEN

Israel launched retaliatory airstrikes on the Hodeida port, attacking oil and energy infrastructure, and killing nine and injuring 87 persons after a Huthi drone killed an Israeli citizen in Tel Aviv. The Huthis attacked ships in the Red, Arabian and Mediterranean seas, and in the Indian Ocean. The government-controlled Central Bank of Yemen revoked the licenses of six commercial banks for failing to relocate their offices from the Huthi-controlled capital Sana'a to Aden. The government and the Huthis informed the UN envoy that they had agreed to cancel the recent restrictions on banks and to resume the flights of national airline Yemenia. The government and the Huthi representatives attended a meeting of the Supervisory Committee on the Implementation of the Detainees' Agreement in Muscat and reached a "breakthrough" preliminary agreement on the release of the government-aligned political leader Mohamed Qahtan, who has been detained by the Huthis since 2015. The UN Security Council extended the mandate of the UN Mission to support the Hudaydah Agreement (UNHMA) until July 14, 2025.

Source: International Crisis Group, Newswires

OUTLOOK

ARMENIA

Growth to average 5.9% in 2024-25 period, outlook subject to downside risks

The Institute of International Finance projected Armenia's real GDP growth rate at 6.8% in 2024, driven by the increase in jewelry and industrial production, higher domestic consumption and a rise in net exports. It forecast economic growth to decelerate to 5% in 2025, and considered that risks to Armenia's outlook include uncertainties about the Nagorno-Karabakh peace process, potential domestic civil unrest, global geopolitical conflicts that may lead to higher commodity prices, and a reversal of financial flows from Russian migrants that can quickly put pressure on foreign currency reserves.

In parallel, it forecast the fiscal deficit to widen from 4.6% of GDP in 2024 to 5% of GDP in 2025, and for the public debt level to increase from 49.6% of GDP at end-2024 to 51.2% of GDP at end-2025. It noted that the government plans to increase public expenditures to support and house over 100,000 refugees from the Nagorno-Karabakh region. Also, it projected the current account deficit at 2.7% of GDP in 2024 and 3.2% of GDP in 2025, as it anticipated the trade deficit to widen, remittance inflows to decline, and debt servicing costs to increase. But it expected foreign direct investment inflows to help finance the current account deficit in the near term. Further, it anticipated the external debt level to decrease from 63.6% of GDP at end-2024 to 61.9% of GDP at end-2025 due to the appreciation of the local currency. Also, it forecast Armenia's gross foreign currency reserves to decrease from $3.6bn or 2.7 months of import coverage at the end of 2023 to $3.3bn or 1.9 months of import coverage at end-2024, due to a moderation in financial inflows, higher sovereign debt repayments, and currency interventions to support the domestic currency. But it expected foreign currency reserves to increase to $3.7bn, or 2.7 months of import coverage at the end of 2025.

Source: Institute of International Finance

IRAQ

Fiscal and external outlook contingent on oil prices and production

S&P Global Ratings projected Iraq's real GDP to shift from a contraction of 2.9% in 2023 to a growth rate of 1.2% in 2024, and to remain subdued in the near term due to the ongoing decline in oil production. Also, it expected economic activity to average 2.4% in the 2025-27 period in case of reinvigorated post-war reconstruction plans. In addition, it forecast the inflation rate to decrease from 4.4% in 2023 to 3% in 2024, as monetary policy remains tight and global inflationary pressures ease.

In parallel, it projected the fiscal deficit to widen from 2.1% of GDP in 2023 to 4.5% of GDP in the 2024-25 period due to large domestic spending plans, still-elevated oil prices, and capacity constraints tied to expanding non-oil investments. It said that the Iraqi government's fiscal position remains heavily dependent on global oil prices and production. It added that revenues from the non-oil economy cannot provide significant additional support to the country's fiscal position, since the weak tax and customs collection limits the government's ability to raise revenues from outside the oil sector. Also, it anticipated that political and social demands will continue to weigh on the public-sector wage bill, which accounts for about 50% of public expenditures. In addition, it pointed out that Parliament approved a record $164bn budget for 2024, reflecting increased allocations toward employee salaries. It anticipated the authorities to finance the deficits in part through the issuance of Treasury bills and bonds on the domestic market, and from drawing down foreign currency assets that the government accumulated in 2021 and 2022. Further, it projected the public debt net of liquid assets at about 36% of GDP annually in the 2024-27 period, while it forecast principal and interest payments on the government's external debt at $4.8bn in 2024 and $4.5bn in 2025.

