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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

International tourist arrivals up 11% to 1.4 billion in 2024

Figures released by the United Nations World Tourism Organization (UNWTO) show that international tourist arrivals reached 1.4 billion in 2024, constituting an increase of 140 million visitors, or of 11%, from 1.26 billion global tourist arrivals in 2023. On a regional basis, the number of tourist arrivals to Europe stood at 747 million in 2024 and accounted for 51.7% of total arrivals, followed by Asia & the Pacific region with 316 million (22% of the total), the Americas with 213 million arrivals (14.7%), the Middle East with 95 million arrivals (6.6%), and Africa with 74 million (5%). In addition, the number of tourist arrivals to the Asia & Pacific region surged by 33% in 2024, followed by a rise of 12% in arrivals to Africa, to the Americas (+7%), to Europe (+5%), and to the Middle East (+1). In parallel, tourist arrivals to the Asia & Pacific region surged by 87% in 2024 from 2019, followed by increases of 32% in arrivals to the Middle East Asia & Pacific, to Africa (+7%) and to Europe (+1%), while tourist arrivals to the Americas regressed by 3%. Further, the UNWTO projected the number international tourist arrivals to increase by 3% to 5% in 2025 from 2024 levels. In parallel, a UNWTO survey of its panel of tourism experts indicated that 64% of participants expected 'better' or 'much better' tourism prospects in 2025 compared to 2024, 26% of participants projected tourism activity to be unchanged from the previous year, while 9% anticipated 2025 to be 'worse' or 'much worse' than 2024.

Source: World Tourism Organization, Byblos Research

Speculative-grade corporate default rate at 4.8% at end-2024

Moody's Ratings indicated that the trailing 12-month global speculative-grade corporate default rate reached 4.8% at the end of 2024 compared to a default rate 5% in 2023. It noted that 144 rated corporate issuers defaulted globally in 2024 compared to 164 defaults in 2023. It pointed out that 38 companies defaulted in the first quarter, 43 firms defaulted in the second quarter, 27 companies defaulted in the third quarter, and 36 firms defaulted in the fourth quarter of 2024. On a regional basis, it said that North America had 109 defaults and accounted for 75.7% of total corporate defaults in 2024, followed by Europe, the Middle East and Africa with 22 defaults (15.3%), Asia-Pacific with seven defaults (4.9%), and Latin American & the Caribbean with six defaults (4.2%). Further, it indicated that the healthcare and pharmaceutical sector had 15 defaults last year, the highest number of defaults across sectors, followed by business service providers with 14 defaults, and telecommunications firms with 10 defaults. In addition, it expected the trailing 12-month global speculative-grade corporate default rate to decrease in 2025 and to stand at 4.3% at end-March, 3.4% at end-June and 2.6% at end-2025. It anticipated the trailing 12-month global speculative-grade corporate default rate in the U.S. to decrease from 4.5% at end-June 2025 to 2.7% at end-2025, while it forecast the default rate in Europe to rise from 2.4% at end-June 2025 to 2.9% at end-2025.

Source: Moody's Ratings

MENA

Eurobond issuance up 54% to $104bn in 2024

Standard Chartered Bank (SCB) indicated that total issuance of bonds denominated in US dollar, euro, and Japanese yen in the Middle East and North Africa region reached $104bn in 2024, marking the second-highest volume on record for the region, and constituting an increase of 54% from $67.5bn in 2023. It pointed out that bond issuance from quasi-sovereign entities and corporates reached $46.8bn and accounted for 45% of total issuance in 2024, followed by sovereign issuances with $31.2bn (30%), and the financial sector with $26bn (25%). It noted that Saudi Arabia issued $47.6bn of bonds denominated in the US dollar, euro, and Japanese yen in 2024 and accounted for 45.8% of the region's aggregate issuance in the covered period. The UAE followed with $35.8bn (34.5% of total), then Qatar with $8bn (7.7%), Bahrain with $4.7bn (4.5%), Kuwait with $3.3bn (3.2%), Oman with $2.5bn (2.4%), and Morocco with $2bn (2%). In parallel, it projected the sovereigns in the MENA region to issue $35bn in bonds on a gross basis and $13bn on a net basis in 2025. Also, it anticipated gross sovereign issuance in Saudi Arabia at $16bn, representing 46.2% of the total in 2025, followed by Abu Dhabi, Bahrain and Egypt with $3bn each (8.7% each), Oman, Qatar and Sharjah with $2bn each (5.8% each), the UAE with $1.5bn (4.3%), Morocco with $1.1bn (3.2%), and Dubai with $1bn (3%). Further, it indicated that MENA sovereigns will have to redeem $22.3bn in bonds denominated in the US dollar, euro and Japanese yen in 2025, followed by the financial sector with $18.5bn, and quasi-sovereign entities and corporates with $11.4bn.

