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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade to increase by 2.7% in 2024 and 3% in 2025

The World Trade Organization projected the volume of global merchandise trade to grow by 2.7% in 2024 and by 3% in 2025. It forecast the volume of merchandise exports from Asia to rise by 7.4% in 2024, followed by exports from the Middle East (+4.7%), South America (4.6%), the Commonwealth of Independent States (CIS) (+4.5%), Africa (+2.5%), and North America (2.1%), while it estimated the volume of merchandise exports from Europe to regress by 1.4% in 2024. In parallel, it forecast the volume of merchandise imports to the Middle East to increase by 9% in 2024, followed by imports to South America (+5.6%), Asia (+4.3%), North America (+3.3%), the CIS (+1.1%), and Africa (+1%), while it estimated the volume of merchandise imports to Europe to decrease by 2.3% in 2024. Further, it forecast the volume of merchandise exports from Asia to increase by 4.7% in 2025, followed by exports from North America (+2.9%), Africa (+2.2%), Europe (+1.8%), the CIS (+1.7%), and the Middle East (+1%), while it projected the volume of merchandise exports from South America to regress by 0.1% in 2025. In parallel, it expected the volume of merchandise imports to Asia to increase by 5.1% in 2025, followed by imports to Europe (+2.2%), North America (+2%), the CIS and South America (+1.7% each), and Africa (+1.1%), while it anticipated the volume of merchandise imports to the Middle East to decrease by 1.1% next year.

Source: World Trade Organization

Debt capital markets activity up 18% to $8.3 trillion in first nine months of 2024

Global debt capital markets activity reached $8.3 trillion (tn) in the first nine months of 2024, constituting a rise of 17.6% from $7.1tn in the same period of 2023; while the number of new debt offerings stood at 24,982 in the first nine months of 2024 and increased by 9% from 22,910 offerings in the first nine months of 2023. Further, financial institutions issued $3.48tn in debt and accounted for 42% of the aggregate value of issued debt in the first nine months of the year, followed by governments and agencies with $2.45tn (29.5% of the total), then the energy and power sector with $487.4m (5.9%), and industrials with $480.3bn (5.8%). Also, financial institutions had 10,773 new offerings and represented 43% of the total number of offerings in the first three quarters of 2024, followed by governments and agencies with 3,758 offerings (15% of the total), industrials with 2,648 offerings (10.6%), and the energy and power sector with 1,289 offerings (5.2%). In addition, global investment grade corporate debt offerings totaled $4.1tn in the first nine months of 2024, up by 19% from the same period last year; while global high yield debt issuance reached $320.6bn in the covered period, up by 86% from the first nine months of 2023. In parallel, international bond offerings stood at $4.2tn in the first nine months of 2024, constituting an increase of 29% from the same period last year. Debt from emerging market corporate issuers totaled $271.6bn in the covered period, up by 28% from the first nine months of 2023, with corporate debt issuers from India, Saudi Arabia, Brazil and the UAE accounting for 53% of emerging markets activity in the covered period.

Source: Refinitiv

MENA

Level of AI preparedness varies across Arab world

The International Monetary Fund ranked the UAE as the 36th most prepared country globally for artificial intelligence (AI) on its AI Preparedness Index for 2024. Saudi Arabia followed in 45th place, then Qatar (54th), Oman (55th), and Bahrain (62nd), as the most prepared economies in the Arab world for AI; while Iraq (157th), Yemen (164th), Libya (167th), Sudan (169th) and Mauritania (170th) are the least prepared Arab economies for AI. The index assesses the level of AI preparedness across 174 countries, based on a broad set of macro-structural indicators that are grouped into four dimensions that are Digital Infrastructure, Human Capital and Labor Market Policies, Innovation and Economic Integration, and Regulation and Ethics. The average score of the 19 Arab countries included in the survey reached 0.46 points on the 2024 index, and was slightly below the global average of 0.47 points. The average score of Gulf Cooperation Council (GCC) countries was 0.55 points, while the average of non-GCC Arab countries stood at 0.34 points. Further, the UAE ranked in first place among Arab economies on the Digital Infrastructure, Innovation and Economic Integration, and Regulation and Ethics dimensions, while Saudi Arabia came first on the Human Capital and Labor Market Policies dimension. Also, the Arab region's average score was higher than the average scores of Latin America and the Caribbean (0.43 points), South Asia (0.37 points), and Sub-Saharan Africa (0.33 points); and came lower than the average scores of North America (0.74 points), Europe & Central Asia (0.6 points), and East Asia & Pacific (0.55 points).

