800 ISSUES+
Issue 831 | December 19, 2024

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Merchandise trade up 2% in third quarter of 2024

The World Trade Organization (WTO) indicated that the volume of global merchandise trade increased by 3.3% in the third quarter of 2024 from the same quarter of 2023, and rose grew by 1.1% in the third quarter of 2024 from the second quarter of the year. On a regional basis, it estimated that the volume of merchandise exports increased by 5.4% in the Commonwealth of Independent States (CIS) in the third quarter of 2024 from the preceding quarter, followed by exports from North America (+2.1%), Asia (+1.6%), the Middle East (+1.5%), South & Central America and the Caribbean (+0.2% each), and Africa (+0.1%), while exports from Europe regressed by 0.2% in the covered period. In parallel, it estimated that the volume of merchandise imports rose by 3.3% in the CIS in the third quarter of 2024 from the previous quarter, followed by merchandise imports to Africa (+2.5%), to North America (+2.3%), Asia (+2%), the Middle East (+1%), and South & Central America (+0.6%). In contrast, Europe recorded a negative volume of import growth of 0.3%. Also, the WTO noted that the value of merchandise exports from Argentina increased by 17% in the third quarter of 2024 from the third quarter of 2023, followed by exports from Vietnam (+15%), China (+5%), the United States (+3%), and Europe (+1%). In contrast, the value of merchandise exports from the United Kingdom regressed by 5% in the third quarter of 2024 from the same quarter of the preceding year, followed by exports from Japan (-2%).

Source: World Trade Organization

EMERGING MARKETS

Remittance flows to developing economies up 6% to $685bn in 2024

The World Bank projected remittance inflows to low- and middle-income countries (LMICs) at $685bn in 2024, constituting increases of 5.8% from $647bn in 2023 and of 7% from $640bn in 2022. It expected remittance inflows to South Asia to reach $207bn and to account for 30% of total remittances to LMICs in 2024, followed by Latin America & the Caribbean with $163bn (24%), East Asia & the Pacific region with $136bn (20%), Europe and Central Asia with $64bn (9%), the Middle East and North Africa with $58bn and Sub-Saharan Africa with $56bn (8% each). In parallel, it forecast remittance inflows to South Asia to grow by 11.8% in 2024, followed by flows to Latin America & the Caribbean (+5.5%), the Middle East and North Africa (+5.4%), Europe and Central Asia (+3%), Sub-Saharan Africa (+2.4%), and East Asia and the Pacific region (+1%). Further, it forecast remittance flows to India at $129.1bn this year, followed by Mexico with $68.2bn, China with $48bn, the Philippines with $40.2bn, Pakistan with $33.2bn, and Bangladesh with $26.6bn, as the top six recipients of remittances in 2024. Also, it projected remittance inflows to Tajikistan to be equivalent to 45.4% of the country's GDP in 2024, followed by Tonga (38.2% of GDP), Nicaragua (27.2% of GDP), Lebanon (26.6% of GDP), Samoa (25.9% of GDP), and Nepal (25.7% of GDP), as the top six recipients relative to the size of their respective economies. It anticipated remittance inflows to LMICs to account for 75.7% of global flows in 2024 relative to 74.8% in 2023.

Source: World Bank

MENA

External debt at $443bn at end-2023

Figures released by the World Bank show that the total outstanding external debt of the Middle East & North Africa (MENA) region reached $443bn at the end of 2023, constituting an increase of 2.5% from $432bn at end-2022, and accounted for 5% of the external debt in low- and middle-income countries (LMICs). In comparison, it said that the outstanding external debt of the East Asia and Pacific region stood at $3,393bn and accounted for 38.4% of the LMICs' total, followed by Latin America & the Caribbean with $2,054bn (23.2%), Europe & Central Asia with $1,122bn (12.7%), South Asia with $961bn (10.9%), and Sub-Saharan Africa with $864bn (9.8%). The bank defines external debt as the sum of public and private long-term external debt, short-term debt, and credit from the International Monetary Fund. It added that external debt represents the total debt owed to non-resident creditors that is repayable in both foreign and domestic currencies. Further, it indicated that the MENA region's external debt decreased at a compound annual growth rate (CAGR) of 4.6% during the 2019-23 period and of 6% between 2010 and 2023, compared to a CAGR of 3.3% in the 2019-23 period and of 6.6% in the 2010-23 period for the external debt of LMICs. Also, the distribution of the MENA's external debt shows that the stock of long-term debt in the region's economies reached $304bn at end-2023 and accounted for 68.6% of the total, followed by short-term external debt with $93bn (21%), and the use of IMF credit with $46bn (10.4%). Also, public and publicly-guaranteed debt represented 88.8% of long-term external debt in the region, while private non-guaranteed debt accounted for the remaining 11%.