Source: Standard Chartered Bank

Startups investments down 11% to $2bn in 2024

Figures released by online platform neuron.digitaldigest, a market intelligence dashboard, show that investments in startups in the Middle East and North Africa (MENA) region reached $2bn in 2024, constituting a decrease of 11% from $2.25bn in 2023; while the number of investments totaled 540 last year and declined by 27.4% from 424 transactions in 2023. Also, investments in startups in the MENA region totaled $434.5m in the first quarter, $316m in the second quarter, $704.7m in the third quarter, and $553.7m in the fourth quarter of 2024. Further, there were 166 deals in the first quarter, 93 transactions in the second quarter, 163 deals in the third quarter, and 116 deals in the fourth quarter of 2024. Also, it noted that investments in UAE-based startups stood at $890m, or 44.3% of placements in the region's startups in 2024, followed by startups in the Saudi Arabia with $671m (33.4%), Egypt with $317m (15.8%), Oman with $42m (2.1%); while $88m were invested in the remaining MENA startups, or 4.4% of the total, last year. Further, there were 198 transactions in UAE startups, or 35.6% of the total, in 2024, followed by Saudi Arabia with 164 deals (30.4%), Egypt with 66 transactions (12.2%), the West Bank & Gaza with 25 deals (4.6%), Jordan with 22 transactions (4.1%), and Morocco with 19 deals (3.5%); while the number of transactions in other MENA startups stood at 52 deals, or 9.6% of total transactions, in 2024.

Source: neuron.digitaldigest

POLITICAL RISKS OVERVIEW - December 2024

ARMENIA

Prime Minister Nikol Pashinyan announced on December 4, 2024 that the peace treaty with Azerbaijan is 90% complete. Azerbaijan's President Ilham Aliyev stated that negotiators have reached an agreement on 15 out of 17 articles of the peace treaty with Armenia, but he reiterated his demand for both countries to mutually drop lawsuits in international courts and for the removal of "third-party forces" from the border areas. He stated that Armenia must eliminate references to the Nagorno-Karabakh region from its constitution to finalize the peace treaty. Also, Armenia's special envoy for the normalization of Armenia-Türkiye relations confirmed that Armenian and Turkish officials met at the border in November to discuss the reopening of the Kars-Gyumri railway.

BANGLADESH

Under increasing pressure from opposition parties, the Interim Prime Minister Muhammed Yunus announced on December 16 that general elections will likely take place between December 2025 and June 2026, pending recommendations from the electoral and constitutional reform commissions; while the main opposition, the Bangladesh National Party, called for a "roadmap with specific dates". The High Court's Appellate Division paved the way for bringing back the system of a temporary and neutral government during elections, which was scrapped by ex-PM Sheikh Hasina in 2011, to ensure fair elections. The Anti-Corruption Commission opened an inquiry into ex-PM Hasina and her family for allegedly embezzling $5bn from infrastructure projects. The government submitted an official request to extradite Mrs. Hasina from India in order for her to face the "judicial process". In parallel, the International Monetary Fund reached a staff-level agreement with the authorities for the disbursement of $654m of the IMF loan, which is part of the $4.7bn Extended Credit Facility, Extended Fund Facility, and Resilience and Sustainability Facility arrangements.

EGYPT

Prime Minister Mostsfa Madbouly announced that 10 state-owned companies will be listed on the Egyptian Stock Exchange in 2025. The European Union agreed to extend €1bn in loans to ensure "macroeconomic stability" and support reforms, while the International Monetary Fund said it has reached an agreement with the authorities to unlock $1.2bn in funding. The U.S. Department of State approved a $5bn arms sale to Cairo.

ETHIOPIA

Fighting between security forces and Fano militias continued throughout December in the Amhara region, as Fano militants executed 37 government officials. The Oromia Regional Government and the Oromo Liberation Army (OLA) splinter group signed a peace agreement in Addis Ababa on December 1, 2024. However, the OLA denounced the agreement, alleging it is a staged event to damage the reputation of the Oromo movemen. The power struggle within the Tigray People's Liberation Front (TPLF) has intensified, as competing factions met with Prime Minister Abiy Ahmed to try to resolve their differences. The TPLF launched a new campaign in mid-December to undermine the Interim Regional Administration of Tigray.

IRAN

The International Atomic Energy Agency (IAEA) confirmed that Iran is significantly increasing its uranium enrichment capacity, potentially up to seven to eight times more than the current level. In response, the United Kingdom, France and Germany urged Iran to halt its nuclear escalation and to comply with the Joint Comprehensive Plan of Action. Iran agreed to increase IAEA safeguard measures at the Fordow enrichment facility. In parallel, the European Union sanctioned an Iran-based company involved in the development and production of unmanned aerial vehicles that Russia has been using in its war against Ukraine. The U.S. blacklisted more than 30 individuals, entities and vessels tied to Iran's missile and drone program, petroleum trade, human rights abuses, and support for the Huthi rebels in Yemen.

IRAQ

The Kurdistan Regional Parliament held its first session on December 2, 2024 following the October 2024 elections. However, the members of Parliament were unable to elect a speaker and a deputy speaker due to the lack of a quorum, due to disputes about the distribution of top government positions between the ruling Kurdistan Democratic Party and the rival Patriotic Union of Kurdistan.