Source: International Monetary Fund, Byblos Research

Sustainable bond issuance down 18% to $16.7bn in first nine months of 2024

S&P Global Ratings indicated that total sustainable bonds issuance in the Middle East reached $16.7bn in the first nine months of 2024, constituting a decrease of 18% from $19.7bn the same period last year. It noted that sustainable bonds issued in the UAE reached $5.4bn in the first nine months of 2024 and accounted for 32.3% of the region's aggregate bonds issuance in the covered period. Saudi Arabia followed with $4.1bn (24.5% of total), then Qatar with $3.3bn (19.5%), Türkiye with $2.9bn (17.3%), Kuwait with $1bn (6%), and Jordan with $50m (0.3%). It pointed out that the issuance of sustainable bonds in the financial services sector reached $9.94bn and accounted for 59.5% of total sustainable bonds activity in the covered period, followed by sovereigns with $3.75bn (22.5%), and the non-financial sector with $3bn (18%). It stated that the distribution of sustainable bonds issued in the first nine months of the year consisted of $8.8bn in sustainability bonds, or 52.6% of the total, followed by $7.32bn in green bonds (43.8%), and $600m in social bonds (3.6%). It indicated that the aggregate issuance of sustainable sukuk in the Middle East reached $6.1bn, and accounted for 36.5% of total sustainable bonds in the first nine months of 2024, nearly unchanged from a year earlier. It noted that the Middle East region accounts for 2.2% of global sustainable bond issuance in the first nine months of 2024 compared to 2.6% in the same period last year.

Source: S&P Global Ratings

POLITICAL RISKS OVERVIEW - September 2024

ALGERIA

The results of the presidential elections that took place on September 7, 2024 showed that President Abdelmajid Tebboune won a second term with 84.3% of the votes on a voters' turnout of 46.1% compared to 39.9% in the 2019 elections. President Tebboune promised to hold a national political dialogue to reach a "true democracy" in the country.

ARMENIA

Yerevan and Baku announced that they signed an agreement in late August, setting out regulations for border commissions to jointly demarcate and delimit their shared frontier. Further, Azerbaijani President Aliyev announced that the two sides agreed on almost 80% of the peace treaty and expressed optimism about prospects for peace. The ministers of foreign affairs of Armenia and Azerbaijan met with the U.S. Secretary of State Antony Blinken on the sidelines of the United Nations General Assembly and agreed to step up efforts towards finalizing the peace treaty, known as the Agreement on Peace and Establishment of Interstate Relations. In parallel, the European Union (EU) and Yerevan announced the start of talks on a visa-free regime for short stays in the EU.

EGYPT

The U.S. granted a $1.3bn in military aid to Egypt, partly in response to the country's geopolitical role. Further, President Abdel Fattah el-Sisi visited Turkish President Recep El Tayep Erdoğan in his first presidential visit to Türkiye in 12 years. The two countries signed several agreements on cooperation in energy, defense, tourism, healthcare, agriculture, finance, culture, education, and transport. Also, Saudi Arabia pledged $5bn in investment projects in Egypt to strengthen economic ties between the two countries.

ETHIOPIA

The Tigray People's Liberation Front (TPLF) expelled 16 senior TPLF leaders from the party for alleged illicit activities, including the president of the Tigray Interim Administration and the Minister of Government Communications Affairs. In addition, fighting intensified between government forces and Fano militants in various zones across the Amhara region. Clashes continued between security forces and the Oromo Liberation Army (OLA) across western and central Oromia, as rifts within the OLA continued to widen..

IRAN

President Masoud Pezeshkian denied allegations that Iran is seeking to develop nuclear weapons, while the Minister of Foreign Affairs expressed Iran's readiness to restart nuclear negotiations and held talks with the Director General of the International Atomic Energy Agency. Iran reiterated its readiness to "engage with the Joint Comprehensive Plan of Action participants" at the United Nations General Assembly. The U.S. Treasury sanctioned 10 individuals, six entities and four vessels linked to shipment of missiles from Iran to Russia. Also, the U.S. imposed sanctions on 12 entities and vessels associated with oil transfers on behalf of the Iranian Revolutionary Guards Corps.

IRAQ

Iran's President Masoud Pezeshkian visited Baghdad for his first international trip since taking office, and met Prime Minister Mohammed Shia' al-Sudani and President Abdul Latif Rashid to discuss the removal of Kurdish Iranian opposition groups from border areas. Also, the two countries signed 14 cooperation agreements that would serve as a roadmap for the development of relations between the two countries. In a sign of easing tensions with Erbil, President Pezeshkian met the President of the Kurdistan Regional Government Nechirvan Barzani, PM Masrour Barzani and the leader of the Kurdistan Democratic Party. Further, the U.S. and the Iraqi government announced that the U.S.-led coalition will withdraw its troops from Iraq by end-2025.