Further, S&P expected Iraq's sizeable oil export capacity to support the country's external balance and foreign currency reserves. It forecast the current account balance to remain in surplus through 2027, although it anticipated the surplus to decrease from 11.3% of GDP in 2023 to 5.6% of GDP in 2024 and 2.5% of GDP in 2025, driven by a relative decline in oil production and prices, as well as by an increase in capital imports. Also, it projected foreign currency reserves to rise from $112bn at the end of 2023 to nearly $122.4bn by end-2027.

Source: S&P Global Ratings

BANGLADESH

Economic outlook subject to uncertainties amid political transition

Fitch Ratings considered that the fall of Bangladesh's government, after protests in July and August 2024, raises uncertainties in case the political situation leads to policy paralysis and exacerbates fiscal or external stresses. It said that pressure on the country's external metrics would be difficult to reverse despite reforms under an International Monetary Fund (IMF) program, which include a shift towards a flexible exchange-rate regime. It added that significant slippage on fiscal metrics and on the liberalization of the exchange rate could jeopardize the country's access to funding support from the IMF and other multilateral creditors, which could weaken its external position. But it assumed that the interim government, as well as its successor, will adhere to the broad policy commitments under the IMF program, although significant political instability or gridlock could complicate the adherence to the program.

Further, it expected the recent political developments to negatively affect economic growth and tax revenue collection, and to put upward pressure on the inflation rate in the third quarter of 2024. It added that the recent events would impact the country's two key sources of foreign currency earnings, the readymade garment exports and remittance inflows, which could exacerbate external pressures. But it noted that the restoration of political stability in the near term would limit the adverse impact on the economy.

In parallel, it considered that the pressure on the near-term debt repayments is moderate, given that the public sector's external debt servicing due in 2025 is about $4.3bn, of which $1.5bn is bilateral debt and $2.2bn is owed to multilaterals. It expected financing from official creditors to continue in the near term, which will support external debt servicing capacity.

Source: Fitch Ratings

ECONOMY & TRADE

GHANA

Sovereign ratings trajectory contingent on Eurobonds restructuring

Fitch Ratings affirmed Ghana's long-term foreign currency Issuer Default Rating (IDR) at 'Restricted Default' (RD) and the country's long-term local currency IDR at 'CCC'. It also affirmed the Country Ceiling at 'B-'. It indicated that the ratings show that Ghana is still in default on its outstanding Eurobonds, but it indicated that the authorities have made progress on the Group of 20 Common Framework for Debt Treatment. It added that Ghana and the representatives of bondholders who own or control approximately 40% of the outstanding $13bn in Eurobonds reached an agreement in principle in June 2024 on the terms of the Eurobonds restructuring, and expected the completion of the restructuring by the end of 2024. In addition, it pointed out that the agreement in principle, if implemented, would result in a reduction in Ghana's foreign-currency debt stock of around 6% of 2024 GDP, as it assumed a nominal haircut of 37% for the majority of the claims and a rescheduling of the balance until 2037. As such, it said that debt-servicing costs would decline by 1.1% of GDP in 2024, 0.8% of GDP in 2025 and 0.6% of GDP in 2026. Also, it attributed the affirmation of the long-term local currency IDR to the substantial credit risk amid elevated interest payments. In parallel, Fitch said that it could upgrade the ratings once the authorities reach an agreement with private creditors on the restructuring of the country's foreign currency-denominated external debt and complete the restructuring process, and/or if liquidity pressures ease. In contrast, it noted that it could downgrade the ratings in case of delays in the external debt restructuring process.