LIBYA

The United Nations Support Mission in Libya (UNSMIL) presented a plan for an inclusive intra-Libyan political initiative to establish a new advisory committee that will review electoral issues and make proposals for organizing elections. The UNSMIL will appoint committee members from across the Libyan political, social and geographical spectrum. The U.S. Treasury Department notified the government that, without independent oversight of Libyan financial institutions, it will suspend its operations with the Central Bank of Libya (CBL) and the Libyan Foreign Bank. In response, the CBL requested the Libyan Audit Bureau to authorize third-party foreign monitoring of its foreign currency transactions for compliance with anti-money laundering and counter-terrorism standards. The U.S. met west- and east-based military officials to strengthen Libya's security framework and unify its military efforts.

SYRIA

In a historic moment, Hei'at Tahrir al-Sham (HTS), a coalition of opposition forces, launched a flash offensive across major Syrian cities that led to the downfall of the decades-old Assad regime. On December 8, 2024, opposition forces took the capital Damascus, as ousted President Bashar al-Assad fled to Russia, marking the end of a brutal dictatorship and the 54-year rule of the Assad family. On December 10, the HTS appointed Mohamed al-Bashir, head of the HTS-affiliated Salvation Government, as interim Prime Minister until March 1, 2025.

TUNISIA

Parliament passed the 2025 Finance Law on December 2, 2024, despite intense debates over tax details in the legislature and the National Council of Regions and Districts, a pro-President Kais Saïed body acting as a second chamber. However, the law failed to identify the source of $9bn in funding for 2025, raising concerns that the government might be compelled to utilize a significant portion of its foreign currency reserves in early 2025, which could potentially lead to the depreciation of the local currency, and exacerbate social and political tensions.

YEMEN

Military confrontations between Huthi rebels and government-aligned forces intensified along the western coast of Yemen. The Presidential Leadership Council and military commanders convened meetings in Riyadh with ambassadors from the U.S., the UK, France, Saudi Arabia, and the UAE, to seek support for an anti-Huthi military operation in Hodeida. However, the Saudis and Emiratis appeared to rule out a military solution.

Source: International Crisis Group, Newswires

WORLD

Global growth below historical trend in 2025-26 period

The International Monetary Fund (IMF) projected the global economy's real GDP growth rate at 3.3% in each of 2025 and 2026, relative to 3.2% in 2025 and 3.3% in 2026 in its October 2024 forecast, and lower than the historical average of 3.7% in the 2000-19 period. It forecast the real GDP growth rate of advanced economies at 1.9% in 2025 and at 1.8% in 2026, compared to 1.8% in each of 2025 and 2026 in its October forecast. It expected higher real incomes to support the cyclical recovery in consumption and anticipated uncertainties about global trade policies to keep foreign direct investments subdued. Also, it projected the real GDP growth rate of emerging markets and developing economies (EMDEs) at 4.2% in 2025 and at 4.3% in 2026, relative to 4.2% in each of 2025 and 2026 in its October forecast, despite higher capital outflows.

Further, it projected the real GDP of Emerging & Developing Asia to grow by 5.1% in each of 2025 and 2026. Also, it expected economic activity in Sub-Saharan Africa to rise by 4.2% in each of this year and next year, while it anticipated the real GDP growth rate of Emerging & Developing Europe at 2.2% in 2025 and 2.4% in 2026. Further, it forecast economic activity in Latin America & the Caribbean to expand by 2.5% this year and by 2.7% next year, and for the real GDP growth rate of the Middle East & North Africa region to reach 3.5% in 2025 and 3.9% in 2026, up from 2% in 2024, despite the extension of the OPEC+ production cuts.

In parallel, the IMF considered that risks to the global economic outlook are tilted to the downside in the medium term and include potential monetary policy tightening, the intensification of geopolitical tensions, renewed increases in commodity prices, debt accumulation, the weakening of China's property sector, as well as the acceleration of protectionist policies that would exacerbate trade tensions. But it said that upside risks include a stronger recovery of investments in advanced economies and the faster implementation of structural reforms in EMDEs.
Source: International Monetary Fund

Expanding artificial intelligence potential to unlock new usages

Moody's Ratings indicated that artificial intelligence (AI) models will increasingly compete on new AI capabilities and product features, which will make the technology more user-friendly and unlock more use-cases in 2025 that will help plan, execute and adapt tasks with little human intervention. It noted that AI will drive operational efficiencies for businesses, as the financial, media and automotive industries, in addition to the technology sector, will benefit from leveraging AI to enhance productivity, reduce costs, and improve outcomes. But it considered that AI-realized efficiencies will take several years to fully materialize due to high implementation costs. Also, it said that ensuring AI system reliability and interpretability remains a key hurdle to the adoption of AI, along the broader need for organizations to align their operations with these advanced systems, which will involve retraining workers, redesigning workflows, and creating organizational structures that can adapt to the evolving capabilities of AI.

Further, it said that the banking sector could integrate AI into daily workflows by deploying customized AI assistants and integrating AI-powered solutions throughout a wide array of business operations. It noted that asset managers may leverage AI to automate routine tasks and improve operational reliability, while AI-powered fraud detection and claims processing will allow insurers to significantly reduce processing time. Also, it pointed out that the healthcare industry is starting to see some transformative AI-driven improvements, as AI tools are enabling better diagnostics, enhancing clinical decision-making, and optimizing hospital resource allocation.