LIBYA

The Court of Appeals in the eastern city of Benghazi ruled as illegal the western-based Presidential Council's August decision to replace the governor of the Central Bank of Libya (CBL) Siddiq Elkebir who remained in exile amid apparent security threats. The eastern House of Representatives (HoR) and the Tripoli-based High State Council (HSC) agreed to appoint Naji Issa as new governor of the CBL and confirmed Maraai al-Baraasi as his deputy. The HoR officially declared the expiration of the mandate of the Tripoli-based Government of National Unity. The HoR issued a decree that recognized the administration led by the eastern-based Prime Minister Osama Saleh as the sole executive authority until the formation of a new government. A military delegation from the U.S. Africa Command met with PM Abdul Hamid Dabaiba in Tripoli and Field Marshal Khalifa Haftar in Benghazi in a bid to increase security cooperation.

SUDAN

Fighting escalated between the Rapid Support Forces (RSF) and the Sudanese Armed Forces (SAF) in Greater Khartoum and North Darfur. Further, the head of SAF, General Abdel Fattah al-Burhan, met with Chinese President Xi Jinping, Ethiopian Prime Minister Abiy Ahmed and Eritrean President Isaias Afwerki on the sideline of the China-Africa Cooperation Summit in an effort to strengthen support for his government that is based in Port Sudan. The head of the SAF met South Sudanese President Salva Kiir Mayardit to discuss the resumption of oil exports through the Port Sudan.

TUNISIA

The electoral commission confirmed its August decision to allow only three candidates to run for the presidency who are incumbent President Kais Saïed, businessman Ayachi Zammel and the Secretary-General of the People's Movement political party Zouhair Maghzaoui. Parliament approved the amendment of the electoral law that removes the authority of the Administrative Court to arbitrate over electoral disputes. Anti-government demonstrators mobilized in Tunis to protest the regime's attempts to manipulate the presidential election.

YEMEN

The Israeli air force struck the port and the airport of Hodeida, as well as the port of Ras Issa, killing at least five persons and injuring more than 20 individuals. The Huthi rebels launched ballistic missiles that hit a Panama-flagged oil tanker in the Red Sea. The Huthi rebels and government forces clashed in western Yemen during September. Flash floods and landslides in northern Yemen killed nearly 100 individuals and affected more than 250,000 people.

Source: International Crisis Group, Newswires

WORLD

Impact of Middle East war on global economy dependent on conflict's duration

The Institute of International Finance considered that the economic implications of the war between Israel and Hezbollah will depend on the extent and duration of the confrontation. In its baseline scenario, it assumes that the conflict will last until the middle of 2025 and that Iran will continue to support its proxy forces in the Middle East. It considered that the war in the region will have limited impact on the global economy, and did not expect Israel to attack Iran's oil facilities due to their potential impact on gas prices and on the upcoming U.S. elections. As a result, it projected the real GDP growth rate of advanced economies at 1.5% and their inflation rate to average 2.4% in 2025. Also, it anticipated that oil supply through the Strait of Hormuz, which is the transit route for 20% of global oil shipments, will continue to flow largely uninterrupted. As such, it forecast Brent oil prices to average $81 per barrel (p/b) in 2024 and $75 p/b in 2025. Further, it said that the escalation of the conflict has slightly raised shipping costs, as a steady supply of global container ships and weaker demand for goods from the U.S. and China have led to limited supply pressures.

Under its pessimistic scenario, it assumes that the conflict would spiral into a larger and prolonged war that would involve Iran and perhaps the United States. As such, it projected economic growth in advanced economies at 1.2% and the inflation rate to average 3.2% in 2025. It expected Israel to conduct retaliatory strikes against Iran's oil industry and/or for Iran to attack oil installations in the region, such as oil refineries in Saudi Arabia and the UAE. It anticipated significant disruptions to oil supply from the region, which will lead to the increase of oil prices to an average of $105 p/b in 2025. But it considered that the potential impact of supply disruptions on energy prices will depend on the duration and severity of the interruptions. Further, it indicated that freight and insurance costs will increase considerably in 2025 under this scenario, along with a surge of 30% in the prices of oil and natural gas, which will result in global inflationary pressures.
Source: Institute of International Finance

GCC

Successful implementation of reforms supports economic growth

The International Monetary Fund projected the real GDP growth rate of Gulf Cooperation Council (GCC) countries to reach 4% in 2025 with the gradual winding down of oil production cuts. It anticipated non-hydrocarbon activity in the GCC to remain strong in the medium term on the back of ambitious reform efforts. Also, it expected the macroeconomic outlook to be positive, despite some risks that could emerge from fluctuations in oil prices and production, which could reduce financial buffers and have negative spillovers on the non-oil economy. It called on the authorities to maintain the reforms momentum, while managing risks.

First, it stressed the importance to carry out fiscal consolidation in the GCC to build sufficient savings for future generations. It urged the region's governments to strengthen tax reforms, and added that the global minimum tax initiative provides them with an opportunity to implement wider corporate tax measures. Further, it called on the authorities to rationalize public expenditures, mainly by reducing energy subsidies, which could also pave the way for priority public investments that fit into the broader economic diversification agenda. It considered that strong fiscal institutions and frameworks would support the sustainability of fiscal policy, such as the adoption of fiscal rules and the use of medium-term fiscal frameworks.