Source: Fitch Ratings

QATAR

Sovereign rating affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed the long-term foreign and local currency ratings and the short-term foreign and local currency ratings of Qatar at 'AA' and 'A1+', respectively, and maintained the 'stable' outlook on the long-term ratings. It indicated that the ratings reflect the country's robust fiscal and external balances that are supported by favorable liquefied natural gas (LNG) prices. It added that the ratings take into consideration Qatar's capacity to absorb external or financial shocks, given the country's comfortable net external creditor position and the Qatar Investment Authority's large portfolio of foreign assets. It noted that the ratings are also supported by the country's significant hydrocarbon reserves, increasing LNG production and export capacity, very high GDP per capita, and adequate official foreign currency reserves. But it pointed out that the ratings are constrained by the economy's reliance on hydrocarbons, as well as by limited fiscal transparency and monetary policy flexibility. It added that risks to the growth outlook remain elevated due to high geopolitical risks following the war in the Gaza Strip, as well as the limited growth in China, Qatar's main LNG importer. Further, the agency said that it could revise the outlook to 'positive' in case the central government's debt and external debt levels decline more rapidly than expected, and/or if the government implements reforms that would reduce its reliance on the hydrocarbon sector, strengthen institutions, and improve fiscal transparency.

Source: Capital Intelligence Ratings

SAUDI ARABIA

Diverse funding sources can cover fiscal needs

Global investment bank JPMorgan Chase indicated that Saudi Arabia's real GDP contracted by 0.4% in the second quarter of 2024 from the same quarter of 2023, driven by the large drop in oil production that started in the third quarter of 2023, although oil output was stable in the second quarter of 2024. It said that private non-oil activity picked up in the second quarter from a lower base in the first quarter of 2024. As such, it forecast Saudi Arabia's real GDP growth rate at 1.1% and for non-hydrocarbon GDP at about 4% in 2024. In parallel, it noted that the fiscal deficit reached SAR15bn, or 1.5% of GDP on an annual basis in the second quarter of 2024, driven by a rise of 49% year-on-year in capital expenditures due to the front-loading of outlays. As such, it revised its forecast for the fiscal deficit by 0.2 percentage points to 2.9% of GDP in 2024 and 4.3% of GDP in 2025, and estimated the fiscal breakeven oil price at $96 per barrel (p/b) in 2024 and $94 p/b in 2025. Also, it estimated that the government's funding sources for 2024 come from $17bn in external issuance, SAR36bn in net domestic borrowing, and the sale of 0.7% of Saudi Aramco's shares, which are broadly in line with the government's financing needs for this year. However, it expected higher fiscal needs in 2025 due to an anticipated wider fiscal deficit.

Source: JPMorgan Chase

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Angola's long- and short-term sovereign credit ratings at 'B-' and 'B', respectively, and maintained the 'stable' outlook on the long-term ratings. It noted that the 'stable' outlook balances the country's large external funding needs and financing risks in the next 12 months, against broadly supportive oil prices, stable oil production, and adequate foreign currency reserves. It said the ratings are constrained by Angola's elevated fiscal and external vulnerabilities that are weighing on the country's capacity to repay its commercial debt obligations. Further, it noted that the debt-servicing costs are preventing the government from investing in much-needed infrastructure and that the elevated inflation rate could compromise fiscal consolidation efforts. But it expected the government's indebtedness to moderate due to the partial repayment of its external debt and to the implementation of fiscal consolidation measures. Also, it forecast the country's gross external financing needs at 106% of current account receipts plus usable reserves in 2024 and at 108.6% and 108% such receipts and reserves in 2025 and 2026, respectively. Also, it expected the government to utilize its external assets and oil revenues to avoid additional declines in its foreign currency reserves in order to meet debt-repayment obligations. It added that the authorities' progress on implementing reforms to reduce the impact of oil shocks has been slow. In parallel, it noted that it could upgrade the ratings if the authorities' economic and fiscal reforms result in a sustained recovery in the oil and non-oil economy, reduce debt-serving costs, and increase foreign currency reserves. In contrast, it said that it could downgrade the ratings in case the government's ability to service its commercial debt decreases and/or if the country's access to external funding weakens, and/or if exchange rate shocks result in lower oil receipts.