In parallel, it noted that technical issues, such as bias, errors and vulnerabilities in AI systems, have underscored the need for international cooperation on AI safety. It stated that the risks of AI misuse, such as the exploitation of AI for generating deepfakes, misinformation and cyberattacks, have raised alarms about the ethical and security challenges of AI. In addition, it considered that the interplay between regulation, innovation, and geopolitical tensions will continue to define the global AI landscape and its credit implications.
Source: Moody's Ratings

MENA

Real GDP growth rate revised downwards to 3.4% in 2025, regional war clouds outlook

The World Bank revised downward its projections for the real GDP growth rate of the Middle East & North Africa (MENA) region to 3.4% for 2025 from an earlier forecast of 3.8% last October, due to the extension of oil production cuts by the OPEC+ coalition and to increased uncertainties about the conflict in the Middle East. It considered that fiscal policies across the region will have a neutral influence on growth in 2025. Also, it forecast the region's economic growth rate at 4.1% in 2026. As such, it expected the real GDP growth rate of the region's oil-exporting countries at 3.3% in 2025, down from 3.9% in its October forecasts, and at 4.1% in 2026; and for activity in Gulf Cooperation Council (GCC) countries to accelerate from 3.3% this year, down from 4.2% last October, to 4.6% next year. Also, it projected the real GDP growth rate of the MENA's oil-importing economies at 3.7% in 2025, up from 3.5% last October, and at 4% in 2026, driven by higher domestic demand as inflationary pressures ease.

Further, it forecast the fiscal surpluses of GCC countries to derease, and for fiscal deficits among other oil-exporting economies to narrow, supported by higher oil production in 2025. Also, it expected the fiscal deficits of oil-importing economies to widen in 2025 amid elevated public debt levels, large fiscal financing needs and delays in fiscal consolidation, which will increase their financing vulnerabilities.

In parallel, it considered that the major downside risks to the MENA growth outlook are the continued conflict in the Middle East, heightened policy uncertainties, unexpected adverse global policy shifts, delays in oil production hikes by major oil exporters, persistent global inflation and tightening of global financial conditions, and heightened social tensions. But it said that upside risks include the possibility of stronger growth in major economies and easier global financial conditions due to faster-than-expected disinflation.
Source: World Bank

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, high geopolitical risks, as well as by limited fiscal transparency and monetary policy flexibility. It considered 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

ETHIOPIA

Outlook driven by commitment to reforms

The International Monetary Fund projected the real GDP growth rate of Ethiopia at 6.6% in the fiscal year that ends in June 2025, at 7.1% in FY2025/26, and at an annual average 7.8% in the 2027-29 period, driven by the authorities' strong commitment to their economic reform program. Also, it forecast the inflation rate to decline from 20.7% in FY2024/25 to 16.9% in FY2025/26, due to tight monetary policy. It called on the National Bank of Ethiopia to limit foreign currency interventions and to carry out additional policy measures to support the foreign exchange market, which will be critical to enhance market efficiency. It urged the authorities to cease the monetary financing of government deficits and to tighten monetary policy in order to reduce imbalances and ensure macroeconomic stability. Further, it anticipated the fiscal deficit to widen from 1.7% of GDP in FY2024/25 to 2% of GDP in FY2025/26, despite the authorities' efforts to mobilize domestic revenues. It noted that the implementation of the value-added tax and excise tax reforms continue to create sufficient space for social and development spending needs. Further, it expected the public debt level to decrease from 45.6% of GDP at end-June 2025 to 39.8% of GDP at end-June 2026, as the authorities made substantial progress towards reaching an agreement on a debt treatment with the Official Creditor Committee under the G20 Common Framework to restore debt sustainability. Also, it forecast the current account deficit at 4.4% of GDP in FY2024/25 and 3% of GDP in FY2025/26, and projected foreign currency reserves to reach 1.4 months of import coverage at end-June 2025 and 2.1 months of imports at end-June 2026.

Source: International Monetary Fund

ANGOLA

Recent Eurobond issuance provides near-term liquidity buffer

Moody's Ratings indicated that the Angolan government issued $1.93bn in Eurobonds in a total return swap (TRS) transaction, in return for one-year financing of $1bn from a global investment bank. It pointed out that the TRS facility provides a sizable liquidity buffer in foreign currency for cash management purposes at a typically lower interest rate than alternative Treasury bills in local currency, and in a faster timeframe than accessing international capital markets, which will ease liquidity pressures. It added that reserves at the Banco Nacional de Angola and assets from the sovereign wealth fund provide an additional liquidity cushion for cash management. However, it said that the short-term nature of the TRS facility will add to the country's foreign-currency debt rollover challenge later in 2025 when the next Eurobond matures in November. Also, it considered that the TRS transaction signals that the government is diversifying its funding base, which is currently concentrated with Chinese lenders and multilateral development finance institutions. But it noted that the TRS transaction adds to Angola's debt maturity concentration at the end of this year, considering that, in addition to $1bn that it owes this year, a Eurobond of $865m matures in November 2025. It indicated that relying on foreign currency borrowing for cash management, instead of local currency T-bills, exposes Angola to exchange rate risks, given the recent history of the kwanza's depreciation. In addition, it said that Angola's access to international markets at affordable costs remains significantly impaired, as the country will continue to face a challenging funding profile.