Second, it stressed the need to accelerate economic diversification and to manage the risks associated with some reforms. It noted that digitalization and artificial intelligence could play a key role in the economic diversification strategy in the GCC, but that it is crucial to manage the risks that come from artificial intelligence. Also, it noted that policies should continue to focus on containing public-sector employment, improving the skills of nationals, and enhancing the role of females in the workplace. Third, it considered that the integration of GCC exports and investments into regional and global trade and financial systems will play an important role in the region's economic diversification.
Source: International Monetary Fund

JORDAN

Real GDP growth to average 2.4% in 2024-25 period amid robust macroeconomic stability

The International Monetary Fund projected Jordan's real GDP growth rate at 2.3% in 2024, driven by the increase in net exports, which would offset weaker domestic demand. Also, it forecast economic activity to grow by 2.5% in 2025, as the country continues to show resilience and maintain macroeconomic stability despite the headwinds from the intensification of conflicts in the Middle East. But it noted that strong and timely international support remains important to help Jordan face external headwinds and to continue to bear the cost of hosting a large number of Syrian refugees. Further, it expected the inflation rate at 2% due to the Central Bank of Jordan's (CBJ) firm commitment to monetary stability and to maintaining the peg of the exchange rate of the Jordanian dinar to the US dollar.

In addition, it indicated that government revenues have been adversely affected this year by weaker domestic demand and a sharper-than-expected drop in the prices of key export commodities. It said that the authorities took strong measures to offset the revenues shortfall, in order to contain the budget deficit this year. As such, it noted that the authorities are committed to limit the primary deficit, excluding grants and transfers to public utilities, to 2.9% of GDP in 2024 relative to 2.7% of GDP in 2023. However, it expected the government's primary deficit excluding grants at 1.3% of GDP in 2024 compared to 1.4% in 2023, driven by the authorities' measures to limit the operational losses of utility companies and by continued surpluses in the social security system. Also, it forecast the public debt level to decline from 90% of GDP by end-2024 to 80% of GDP by 2028, driven by gradual fiscal consolidation.

Further, it projected the current account deficit at 4.4% of GDP in 2024, which would help build the CBJ's reserve buffers, but it expected the deficit to widen slightly to 4.7% of GDP in 2025. It noted that the authorities' reforms aim to focus on improving the business environment to attract more investments by enhancing competition and labor market flexibility.
Source: International Monetary Fund

UAE

Credit profile supported by effective policymaking, oil reserves and solid public finances

Moody's Ratings indicated that the UAE's credit profile is underpinned by its high per-capita income, robust institutions and effective policymaking that support the ongoing progress on economic diversification, and a very low public debt level. It added that its assessment of the UAE's creditworthiness assumes the full financial backing from the Emirate of Abu Dhabi. Further, it noted that the economic strength assessment of 'aa3' reflects the country's high per-capita income, significant hydrocarbon reserves of around 70 years at the current rate of production, and its competitive and increasingly diversified economy compared to regional peers. It indicated that the institutions and governance strength assessment of 'a2' takes into account the sovereign's strong institutional framework and the UAE's track record of government and policy effectiveness. Also, it stated that the 'aa1' fiscal strength assessment is supported by the federal government's very low public debt level, which reflects its track record of balanced budgets. It pointed out that the UAE will continue to issue new debt to build the federal government's yield curve in the local currency debt market, although the government will not have any net borrowing needs in the next few years, and expected the public debt level to increase from 2.5% of GDP in 2023 to 4% of GDP in 2026. It added that the 'baa' susceptibility to event risks is primarily driven by the country's exposure to regional geopolitical tensions. In addition, it indicated that persistent regional geopolitical tensions and the exposure to economic and financial risks stemming from the global carbon transition are weighing on the sovereign ratings.

Source: Moody's Ratings

GHANA

Agencies take rating actions on sovereign

Moody's Investors Service upgraded Ghana's long-term local and foreign currency issuer ratings from 'Caa2' and 'Ca', respectively, to 'Caa2', which is eight notches below investment grade, and revised the outlook from 'stable' to 'positive' on the long-term ratings. It also upgraded Ghana's local and foreign currency country ceilings from 'B3/Caa1' to 'B2/B3'. It attributed the upgrades to the extensive restructuring of the government's debt, along with the debt service suspension during the negotiations period, which has reduced the public debt level from a peak of 93% of GDP in 2022 to an expected 81% of GDP in 2024. In parallel, it noted that it could upgrade the ratings if the authorities continue to deliver on fiscal consolidation, maintain a primary surplus, and secure access to external funding. In parallel, S&P Global Ratings affirmed Ghana's short- and long-term foreign currency sovereign credit ratings at 'Selective Default' (SD). It said that the restructuring of Ghana's $13.1bn in Eurobonds and arrears aims to ease external debt-servicing pressure and restore public debt sustainability as part of the ongoing Extended Credit Facility arrangement with the International Monetary Fund. It stated that it could upgrade the rating if Ghana completes the restructuring of its remaining commercial debt. It said that it could upgrade the long-term local currency rating if Ghana's public finances improve, while it could downgrade the rating if the country's fiscal and external profiles deteriorate.