Source: S&P Global Ratings

BANKING

JORDAN

NPLs ratio to increase to 5.7% at end-2024

S&P Global Ratings maintained Jordan's banking sector assessment in 'Group 8' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '8' and an industry risk score of '7'. The BICRA framework evaluates banking systems based on the economic and industry risks that they face, with 'Group 10' consisting of the riskiest banking sectors. The other countries in BICRA's Group '8' are Armenia, Azerbaijan, Bosnia and Herzegovina, Costa Rica, Honduras, Jamaica, Kazakhstan, Paraguay, and Uzbekistan. It indicated that the economic risk score reflects "extremely high risks" in Jordan's economic resilience, "very high" credit risks in the economy, and "intermediate risks" in the country's economic imbalances. It expected the sector's non-performing loans ratio to increase from 5% at end-2023 to 5.7% at end-2024, due to elevated interest rates that will weigh on the capacity of borrowers to repay their loans amid slowing economic activity. Also, it considered that Jordanian banks are highly exposed to sovereign risk, which adds to their indirect exposure through government-guaranteed credit facilities extended to government-related entities. It considered that the elevated indebtedness of households is leading to high credit risk in the economy, which leaves the banking sector with limited room to absorb economic shocks. In parallel, S&P said that the industry risk score reflects the country's "high risks" in its institutional framework, competitive dynamics and system-wide funding. It expected the banks to continue generating sufficient profitability to absorb still-high credit losses and funding costs, as well as to support capitalization metrics. Further, it indicated that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

KUWAIT

Banking sector to benefit from merger and acquisitions

Fitch Ratings indicated that the recent increase in mergers and acquisitions (M&A) activity among Kuwaiti banks is credit positive for the sector, as it will help banks diversify their business models and strengthen their financial profile, given that the market is overbanked amid limited growth opportunities. It noted that frequent political gridlock, institutional constraints, and delays in implementing reforms, such as the new Public Debt Law and the mortgage law, are limiting growth opportunities in the banking sector. Further, it expected the sector's lending to increase by 3% to 4% in 2024 due to elevated interest rates, modest real GDP growth, and political divisions. However, it pointed out that the banks benefit from adequate capital, good funding and liquidity, and strong risk-management practices, which could support faster lending growth if political and institutional hurdles are resolved. It added that Kuwaiti banks also benefit from a strong likelihood of government support, in case of need. In addition, it said that Boubyan Bank and Gulf Bank announced in July 2024 that they were considering a merger, which would create an Islamic bank with assets of about KWD16bn, or the equivalent of $53bn and about a 15% market share. Also, it pointed out that Burgan Bank decided to acquire a 100% stake in Bahrain's United Gulf Bank, given that the bank is aiming to diversify its business in Gulf Cooperation Council countries.

Source: Fitch Ratings

BAHRAIN

Agency takes rating actions on five banks

Capital Intelligence Ratings affirmed the long-term foreign currency rating of Gulf International Bank (GIB) at 'A+', the rating of the Arab Banking Corporation (ABC) at 'BBB+', that of United Gulf Bank (UGB) at 'BBB', the rating of National Bank of Bahrain (NBB) at 'B+', and the rating of Al Baraka Islamic Bank (AIB) at 'B'. Also, it maintained the 'stable' outlook on the long-term ratings of GIB, ABC, UGB, and NBB, and the 'negative' outlook on AIB. Also, it affirmed the Bank Standalone Ratings (BSRs) of GIB and UGB at 'bbb-', the rating of ABC at 'bbb', the BSR of NBB at 'b+', and the rating of AIB at 'b-', with a 'stable' outlook on the BSRs of the five banks. Further, it indicated that the ratings of the five banks are supported by their sound capital ratios. It pointed out that the ratings of GIB, ABC and NBB are underpinned by their satisfactory asset quality, while the rating of AIB is constrained by the bank's weakened asset quality. Also, it said that weak profitability metrics are weighing on the ratings of AIB and UGB. It added that the ratings of ABC and GIB take into account the banks' improving profit ratios, while the rating of NBB reflects the bank's good profitability. In addition, it stated that the ratings of the five banks are supported by their robust liquidity profile and stable funding. It said that the ratings of the five banks are constrained by their loan concentrations, while the concentration of customer deposits is weighing on the ratings of GIB, ABC, NBB, and AIB.

