750 ISSUES+
Issue 771 | August 17, 2023

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COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Business travel projected at $1.36 trillion in 2023 and $1.4 trillion in 2024

The Global Business Travel Association (GBTA) indicated that spending on business travel worldwide rose by 47% to $1.03 trillion in 2022, and projected it to increase by 32% to $1.36 trillion in 2023. It attributed the robust growth in the 2022-23 period to pent-up demand for travel following the COVID-19 pandemic; the resumption of in-person meetings and events; the recovery of some international business travel capacity and volumes; and more favorable global economic conditions. It added that the global business travel industry has rebounded at a faster-than-expected rate, and anticipated business travel spending in 2024 to surpass its pre-pandemic level of $1.4 trillion. It also forecast global business travel spending to reach nearly $1.8 trillion by 2027, in case of more favorable economic conditions. In parallel, the GBTA's survey of 4,700 business travelers across 22 countries in Asia Pacific, Europe, Latin America and North America showed that business travelers globally currently estimate their own business travel spending to average of $1,018 per person per trip, with lodging accounting for $391, followed by food & beverage ($189), air travel ($182), ground transportation ($136) and miscellaneous expenses ($120). In addition, about 66% of business travelers said that their company provides them with a corporate credit card, while 37% pointed out that their company mandates its usage for booking business travel.

Source: Global Business Travel Association

Hedge fund assets under management at $4.4 trillion at end-June 2023

Research provider Preqin indicated net inflows to global hedge funds reached $6.7bn in the first quester of 2023 and $4.6bn in the second quarter of the year. As such, it said that total net inflows into global hedge funds totaled $11.3bn in the first half of 2023 relative to outflows of $38.1bn in the first half of 2022. In comparison, global hedge funds saw net inflows of $36bn in 2021 and net outflows of $97.2bn in 2019, of $44.5bn in 2020 and of $62.4bn in 2022. In parallel, it indicated that assets under management (AUM) in global hedge funds stood at an-all time high of $4.36 trillion at the end of June 2023. It said that the distribution of AUMs by core strategies shows that macro strategies accounted for $1.3 trillion or 29.7% of total hedge fund AUMs at the end of June 2023, followed by equity strategies with $1.15 trillion (26.3%), multi-strategies with $585.6bn (13.4%), relative-value strategies with $401.2bn (9.2%), commodity trading advisor funds with $375.4bn (8.6%), credit strategies with $291.6bn (6.7%), event-driven strategies with $176.5bn (4%), and niche strategies with $86.5bn (2%). On a regional basis, it pointed out that the AUMs in global hedge funds based in in North America reached $3.5 trillion, or 80.7% of the total at the end of June 2023, followed by hedge funds in Europe with $668.1bn (15.3%) and in Asia-Pacific with $146.4bn (3.4%), while AUMs in hedge funds in the rest of the world stood at $28.4bn, or 0.7% of the total at the end of June 2023.

Source: Preqin

SAUDI ARABIA

Venture capital funding down 27% to $446m in first half of 2023

Figures released by online platform Magnitt show that venture capital (VC) funding in Saudi Arabia reached $446m in the first half of 2023, constituting a decline of 27.2% from $613m in the first half of 2022 and a surge of 156.3% from $174m in the first half of 2021. Venture capital funding in Saudi Arabia accounted for 42% of total funding in the Middle East and North Africa region in the first half of 2023. Further, the number of VC deals in the Kingdom totaled 54 in the first half of 2023, representing decreases of 43.8% from 96 investments in the same period last year and of 3.6% from 56 transactions in the second half of 2022. In parallel, VC investments in companies in e-commerce & retail sector amounted to $368m and accounted for 82.5% of aggregate VC investments in Saudi Arabia in the first half of 2023, followed by investments in enterprise software firms with $14m (3%), healthcare companies with $11m (2.5%), and fintech firms and transport & logistics companies with $10m each (2.2% each). Also, there were 11 investments in the e-commerce & retail sector, or 20.4% of the aggregate number of deals in the first half of 2023, followed by fintech companies with 10 transactions (18.5%), enterprise software and transport & logistics companies with five transactions each (9.3% of the total), and firms in the food & beverage sector with four investments (7.4%).