Source: World Bank

KUWAIT

Profits of listed companies up 3% to $6.9bn in first nine months of 2024

The cumulative net profits of 142 companies listed on Boursa Kuwait reached KD2.1bn, or $6.9bn, in the first nine months of 2024, constituting an increase of 3% from KD2.1bn ($6.7bn), in the same period of 2023. Earnings stood at KD755.31m or $2.4bn in the first quarter, KD699.31m ($2.2bn) in the second quarter, and KD711.13 ($2.3bn) in the third quarter of 2024. Listed banks generated net profits of $4.06bn in the first nine months of 2024 and accounted for 59% of total earnings, followed by financial services providers with $790m (11.5%), telecommunications firms with $655m (9.5%), industrial companies with $389.4m (5.7%), real estate firms with $327.3m (4.8%), companies in the discretionary consumers goods segment with $242.5m (3.5%), insurers with $191.7m (2.8%), oil and gas companies with $46.1m (0.7%), basic materials firms with $44m (0.6%), consumer staples companies with $33.5m (0.5%), utilities firms with $22.5m (0.3%), and healthcare providers with $5.1m (0.1%). Further, the net earnings of consumer staples companies surged by 46.3% in the first nine months of 2024 from the same period in 2023, followed by the net earnings of financial services providers (40.2%), oil and gas companies (+26.6%), firms in the discretionary consumers goods segment (+24.3%), basic materials companies (+8.3%), and banks (+4.5%).

Source: KAMCO, Byblos Research

POLITICAL RISKS OVERVIEW - November 2024

ARMENIA

Prime Minister Nikol Pashinyan met French President Emmanuel Macron on the sidelines of the Fifth European Political Community Summit in Budapest. They discussed joint economic and infrastructure projects, as well as Yerevan's deepening relations with the European Union. The leaders exchanged views on the normalization of Armenia-Azerbaijan relations, with PM Pashinyan reaffirming Yerevan's commitment to regional security and to the peace treaty with Baku. Further, PM Pashinyan reiterated that Armenia considers itself effectively outside the Collective Security Treaty Organization (CSTO), a Eurasian political and military intergovernmental organization dominated by Russia that aims to provide collective security for its member states. As such, Armenia suspended its membership in the CSTO.

BANGLADESH

Thousands of Bangladesh Nationalist Party supporters rallied in Dhaka to demand the faster implementation of reforms and the holding of general elections. The government announced its intention to repeal the controversial Cyber Security Act. The head of the interim government Muhammad Yunus announced that the government would seek former Prime Minister Sheikh Hasina's extradition from India.

DEM REP CONGO

The Democratic Republic of Congo's ruling party, the Union for Democracy and Social Progress (UDPS), has officially requested the complete revocation of the 2006 Constitution. The UDPS is rejecting any amendment to the constitution and has called instead for a total constitutional overhaul. Opposition politicians called for nationwide protests against President Felix Tshisekedi's plans to revoke the constitution. Former President Joseph Kabila, along with opposition leaders Martin Fayulu and Moïse Katumbi, signed a joint declaration in Kinshasa, accusing President Tshisekedi of attempting to secure a "third term" through a "constitutional coup" and denounced a "dictatorial drift".

EGYPT

President Abdel Fattah el-Sisi met the Managing Director of the International Monetary Fund (IMF) in Cairo amid the IMF's fourth review of the government's financial support program. The discussion focused on progress on the implementation of Egypt's economic reform program, which the authorities are implementing in partnership with the IMF. Also, the Council of the European Union approved €20m in assistance to the Egyptian Armed Forces (EAF) under the European Peace Facility. The amount will be earmarked to strengthen the capacities of the EAF in support of national security and stability.

ETHIOPIA

Fighting in the Amhara region continued to escalate between the security forces and Fano militias amid stepped-up government efforts to reduce the capabilities of the insurgents. Fano militias killed the head of the Prosperity Party office in Kobo town, amid rising attacks on local officials in the Amhara region. Also, clashes between the security forces and the Oromo Liberation Army (OLA) continued across the Oromia region, dimming prospects for peace talks in the near term. Conflicts continued to mount between competing factions of the Tigray People's Liberation Front (TPLF) and the interim administration. The latter accused the chairperson of the TPLF of "carrying out a coup".

IRAN

The senior advisor to Supreme Leader Ali Khamenei warned of potential changes in the country's nuclear doctrine "if the survival of Iran comes under serious threat". The Minister of Foreign Affairs Abbas Araghchi called for mutual respect with the U.S. and considered that "maximum wisdom" would be better than U.S. coercion, amid fears that the incoming U.S. Administration may reinforce the "maximum pressure" approach of sanctions and isolation on Iran. Further, the head of the International Atomic Energy Agency (IAEA) visited Tehran with the aim of making "substantive progress" on nuclear transparency. But the IAEA passed a resolution, which the United Kingdom, France and Germany submitted, that asserts that Iran's escalation of nuclear activities poses a threat to international security. In response, Tehran announced the activation of "advanced" centrifuges, and informed the IAEA of its intention to add 6,000 centrifuges at the Natanz and Fordow enrichment facilities. Also, Iran threatened to withdraw from the Nuclear Non-Proliferation Treaty if sanctions built into the 2015 nuclear deal were triggered next year.

