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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

M&A deals up 15% to $3.5 trillion in 2024

Figures released by Bain & Co. indicate that global merger and acquisition (M&A) transactions reached $3.5 trillion (tn) in 2024, constituting an increase of 15% from $3.2tn in 2023. M&A deals stood at $3.7tn in 2022, $6.1tn in 2021, $3.7tn in 2020, and $4.1tn in 2019. It noted that the value of M&A deals in venture capital surged by 30% in 2024, followed by M&A deals by financial investors (+29%), and strategic M&A transactions (+12%); while M&A deals by special purpose acquisition companies dropped by 47% last year. Further, it pointed out that strategic M&A transactions in the energy & natural resources sector amounted to $570bn and accounted for 26.7% of the total in 2024, followed by deals in advanced manufacturing & the services industry with $361bn (17%), the technology sector with $287bn (13.4%), financial services with $252bn (11.8%), the healthcare & life sciences sector with $236bn (11%), retail with $137bn (6.4%), consumer products with $119bn (5.6%), telecommunications firms with $109bn (5%), and media with $65bn (3%). In parallel, it said that strategic M&A transactions in North America stood at $1.23tn and accounted for 47.8% of aggregate strategic M&A deals in 2024, followed by transactions in Asia with $666bn (26%), Europe with $528bn (20.6%), Australia with $64bn (2.5%), South America with $57bn (2.2%), and Africa with $25bn (1%). It added that strategic M&A transactions in Africa surged by 36% last year, followed by an increase of 27% in strategic M&A deals in South America, a rise of 20% in such transactions in Asia, an expansion of 9% of deals in Europe, an improvement of 8% in transactions in Australia, and an uptick of 2% in strategic M&A deals in North America.
Source: Bain & Co.

Global trade in services up by 10% in third quarter of 2024

Figures released by the World Trade Organization show that global trade in services grew by 10% in the third quarter of 2024 from the same period of 2023. It noted that the global exports of services expanded by 10% in the third quarter of 2024 from the same quarter of 2023, while the global imports of services grew by 9% in the covered period. It pointed out that the exports of services from Asia rose by 16%, followed by increases of 8% of service exports from Europe and of 7% from each of North America and South America; while the export of services from other regions improved by 6% annually in the third quarter of 2024. It noted that the import of services to South America surged by 14% year-on-year in the third quarter of 2024, followed by service imports to Asia (+11%) and to North America and Europe (+8% each); while the import of services to other services improved by 6% in the covered period. Also, it pointed out that world transport services surged by 14% annually in the third quarter of 2024, followed by increases of 10% in global travel services, of 8% in other commercial services, and of 7% in goods-related services. In parallel, it indicated that global trade in computer services surged by 13% annually in the third quarter of 2024, followed by construction services (+11%), intellectual property-related and insurance services (+9% each), financial and business and professional services (+8% each) and personal, cultural and recreational services (+2%).
Source: World Trade Organization

MENA

Corruption perception varies across region

Global anti-corruption advocacy organization Transparency International ranked the UAE in 23th place among 180 countries worldwide and in first place among 19 Arab countries on its Corruption Perception Index for 2024. Qatar and Saudi Arabia followed in 38th place each, then Oman (50th), and Bahrain (53rd), as the five countries perceived to have the lowest level of graft in the Arab region; while Lebanon (154th), Sudan (170th), Libya and Yemen (173rd each), and Syria (177th) were perceived as the most corrupt Arab countries. The organization uses data sources from independent institutions specializing in governance and business climate analysis in order to assess the degree of corruption in the public sector of each country. The rankings are based on scores that range from zero to 100 points, with lower scores reflecting economies with a higher perception of corruption. The Arab countries' average score stood at 36.4 points in the 2024 index, up from 35.7 points in the 2023 survey. The Gulf Cooperation Council (GCC) countries' average score stood at 56.7 points while the average score of non-GCC Arab countries was 27 points. The Arab countries' average score came higher than the average scores of Eastern Europe & Central Asia (35 points) and Sub-Saharan Africa (33 points); but it was lower than the average scores of the European Union & Western Europe (64 points), the Asia-Pacific region (44 points), and the Americas (42 points). Also, the rankings of nine Arab countries were unchanged, those of six economies improved and the ranks of four Arab countries deteriorated from the previous year; while the scores of nine Arab countries regressed, those of seven economies increased, and the scores of three countries remained the same from the 2023 index.
Source: Transparency International, Byblos Research