Source: Magnitt, Byblos Research

BAHRAIN

Profits of Bahrain firms up 3% in first quarter of 2023

The cumulative net profits of 39 companies listed on the Bahrain Stock Exchange totaled BHD448.6m, or $1.18bn, in the first quarter of 2023, constituting an increase of 2.8% from BHD436.3m, or $1.15bn, in the same quarter of 2022. Listed financial firms generated net profits of $979.4m in the first quarter of 2023 and accounted for 82.3% of the total earnings of publicly-listed firms. Materials companies followed with $126m, or 10.6% of the total, then communication firms $51.8m (4.4%), companies in the discretionary consumers goods segment with $14.4m (1.2%), consumer staples firms with $8.8 m (0.7%), industrial companies with $4.9m (0.4%) and real estate firms with $4.3m (0.36%). Further, the net earnings of companies in the discretionary consumers goods segment rose by 68.7% in the first quarter of 2023 from the same quarter last year and the profits of financial companies increased by 44.6%. In contrast, the net profits of materials firms dropped by 67.7% in the covered quarter, followed by the earnings of staples companies (-49.2%), industrials (-22.6%), and communication firms (-4.2%).

Source: KAMCO

POLITICAL RISKS OVERVIEW - July 2023

ALGERIA

Internal divisions persisted within the ruling National Liberation Front (FLN) over support for President Abdelmadjid Tebboune's candidacy in the 2024 presidential elections, while a power struggle between the FLN's Secretary General and the head of the FLN parliamentary bloc continued. In addition, Algeria denounced Israel's recognition of Morocco's sovereignty over the Western Sahara as a "blatant violation of international law", while Morocco welcomed Israel's move and called for the "return to normality" with Algeria and the "opening of borders between the two countries". Further, Algiers applied to join the BRICS bloc of emerging economies and submitted a request to become a shareholder member of the BRICS Bank through a contribution of $1.5bn to the bank's capital.

ARMENIA

The leaders of Armenia and Azerbaijan met in Brussels and discussed the delimitation of their international borders, humanitarian aid, the rights and security of the population in the two countries, and the issue of detainees. In parallel, Baku and Yerevan reported multiple clashes along their border between July 9 and July 19. The fourth meeting of the Commission on State Border Delimitation and Border Security of the border between Armenia and Azerbaijan took place on July 12 to resume the delimitation and demarcation process, following a prolonged pause. But the two countries continued to disagree on which maps to use for defining their borders.

EGYPT

Cairo restored full diplomatic relations with Türkyie, as the two countries exchanged ambassadors for first time since 2013. However, outstanding issues, such as the stance on Libya and the fate of Muslim Brotherhood leaders living in Türkiye, remained unresolved. In parallel, President Abdel Fattah el-Sisi and Ethiopian Prime Minister Abiy Ahmed met for first time since 2019, and agreed to resume negotiations on the Grand Ethiopian Renaissance Dam with the aim of reaching a final deal on the filling and operation of the dam within four months.

ETHIOPIA

Fighting continued in the Oromia region between government forces and the Oromo Liberation Army (OLA) following failed peace talks in May, and the two sides stepped up operations in a bid to strengthen their respective negotiating positions in case talks resume. Also, discontent with the federal government resulted in intensified violence in the Amhara region. In parallel, Prime Minister Abiy Ahmed urged the Tigray and Amhara regions to resolve territorial disputes through peaceful consultations. In response, the Amhara regional authorities announced plans for a referendum to settle the issue, while a Tigray official said that holding the referendum while parts of the region remain under Amhara's control would be illegal. Tigray's top military commander announced the demobilization of over 50,000 Tigray forces and urged the federal government to ensure the withdrawal of Amhara and Eritrean forces from the Tigray region.

IRAN

The United Nations (UN) Security Council convened on July 6, 2023 its semi-annual meeting on the implementation of Resolution 2231. The United States, France, and the United Kingdom have accused Iran and Russia of violating the UN resolution over Tehran's transfer of drones to Moscow that it has used to attack Ukrainian cities, and urged the UN to address the alleged violations. Also, several council members expressed concerns about Iran's growing stockpile of enriched uranium, which is currently 21 times the amount that the 2015 nuclear deal allowed. In parallel, maritime tensions picked up in July, as the U.S. military reported that its forces prevented two attempts by the Iranian navy to seize commercial tankers in international waters.