IRAQ

The United Nations High Commissioner for Refugees announced that more than 39,000 displaced Lebanese citizens arrived in Iraq amid the escalation of Israeli attacks on Lebanon. The national security advisor Qasim al-Araji met Iranian officials in Tehran and affirmed Baghdad's strong opposition to using its territory and airspace for attacks on any neighboring country. Prime Minister Mohammed Shia' Al-Sudani called U.S. President-elect Donald Trump and emphasized his willingness to cooperate to end the wars in region. Also, in his second visit to Türkiye since 2022, PM Al-Sudani met Turkish President Recep El Tayep Erdoğan to discuss bilateral cooperation related to the Development Road Project that is expected to bring substantial economic and infrastructural benefits to the two countries. Further, Türkiye struck the Kurdistan Workers' Party's bases in the Dohuk governorate, and Iraqi airstrikes killed 13 suspected Islamic State's militants in the Kirkuk governorate.

LIBYA

Libya conducted elections in 58 municipalities across the country amid ongoing political disputes, with a voters' turnout of 74% according to the Electoral Commission. Further, the Tripoli-based High State Council re-elected Mohamed Takala as its president who received 55 votes, while candidate Naima Al-Hami obtained eight votes and candidate Idris Boufayed received five votes. Also, the new board of the Central Bank of Libya launched a 90-day plan that aims to improve the transparency and regulatory standards of the banking sector. The United Nations Support Mission in Libya remained without a head after the UN Security Council renewed the mission for just three months.

SUDAN

Hostilities between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF) raged across multiple fronts. The SAF and the Joint Forces, a coalition of armed group allied with the SAF, pushed back RSF positions in the north and east of El Fasher amid heavy airstrikes. The RSF shelled the camps of internally displaced persons. Further, the emergence of a new militia called 'Eastern Corps' threatened to bring fighting to the relatively calm Kassala state in the east of the country.

Source: International Crisis Group, Newswires

OUTLOOK

JORDAN

Economic outlook contingent on external variables

The International Monetary Fund (IMF) projected Jordan's real GDP growth rate to accelerate from 2.3% in 2024 to 2.5% in 2025 and to average 3% annually in the 2026-29 period, driven by continued sound macroeconomic policies and further progress on the implementation of reforms. It noted that the country's Economic Modernization Vision aims to enhance the quality of its exports and attract more significant investments. Further, it expected the inflation rate at 1.7% in 2024 and 2.2% in 2025 and to average 2.4% in the 2026-29 period, reflecting the Central Bank of Jordan's firm commitment to the exchange rate peg.

Further, it forecast the fiscal deficit to narrow from 6.5% of GDP in 2024 to 5.7% of GDP in 2025, and to average 2.4% of GDP in the 2026-29 period. It pointed out that the National Electric Power Company's outlook remains challenging, as opportunities for near-term financial improvement are constrained by the company's long-term contractual obligations, including costly power purchase agreements and guaranteed returns for distribution companies. It stressed the importance of continuing the country's gradual fiscal consolidation in 2025 in order to reduce the public debt level and achieve medium-term fiscal sustainability, and projected the public debt level at 90.5% of GDP at end-2024 and 90% of GDP at end-2025. In addition, it expected the current account deficit at 4.3% of GDP in 2024 and 4.5% of GDP in 2025. Also, it forecast Jordan's gross foreign currency reserves to rise from $18.1bn, or 7.1 months of import coverage at end-2024, to $18.5bn or to 6.8 months of import coverage at end-2025.

In parallel, it considered that downside risks to the outlook include an escalation of the conflict in the Middle East that could impact the country's economic outlook and its external and fiscal balances, a slowdown in global growth, commodity price volatility, and possible social tensions in Jordan if the conflict in the Middle East escalates.
Source: International Monetary Fund

ARMENIA

Economic growth to average 4.5% in medium term

The International Monetary Fund (IMF) projected Armenia's real GDP growth rate to decelerate from 6% in 2024 to 4.9% in 2025 and to average 4.5% annually in the 2026-29 period, amid accelerating structural reforms. It stressed the importance of diversifying exports, improving the business environment, strengthening governance, and advancing climate policy implementation in order to enhance economic resilience and increase potential growth in the medium-term. Further, it expected the inflation rate to increase from 0.2% in 2024 to 3.1% in 2025 and to average 4% in the 2026-29 period, amid rising transportation costs and monetary easing. It considered that additional policy rate decisions should remain dependent on the evolution of inflation rates and on inflation expectations.