SAUDI ARABIA

Venture Capital investments at $3.9bn in 2020-24 period

Figures released by online platform Magnitt show that aggregate venture capital (VC) funding in Saudi Arabia reached $3.87bn in the 2020-24 period, representing 31.5% of a total of $12.3bn in VC investments in the Middle East and North Africa (MENA) region. Also, VC investments in the Kingdom posted a compound annual growth rate (CAGR) of 49%, while the VC investments in the MENA region excluding Saudi Arabia increased by a CAGR of 4% during the 2020-24 period. Further, there were 626 funded startups in the Kingdom in the covered period, constituting 24.2% of a total of 2,585 funded startups in the MENA region. It added that the total number of startups in Saudi Arabia increased by a CAGR of 17%, while the number of startups in the MENA region ex Saudi Arabia decreased by a CAGR of 4% in the 2020-24 period. Also, there were 739 VC funding rounds in Saudi Arabia between 2020 and 2024, constituting 23.8% of a total of 3,108 deals in the MENA region. The number of startups transactions in Saudi Arabia posted a CAGR of 18% in the 2020-24 period compared to a CAGR of -5% in the MENA region excluding the Kingdom.
Source: Magnitt, Byblos Research

POLITICAL RISKS OVERVIEW - January 2025

ARMENIA

The Commission on Delimitation and Border Security of the State Border between Armenia and Azerbaijan and the State Commission on the Delimitation of the State Border between Azerbaijan and Armenia held their 11th meeting amid ongoing efforts to resume the border delimitation and demarcation process. They agreed to begin the next stage of the delimitation or demarcation process in the north where Azerbaijani, Armenian and Georgian frontiers converge, and then to advance to the south towards the border with Iran. Further, the European Union extended its monitoring mission on Armenia's border with Azerbaijan by two years until February 19, 2027, despite Azerbaijani objections. Also, the Armenian government approved a draft law that calls for the country to launch a bid to join the European Union, which the Parliamentary Committee on European Integration endorsed on January 24, 2025. The U.S. and Armenia signed a Strategic Partnership Commission to strengthen bilateral relations.

BANGLADESH

The Electoral Reform Commission, the Police Reform Commission, the Constitutional Reform Commission, and the Anti-Corruption Commission (ACC) Reform Commission submitted their reports to the Chief Advisor of the Interim Prime Minister Muhammad Yunus with specific recommendations for reforms on the elections, police and the constitution, and on fighting corruption, with the aim to improve various aspects of the country's governance and institutions. The Electoral Reform Commission proposed invalidating elections with less than a 40% voter turnout or a majority "No Vote"; limiting the Prime Minister's tenure to two terms; and introducing online voting for expatriates. The ACC Reform Commission's recommendations include giving the ACC constitutional recognition, establishing a regulator for anti-corruption, and developing a national anti-corruption policy.

IRAN

French President Emmanuel Macron expressed concerns about Iran's nuclear program, and stated that it was nearing a "point of no return". He emphasized that if there is no progress with Tehran on the Joint Comprehensive Plan of Action, it might be necessary to consider reimposing sanctions under United Nations Security Council Resolution 2231. Officials from Tehran and the United Kingdom, France and Germany met in Geneva for crucial discussions on Iran's nuclear program. The Deputy Minister of Foreign Affairs of Iran described the talks as "serious, frank, and constructive," and indicated that the parties examined the details needed for a potential deal. Tehran signed a 20-year Comprehensive Strategic Partnership Agreement with Moscow that aims to strengthen their military, political, and economic cooperation. The government adopted emergency measures amid significant economic challenges, as the exchange rate of the national currency hit a record low against the U.S. dollar in December, losing more than 35% of its value since President Masoud Pezeshkian's inauguration in July. As such, 80 members of Parliament moved to impeach the Minister of Economy, citing mismanagement.

IRAQ

Iraqi Prime Minister Mohammed Shia' Al-Sudani emphasized during a speech on January 5, 2025 the importance of unity and collaboration among different groups in Iraq as a "fundamental factor of security and peace". He indicated that fostering cooperation and mutual understanding among various factions is crucial for maintaining stability and security in the country. In an attempt to prevent escalation with the new U.S. Administration and to address regional pressures, the Minister of Foreign Affairs announced that the government is actively working to persuade armed groups linked to Iran to disarm and integrate them into Iraq's official security structures, and noted that the existence of these groups is unacceptable and must come to an end. In a compromise vote on January 21st, Shiite, Sunni, and Kurdish lawmakers collaborated to pass a package of three laws by supporting each other's key legislative priorities. The Speaker of the Parliament facilitated the process by allowing a single vote for the entire package, as he incorporated the Shiite amendment to the Personal Status law, the Sunni amendment to the General Amnesty law, and the Kurdish amendment to the Property Restitution law to pass without separate votes.

LIBYA

The East-based House of Representatives (HoR) passed several bills, including the establishment of a constitutional court and laws related to reconstruction funds and national reconciliation. However, the Tripoli-based High State Council (HSC) rejected the laws, labeling them as "unilateral decisions". Tensions within the HSC persisted, as the Supreme Judicial Council rejected the former chairman of the HSC's constitutional appeal to invalidate the November 2024 election for the HSC presidency, which his rival Mohammed Takala won. The United Nations Secretary General António Guterres appointed a new Secretary General's Special Representative for Libya and permanent chief of the United Nations Support Mission in Libya (UNSMIL). The UNSMIL mandate was extended for nine months. The UN Security Council extended sanctions on Libya until May 2026 but granted permission, on a case-by-case basis, for the Libyan Investment Authority to reinvest sovereign wealth funds frozen since 2011, and totaling over $30bn, provided they remain frozen.