IRAQ

Tensions escalated between supporters of Shiite cleric Moqtada al-Sadr and the rival Shiite Coordination Framework after the latter insulted al-Sadr's father. Further, protestors, mostly from the Sadrist movement, ransacked the embassy of Sweden in Baghdad after the burning of a copy of the Quran in front of the Iraqi embassy in Stockholm. As a result, the Iraqi government expelled the Swedish ambassador, withdrew its ambassador to Sweden, and threatened to severe bilateral diplomatic ties. Also, demonstrators set fire to the headquarters of the Danish Refugee Council in the Basra governorate after the burning of a copy of the Quran in Copenhagen. In parallel, the United States signed a 120-day waiver that allows Iraq to pay for Iranian electricity through non-Iraqi banks, after Iraqi Prime Minister Mohammed Shia' Sabbar Al-Sudani announced a deal to exchange Iraqi oil for Iranian gas.

LIBYA

The East-based House of Representatives (HoR) approved a proposed roadmap from the speakers of the HoR and the High State Council (HSC) to hold general elections and form a new government. The roadmap includes a detailed timeline specifying the necessary steps and procedures to hold the presidential and parliamentary elections on their scheduled dates, and determines the mechanism to form a new legitimate government capable of overseeing the electoral process with full transparency and integrity. Further, the HoR and the HSC formed a joint committee tasked with distributing oil revenues fairly among municipalities.

SUDAN

Fighting continued to escalate between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF) as the conflict reached the milestone of 100 days. The RSF gained the upper hand in the capital Khartoum and its sister city Bahri, and seized control of strategic sites as the army suffered significant battlefield losses. Further, the Darfur region witnessed high levels of ethnic targeting amid fighting between the army and the RSF. In parallel, competing and uncoordinated diplomatic initiatives failed to yield results towards a peace deal. The regional bloc Intergovernmental Authority on Development convened talks that called for the end of the war, while Egypt hosted leaders from Sudan's neighboring countries and announced its own initiative with the same goal. Meanwhile, the SAF conveyed several messages that hint to its interest to hold peace talks, while the RSF said that it would reach a peace deal with the SAF "in 72 hours" if the latter changes its leadership.

TUNISIA

Clashes erupted between Tunisians and Sub-Saharan migrants, leaving one Tunisian man dead in the city of Sfax. As a result, Tunisian security forces expelled 1,200 Sub-Saharan migrants from Sfax to desert areas near the borders with Libya and Algeria. Further, the president of the European Commission and President Kais Saïed signed a partnership agreement whereby the European Union will allocate €105m to Tunisia to reinforce border management and accelerate the repatriation of irregular Tunisian migrants. But Human Rights Watch urged the EU to suspend the funding to Tunisian security forces, due to the latter's abuses against Sub-Saharan migrants.

YEMEN

Protests erupted in the Aden, Lahij, Taiz and Hadramawt governorates over electricity shortages and the devaluation of the local currency. In parallel, the head of the Presidential Leadership Council met Saudi officials in Riyadh to secure financial assistance and emphasized the importance of resuming oil exports from the Hadramawt and Shebwa governorates.

Source: International Crisis Group, Newswires

WORLD

Economic activity to decelerate to 2.3% in 2023-24 period, risks to the downside

Global reinsurer Swiss Re projected global real GDP growth to decelerate from 3% in 2022 to 2.3% in 2023 and 2024, due in part to rising interest rates and deteriorating credit conditions. It expected economic activity in emerging markets (EMs), mainly in Emerging Asia, to support global economic growth this year, given the reopening of China's economy and the rebound in Chinese demand. It forecast economic activity in emerging markets (EMs) at 3.8% in 2023 and 4% next year, and for real GDP growth in advanced economies at 1.1% this year and 0.8% in 2024. It estimated the emerging-to-advanced markets growth multiplier at 3.3 times in 2023, up from an annual average of 2.2 times in the past 20 years. It added that economic activity in EMs excluding China will accelerate from 2.6% this year to 3.5% in 2024, and forecast growth in China at 5.4% in 2023.