Further, it forecast the fiscal deficit to widen from 4.8% of GDP in 2024 to 5.5% of GDP in 2025, and to average 4% of GDP in the 2026-29 period. It noted that the budget for 2025 will continue to prioritize spending on national security and the integration of refugees from the Nagorno-Karabakh region. It said that the authorities are committed to resuming fiscal consolidation in 2026, which will be critical to maintain fiscal sustainability. Further, it urged the government to advance public financial management reforms to reduce fiscal risks, mainly those related to state-owned enterprises, public-private partnerships, and government guarantees. Also, it projected the public debt level to increase from 49.7% of GDP at the end of 2024 to 53.3% of GDP at end-2025 and 55.2% of GDP in the 2026-29 period. In parallel, it forecast the current account deficit at 4.5% of GDP in each of 2024 and 2025, and at 4.8% of GDP in the 2026-29 period, driven by a normalization of remittance inflows and exports. Further, it projected Armenia's gross foreign currency reserves to rise from $3.6bn at end-2024 to $3.3bn at end-2025, or to 2.9 months of import coverage at end-2024 and end-2025.

In parallel, the IMF considered that downside risks to the outlook include geopolitical tensions, political instability, tight global financial conditions, and a resurgence in global food and energy prices. It noted that upside risks to the outlook include stronger domestic demand or an increase in exports, the faster implementation of structural reforms, a potential peace agreement with Azerbaijan, and the normalization of trade relations with Türkiye.
Source: International Monetary Fund

EGYPT

Geopolitical factors to weigh on outlook

The National Bank of Kuwait projected Egypt's real GDP growth rate to accelerate from 2.4% in the fiscal year that ended in June 2024 to 4% in FY2024/25, supported by the decrease in interest rates, the improvement of foreign currency liquidity, and an increase in the confidence of businesses. Also, it projected the inflation rate to decrease from 33.5% in FY2023/24 to 19% in FY2024/25, driven by the lifting of some subsidies. Further, it indicated that downside risks to the outlook consist of the unstable regional geopolitical environment as Egypt depends on receipts from the Suez Canal, a decline of the imports of natural gas from Israel, and high inflows of refugees from Sudan, Libya, and Palestine. It said that the government may negotiate a revision to several key points of the program with the International Monetary Fund, including extending the period for key subsidy cuts.

In addition, it forecast the fiscal deficit to widen from 3.7% of GDP in FY2023/24 to 8% of GDP in FY2024/25, which would be wider than the government's target of 7.3% of GDP. It attributed the widening of the deficit in part to declining corporate tax receipts from operations in the Suez Canal, given that they usually account for around 33% of corporate tax receipts and 7.8% of total tax revenues. It noted that the government is allocating EGP154bn to energy subsidies in each quarter of FY2024/25 that it expects to increase to EGP210bn per quarter, which could add EGP60bn to the fiscal deficit in FY2024/25.

Further, it projected the current account deficit to narrow from 6.3% of GDP in FY2023/24 to 4.5% of GDP in FY2024/25, driven by a recovery in remittance inflows. It considered that a sustained government commitment to a flexible exchange rate is imperative to avoid the erosion of external buffers and to help Egypt face the current and future geopolitical landscape. Also, it expected the country's net cumulative financing gap at $10bn up until FY2025/26.
Source: National Bank of Kuwait

ECONOMY & TRADE

SAUDI ARABIA

Sovereign ratings upgraded, outlook 'stable'

Capital Intelligence Ratings upgraded Saudi Arabia's short- and long-term foreign and local currency ratings from 'A+' to 'AA', and revised the outlook on the long-term ratings from 'positive' to 'stable'. It attributed the upgrade to the Kingdom's improved economic resilience and its capacity to absorb future economic shocks. Also, it stated that the ratings are supported by elevated liquid foreign currency reserves, declining dependence on hydrocarbon production, the country's strong public finances, limited gross financing needs, and the financial soundness of the banking sector. But it noted that the ratings are constrained by the limited diversification of the economy and the structure of budget revenues, as well as by relatively high policy risks and substantial geopolitical risks. Further, it said that risks to the fiscal outlook are tilted to the downside and include risks to the global economy, higher-than-expected and prolonged production cuts by the OPEC+ coalition, and the tightening of global financial conditions. It projected the budget deficit to average 2.7% of GDP in the 2024-26 period. Moreover, it noted that it could revise the outlook to 'positive' if the implementation of structural reforms is faster than expected, and/or if the reliance on oil revenues decreases. In parallel, it indicated that it could revise the outlook to 'negative' if regional and global geopolitical tensions escalate and/ or if public finances and external liquidity weaken.

Source: Capital Intelligence Ratings

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Angola's long-term local and foreign-currency issuer default ratings at 'B-', which is six notches below investment grade, and maintained the 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by a significant level of foreign currency reserves relative to peers, current account surpluses, and manageable debt repayment risks in case of a supportive oil price environment. In contrast, it noted that the country's weak governance indicators, elevated inflation rates, high level of foreign currency-denominated government debt, and significant reliance on commodities are weighing on the sovereign ratings. It forecast the government's debt level at 63.9% of GDP in 2024 and 58.6% in 2026, driven by expectations of solid economic growth, which will offset the impact of the depreciation of the exchange rate. Further, it projected Angola's current account surplus to increase from 3.8% of GDP in 2023 to 6% of GDP in 2024, driven by higher oil exports receipts, elevated oil production and a decline in the imports bill, but it expected the surplus to decline to 1.3% of GDP in 2025 due to lower oil exports receipts. Also, it forecast international reserves at the Banco Nacional de Angola at $15.2bn at end-2024, and at $14.5bn in the 2025-26 period due to still elevated government debt repayments. In parallel, it indicated that it could upgrade the ratings if external refinancing risks recede, if the country's public and external debt sustainability improves, and/or if Angola's monetary policy-making and foreign-currency management strengthen. It added that it could downgrade the ratings if pressure on liquidity intensifies and/or if the government debt level increases.