Source: Capital Intelligence Ratings

TÜRKIYE

FATF removes Türkiye from grey list

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 Türkiye is no longer subject to its increased monitoring process, as it made significant progress in improving its AML/CFT regime to meet the commitments in its action plan to address the strategic deficiencies that the FATF identified in October 2021. It noted that the authorities dedicated more resources to the Financial Intelligence Unit in order to supervise AML/CFT compliance by high-risk sectors and to increase on-site inspections. It added that the country applied dissuasive sanctions for AML/CFT breaches, in particular for unregistered money transfer services and exchange offices. It said that the authorities increased the use of financial intelligence to support ML investigations, carried out more complex ML investigations and prosecutions, and set out clear responsibilities and measurable performance objectives and metrics for the authorities responsible for recovering criminal assets and pursuing terrorism financing (TF) cases. It noted that the authorities conducted more financial investigations in terrorism cases, prioritizing TF investigations and prosecutions related to UN-designated groups and ensured TF investigations to identify financing and support networks. In addition, it stated that the authorities pursued outgoing requests and domestic designations related to UN-designated groups. Further, it noted that the authorities implemented a risk-based approach to supervise non-profit organizations in order to prevent their abuse for terrorist financing.

Source: Financial Action Task Force

Oil prices to average $84.7 p/b in third quarter of 2024

ICE Brent crude oil front-month prices reached $77.2 per barrel (p/b) on August 20, 2024, constituting a decrease of 4.3% from $80.7 p/b a week earlier amid higher U.S. crude oil inventories and expectations that tensions in the Middle East would ease. In parallel, the International Energy Agency indicated that persistent geopolitical tensions in the Middle East and some relatively positive macroeconomic data supported lower prices in oil future contracts. It expected global oil demand to grow by less than one million barrels per day (b/d) in each of 2024 and 2025. Further, it forecast the oil output of non-OPEC+ producers to increase by 1.5 million b/d in each of 2024 and 2025, while it anticipated OPEC+ production to decline by 760,000 b/d this year and to rise by 400,000 b/d in 2025 if voluntary cuts stay in place. As such, it anticipated the U.S., Brazil, Canada and Guyana to account for 1.1 million b/d, or 75%, of non-OPEC+ supply in each of 2024 and 2025. In addition, it projected the global oil market to be in deficit in the near term due to elevated demand for oil during the summer season. However, it forecast global oil inventories to increase by an average of 860,000 next year amid elevated output from non-OPEC+ producers. Further, Refinitiv projected oil prices, through its latest crude oil price poll of 36 industry analysts, to average $84.7 p/b in the third quarter and $83.4 p/b in the fourth quarter of 2024.

Source: International Energy Agency, Refinitiv, Byblos Research

OPEC's oil basket price up 1.5% in July 2024

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $84.43 per barrel (p/b) in July 2024, constituting an increase of 1.5% from $83.22 p/b in June 2024. The price of Equatorial Guinea's Zafiro was $86.35 p/b, followed by Saudi Arabia's Arab Light at $86.19 p/b and Kuwait's Kuwait Export at $85.72 p/b. Further, 11 out of the 12 prices in the OPEC basket increased by $0.81 p/b to $3.2 p/b in July 2024, while one price decreased by $1.62p/b.

Source: OPEC

Algeria's crude oil production down 6% annually in May 2024

Crude oil production in Algeria totaled 901,000 barrels per day (b/d) in May 2024, constituting decreases of 0.7% from 907,000 b/d in April 2024 and of 6.3% from 962,000 b/d in May 2023. Further, aggregate total crude oil exports from Algeria stood at 465,000 b/d in May 2024, up by 11% from 419,000 b/d in April 2024 and down by 0.6% from 468,000 b/d in May 2023.

Source:JODI, Byblos Research

OPEC oil output up 1% in July 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.75 million barrels of oil per day (b/d) in July 2024, constituting an increase of 0.7% from 26.56 million b/d in June 2024. On a country basis, Saudi Arabia produced 9 million b/d, or 33.7% of OPEC's total output, followed by Iraq with 4.25 million b/d (16%), Iran with 3.27 million b/d (12.2%), the UAE with 2.95 million b/d (11%), and Kuwait with 2.4 million b/d (9%).