Further, it considered that rising inflationary pressures constitute the key concern to the global macroeconomic outlook, given the tight labor markets worldwide and the shift of price inflation from goods to services. Also, it said that the instability of the global financial system, which has been triggered by the lagged effects of tighter monetary policy on banking sectors worldwide, is also a recurring source of concern for policymakers. It added that the more gradual-than-expected global disinflation rate points to higher interest rates for longer, as central banks globally seek to reach their inflation targets and policymakers are trying to avoid triggering recessions, which will entail a slower return to inflation targets and will fuel higher inflationary pressures. It considered that this trade-off also implies less fiscal space to support growth in case of an economic downturn next year.
Source: Swiss Re

GCC

Recovering oil prices to support fiscal outlook

Goldman Sachs projected the weighted real GDP growth rate of Gulf Cooperation Council (GCC) countries to accelerate from 2.4% in 2023 to 4.3% in 2024, driven mainly by activity in the non-hydrocarbon sector. It considered that Saudi Arabia's commitment to support global oil prices through oil production cuts under the OPEC+ agreement appears to be paying off. As such, it indicated that the Kingdom's oil policy has contributed to a significant recovery in oil prices in recent weeks, as prices have reached nearly $86 per barrel (p/b) in early August 2023, which is about $13 p/b higher than their June average and their highest level since April of this year.

It expected the recovery in oil prices to provide support to the fiscal outlook of GCC countries. It estimated the region's aggregate fiscal surplus at about $10bn in 2023 in case oil prices average $75 p/b in the remainder of the year. Under this scenario, it anticipated that Bahrain, Oman and Saudi Arabia will post fiscal deficits this year, and forecast the borrowing requirements of Saudi Arabia at $24.7bn, of Oman at $4.1bn and of Bahrain at $1.5bn in 2023. In addition, it projected the fiscal surplus of GCC sovereigns to rise to $29.7bn this year if oil prices average $85 p/b in during the rest of 2023, and for Saudi Arabia, Oman and Bahrain to require a combined $19bn in financing needs. Further, it estimated that the region's aggregate fiscal surplus could reach $45bn in 2023 in case oil prices average $95 p/b in the remainder of the year, and for the three countries to require less than $10bn in financing needs in 2023.

In parallel, it projected the aggregate current account surplus of GCC counties to decline from 11.2% of GDP in 2023 to 10.3% of GDP in 2024. It also forecast the region's gross international reserves to rise from $919 trillion, or the equivalent of 30.5 months of imports at the end of 2023, to $965.3 trillion or 30.7 months of import cover by end-2024.
Source: Goldman Sachs

EGYPT

Fiscal outlook contingent on improving public receipts

The Institute of International Finance indicated that Egypt's public finances have performed better-than-anticipated in the fiscal year that ended in June 2023. It expected the primary fiscal balance to improve in FY2023/24, due mainly to the inclusion of privatization receipts in non-tax revenues. It noted that the recently approved budget for FY2023/24 targets a primary fiscal surplus of 2.5% of GDP, in case of a real GDP growth rate of 4.1%, an average global oil prices of $80 per barrel, and a sizeable increase in privatization receipts. It added that the authorities are planning to increase tax revenues by 25% and to more than double non-tax receipts in FY2023/24 due to privatization proceeds that it estimated at about $4bn, as well as to higher dividends from the Suez Canal, and other capital revenues. Also, it noted that the authorities are planning to increase public spending from 22% of GDP in FY2022/23 to 25% of GDP in FY2023/24, and stressed that limited fiscal space and economic efficiency call for the replacement of broad subsidies with targeted safety nets.

Further, it considered that the authorities need to step up fiscal consolidation efforts to reduce the public debt to sustainable levels. As such, it estimated that the primary fiscal surplus should be at least 2.5% of GDP in order to put the public debt level on a firm downward trajectory. As a result, it stressed the need for strong tax measures to raise the tax revenues-to-GDP ratio, which declined to 12.4% of GDP in FY2022/23, and anticipated the government to face difficulties in brining tax receipts back to about 15% of GDP. It expected the authorities to enhance the progressivity of the tax system by advancing property tax reforms through digitalization and by removing tax exemptions. It also anticipated the government to scale back or slow down the implementation of development spending in order to contain the increase in public expenditures. As such, it forecast the public debt level to decline from 97% of GDP at the end of June 2023 to 80% of GDP by end-June 2026.