Source: Fitch Ratings

BANGLADESH

Macroeconomic outlook contingent on structural reforms

The International Monetary Fund projected Bangladesh's real GDP growth rate at 3.8 % in the fiscal year that ends in June 202, due to output losses caused by the public uprising, floods, and tighter policies, and expected the country's economic growth to rebound to 6.7% in FY2025/26, driven by the easing of fiscal and monetary policies. It indicated that the economy is facing difficulties amid a slowdown in economic activity, elevated inflation rates, and capital outflows that have put pressure on foreign currency reserves, and noted that the country is facing emerging external financing needs. It added that tax revenues have declined, while spending pressures have increased, and that these challenges are further exacerbated by stress in parts of the financial sector. As such, it called on the authorities to tighten policy in the near term in order to address the emerging external financing gap and persistently high inflation rates. It said that fiscal consolidation should prioritize the swift implementation of additional revenue measures, such as removing tax exemptions, and to restrain non-essential spending. It noted that monetary tightening, along with greater exchange rate flexibility and safeguarding foreign exchange reserve buffers, will strengthen the economy's resilience to external shocks. It said that the outlook remains highly uncertain with downside risks that include macroeconomic and fiscal vulnerabilities. Further, it called on the authorities to focus on implementing fiscal reforms, investing in sustainable and resilient infrastructure, and enhancing governance in order to improve the investment climate, attract foreign direct investments, and diversify exports beyond the ready-made garment sector.

Source: International Monetary Fund

CÔTE D'IVOIRE

Real GDP growth to average 6.3% annually in 2025-26 period

The International Monetary Fund projected Côte d’Ivoire real GDP growth rate at 6.1% in 2024 and at 6.3% in each of 2025 and 2026, driven by strong consumption and investment demand, despite weaker agricultural production and construction activity. It expected growth to be resilient in the near- to medium term with the recovery of agricultural production and stronger activity in the extractive industries. Also, it stressed the need to reduce the size of the informal sector and to promote economic diversification. Further, it forecast the inflation rate to moderate from 4% in 2024 to 3% in 2025 and 2.2% in 2026, due to lower food and commodity prices. Also, it expected the fiscal deficit to narrow from 4% of GDP in 2024 to 3% of GDP in each of 2025 and 2026, driven by the authorities' efforts to increase government revenues. In addition, it forecast the current account deficit to narrow from 5.1% of GDP in 2024 to 1.7% of GDP in 2025 and 2.4% of GDP in 2026 due to elevated cocoa prices and higher exports receipts, and for the country's external debt to reach 36.2% of GDP at end-2025 and 35.5% of GDP at end-2026. In parallel, it indicated that the risk of debt distress is moderate, due mainly to higher foreign currency liquidity and proactive debt management. But it stressed the need to implement reforms in order to preserve fiscal and debt sustainability, strengthen financial inclusion, encourage private sector investments, and promote inclusive growth.

Source: International Monetary Fund

UAE

Net income of large banks projected to increase by 9% in 2024

Regional investment bank EFG Hermes projected the aggregate net income of First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank, Commercial Bank of Dubai, RAKBank, Sharjah Islamic Bank, and United Arab Bank to reach AED65.8bn in 2024, which will constitute an increase of 9% from AED60.4bn in 2023. It attributed the rise in earnings to higher interest rates and a favorable macroeconomic landscape characterized by strong economic growth and a solid real estate market. But it anticipated the banks' net profits to decrease by 6% in 2025, driven by a decline in their net interest margins amid lower interest rates, higher provisioning charges, and the increase of the corporate tax rate. Further, it forecast the banks' net interest margin to narrow by 19 basis points (bps) in 2024 and by 13 bps next year, and for their net interest income growth to decelerate from 7% this year to 4% in 2025. Also, it projected the banks' lending to rise by 13% this year and 10% in 2025, the strongest increases in more than a decade, underpinned by robust domestic demand and growing appetite for increasing overseas lending, mainly from Saudi Arabia, Bahrain and Oman. In addition, it expected the banks' cost of risk to remain stable at 58 bps in 2024 and 60 bps in 2025. In parallel, it indicated that the banks are well capitalized and that they benefit from sound liquidity buffers.