Source: Moody's Ratings

DEM REP CONGO

Growth to average 5.3% in 2025-26 period

The International Monetary Fund projected the real GDP growth rate of the Democratic Republic of the Congo at 5.4% in 2025 and 5.1% in 2026 and forecast the inflation rate to reach 7.8% at end-2025 and 7% at end-2026, driven by the Banque Centrale du Congo's adoption of tighter monetary policy to contain inflationary pressures. It considered that the economic outlook is subject to substantial downside risks that include the escalation of armed conflicts in the east of the country, public health crisis, and the intensification of regional conflicts. Further, it expected the fiscal deficit to widen from 0.3% of GDP in 2024 to 0.8% of GDP in each of 2025 and 2026, due to a higher-than-anticipated wage bill and exceptional security expenditures, which will more than offset stronger-than-expected revenue mobilization. It stressed the importance of a gradual transition towards a sustained fiscal framework to protect the budget from volatile mining revenues and to limit the procyclicality of spending. Also, it said that the authorities aim to continue their efforts to accumulate foreign currency reserves, strengthen the monetary policy framework and the foreign exchange intervention strategy, in order to improve the transmission of monetary policy and alleviate pressures in the foreign exchange market. Also, it forecast the current account deficit at 2.7% of GDP in 2025 and 2.3% of GDP in 2026, and projected foreign currency reserves to reach 11.5 weeks of import coverage at end-2025 and 12.7 weeks of imports at end-2026.

Source: International Monetary Fund

SAUDI ARABIA

Banks benefit from strong capitalization and income generation

S&P Global Ratings indicated that banks in Saudi Arabia are profitable and benefit from strong capitalization and earning generation, which is sufficient to cater for their asset growth. It expected lending growth to boost the banks' profitability in 2025, which would result in a return on assets of 2.2%. But it anticipated the net interest margins of banks to narrow by 20 basis points (bps) to 30 bps by the end of 2025, as the Saudi Central Bank (SAMA) follows the U.S. Federal Reserve's interest rate cuts. Also, it noted that corporate lending, which accounts for 50% of total loans and that is largely based on floating rates, will reprice quickly, leading to lower interest income, but noted that this will be partly offset by fixed rates on long-term mortgages. Further, it forecast the sector's non-performing loans (NPLs) ratio to slightly increase from 1.3% at the end of September 2024 to 1.7% by the end of 2025 amid lower interest rates. It estimated the banking sector's NPLs' coverage ratio at 105% at the end of 2024, and forecast the ratio to decline to 100% in 2025 and 90% in 2026. It also projected credit losses at 50 basis points (bps) to 60 bps in the next 12 to 24 months. Further, it said that the banking system shifted to a net external debt position, close to 1% of total loans, in the second half of 2024, and expected this trend to continue in the next few years. It considered that the Saudi banks' reliance on external funding will continue to increase due to financing needs related to Vision 2030 investments. In addition, it said that the sector's capital adequacy ratio was 19.2% at end-September 2024, above the SAMA's minimum requirement of 10.5%, and expected high capitalization to continue to support the banks' creditworthiness.

Source: S&P Global Ratings

IRAQ

Central Bank issues AML/CFT standards for banks

The Central Bank of Iraq issued launched its supervisory standards about anti-money laundering and combating the financing of terrorism (AML/CFT) to enhance the role of the for the Iraqi banking sector. First, it indicated that banks must identify all their customers relative to the risk levels associated with the clients in accordance with Know Your Customer principles. Second, it urged banks to develop a risk-based approach to monitoring operations that is commensurate with the number of their customers and with the types of transactions that the bank or the customer conducts. It noted that banks must classify their customers according to the risk of ML and TF. It called on the banks to implement the necessary procedures to deal with cases that represent a high degree of ML or TF risks. It also urged banks to classify their clients in the "high", "medium", or "low" risk categories. Third, it called on banks to review their customers' classifications based on their ML and TF risk ratings at least once every two years, or if subsequent changes occur within two years that warrant such a review. It noted that financial institutions must acquire and implement AML/CFT systems to measure and identify risks related to customers, products, service delivery channels, and geographic risks. Fourth, it urged banks to establish an effective mechanism for internal and external reporting when they detect a suspicious transaction related to ML or TF.