Source: Moody's Ratings, S&P Global Ratings

MOROCCO

Sovereign rating affirmed, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term local and foreign currency issuer default ratings (IDRs) at 'BB+', which is one notch below investment-grade, and the local IDRs at 'B', while it maintained the 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by the country's sound macroeconomic policies, strong official creditor support, and comfortable liquidity buffers. But it noted that the ratings are constrained by Morocco's lower level of development and governance indicators compared to peers, its high government debt level, and its economic exposure to adverse weather conditions. It projected the public debt level at 69.5% of GDP in the 2025-26 period, higher than the median of 51.9% of GDP of 'BB'-rated sovereigns in the 2025-26 period. Also, it anticipated the current account deficit to average of 1.5% of GDP in the 2025-26 period. It said that the $5bn two-year flexible credit line and robust foreign currency reserves of $37.3bn at end-August 2024 support the country's external resilience. In parallel, it noted that it could upgrade the ratings if the public debt level decreases in the medium term, and/or if the authorities implement economic reforms that would reduce Morocco's exposure to extreme weather events and reduce the gap with peers in terms of GDP per capita. But it said that it could downgrade the ratings in case the government does not manage to consolidate public finances, if growth prospects weaken or risks to macroeconomic stability increase, and/or in case of elevated external vulnerabilities.

Source: Fitch Ratings

CÔTE D'IVOIRE

Real GDP growth rate to average 6.7% in 2025-29 period

The International Monetary Fund (IMF) indicated that Côte d'Ivoire's economic activity remains resilient, despite a slight slowdown in growth from 6.2% in 2023 to 6.1% in 2024, due to weak agricultural production and construction activity in first half of the year, as well as to a challenging regional and external environment. Further, it projected the country's real GDP growth rate to average 6.7% in the 2025-29 period, supported by a recovery in cocoa production and by higher hydrocarbon output and mining activity. Also, it expected the inflation rate to average 4% in 2024 and to continue to decline in the medium term within the Banque Centrale des États de l'Afrique de l'Ouest's target range by end-2025. In addition, it anticipated the fiscal deficit at 4% of GDP in 2024, in line with the IMF's program targets, and at 3% in 2025 amid fiscal consolidation and the implementation of structural measures to mobilize public revenues, strengthen public financial management, and improve governance. Further, it projected the current account deficit at less than 5% of GDP this year and at 2% of GDP in 2025, driven by more favorable terms of trade due to higher cocoa prices, a rebound in agricultural exports, and increases in hydrocarbon exports. It noted that prudent fiscal and debt management will help contain the risk of distress for the public and external debt. In parallel, it pointed out that the authorities reached a staff-level agreement of $3.5bn with the IMF under the Extended Fund Facility and Extended Credit Facility and of $1.3bn under the Resilience and Sustainability Facility.

Source: International Monetary Fund

BANKING

GCC

Rate cuts to affect banks' net interest margins

Fitch Ratings considered that the policy rate cuts by the central banks of Gulf Cooperation Council (GCC) countries will negatively affect the earnings of most banks in the GCC, due to the faster repricing of interest-earning loans than interest-bearing deposits. It expected GCC central banks to reduce their policy rates by a cumulative 200 basis points by June 2026, similar to the U.S. Federal Reserve. The agency considered that a cut of 100 basis points (bps) will erode the net interest margins (NIM) of Kuwaiti banks by 28 bps, the NIMs of UAE banks by 17 bps, and the NIMs of Qatari and Omani banks by 7 bps each. But it estimated that a 100 bps cut would provide a 2 bps uplift to the average NIM of Saudi banks, as they are likely to be less affected by interest rate cuts due to their higher proportion of fixed-rate financing, although the impact on each Saudi bank will depend on its level of retail financing. Also, it noted that Saudi and UAE banks reported an average decline in NIMs of 50 bps and 60 bps, respectively, during the last monetary easing cycle in the 2019-21 period, when the U.S. Federal Reserve cut rates by 150 bps. Further, it pointed out that more than 75% of interest-bearing loans at Qatari banks at end-2023 were set to reprice within 12 months, making interest income more vulnerable to rate cuts, but it noted that the sector's high proportion of interest-bearing deposits at end-June 2024 and wholesale funding should mitigate the pressure on its NIM. Also, it stated that more than 60% of interest-bearing loans at banks in the UAE and Bahrain are set to reprice within 12 months compared to 44% and 52% at Saudi and Omani banks, respectively, due to higher proportion of fixed-rate retail loans at Saudi and Omani banks.