Source: EFG Hermes

MOROCCO

Banking sector facing weak operating environment

Moody's Ratings placed the Moroccan banking sector's Macro Profile in the "Moderate- " category, along with Bulgaria, Costa Rica, the Dominican Republic, Egypt, Kazakhstan, Romania and South Africa. It said the macro profile reflects the country's economic strength, characterized by solid institutions, proven policy effectiveness, moderate event risk exposure, and relatively low per capita income compared to peers. It also placed the banking sector's Banking Country Risk level in the "Moderate-" category. Further, it said that banks in Morocco benefit from stable funding and high liquidity, supported by a strong, low-cost and diversified domestic deposit base. It noted that borrower concentrations to large companies pose risks to the banks' asset quality, and expected real estate developers and the construction sector to continue to face financial difficulties in the next 12-18 months. It added that the banks' sizeable exposure to households and to small businesses constitutes a risk to asset quality, driven by the lagged impact of inflationary pressures and higher policy rates that are weighing on the repayment capacity of vulnerable borrowers. But it noted that the banking system benefits from solid loan-loss reserves that cover 94% of the problem loans of the rated banks. It said that Morocco's sound and strengthening regulatory framework mitigates risks to financial stability and that liquid assets accounted for 35% of total assets as of June 2024 relative to 33% at end-2023. It added that the banks' net loans-to-deposits ratio was 82% at end-June 2024, nearly unchanged from end-2023, and that Bank Al-Maghrib has recently initiated the rollout of its new prudential evaluation framework that it will implement by 2027.

Source: Moody's Ratings

BANGLADESH

Banking sector's country risk assessment maintained

S&P Global Ratings maintained Bangladesh's Banking Industry Country Risk Assessment (BICRA) in 'Group 9', with the economic risk score at '8' and the industry risk score at '9'. The BICRA framework evaluates banking systems based on economic and industry risks facing a banking sector, with 'Group 10' including the riskiest sectors. Other countries in the BICRA 'Group 9' are Argentina, Cambodia, El Salvador, Kenya, Mongolia, Türkiye and Vietnam. It said that Bangladesh's economic risk score reflects "extremely high risks" in its credit risks in the economy, "very high risks" in its economic resilience, and "intermediate risks" in its economic imbalances. It noted that the banking sector may struggle to benefit from the country's high economic growth, mainly due to elevated inflation and interest rates. It noted that corporates and small and medium-sized enterprises account for about 90% of total loans and expected the banks' asset quality to be challenging given that it forecast the sector's non-performing loans ratio at 33% in the 2024-25 period and at 28.4% at end-2026. In parallel, it said that the industry score reflects the country's "extremely high risks" in its institutional framework and competitive dynamics, and "intermediate risks" in its system-wide funding. It added that the sector is prone to high-risk lending and misallocation of credit, and that the trend for the industry and economic risks is 'stable'.

Source: S&P Global Ratings

ANGOLA

Banking sector facing weak operating environment

Moody's Ratings placed the Angolan banking sector's Macro Profile in the "Very Weak" category, along with Belarus, Bosnia and Herzegovina, the Democratic Republic of the Congo, Egypt, Kyrgyzstan, Nigeria, Pakistan, Russia, Tajikistan, Tunisia, and Uganda. It indicated that the macro profile reflects a challenging operating environment amid a relatively undiversified economy that remains dependent on the fluctuations of global oil prices. It also placed the banking sector's Banking Country Risk level in the "Very Weak+" category. It said that the depreciation of the Angolan kwanza, along with the widening of the banks' net interest margins, has boosted the banks' earnings and led to significant increases in their profitability metrics. It pointed out that the sector's non-performing loans ratio declined from 32.5% at the end of 2019 to 17.3% at end-June 2024, but it noted that the banks are facing additional asset quality risks, driven by an increase in impairments associated with a decline in regulatory capital ratios due to the inflationary impact of foreign currency-denominated lending on the banks' balance sheets. Also, it indicated that the sector's capital adequacy ratio stood at 26.3% at end-June 2024, which reflects the banks' strong shock absorption capacity. Further, it noted that Angolan banks are mainly funded by customer deposits and by liquid deposits with banks and other financial institutions. Also, it pointed out that the share of foreign currency-denominated loans declined from 43% of total loans at end-2012 to 26% of total loans at end-June 2024, but noted that it remains an issue for banks. It considered that the banks' funding conditions in foreign currency are at risk due to the decision of the government to cease the regular sale of dollars in the market.