SUDAN

The Sudanese Armed Forces regained territory from the Rapid Support Forces (RSF) in the regions of Gezira and Greater Khartoum. Clashes between army-aligned forces and the RSF persisted in the west. The RSF held consultations in Nairobi on a possible formation of a parallel government, fuelling fears that Sudan is moving further toward fragmentation.

TUNISIA

The Political opposition raised calls for dialogue amid tensions over gas shortages and the forthcoming reforms of the banking sector. In early January, a shortage of gas cylinders, vital for heating and cooking, sparked concerns, mainly in rural areas. The long lines to purchase gas resulted in widespread frustration and led to unrest. Concerns mounted about the impact of the Finance Law for 2025, as business owners and the public voiced their worries about the anticipated economic upheaval. The August 2004 law regulating checks, which will come into effect on February 2nd, stipulates that all existing checkbooks will become invalid. However, most banks have yet to issue new checkbooks as they await the launch of the government's new digital platform.

TÜRKIYE

The Turkish government embarked on a fresh political initiative to resolve the conflict with the Kurdistan Workers' Party (PKK), while simultaneously maintaining military pressure on the battlefield. Ankara deepened its engagement with the new Syrian government amid conflict in the northeast of Syria. The Turkish Minister of Foreign Affairs offered support to Syria to boost operational cooperation against the PKK and the Islamic State terrorist group, and to contribute to Syria's reconstruction. Security forces detained over 200 suspected members of the Islamic State across the country during January.

YEMEN

The U.S. Administration re-designated the Huthi rebels as a "foreign terrorist organization". The re-designation aims to reduce the Huthis' firing at U.S. Navy warships, launching attacks on civilian infrastructure in partner nations, and targeting commercial vessels in the Red Sea.

Source: International Crisis Group, Newswires

MENA

Real GDP growth projected at 3.6% in 2025 on decline in geopolitical tensions

The International Monetary Fund projected the real GDP growth rate of the Middle East & North Africa (MENA) region at 3.6% in 2025, driven by a recovery in oil production and an easing of regional conflicts. It urged the countries in the region to focus on structural changes, in order to increase economic resilience and long-term growth potential, by accelerating digitalization, limiting the state's footprint in the economy, strengthening governance, reducing bureaucracy, modernizing public institutions, fostering trade diversification, and encouraging the free flow of capital. It considered that creating private-sector jobs for females and the young generation can lead to more vibrant and inclusive economies, but requires more flexible labor markets, as well as investments in education and vocational training. It stressed the importance of reallocating resources in oil-exporting countries towards new economic sectors and services, which could become a new source of growth. Also, it considered that countries in the region need to look for new opportunities to deepen regional cooperation, which will support their economic growth.

Further, it pointed out that the adoption of a prudent fiscal stance is essential to maintain the macroeconomic stability of countries across the region, in order to effectively respond to shocks, manage and mitigate risks, and to address pressing development and climate-related needs. It considered that governments need to carefully adapt the size, pace and composition of fiscal adjustments to avoid hindering economic growth. In this context, it indicated that increasing tax revenues remains a priority by expanding tax bases, especially as economies diversify. Also, it noted that MENA counties will need private domestic and external financing to support their spending needs, although domestic taxes will remain the primary source of financing government spending.
Source: International Monetary Fund

QATAR

Economic outlook facing balanced risks

The International Monetary Fund (IMF) projected Qatar's real GDP growth rate to accelerate from 1.7% in 2024 to 2.4% in 2025, supported by public investments, spillovers from the ongoing liquefied natural gas (LNG) expansion project, and strong tourism receipts. It expected the real GDP growth rate to accelerate to 4.75% annually in the medium term, supported by the increase of LNG production and the implementation of reforms under the Third National Development Strategy (NDS3). It forecast the country's real hydrocarbon GDP to expand from 1.4% in 2024 to 3% in 2025 and for its non-hydrocarbon GDP to increase from 1.9% last year to 2.1% in 2025.

In addition, it expected the fiscal surplus to increase from 0.3% of GDP in 2024 to 2.5% of GDP in 2025. It welcomed the authorities' commitment to continued fiscal prudence and called for accelerating fiscal reforms by adopting a medium-term fiscal anchor, and reiterated the need to accelerate revenue diversification, particularly by introducing the value-added tax. Also, it highlighted the importance of improving spending efficiency by enhancing public investment management. Further, it projected the current account surplus at 15.5% of GDP this year in relative to 16.6% of GDP in 2024 and for official foreign currency reserves to increase from $24.5bn at end-2024 to $25.4bn, or 7.9 months of import coverage at end-2025.