Source: Central Bank of Iraq

ARMENIA

Banking sector susceptible to multiple risks

Moody's Ratings placed the Armenian banking sector's Macro Profile in the "Weak" category, along with Azerbaijan, Namibia, and Türkiye, which balances the economy's moderate high growth potential and increasingly diverse economic drivers, against geopolitical risks and the economy's small size and middle-income level. It also placed the banking sector's Banking Country Risk level in the "Weak+" category. It indicated that Armenian banks benefitted from the improvement in the operating environment in the 2022-23 period, which helped them to significantly enhance their profitability, asset quality, and loss absorption capacity. Further, it noted that the banks' domestic lending increased from 46% of GDP at end-2022 to 54% of GDP at end-2023 on the back of rapid economic growth amid a surge in income and the increase in capital and labor inflows from Russia. It pointed out that the sector's non-performing loan ratio declined from 2.4% at end-2023 to 1.2% at end-September 2024; while it anticipated the banks' credit risks to decrease in the near-term amid the favorable operating environment, despite the banks' high exposure to the construction sector and mortgage lending. In addition, it indicated that the banking sector's large exposure to foreign-currency loans poses risks to the banks' asset quality, but it noted that the share of foreign-currency loans decreased from 35% of gross loans at end-2023 to 33% at end-September 2024. In parallel, it said that Armenian banks are primarily funded by customer deposits, which accounted for 72% of total liabilities at end-June 2024. It added that foreign currency deposits accounted for 48% of total deposits at end-September 2024, which is generating credit risks and is weakening the banks' funding profiles.

Source: Moody's Ratings

MOROCCO

Favorable prospects to support banks' outlook

Fitch Ratings expected the strong profitability metrics of Moroccan banks to continue in the 2025-26 period, supported by lower impairment charges, a favorable operating environment and the establishment of a secondary market for non-performing loans (NPLs), which will be enacted into law this year. Further, it anticipated lending to rise by an average of 6% to 7% in the 2025-30 period compared to 5% annually in the first nine months of 2024 amid large infrastructure and industrial projects, which could necessitate $34bn in financing in 2025 and more than $100bn in funding during the 2025-30 period. As such, it expected loans for investments to be the main driver of medium-term lending growth. Also, it said that NPLs at Moroccan banks have more than doubled in the past decade, and have reached MAD98bn at end-September 2024, equivalent to 8.6% of the sector's loans. It noted that banks have to carry impaired loans on their balance sheets for at least five years due to stringent tax rules, and considered that a secondary market for NPLs could provide a significant boost to the banks' credit performance and core capital metrics. It estimated that a 20% reduction in NPLs at the six largest banks would boost their common equity Tier One ratio by 185 basis points on average. In parallel, it indicated that weak capitalization is weighing on the banks' performance, but expected lower capital encumbrance by uncovered NPLs and better internal capital generation to help support capital buffers.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $76 p/b in 2025

ICE Brent crude oil front-month prices reached $79 per barrel (p/b) on January 22, 2025, constituting a decrease of 3.7% from $82 p/b a week earlier, as U.S. President Donald Trump announced a plan to boost U.S. oil and gas production and postponed the imposition of new tariffs on Canada and Mexico until February 1, 2025. In parallel, the International Energy Agency projected global oil supply to rise by 1.8 million barrels per day (b/d) to 104.7 million b/d in 2025, compared to an increase of 660,000 b/d in 2024. It forecast oil output from non-OPEC+ producers to increase by 1.5 million b/d to 54.6 million b/d in 2025, driven by higher supply from the U.S., Brazil, Canada, Guyana and Argentina. Also, it considered that substantial decreases in oil supply due to weather events, sanctions, or other developments can necessitate a rapid drawdown of oil inventories to fulfil immediate operational requirements. In addition, it projected global oil demand to grow by 1.05 million b/d to 104 million b/d in 2025, compared to growth of 940,000 b/d in 2024. Further, Goldman Sachs attributed the recent decrease in oil prices to the U.S. Administration's delaying the imposition of sanctions on Iran or Russia. But it expected U.S. policy to pose an upside risk to oil prices in the short-term due to potential sanctions on oil supplies from Russia and Iran, while it anticipated the impact of potential universal tariffs on economic growth, oil demand, and inventories to be gradual in the medium-term, leading to lower oil prices. In addition, it projected oil prices to average $76 p/b in 2025

Source: International Energy Agency, Goldman Sachs, Refinitiv, Byblos Research

Steady OPEC oil output in December 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.74 million barrels of oil per day (b/d) in December 2024, nearly unchanged from 26.71 million b/d in November 2024. On a country basis, Saudi Arabia produced 9 million b/d, or 33.4% of OPEC's total output, followed by Iraq with 4 million b/d (15%), Iran with 3.3 million b/d (12.4%), the UAE with 3 million b/d (11%), and Kuwait with 2.4 million b/d (9%).

Source: OPEC

ME&A's oil demand to grow by 1.4% in 2025

The Organization of Petroleum Exporting Countries projected the consumption of crude oil in the Middle East & Africa to average 13.49 million barrels per day (b/d) in 2025, which would constitute an increase of 1.4% from 13.31 million b/d in 2024. The region's demand for oil would represent 22.7% of consumption in non-OECD countries and 12.8% of global consumption in 2025.

Source: OPEC

Output of natural gas to increase by 2.4% in 2025

The International Energy Agency projected global natural gas production to reach 4,294 billion cubic meters (bcm) in 2025, constituting an increase of 2.4% from 4,195 bcm in 2024. It forecast the supply of natural gas in North America at 1,315 bcm and to represent 30.6% of the world's aggregate production in 2025, followed by Eurasia with 875 bcm (20.4%), the Middle East with 770 bcm (18%), the Asia Pacific region with 710 bcm (16.5%), Africa with 260 bcm (6.1%), Europe with 216 bcm (5%), and Central and South America with 148 bcm (3.4%).