Source: Moody's Ratings

ENERGY / COMMODITIES

Oil prices to average $76.4 p/b in fourth quarter of 2024

ICE Brent crude oil front-month prices have been volatile so far in December 2024, trading at between $71.1 per barrel (p/b) and $74.5 p/b. Oil prices regressed on worries about global demand and the slower pace of interest rate cuts by the U.S. Federal Reserve, while they increased due to high tensions in the Middle East and the decrease in U.S. crude inventories. In parallel, the U.S. Energy Information Administration anticipated that the extension of the OPEC+ coalition's production cuts would lead to a decrease in oil inventories by 0.7 million barrels per day (b/d) in the first quarter of 2025. But it expected the subsequent increase in oil production from OPEC+ members and the continued increase of supply outside of the OPEC+ coalition to lead to an average rise in inventory of 0.1 million b/d in the remainder of 2025, which will put some downward pressure on crude oil prices in 2025. It noted that signs of a deceleration of global oil demand, primarily a slowdown of oil demand from China, will continue to weigh on oil prices in the near term. Further, it considered that the course of the ongoing conflict in the Middle East and the willingness of OPEC+ to adhere to voluntary production cuts constitute the two main sources of oil price uncertainty in the near term. It said that an escalation of the regional conflict will potentially reduce oil supplly and increase the risk premium for oil prices. It pointed out that the possibility of lax adherence to production cuts by OPEC+ producers adds downside risk to oil prices. In addition, it projected oil prices to average $76.4 p/b in the fourth quarter of 2024.

Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

OPEC oil output up 0.4% in November 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.7 million barrels of oil per day (b/d) in November 2024, constituting an increase of 0.4% from 26.6 million b/d in October 2024. On a country basis, Saudi Arabia produced 9 million b/d, or 33.6% of OPEC's total output, followed by Iraq with 4 million b/d (15.2%), Iran with 3.3 million b/d (12.5%), the UAE with 3 million b/d (11.1%), and Kuwait with 2.4 million b/d (9%).

Source: OPEC

Kuwait's crude oil production unchanged in September 2024

Crude oil production in Kuwait totaled 2.41 million barrels per day (b/d) in September 2024, unchanged since January 2024. Further, total crude oil exports from Kuwait stood at 2.43 million b/d in September 2024, representing an increase of 4.4% from 2.33 million b/d in August 2024 and a decrease of 0.7% from 2.45 million b/d in September 2023.

Source: Joint Organizations Data Initiative, Byblos Research

Non-OPEC international petroleum and liquid fuels to grow by 1% in 2024

The U.S. Energy Information Administration projected the production of international petroleum and liquid fuels from non-OPEC producers at 70.5 million barrels per day (b/d) in 2024, constituting an increase of 1% from 69.8 million b/d in 2023. The supply of international petroleum and liquid fuels from non-OPEC producers would represent 68.7% of global output.

Source: U.S. Energy Information Administration

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

LME iron ore cash prices averaged $110 per dry metric ton (dmt) in the year-to-December 18, 2024 period, constituting a decrease of 7.1% from an average of $118.3 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 decreased from a peak of $143.4 per dmt on January 3, 2024, their highest level since June 9, 2022, to $102.6 a dmt on December 18, 2024, due to the oversupply of the metal. Further, S&P Global Market Intelligence forecast the global supply for iron ore to increase from 2,431 million tons in 2023 to 2,484 million tons in 2024, or by 2.2%. Also, it projected the global demand for iron ore to regress from 2,462 million tons in 2023 to 2,438 million tons in 2024. In addition, it expected global crude steel production, which is derived from iron ore, at 1,886 million tons in 2024, nearly unchanged from 1,891 million tons in 2023. It anticipated the global consumption of steel at 1,761 million tons this year, relative to 1,773 million tons in 2023. It considered that the rise in geopolitical tensions and global trade uncertainties would lead to high volatility in the metal's prices. Further, S&P Global Market Intelligence projected LME iron ore cash prices to average $103.3 per dmt in the fourth quarter of 2024, with a low of $94 per dmt and a high of $112.4 per dmt in the covered quarter.

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

Precious Metals: Gold prices to average $2,650 per ounce in fourth quarter of 2024

Gold prices averaged $2,379.8 per ounce in the year-to-December 18, 2024 period, constituting an increase of 22.7% from an average of $1,939.8 an ounce in the same period last year, due mainly to strong demand for gold by emerging market central banks and individual investors, interest rate cuts, and the increase in geopolitical risks in the Middle East, which reinforced the appeal of the metal as a safe haven for investors. Further, the metal's price dropped from an all-time high of $2,784.4 per ounce on October 30, 2024 to $2,639 per ounce on December 18, 2024, driven by the increase in U.S. Treasury yields. In parallel, Standard Chartered Bank expected gold prices to increase to an average of $2,800 per ounce in the first quarter of 2025 amid elevated global demand. It considered that global macroeconomic headwinds, such as a stronger dollar and reduced economic uncertainties, would place a cap on the upward momentum of gold prices in the near term. However, it noted that the market for physically delivered gold is currently more actively sensitive to price movements, which is helping limit potential losses for gold investors and is preventing large declines in gold prices. Also, it expected inflows to gold-backed exchange-traded funds to further increase in the near-term, given that major central banks will continue to cut interest rates. It said that the correlation of gold with real U.S. Treasury yields has softened since the U.S. presidential election, but that monetary policy by major central banks still has scope to drive upward momentum of the metal's prices. In addition, it projected gold prices to average $2,650 per ounce in the fourth quarter of 2024.