Source:OPEC

Base Metals: Iron ore prices to average at $103 per dry metric ton in third quarter of 2024

LME iron ore cash prices averaged $114.6 per dry metric ton (dmt) in the year-to-August 20, 2024 period, constituting a decrease of 1% from an average of $115.8 per dmt in the same period of 2023, due mainly to weak investor sentiment and poor demand for steel in China. Also, iron ore prices peaked at $143.4 dmt on January 3, 2024, their highest level since June 9, 2022 when they reached $146.5 dmt, driven by expectations of policies in China that aim to support its slowing economy, as well as by a 25% month-on-month decrease in exports from Brazil in January 2024. The metal's price regressed to $93 dmt on August 16, 2024, its lowest level in 20 months, amid lower demand for iron ore. Further, S&P Global Market Intelligence forecast the global supply for iron ore to increase from 2.43 million tons in 2023 to 2.46 million tons in 2024, or by 1.5%. Also, it projected the global demand for iron ore to decrease by 1.1% from 2.46 million tons in 2023 to 2.43 million tons in 2024. In addition, it expected global crude steel production, which is derived from iron ore, at 1,902 million tons in 2024, and to grow by 0.6% from 1,891 million tons in 2023. It anticipated the global consumption of steel at 1,772 million tons this year, up by 0.5% from 1,764 million tons in 2023. It expected China's steel production to decrease in the second half 2024, which will slow the increase in the imports of iron to 1,207 million tons, or 2.2%, in 2024. Further, it forecast iron ore prices to average $103 per dmt in the third quarter and $105 per dmt in the fourth quarter of 2024, as well as to average $110.8 per dmt in full year 2024.

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

Precious Metals: Gold prices to average $2,500 per ounce in next three months

Gold prices averaged $2,251.3 per ounce in the year-to-August 20, 2024 period, constituting a rise of 16.4% from an average of $1,934.3 an ounce in the same period of 2023, due mainly 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 an all-time high of $2,511.3 per ounce on August 20, 2024, amid expectations that the U.S. Federal Reserve might start cutting interest rates in September 2024, which prompted investors to buy more of the precious metal. In parallel, Julius Bär considered that Western demand for gold is decreasing, as safe-haven seekers are finding more attractive alternatives in high-grade bonds. But it expected an increase of inflows into gold-backed exchange traded funds (ETFs) in the near term in case of a recession in the U.S. Also, it forecast a stronger-than-expected pick up in gold purchases by central banks worldwide or a potential recession in the U.S. to put upward pressure on gold prices in the near term. However, it anticipated a decline in demand for the metal in Asia and slower buying by central banks to weigh on gold prices in the near term. Further, figures released by the World Gold Council show that global inflows to gold-backed ETFs reached a high level of 47.7 tons in August 2024, with inflows of 25.7 tons in North America, 16.6 tons in Europe, 4.6 tons in Asia, and 0.9 tons in other regions amid heightened geopolitical tensions. Further, Julius Bär projected gold prices to average $2,500 per ounce in the next three months.