Source: Fitch Ratings

PAKISTAN

Capital adequacy ratio at 19.6%, NPLs at 7.9% at end-March 2024

The International Monetary Fund (IMF) indicated that the banking sector in Pakistan is profitable and highly liquid. It said that the sector's capital adequacy ratio reached 19.6% at the end-March 2024 compared to 19.7% at end-2023 and 17% at end-2022. It added that the sector's Tier One capital to risk-weighted assets ratio stood at 15.8% at end-March 2024 relative to 16% at end-2023 and 14.2% at end-2022. Further, it noted that the sector's liquid assets increased from 56.6% at end-2022 to 63.5% of total assets at end-2023 and 64% of assets at end-March 2024; and that the banks' loan-to-deposit ratio reached 39.3% at end-March 2024 relative to 41.8% at end-2023 and 41.8% at end-2022. Also, it pointed out that the non-performing loans (NPLs) ratio increased from 7.3% at end-2022 to 7.6% at end-2023 and 7.9% at end-March 2024 due to the slowdown in economic activity, but it said that provisions increased from 89.5% at end-2022 to 92.7% of total NPLs at end-2023 and 105.4% of NPLs at end-March 2024. Also, it said that the banks' holdings of domestic government debt have surged to 60% of their assets so far, which makes them vulnerable to shocks amid persistently high fiscal deficits and a limited depositor base. In addition, the IMF called on the State Bank of Pakistan to tighten supervision to monitor banking risks.

Source: International Monetary Fund

TÜRKIYE

Capital adequacy ratio at 17%, NPLs at 2% at end-June 2024

The International Monetary Fund (IMF) indicated that the banking sector in Türkiye is well capitalized, profitable, and liquid. It said that the sector's capital adequacy ratio reached 17% at the end of June 2024, constituting a decrease from 19% at end-2023 and at end-2022, due to valuation adjustments of foreign currency securities. It pointed out that risk weighted assets stood at 65% of total assets at end-June 2024 relative to 59% of total assets at end-2023 and 62% of total assets at end-2022. Further, it noted that the sector's liquid assets stood at 30% of total assets at end-June 2024, unchanged from end-2023 and compared to 28% at end-2022. It added that the banks' loans-to-deposits ratio reached 84% at end-June 2024 compared to 79% at end-2023 and 86% at end-2022; and that the loans-to-deposits ratio in foreign currency stood at 80% at end-June 2024 relative to 64% at end-2023 and 61% at end-2022. Also, it said that assets in foreign currency accounted for 95% of foreign currency liabilities at end-June 2024 compared to 88% at end-2023 and 92% at end-2022. Also, it pointed out that the non-performing loans (NPLs) ratio has been stable at 2% from end-2022, and that the banks' provisions decreased from 87% of total loans at end-2022 to 82% at end-2023 and 79% at end-June 2024. It added that limited lending growth and high provisioning are mitigating the risk of deterioration of NPLs. In addition, it pointed out that the banks' return on average assets reached 1% in the second quarter of 2024 on an annualized basis relative to 3% in 2023 and 4% in 2022, while their return on equity decreased from 50% in 2022 to 43% in 2023 and 15% annually in the second quarter of the year.

Source: International Monetary Fund

NIGERIA

Mandatory capital increase to trigger banking sector's consolidation

Moody's Ratings indicated that the depreciation of the Nigerian naira caused a material depletion of the capital of banks in the past 18 months, despite their strong profitability, which prompted the Central Bank of Nigeria to require banks to raise their capital. It estimated that the recapitalization of the eight rated banks totals \$1.5bn, which would account for 40% of their market capitalization as of October 9, 2024. It said that banks with international licenses must increase their capital by 10 times to NGN500bn, or \$312m; while banks with domestic licenses must raise their minimum capital by eight times to NGN200bn (\$125m). It indicated that the banks have until March 31, 2026 to raise their capital, which will help them absorb loan losses and increase their lending, despite concerns about the quality of the banks' loan portfolios. Further, it estimated that the top five banks that account for 80% of the sector's assets will raise their capital by early 2025, but that the next tier of banks may struggle to meet the March 2026 deadline, which would trigger some consolidation in the sector. In parallel, it noted that the banks' risk-weighted assets may increase by a range of 25% to 100% if the capital adequacy ratio of banks remains at least two percentage points higher than the minimum capital adequacy ratio of 17% for international banks and 12% for domestic banks.