Source: Standard Chartered Bank, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
Africa												
Algeria	- -	- -	- -	- -	-3.7	56.9	-	-	-	-	-3.2	0.4
Angola	B- Stable	B3 Stable	B- Stable	- -	-1.0	82.4	4.6	53.3	26.9	108.2	2.5	-4.3
Egypt	B- Positive	Caa1 Positive	B Stable	B Stable	-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 positive	RD -	- -	-4.8	78.1	1.1	41.1	22.7	127.6	0.9	2.0
Côte d'Ivoire	BB Stable	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- Positive	- -	-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	- -	- -	- -	- -	-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-	Ba3	BB-	B+								
	Stable	Stable	Stable	Positive	-4.3	46.5	2.0	29.8	9.8	114.6	-3.0	2.2
China	A+	A1	A+	-								
	Stable	Negative	Stable	-	-3.0	66.1	10.6	25.8	5.9	64.5	2.3	0.7
India	BBB-	Baa3	BBB-	-								
	Stable	Stable	Stable	-	-8.0	86.0	6.6	27.5	28.9	87.2	-3.1	1.5
Kazakhstan	BBB-	Baa2	BBB	-								
	Stable	Positive	Stable	-	-2.7	26.1	4.0	26.6	7.9	99.2	-2.8	2.2
Pakistan	CCC+	Caa2	CCC+	-								
	Stable	Positive	-	-	-7.5	71.3	0.7	34.9	55.9	133.4	-1.3	0.4
Bangladesh	B+	B2	B+	-								
	Stable	Negative	Stable	-	-4.8	34.9	3.8	29.0	27.2	102.8	-1.5	0.4
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Positive	Stable	Positive	-	-2.8	23.8	1.7	19.9	1.7	105.0	-0.2	1.8
Romania	BBB-	Baa3	BBB-	-								
	Stable	Stable	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	BB-	B1	BB-	B+								
	Stable	Positive	Stable	Stable	-3.6	29.1	1.2	77.3	9.5	166.0	-2.4	1.2
Ukraine	CC	Ca	CC	-								
	Negative	Stable	-	-	-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	4.50	18-Dec-24	Cut 25bps	29-Jan-25
Eurozone	Refi Rate	3.40	17-Oct-24	Cut 25bps	N/A
UK	Bank Rate	4.75	07-Nov-24	Cut 25bps	19-Dec-24
Japan	O/N Call Rate	0.25	19-Dec-24	No change	24-Jan-25
Australia	Cash Rate	4.35	10-Dec-24	No change	18-Feb-25
New Zealand	Cash Rate	4.25	27-Nov-24	Cut 50bps	19-Feb-25
Switzerland	SNB Policy Rate	0.50	12-Dec-24	Cut 50bps	20-Mar-25
Canada	Overnight rate	3.25	11-Dec-24	Cut 50bps	N/A
Emerging Markets					
China	One-year Loan Prime Rate	3.1	20-Nov-24	No change	20-Dec-24
Hong Kong	Base Rate	5.00	08-Nov-24	Cut 25pbs	N/A
Taiwan	Discount Rate	2.00	19-Sep-24	No change	19-Dec-24
South Korea	Base Rate	3.00	28-Nov-24	Cut 25bps	N/A
Malaysia	O/N Policy Rate	3.00	06-Nov-24	No change	N/A
Thailand	1D Repo	2.25	18-Dec-24	No change	26-Feb-24
India	Repo Rate	6.50	06-Dec-24	No change	07-Feb-24
UAE	Base Rate	4.65	07-Nov-24	Cut 25bps	N/A
Saudi Arabia	Repo Rate	5.25	07-Nov-24	Cut 25bps	N/A
Egypt	Overnight Deposit	27.25	21-Nov-24	No change	26-Dec-24
Jordan	CBJ Main Rate	6.75	10-Nov-23	Cut 25bps	N/A
Türkiye	Repo Rate	50.00	21-Nov-24	No change	26-Dec-24
South Africa	Repo Rate	8.00	21-Nov-24	Cut 25bps	N/A
Kenya	Central Bank Rate	11.25	05-Dec-24	Cut 75bps	N/A
Nigeria	Monetary Policy Rate	27.50	26-Nov-24	Raised 25bps	N/A
Ghana	Prime Rate	27.00	29-Nov-24	No change	27-Jan-25
Angola	Base Rate	19.50	19-Nov-24	No change	N/A
Mexico	Target Rate	10.25	14-Nov-24	Cut 25bps	19-Dec-24
Brazil	Selic Rate	11.25	06-Nov-24	Raised 50bps	N/A
Armenia	Refi Rate	7.00	10-Dec-24	Cut 25bps	N/A
Romania	Policy Rate	6.50	08-Nov-24	No change	N/A
Bulgaria	Base Interest	3.04	02-Dec-24	Cut 18bps	02-Jan-25
Kazakhstan	Repo Rate	15.25	29-Nov-24	Raised 100bps	N/A
Ukraine	Discount Rate	13.00	12-Dec-24	No change	23-Jan-25
Russia	Refi Rate	21.00	25-Oct-24	Raised 200bps	20-Dec-24

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