In parallel, it noted that risks to the outlook are broadly balanced. It said that downside risks include a sharper-than-expected global economic slowdown, increased volatility in global financial conditions and commodity prices, more volatile hydrocarbon prices, and a worsening of geopolitical tensions. Further, it pointed out that upside risks to the outlook include sustained high hydrocarbon prices and accelerated reforms under the NDS3, but it said that the misallocation of resources under ambitious NDS3 initiatives could affect public finances and growth prospects.
Source: International Monetary Fund

EGYPT

Limited private investments to weigh on short term growth prospects

The Institute of International Finance projected Egypt's real GDP growth rate to accelerate from 2.4% in the fiscal year that ended in June 2024 to 3.8% in FY2024/25 and 4.5% in FY2025/26, driven by stronger consumer demand and the lifting of import restrictions. But it considered that limited private investments will weigh on economic growth in the short term. Further, it forecast the inflation rate to regress from 28.3% in FY2023/24 to 21.6% in FY2024/25 and 11.6% in FY2025/26. But it expected inflationary pressures to persist in the near term amid the possible removal of value-added tax exemptions, the increase in the public sector's minimum wage in March 2025, and the gradual lifting of subsidies. It added that the persistence of inflationary pressures will lead to a gradual, rather than a sudden, reduction in the monetary policy rate.

In addition, it projected the fiscal deficit to widen from 3.6% of GDP in FY2023/24 to 7.6% of GDP in FY2024/25 and to narrow to 4.9% of GDP in FY2025/26. But it said that the authorities are stepping up their efforts to implement fiscal consolidation measures by mobilizing revenues, eliminating the preferential tax treatment of state-owned enterprises, and reducing loopholes and tax evasion. Also, it expected the primary surplus at 3.1% of GDP in FY2024/25 and 4% of GDP in FY2025/26, which will help to put the public debt level on a downward trajectory. As such, it forecast the public debt level at 89% of GDP at end-June 2025 and at 85.9% of GDP at end-June 2026.

In parallel, it forecast the current account deficit to narrow from 5.4% of GDP in FY2023/24 to 5% of GDP in FY2024/25 and 4.5% of GDP in FY2025/26. But it said that the deficit will remain wide in the near term due to lower revenues from the Suez Canal and a wide deficit in hydrocarbon trade. It anticipated a stronger recovery in the exports of non-hydrocarbon goods, robust tourism receipts, and an increase in remittance inflows to support the current account balance in the near- to medium term, despite a higher import bill. Also, it pointed out that risks to the outlook are tilted to the downside and include geopolitical developments, higher-for-longer global interest rates, a sizeable build up in government guarantees, and delays in the implementation of further structural reforms.
Source: Institute of International Finance

ECONOMY & TRADE

IRAQ

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Iraq's short- and long-term foreign and local currency sovereign credit ratings of 'B' and 'B-', respectively, with a 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by the sovereign's sound external position and usable foreign exchange reserves, despite the country's high dependence on the oil sector. But it said that the ratings are constrained by Iraq's weak institutions, and elevated domestic and regional security risks compared to similarly-rated peers. It expected the country's net external asset position to remain strong and to exceed the external debt by 80% in the 2025-28 period, due to the high level of foreign currency reserves at the Central Bank of Iraq and the economy's low external debt level. It added that the 'stable' outlook balances the agency's expectations that Iraq's foreign currency reserves will continue to comfortably exceed the government's debt-servicing obligations in the next 12 months, against significant risks from political uncertainties in the country, the weak institutional framework, and the lack of economic diversification. Further, it forecast Iraq's gross external financing needs at 50% of current account receipts plus useable reserves in 2025, as well as at 49% of such receipts and reserves in the 2026 and at 48% in 2027. In parallel, it indicated that it could downgrade the ratings if the sovereign's institutional framework weakens, which would reduce the government's ability or willingness to service its debt, and/or if pressures on the fiscal or external balances increase. In contrast, it said that it could upgrade the ratings in case higher-than-expected real GDP growth supports the country's fiscal and external balances, and/or if institutional reforms and a more stable security environment improve the government's debt-servicing capacity.

Source: S&P Global Ratings

MOROCCO

Economic growth to pick up to 3.9% in 2025

The International Monetary Fund projected Morocco's real GDP growth rate to accelerate from 3.2% in 2024 to 3.9% in 2025, driven by high domestic demand, a new investment cycle in several sectors, and robust non-agricultural output. It expected the inflation rate to stabilize at 2% in 2025, as inflationary pressures have eased, and urged Bank Al-Maghrib to continue its preparations to adopt an inflation-targeting framework. It indicated that the risks to the outlook are broadly balanced with significant uncertainty about the economic impact of geopolitical tensions and changing climate conditions. Further, it said that the fiscal deficit stood at 4.1% of GDP in 2024 and came narrower than the projected 4.3% of GDP in the 2024 budget. It noted that the recent reforms to the tax system and tax administration have helped expand the tax base while lowering the tax burden, which led to a higher-than-expected tax revenues in 2024. Also, it projected the rebound in economic activity to narrow the current account deficit to about 3% in 2025. It stressed the need to encourage the growth of small- and medium-sized enterprises (SMEs) and to encourage their integration into sectoral value chains. Also, it urged the authorities to continue implementing structural reforms by strengthening job creation, targeting active labor market polices, consolidating programs to support SMEs, and removing regulatory distortions that hinder the firms' growth.