Source: International Energy Agency, Byblos Research

Base Metals: Nickel prices to average $14,640 per ton in first quarter of 2025

The LME cash prices of nickel averaged $16,822.8 per ton in 2024, constituting a decrease of 21.8% from an average of $21,505 a ton in 2023. Prices averaged $16,600.3 per ton in the first quarter of 2024 and rose to $18,448.2 per ton in the second quarter, 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. As such Nickel prices peaked at $21,339 per ton on May 20, 2024, their highest level since August 3, 2023 when they stood at $21,369 a ton. Also, the metal’s prices decreased to an average of $16,271.1 per ton in the third quarter and to $15,993 per ton in the fourth quarter of the year due mainly to the excessive production of the metal by Indonesian nickel producers and the slowdown in global industrial activity. In parallel, the latest available figures released by the International Nickel Study Group projected global total primary supply of nickel at 3.65 million tons in 2025, which would constitute an increase of 3.8% from 3.52 million tons in 2024 and relative to 3.36 million tons in 2023, mainly due to the expansion of mining activity in Indonesia. Also, it forecast global demand for primary nickel at 3.51 million tons in 2025, which would represent an increase of 5% from 3.35 million tons in 2024, compared to 3.19 million tons in 2023. As such, it projected the global nickel market to post a surplus of 135,000 tons in 2025, down by 20.6% from 170,000 tons in 2024, and compared to 167,000 tons in 2023. Further, S&P Global Market Intelligence projected nickel prices to average $14,640 per ton in the first quarter of 2025, with a low of $13,960 per ton and a high of $15,920 per ton in the covered quarter.

Source: International Nickel Study Group, S&P Global Market Intelligence, Refinitiv, Byblos Research

Precious Metals: Platinum prices to average $1,023.75 per ounce in first quarter of 2025

Platinum prices averaged $955.5 per troy ounce in 2024, constituting a decrease of 1.1% from an average of $966.6 an ounce in 2023. Prices averaged $911.3 an ounce in the first quarter of 2024, and rose to $981.5 per ounce in the second quarter due to a deeper-than-expected deficit in the platinum market due to lower supply from mines in Russia and South Africa, as well as to the surge in industrial and investment demand. As such, platinum prices averaged $1,065 per ounce on May 17, 2024, their highest level since May 23, 2023 when they reached $1,066 an ounce. In parallel, the World Platinum Investment Council estimated the global demand for platinum at 7.951 million ounces in 2024, constituting an increase of 0.4% from 7.918 million ounces in 2023, and projected it to reach 7.863 million ounces in 2025. Moreover, it expected net flows into platinum-backed exchange-traded funds to shift from outflows of 74,000 ounces in 2023 to inflows of 150,000 ounces in 2024 and of 50,000 ounces in 2025. Also, it forecast the global supply of platinum to increase from 7.159 million ounces in 2023 to 7.269 million ounces in 2024 and to 7.324 million ounces in 2025. As such, it forecast the metal's market deficit to narrow from 759,000 ounces in 2023 to 682,000 million ounces in 2024 and to 539,000 ounces in 2025.Further, S&P Global Market Intelligence projected platinum prices to average $1,023.75 per ounce in the first quarter of 2025, with a low of $927 an ounce and a high of $1,150 per ounce in the covered quarter.