Source: Julius Bär, 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- Stable	B3 Positive	B- Stable	- -	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-4.3
Egypt	B- Positive	Caa1 Positive	B- Positive	B Negative	-7.2	86.6	2.8	85.1	58.8	158.1	-3.6	13.4
Ethiopia	SD -	Caa3 Stable	CCC- -	- -	-2.9	26.2	0.5	33.4	7.8	157.9	-3.4	2.0
Ghana	SD -	Ca Stable	RD -	- -	-4.8	78.1	1.1	41.1	22.7	127.6	0.9	2.0
Côte d'Ivoire	BB- Positive	Ba2 Stable	BB- Stable	- -	-4.5	57.7	4.7	47.6	15.7	112.3	-4.4	2.3
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-2.5	15.0	1.4	5.1	2.0	102.1	-5.6	4.2
Morocco	BB+ Positive	Ba1 Stable	BB+ Stable	- -	-4.1	65.8	4.9	30.4	7.3	94.0	-1.4	0.5
Nigeria	B- Stable	Caa1 Positive	B- Stable	- -	-4.4	47.4	2.9	41.7	23.3	113.6	0.5	0.1
Sudan	- -	- -	- -	- -	-5.0	91.0	-	-	-	-	-5.0	0.2
Tunisia	- -	Caa2 Negative	CCC- -	- -	-5.6	88.7	-	-	26.1	-	-2.7	-1.1
Burkina Faso	CCC+ Stable	- -	- -	- -	-5.5	61.8	0.5	64.8	12.3	168.7	-3.6	0.5
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	-4.8	68.0	3.6	22.5	9.6	111.1	-10.6	3.5
Middle East												
Bahrain	B+ Stable	B2 Stable	B+ Stable	B+ Stable	-4.0	120.8	-4.1	148.5	26.5	363.8	3.7	1.0
Iran	- -	- -	- -	B Stable	-4.2	26.1	-	-	-	-	3.5	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	38.3	20.3	4.0	2.0	33.0	11.5	-1.8
Jordan	B+ Stable	Ba3 Stable	BB- Stable	BB- Stable	-1.1	90.6	1.9	69.7	10.9	151.6	-4.6	1.8
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ Stable	-2.1	4.7	2.8	41.3	0.4	97.3	19.4	-3.0
Lebanon	SD -	C -	RD -	- -	-0.2	270.6	9.0	165.9	6.5	151.4	-9.5	0.5
Oman	BB+ Stable	Ba1 Stable	BB+ Stable	BB+ Stable	1.4	34.5	1.8	31.4	8.2	113.0	1.3	2.5
Qatar	AA Stable	Aa2 Stable	AA- Positive	AA Stable	4.2	41.7	2.4	125.2	4.2	174.5	15.8	-2.4
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-2.0	23.0	10.2	23.8	3.4	66.1	1.4	0.1
Syria	- -	- -	- -	- -	-	49.0	-	-	-	-	-15.5	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	5.5	29.9	-	-	4.3	-	6.8	-2.0
Yemen	- -	- -	- -	- -	-2.7	50.7	-	-	-	-	-19.2	-2.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	BB- Stable	Ba3 Stable	BB- Stable	B+ Positive	-4.3	46.5	2.0	29.8	9.8	114.6	-3.0	2.2
China	A+ Stable	A1 Negative	A+ Stable	- -	-3.0	66.1	10.6	25.8	5.9	64.5	2.3	0.7
India	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-8.0	86.0	6.6	27.5	28.9	87.2	-3.1	1.5
Kazakhstan	BBB- Stable	Baa2 Positive	BBB Stable	- -	-2.7	26.1	4.0	26.6	7.9	99.2	-2.8	2.2
Pakistan	CCC+ Stable	Caa3 Stable	CCC+ -	- -	-7.5	71.3	0.7	34.9	55.9	133.4	-1.3	0.4
Central & Eastern Europe												
Bulgaria	BBB Positive	Baa1 Stable	BBB Positive	- -	-2.8	23.8	1.7	19.9	1.7	105.0	-0.2	1.8
Romania	BBB- Stable	Baa3 Stable	BBB- Stable	- -	-5.9	49.0	4.3	25.4	6.4	99.6	-6.9	2.0
Russia	- -	- -	- -	- -	-0.8	19.8	11.6	23.0	3.6	61.1	2.0	-0.6
Türkiye	B Positive	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	5.00	01-Aug-24	Cut 25bps	19-Sep-24
Japan	O/N Call Rate	0.25	31-Jul-24	Raised 15bps	20-Sep-24
Australia	Cash Rate	4.35	06-Aug-24	No change	24-Sep-24
New Zealand	Cash Rate	5.25	14-Augl-24	No change	09-Oct-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	20-Aug-24	Cut 10bps	20-Sep-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	21-Aug-24	No change	16-Oct-24
India	Repo Rate	6.50	08-Aug-24	No change	09-Oct-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	20-Aug-24	No change	29-Aug-24
South Africa	Repo Rate	8.25	18-Jul-24	No change	19-Sep-24
Kenya	Central Bank Rate	12.75	06-Aug-24	Cut 25bps	N/A
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	10.75	08-Aug-24	No change	26-Sep-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	6.50	07-Aug-24	Cut 25bps	04-Oct-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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