Source: Moody's Ratings

ENERGY / COMMODITIES

Oil prices to average $76 p/b in fourth quarter of 2024

ICE Brent crude oil front-month prices reached $74.2 per barrel (p/b) on October 16, 2024, constituting a decrease of 8.3% from a recent high of $80.9 p/b on October 7, 2024, driven by easing fears of oil supply disruption in the Middle East amid reports that Israel will not attack Iran's oil facilities and by the OPEC+ coalition's concerns about future oil demand. In parallel, the U.S. Energy Information Administration (EIA) considered that the escalation of hostilities in the Middle East will increase the possibility for oil supply disruptions and price volatility in the near term, given the absence of a timeline for a potential resolution of the conflict. But it noted that the significant surplus of global crude oil inventories could mitigate any potential disruption to oil supply in the near term. As such, it expected global oil inventories to decrease by an average of 0.6 million barrels per day (b/d) through the first quarter of 2025; but it forecast inventories to increase by an average of 0.6 million b/d in the second half of 2025, as it anticipated oil production from OPEC+ members and from the U.S., Guyana, Brazil, and Canada to outweigh global oil demand. As a result, it projected oil output from non-OPEC+ producers to increase by 1.4 million b/d in 2025 and for OPEC+ output to rise by 0.7 million b/d. Also, it reduced its forecast for the OECD countries' oil consumption by 0.2 million b/d in 2025 as a result of a slowdown in industrial production and manufacturing activity in the U.S. and Canada. In parallel, it projected oil prices to average $76 p/b in the fourth quarter of 2024 and $80.1 p/b in full year 2024.

Source: U.S. EIA, Refinitiv, Byblos Research

Output of natural gas to increase by 1.6% in 2024

The International Energy Agency projected global natural gas production to reach 4,195 billion cubic meters (bcm) in 2024, constituting an increase of 1.6% from 4,127 bcm in 2023. It forecast the supply of natural gas in North America at 1,288 bcm and to represent 30.7% of the world's aggregate production in 2024, followed by Eurasia with 860 bcm (20.5%), the Middle East with 743 bcm (17.7%), the Asia Pacific region with 686 bcm (16.4%), Africa with 252 bcm (6%), Europe with 220 bcm (5.2%), and Central and South America with 146 bcm (3.5%).

Source: International Energy Agency, Byblos Research

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

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $73.59 per barrel (p/b) in September 2024, constituting a decrease of 6.1% from $78.41 p/b in August 2024. The price of Nigeria's Bonny Light was $77.08 p/b, followed by Equatorial Guinea's Zafiro was $76.31 p/b, and Algeria's Sahara Blend at $76.21 p/b. All prices in the OPEC basket posted monthly decreases of between $4.04 p/b to $7.24 p/b in September 2024.

Source: OPEC

Algeria's crude oil production down 4.8% in July 2024

Crude oil production in Algeria totaled 909,000 barrels per day (b/d) in July 2024, constituting an increase of 0.3% from 906,000 b/d in June 2024 and a decrease of 4.8% from 955,000 b/d in July 2023. Further, aggregate total crude oil exports from Algeria stood at 370,000 b/d in July 2024, down by 21.3% from 470,000 b/d in June 2024 and by 14.9% from 435,000 b/d in July 2023.

Source: JODI, Byblos Research

Base Metals: Nickel prices to average $15,500 per ton in fourth quarter of 2024

The LME cash price of nickel averaged $17,122 per ton in the year-to-October 16, 2024 period, constituting a drop of 24.5% from an average of $22,678 a ton in the same period of 2023, due to the excessive production of the metal by Indonesian and Chinese nickel producers, as well as to a decline in global manufacturing and industrial activity. Nickel prices reached $21,339 per ton on May 20, 2024, their highest level since August 3, 2023 when they stood at $21,369 a ton, due to the ban from the London Metal Exchange on Russian metal exports, following new trade sanctions that the U.S. and the United Kingdom imposed on Russia in response to the latter's invasion of Ukraine. Also, nickel prices dropped from their recent high to $17,020 per ton on October 16, 2024 due to the oversupply of the metal. In parallel, Citi Research anticipated the global supply of nickel at 3.62 million tons in 2024, which would constitute an increase of 5.4% from 3.44 million tons in 2023. Also, it forecast the global demand for nickel at 3.45 million tons in 2024, which would represent a rise of 7.5% from 3.2 million tons in 2023. In its base case scenario, it anticipated nickel prices to average $15,000 per ton in the next three months amid an oversupply of the metal. Further, under its bull case scenario, it forecast nickel prices to average $18,000 a ton in the fourth quarter of 2024, in case of lower output from Indonesia. In its bear case scenario, it projected nickel prices to average $14,000 per ton through 2025 if demand regresses for nickel-based batteries and/or if lower demand from the stainless-steel sector weighs on demand for nickel. Further, it forecast nickel prices to average $15,500 per ton in the fourth quarter of 2024, with a low of $14,000 per ton and a high of $18,000 a ton.