Source: World Platinum Investment Council, S&P Global Market Intelligence, 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 Stable	B- Stable	- -	-1.0	62.06	4.7	52.2	25.9	105.8	2.7	-2.7
Egypt	B- Positive	Caa1 Positive	B Stable	B Stable	-4.6	73.3	2.7	97.3	14.6	179.1	-18.5	16.4
Ethiopia	SD -	Caa3 Stable	CCC- -	-	-2.5	22.0	0.5	32.1	5.9	158.7	-3.1	1.8
Ghana	SD -	Ca positive	RD -	- -	-3.2	66.1	0.7	54.3	22.7	139.7	3.0	2.0
Côte d'Ivoire	BB Stable	Ba2 Stable	BB- Stable	- -	-4.2	57.0	3.6	45.0	14.6	119.9	-4.6	2.3
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-0.5	14.5	1.2	5.9	2.2	103.8	-5.4	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	- -	-5.6	41.2	4.1	71.2	28.9	126.8	0.6	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	- -	- -	- -	-5.8	58.0	1.2	59.0	11.4	156.8	-5.4	0.5
Rwanda	B+ Stable	B2 Stable	B+ Stable	- -	-4.6	69.5	3.5	19.8	9.5	111.5	-11.7	3.7
Middle East												
Bahrain	B+ Stable	B2 Stable	B+ Stable	B+ Stable	-4.9	133.7	-3.5	138.2	29.7	331.1	2.1	1.0
Iran	- -	- -	- -	- -	-4.2	26.1	-	-	-	-	3.5	-
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	45.6	15.3	3.2	3.1	42.6	5.6	-1.4
Jordan	BB- Stable	Ba3 Stable	BB- Stable	BB- Stable	-1.8	92.6	1.9	68.5	12	150.3	-4.4	1.6
Kuwait	A+ Stable	A1 Stable	AA- Stable	AA- Stable	-3.9	5.2	2.2	45.3	0.4	107.9	15.4	-4.8
Lebanon	SD -	C -	RD** -	- -	0.0	213.0	8.8	181.1	9.0	160.6	-20.1	2.8
Oman	BBB- Stable	Ba1 Positive	BB+ Stable	BB+ Stable	-7.3	51.7	4.4	26.0	6.5	101.2	-8.3	2.1
Qatar	AA Stable	Aa2 Stable	AA- Positive	AA Stable	4.0	47.7	2.2	115.4	5.0	168.0	16.7	-0.2
Saudi Arabia	A Positive	A1 Positive	A+ Stable	AA- Stable	-2.8	24.6	10.3	25.3	3.5	67.7	-0.2	0.5
Syria	- -	- -	- -	- -	-	49.0	-	-	-	-	-15.5	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	5.5	29.9	-	-	4.3	-	6.8	-2.0
Yemen	- -	- -	- -	- -	-2.7	50.7	-	-	-	-	-19.2	-2.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating				General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI								
Asia												
Armenia	BB-	Ba3	BB-	B+								
	Stable	Stable	Stable	Positive	-4.6	49.8	2.0	29.6	11.5	114.7	-3.1	2.2
China	A+	A1	A+	-								
	Stable	Negative	Stable	-	-3.0	65.2	10.9	20.6	5.8	60.9	2.3	0.7
India	BBB-	Baa3	BBB-	-								
	Stable	Stable	Stable	-	-7.8	84.0	7.3	29.8	25.2	82.2	-1.3	1.0
Kazakhstan	BBB-	Baa2	BBB	-								
	Stable	Positive	Stable	-	-3.1	26.4	4.1	29.4	8.1	100.4	-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	32.1	3.8	29.0	29.0	102.8	-1.5	0.4
Central & Eastern Europe												
Bulgaria	BBB	Baa1	BBB	-								
	Positive	Stable	Positive	-	-2.5	24.5	2.0	19.5	1.5	102.8	-0.5	2.0
Romania	BBB-	Baa3	BBB-	-								
	Stable	Stable	Stable	-	-7.3	51.7	4.4	25.9	6.5	101.2	-8.3	2.1
Russia	-	-	-	-								
	-	-	-	-	-	18.2	18.0	23.6	4.4	45.0	12.1	-0.7
Türkiye	BB-	B1	BB-	BB-								
	Stable	Positive	Stable	Stable	-5.1	27.0	1.4	63.6	10.8	149.0	-1.2	0.4
Ukraine	CC	Ca	CC	-								
	Negative	Stable	-	-	-17.0	91.6	4.6	40.7	10.1	108.	-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 2025

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	3.15	12-Dec-24	Raised 25bps	30-Jan-25
UK	Bank Rate	4.75	19-Dec-24	Cut 25bps	06-Feb-25
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	29-Jan-25
Emerging Markets					
China	One-year Loan Prime Rate	3.1	20-Jan-24	No change	20-Feb-25
Hong Kong	Base Rate	4.75	19-Dec-24	Cut 25pbs	N/A
Taiwan	Discount Rate	2.00	19-Dec-24	No change	20-Mar-25
South Korea	Base Rate	3.00	16-Jan-25	No change	25-Feb-25
Malaysia	O/N Policy Rate	3.00	22-Jan-25	No change	06-Mar-25
Thailand	1D Repo	2.25	18-Dec-24	No change	26-Feb-25
India	Repo Rate	6.50	06-Dec-24	No change	07-Feb-25
UAE	Base Rate	4.40	18-Dec-24	Cut 25bps	N/A
Saudi Arabia	Repo Rate	5.00	18-Dec-24	Cut 25bps	N/A
Egypt	Overnight Deposit	27.25	26-Dec-24	No change	N/A
Jordan	CBJ Main Rate	6.75	10-Nov-24	Cut 25bps	N/A
Türkiye	Repo Rate	47.50	26-Dec-24	Cut 25bps	23-Jan-25
South Africa	Repo Rate	8.00	21-Nov-24	Cut 25bps	30-Jan-25
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	21-Jan-25	No change	N/A
Mexico	Target Rate	10.00	19-Dec-24	Cut 25bps	06-Feb-25
Brazil	Selic Rate	12.25	11-Dec-24	Raised 100bps	29-Jan-25
Armenia	Refi Rate	7.00	10-Dec-24	Cut 25bps	04-Feb-25
Romania	Policy Rate	6.50	15-Jan-25	No change	14-Feb-25
Bulgaria	Base Interest	2.95	02-Dec-24	Cut 9bps	03-Feb-25
Kazakhstan	Repo Rate	15.25	17-Jan-25	No change	N/A
Ukraine	Discount Rate	13.00	12-Dec-24	No change	23-Jan-25
Russia	Refi Rate	21.00	20-Dec-24	Raised 200bps	14-Feb-25

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