Source: International Monetary Fund

ANGOLA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed Angola's long- and short-term sovereign credit ratings at 'B-' and 'B', respectively, and maintained the 'stable' outlook on the long-term ratings. It said the ratings are constrained by Angola's low GDP per capita and high dependence on the hydrocarbons sector, which will keep the economy highly susceptible to external shocks and to the dynamics of the global oil sector. It noted that the 'stable' outlook balances the country's large external funding needs and financing risks in the next 12 months, against broadly supportive oil prices, stable oil production, and adequate foreign currency reserves. Further, it noted that fiscal and public debt vulnerabilities remain significant, mainly due to debt servicing payments, elevated fuel subsidies costs, and a rapidly rising public sector wage bill. It added that the government is managing its upcoming sizable foreign currency debt servicing obligations and will likely have sufficient resources to repay its large redemption profile in the coming two years. Also, it forecast the country's gross external financing needs at 101% of current account receipts plus usable reserves in 2025 and at 104.8% and 107% such receipts and reserves in 2026 and 2027, respectively. Further, it expected the government to use its external assets and oil revenues to meet its debt servicing obligations, in order to avoid additional declines in its foreign currency reserves. In parallel, it noted that it could upgrade the ratings if Angola's economic growth is substantial and sustained. But it said that it could downgrade the ratings if the government's ability to service its commercial debt decreases and/or if the country's access to external funding weakens.

Source: S&P Global Ratings

PAKISTAN

Capital inflows contingent on reforms

Fitch Ratings projected Pakistan's real GDP growth rate at 3% in the fiscal year that ends in June 2025, as the government has continued to make progress on restoring economic stability and rebuilding external buffers amid falling interest rates. It said that the implementation of difficult structural reforms will be crucial to the upcoming International Monetary Fund program reviews and to continued financing from other multilateral and bilateral lenders. It noted that strong remittance inflows, robust agricultural exports, exchange rate reforms, and tight policy settings have allowed Pakistan's current account balance to move from a deficit of 0.5% of GDP in FY2023/24 to a surplus of $1.2bn, or 0.5% of GDP, in the second half of 2024. It said that foreign currency reserves increased from $15.5bn at end-June 2024 to $18.3bn at end-2024, or about three months of current external payments. It considered that securing sufficient external financing remains a challenge, given the significant debt maturities, and expected new bilateral capital flows to be conditional on reforms. It indicated that the authorities budgeted about $6bn in funding from multilaterals, including the IMF, in FY2024/25, but it noted that about $4bn will be used to refinance existing debt. It added that a recently announced $20bn 10-year framework with the World Bank appears broadly in line with securing external financing. Also, it said that over $22bn in public external debt is set to mature in FY2024/25, which includes nearly $13bn in bilateral deposits, but it anticipated that bilateral partners will roll over these deposits.

Source: Fitch Ratings

UAE

Favorable operating conditions support banks' income and liquidity

Fitch Ratings indicated that the combined net income of rated UAE banks reached AED80bn in 2024 compared to AED76bn in 2023, supported by healthy operating conditions and robust liquidity in the banking sector. Also, it attributed the rise in profits to a 10% increase of the banks' pre-impairment operating profits that exceeded AED100bn in 2024, contained loan impairment charges due to the favorable operating environment, and strong coverage of problem loans at most banks. As a result, it said that the sector's average cost of risk decreased from 70 basis points (bps) in 2023 to 45 bps in 2025, and forecast it between 40 bps and 50 bps in 2025. Further, it indicated that lending growth at rated UAE banks accelerated from 7.7% in 2023 to 11% in 2024, and forecast it to increase by 9% in 2025. It added that the sector's average impaired loans ratio declined from 5.1% at end-2023 to 4% at end-2024, but it expected the ratio to remain below the Central Bank of the UAE's target of 5%. But it anticipated the banks to write-off or to sell additional bad debt in the 2025-26 period. It noted that the sector's deposits grew by 10.5% in 2024 leading to a loans-to-deposits ratio of 79% at end-2024. Also, it said that rated UAE banks' profits reached a record high level in 2024, with a return on average equity of 19.1% in 2024, up from 18.7% in 2023, despite the full implementation of the corporate income tax last year. It added that the rated banks average common equity Tier 1 ratio was 13.7% and their adequacy ratio stood at 17.1% at end-2024, and expected the banks capitalization to remain stable in 2025 due to internal capital generation.