Source: Citi Research, Refinitiv, Byblos Research

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

The prices of palladium averaged $976.9 per troy ounce in the year-to-October 16, 2024 period, constituting a drop of 30.5% from an average of $1,406.6 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 limited the demand for the metal, as well as by the substitution of palladium with platinum in catalytic converters and a rebound in the recycling of the metal. Also, palladium prices reached $1,095 an ounce on September 18, 2024, their highest level since January 2, 2024 when they reached $1,101 an ounce, due to reduced output from major producers and rising demand from the automotive sector. Also, palladium prices dropped to $1,016 per ounce on October 16, 2024 due to weakening demand. In parallel, Citi Research anticipated the global supply of palladium at 9.03 million ounces in 2024, down by 1.8% from 9.2 million ounces in 2023, with mine output representing 69.2% of global output in 2024. Also, it forecast demand for the metal at 9.75 million ounces in 2024, representing a decrease of 2.1% from 9.97 million ounces in 2023. Further, it projected the monetary easing by the U.S. Federal Reserve, the deficit in the palladium market, and weak demand for electric vehicles to support the metal's price in the near term. Moreover, it forecast palladium prices to average $975 per ounce in the fourth quarter of 2024 and $970 an ounce in full year 2024.

Source: Citi Research, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-3.7	56.9	-	-	-	-	-3.2	0.4
Angola	B- Stable	B3 Positive	B- Stable	- -	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-4.3
Egypt	B- Positive	Caa1 Positive	B- Positive	B Stable	-7.2	86.6	2.8	85.1	58.8	158.1	-3.6	13.4
Ethiopia	CCC+ Stable	Caa3 Stable	CCC- -	-	-2.9	26.2	0.5	33.4	7.8	157.9	-3.4	2.0
Ghana	SD -	Ca positive	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	BB- 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	AA- 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	BBB- Stable	Ba1 Positive	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 Positive	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	Caa2 Positive	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	BB- Stable	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*

***Fitch withdrew the ratings of Lebanon on July 23, 2024*

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	5.00	18-Sep-24	Cut 50bps	07-Nov-24
Eurozone	Refi Rate	3.65	12-Sep-24	Cut 60bps	N/A
UK	Bank Rate	5.00	19-Sep-24	No change	07-Nov-24
Japan	O/N Call Rate	0.25	31-Jul-24	Raised 15bps	31-Oct-24
Australia	Cash Rate	4.35	06-Aug-24	No change	05-Nov-24
New Zealand	Cash Rate	4.75	14-Augl-24	Cut 50bps	16-Oct-24
Switzerland	SNB Policy Rate	1.00	26-Sep-24	Cut 25bps	12-Dec-24
Canada	Overnight rate	4.25	04-Sep-24	Cut 25bps	23-Oct-24
Emerging Markets					
China	One-year Loan Prime Rate	3.35	20-Sep-24	Cut 10bps	21-Oct-24
Hong Kong	Base Rate	5.25	02-May-24	Cut 50pbs	N/A
Taiwan	Discount Rate	2.00	13-Jun-24	No change	N/A
South Korea	Base Rate	3.25	11-Oct-24	Cut 25bps	28-Nov-24
Malaysia	O/N Policy Rate	3.00	05-Sep-24	No change	16-Nov-24
Thailand	1D Repo	2.50	21-Aug-24	No change	16-Oct-24
India	Repo Rate	6.50	09-Oct-24	No change	16-Dec-24
UAE	Base Rate	4.90	18-Sep-24	Cut 50bps	N/A
Saudi Arabia	Repo Rate	5.50	18-Sep-24	Cut 50bps	N/A
Egypt	Overnight Deposit	27.25	18-Jul-24	No change	17-Oct-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	50.00	19-Sep-24	No change	17-Oct-24
South Africa	Repo Rate	8.00	19-Sep-24	Cut 25bps	N/A
Kenya	Central Bank Rate	12.75	06-Aug-24	Cut 25bps	N/A
Nigeria	Monetary Policy Rate	27.25	24-Sep-24	Raised 50bps	N/A
Ghana	Prime Rate	27.00	27-Sep-24	Cut 200bps	25-Nov-24
Angola	Base Rate	19.50	19-Sep-24	No change	N/A
Mexico	Target Rate	10.50	26-Sep-24	Cut 25bps	14-Nov-24
Brazil	Selic Rate	10.75	18-Sep-24	Raised 25bps	N/A
Armenia	Refi Rate	7.50	10-Sepl-24	Cut 25bps	N/A
Romania	Policy Rate	6.50	04-Oct-24	No change	08-Nov-24
Bulgaria	Base Interest	3.43	01-Oct-24	Cut 11bps	01-Nov-24
Kazakhstan	Repo Rate	14.25	11-Oct-24	Cut 25bps	29-Nov-24
Ukraine	Discount Rate	13.00	19-Sep-24	No change	N/A
Russia	Refi Rate	19.00	13-Sep-24	Raised 100bps	25-Oct-24

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