Source: Fitch Ratings

OMAN

Banking sector risk assessment upgraded on favorable operating environment

S&P Global Ratings upgraded Oman's Banking Industry Country Risk Assessment (BICRA) from 'Group 7' to 'Group 6', as it revised the economic risk score from '7' to '6' and maintained the industry risk score at '6'. 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 'Group 6' are Brazil, Brunei, China, Colombia, Greece, Indonesia, South Africa, and Trinidad and Tobago. The agency said that Oman's economic risk score reflects "high risks" in its economic resilience and in credit risk in the economy, as well as "intermediate risks" in its economic imbalances. It projected the sector's non-performing loans ratio at 4.5% at the end of 2025 and at 4.3% at end-2026, and added that the diversified lending portfolios of Omani banks provide a buffer against potential downturns. It expected the banks' credit losses to remain at 55 basis points (bps) to 65 bps during the 2024-26 period amid reduced economic imbalances and a supportive operating environment. It said that the economic risk trend in Oman is 'stable'. Further, it said that the industry score reflects "high risks" that the banking sector faces in its competitive dynamics and system-wide funding, and "intermediate risks" in its institutional framework. It pointed out that the trend for the industry risk is 'stable', as the Omani banking system's reliance on government deposits is mitigated by its high stability over previous economic cycles.

Source: S&P Global Ratings

NIGERIA

Banks making significant progress towards new capital requirements

Fitch Ratings indicated that Nigerian banks are making significant progress in raising their core capital to meet new paid-in capital requirements, and are generally on track to meet the March 2026 deadline. It said that the Central Bank of Nigeria announced a significant increase in paid-in capital requirements for commercial, merchant and Islamic banks in March 2024. It indicated that banks have three options to meet the new requirements that consist of injecting additional equity, merge with other banks, or change their licenses from an international license to a national or regional one. It noted that the increase of the banks' buffers beyond the minimum capital adequacy ratio requirements will mitigate risks from a challenging operating environment, including regulatory intervention and further volatility of the exchange rate, and will create opportunities for business growth. It added that the increase in capital will reduce the likelihood of a broad consolidation of the banking sector. It pointed out that the rated banks have made significant progress towards compliance with the new requirements, with nearly all of them having raised their capital or formally initiated the process to increase their capital. Further, it expected most first- and second-tier banks to meet their new capital requirements independently. As such, it considered that the likelihood of consolidation among first- and second-tier banks has receded.

Source: Fitch Ratings

TÜRKIYE

Banks facing tighter margins and higher NPLs

Fitch Ratings indicated that monetary and credit tightening measures, and slowing economic growth in the third quarter of 2024, are weighing on the margins of rated Turkish banks and on their non-performing loans (NPLs). It said that the cost of funding continued to increase faster than the repricing of loans, and added that ceilings on lending reduced the volume of loans. It noted that the average NPLs ratio increased from 1.8% at end-June 2024 to 2% at end-September 2024, driven primarily by unsecured retail lending, amid higher interest rates and slowing growth. It said that loan impairment charges averaged 39% of the banks' pre-impairment operating profits at end-September 2024 compared to 31% at end-June 2024 amid rising NPLs, although loan impairment charges are still only moderate and manageable relative to the banks' provisioning and profitability buffers. Further, it indicated that the rated banks' average net interest margin narrowed from 3.8% in the second quarter of 2024 to 3.4% in the third quarter of 2024. In addition, it noted that foreign-currency deposits remained stable at 34% of total deposits, while foreign currency-protected deposits decreased to 8% of total deposits by end-September 2024, reflecting high lira deposit rates and macro-prudential regulations requiring the conversion and rollover of foreign currency-protected deposits. In parallel, it pointed out that the banks' capitalization remained adequate, as the rated banks' common equity Tier One ratio stood at 13.5% at end-September 2024. Also, it said that the rated banks' operating profit-to-average risk-weighted assets ratio improved slightly from 2.9% at end-June 2024 to 3.1% at end-September 2024.

Source: Fitch Ratings

ENERGY / COMMODITIES

Oil prices to average $77.1 p/b in first quarter of 2025

ICE Brent crude oil front-month future contracts' prices reached $74.7 per barrel (p/b) on February 14, 2025, constituting a decrease of 2% from a high of $76.2 on February 4, 2025, driven by expectations that a potential peace agreement between Russia and Ukraine could ease sanctions that have been disrupting oil supply flows from Russia. Also, concerns about global tariff wars, which could slow down global economic growth and weaken energy demand, led to the decrease in oil prices. However, oil prices increased to $76 p/b on February 19, 2025 due to supply disruptions in Russia. In parallel, the U.S. Energy Information Administration expected that the imposition of tariffs by the U.S. Administration on select imports to the U.S. would not significantly affect global oil supply in the near term. However, it considered that the possibility of future U.S. tariffs on Canada, China, Mexico and Russia, as well as the new sanctions on Russia and China, constitute sources of uncertainties for oil prices in the near term. Further, it projected global oil inventories to decrease by 0.5 million barrels per day (b/d) in the first quarter of 2025, but to start increasing once the OPEC+ coalition begins to raise its oil output in April 2025. As such, it said that oil production increases, along with expectations of relatively weak global oil demand growth, will lead to a 0.9 million b/d rise in global oil inventories in the second half of 2025. It expected the members of the OPEC+ collation to unwind their voluntary production cuts in April 2025 but it anticipated output levels to remain below their targets in an effort by the group to limit increases in global oil inventories. Also, it projected oil prices to average $77.1 p/b in the first quarter of 2025.
Source: U.S. Energy Information Administration, Refinitiv, Byblos Research

OPEC's oil basket price up 8.6% in January 2025

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $79.38 per barrel (p/b) in January 2025, constituting an increase of 8.6% from $73.07 p/b in December 2024. The price of Equatorial Guinea's Zafiro was $81.2 p/b, followed by Saudi Arabia's Arab Light at $80.78 p/b and Abu Dhabi's Murban at $80.41p/b. In parallel, all prices in the OPEC basket posted monthly increases of between $5.50 p/b and $7.06 p/b in January 2025.
Source: OPEC

Middle East demand for gold down 6.7% in 2024

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 266.5 tons in 2024 and decreased by 6.7% from 285.6 tons in 2023. Gold demand in the region accounted for 9.4% of the global consumption of the precious metal in 2024. Also, consumer demand for gold in Iran reached 69 tons and represented 25.9% of the region's aggregate demand in the covered period, followed by Saudi Arabia with 50.3 tons (19%), Egypt with 50.1 tons (18.8%), the UAE with 48 tons (18%), and Kuwait with 18.4 tons (7%).
Source: World Gold Council, Byblos Research

Kuwait's crude oil production nearly unchanged in December 2024

Crude oil production in Kuwait totaled 2.4 million barrels per day (b/d) in December 2024, nearly unchanged from the preceding month. Also, crude oil exports from Kuwait stood at 2.42 million b/d in December 2024, up by 1.5% from 2.45 million b/d in November 2024 and by 1% from 2.39 million b/d in December 2023.
Source: Joint Organizations Data Initiative, Byblos Research

Base Metals: Aluminum prices to average $2,550 per ton in first quarter of 2025

The LME cash price of aluminum averaged $2,599.7 per ton in the year-to-February 19, 2025 period, constituting an increase of 18.2% from an average of $2,199.1 a ton in the same period last year, due to increasing global demand for the metal. Further, aluminum prices reached their second highest level of $2,701.1 per ton on February 19, 2025 driven by elevated global demand and the U.S. imposition of tariffs of 25% on steel and aluminum imports. Also, aluminum prices reached a high of $2,721.1 per ton on May 29, 2024 following the ban from the London Metal Exchange on Russian metal exports. In parallel, Citi Research projected the primary supply of aluminum at 73.8 million tons in 2025, which would constitute an increase of 1.7% from 72.6 million tons in 2024. Also, it forecast the primary demand for the metal at 73.9 million tons this year, which would represent an increase of 2.4% from 72.2 million tons in 2024. In its base case scenario, it expected the price of the metal to average $2,640 per ton in 2025, driven by global lower manufacturing activity and elevated demand. Further, in its bear case scenario, it forecast aluminum prices to average $2,200 per ton to $2,350 a ton this year if higher tariffs weigh heavily on global manufacturing activity and put upwards pressure on the U.S. inflation rate that will slow down the U.S. Federal Reserve rate cuts, which, in turn ,would lower global demand amid negative market sentiment. Under its bull case scenario, it projected aluminum prices to rise to $2,750 per ton in the first quarter of 2025 and to $2,750 per ton in the fourth quarter of 2025, driven by weaker seasonal supply of the metal and a stronger rebound in global manufacturing activity. Also, it forecast aluminum prices to average $2,550 per ton in the first quarter of 2025, with a low of $2,200 a ton and a high of $2,750 per ton in the covered quarter.
Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $2,837 per ounce in first quarter of 2025

Gold prices averaged $2,772.4 per ounce in the year-to-February 19, 2025 period, constituting an increase of 36.6% from an average of $2,029.2 an ounce in the same period last year, due to the concerns about the global economic uncertainties and trade tensions mainly between China and the U.S., which reinforced the appeal of the metal as a safe haven for investors. Also, gold prices reached an all-time high of $2,928.2 per ounce on February 18, 2025, driven by U.S. President Donald Trump's announcement of tariffs on imports and geopolitical uncertainty. In parallel, Goldman Sachs expected gold prices to reach $3,100 by the end of 2025, due to higher demand from central banks. However, it said that policy uncertainties, including concerns about tariffs and higher speculative positioning, could put upward pressure on gold prices that would reach a high of $3,300 by the end of the year. It added that key gold buyers like China, with large reserves in US dollars and a long-term strategic interest in diversification, may increase their gold demand during periods of local currency weakness to boost confidence in their currency. Further, it expected elevated inflows to gold-backed exchange traded funds to support gold prices in the near term. Also, it anticipated the risks to gold prices to be skewed to the upside from stronger-than-expected central bank demand on higher US policy uncertainty. In addition, Goldman Sachs projected gold prices to average $2,837 per ounce in the first quarter of 2025, and to average $2,960 an ounce in full year 2025.
Source: Goldman Sachs, 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-	B3	B-	-								
	Stable	Stable	Stable	-	-1.0	62.06	4.7	52.2	25.9	105.8	2.7	-2.7
Egypt	B-	Caa1	B	B								
	Positive	Positive	Stable	Stable	-4.6	73.3	2.7	97.3	14.6	179.1	-18.5	16.4
Ethiopia	SD	Caa3	CCC-									
	-	Stable	-	-	-2.5	22.0	0.5	32.1	5.9	158.7	-3.1	1.8
Ghana	SD	Ca	RD	-								
	-	positive	-	-	-3.2	66.1	0.7	54.3	22.7	139.7	3.0	2.0
Côte d'Ivoire	BB	Ba2	BB-	-								
	Stable	Stable	Stable	-	-4.2	57.0	3.6	45.0	14.6	119.9	-4.6	2.3
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.5	14.5	1.2	5.9	2.2	103.8	-5.4	4.2
Morocco	BB+	Ba1	BB+	-								
	Positive	Stable	Stable	-	-4.1	65.8	4.9	30.4	7.3	94.0	-1.4	0.5
Nigeria	B-	Caa1	B-	-								
	Stable	Positive	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	CCC+	-								
	-	Negative	-	-	-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+	B2	B+	-								
	Stable	Stable	Stable	-	-4.6	69.5	3.5	19.8	9.5	111.5	-11.7	3.7
Middle East												
Bahrain	B+	B2	B+	B+								
	Stable	Stable	Stable	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-	Caa1	B-	-								
	Stable	Stable	Stable	-	-4.5	45.6	15.3	3.2	3.1	42.6	5.6	-1.4
Jordan	BB-	Ba3	BB-	BB-								
	Stable	Stable	Stable	Stable	-1.8	92.6	1.9	68.5	12	150.3	-4.4	1.6
Kuwait	A+	A1	AA-	AA-								
	Stable	Stable	Stable	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-	Ba1	BB+	BB+								
	Stable	Positive	Stable	Stable	-7.3	51.7	4.4	26.0	6.5	101.2	-8.3	2.1
Qatar	AA	Aa2	AA-	AA								
	Stable	Stable	Positive	Stable	4.0	47.7	2.2	115.4	5.0	168.0	16.7	-0.2
Saudi Arabia	A	A1	A+	AA-								
	Positive	Positive	Stable	Stable	-2.8	24.6	10.3	25.3	3.5	67.7	-0.2	0.5
Syria	-	-	-	-								
	-	-	-	-	-	49.0	-	-	-	-	-15.5	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	5.5	29.9	-	-	4.3	-	6.8	-2.0
Yemen	-	-	-	-								
	-	-	-	-	-2.7	50.7	-	-	-	-	-19.2	-2.3

COUNTRY RISK METRICS

Countries	LT Foreign currency rating S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	BB-	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	Action	Next meeting
USA	Fed Funds Target Rate	4.50	29-Jan-25	No change	19-Mar-25
Eurozone	Refi Rate	2.90	30-Jan-25	Cut 25bps	06-Mar-25
UK	Bank Rate	4.50	06-Feb-25	Cut 25bps	20-Mar-25
Japan	O/N Call Rate	0.50	24-Jan-25	Raised 25bps	19-Mar-25
Australia	Cash Rate	4.10	18-Feb-25	Cut 25bps	01-Apr-25
New Zealand	Cash Rate	3.75	19-Feb-25	Cut 50bps	28-May-25
Switzerland	SNB Policy Rate	0.50	12-Dec-24	Cut 50bps	20-Mar-25
Canada	Overnight rate	3.00	29-Jan-25	Cut 25bps	12-Mar-25
Emerging Markets					
China	One-year Loan Prime Rate	3.1	20-Feb-24	No change	20-Mar-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	6.25	07-Feb-25	Cut 25pbs	09-Apr-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	20-Feb-25
Jordan	CBJ Main Rate	6.75	10-Nov-24	Cut 25bps	N/A
Türkiye	Repo Rate	45.00	23-Jan-25	Cut 250bps	06-Mar-25
South Africa	Repo Rate	7.50	30-Jan-25	Cut 50bps	20-Mar-25
Kenya	Central Bank Rate	10.75	05-Feb-24	Cut 50bps	N/A
Nigeria	Monetary Policy Rate	27.50	26-Nov-24	Raised 25bps	20-Feb-25
Ghana	Prime Rate	27.00	27-Jan-25	No change	31-Mar-25
Angola	Base Rate	19.50	21-Jan-25	Cut 25bps	18-Mar-25
Mexico	Target Rate	9.50	06-Feb-25	Cut 50bps	27-Mar-25
Brazil	Selic Rate	13.25	29-Jan-25	Raised 100bps	N/A
Armenia	Refi Rate	6.75	04-Feb-25	Cut 25bps	18-Mar-25
Romania	Policy Rate	6.50	14-Feb-25	No change	7-Apr-25
Bulgaria	Base Interest	2.82	03-Feb-25	Cut 13bps	03-Mar-25
Kazakhstan	Repo Rate	15.25	17-Jan-25	No change	N/A
Ukraine	Discount Rate	14.50	23-Jan-25	Raised 100bps	06-Mar-25
Russia	Refi Rate	21.00	14-Feb-25	No change	26-Feb-25

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