Further, the IIF expected the Egyptian authorities to finance the fiscal deficit mostly from domestic sources, given the ample liquidity in the banking system. But it anticipated funding costs to remain elevated despite the authorities' stepped up efforts to lengthen debt maturities in order to reduce rollover risks, and noted that direct borrowing from abroad tends to be limited.
Source: Institute of International Finance

ECONOMY & TRADE

GCC

Agencies take rating actions on sovereigns

Capital Intelligence Ratings affirmed Kuwait's short- and long-term foreign and local currency sovereign ratings at 'A1' and 'A+', respectively, and maintained the 'stable' outlook on the long-term ratings. It indicated that the ratings are supported by substantial financial assets in the Future Generations Fund (FGF) and Kuwait's large net external creditor position. Also, it said that the ratings reflect the low level of public debt and the country's large hydrocarbon reserves. But it noted that the ratings are constrained by a moderate-to-high political and policy risks, as a result of the continued polarization between the government and Parliament, which has delayed the implementation of reforms. Further, it pointed out that the ongoing deadlock over a new public debt law and the government's inability to use the FGF's assets without parliamentary authorization, make the sovereign more vulnerable to future budget financing risks than its balance sheet would suggest. In parallel, Fitch Ratings affirmed Bahrain's short- and long-term foreign currency issuer default rating at 'B' and 'B+', respectively, and maintained the 'stable' outlook on the long-term ratings. The agency indicated that it could downgrade Bahrain's ratings in case of a sustained period of below-than-expected global oil prices that could lead to a significant deterioration in the public debt level, if the authorities' do not implement fiscal reforms that reduce the fiscal breakeven oil price, and/or if signs of weakening support from GCC peers weigh on the balance of payments and on the peg of the Bahraini dinar, given the low level of foreign currency reserves.

Source: Capital Intelligence Ratings, Fitch Ratings

EGYPT

Agency points to likelihood of ratings downgrade

Moody's Investors Service indicated that it is continuing its assessment of Egypt's 'B3' long-term local and foreign currency issuer ratings, which it placed on review for downgrade on May 9, 2023. It noted that the ongoing review balances progress on the government's privatization, fiscal, and structural reforms agenda, with increasing external liquidity and debt affordability risks. It pointed out that the persisting shortages of foreign currency and the materialization of trade shocks in the food and energy sectors increase the likelihood of an official currency devaluation, which would trigger higher inflation rates, and a rise in borrowing costs and of the government's debt to levels that are more consistent with lower ratings. It expected progress on the implementation of the program with the International Monetary Fund (IMF), which started in December 2022, to support Egypt's financing and external position. In addition, it said that the review period will focus on the recently concluded asset sales of public assets, and if the proceeds will help increase foreign currency reserves and restore liquidity buffers, support the monetary system's net foreign asset position, increase FDI inflows, and boost exchange rate dynamics. It said that it would downgrade the ratings in case the drawdown of foreign currency liquidity in the monetary system continues and if foreign currency reserves do not increase, which would put pressure on the exchange rate or jeopardize financial support from the IMF, regardless of progress in the privatization program and the improvement in the current account balance.

Source: Moody's Investors Service

NIGERIA

Outlook on ratings revised to 'stable' on reforms initiatives

S&P Global Ratings affirmed Nigeria's long- and short-term foreign and local currency sovereign credit ratings at 'B-‘ and 'B', respectively, and revised the outlook on the long-term ratings from 'negative' to 'stable'. It also affirmed the country's transfer and convertibility assessment at 'B-'. It attributed the outlook revision to the new governments' decision to implement reforms that include the lifting of fuel subsidies, the liberalization of the exchange rate regime, and changes in governance at the Central Bank of Nigeria (CBN). Also, it noted that the Ministry of Finance and the CBN agreed last May to securitize the government's borrowing from the CBN into an instrument with a 40-year tenure, which aims to gradually benefit Nigeria's public finances and its balance of payments. Still, it pointed out that high inflation rates and elevated debt servicing costs, which absorbed 30% of public revenues in 2022, are weighing on the ratings. Also, it forecast the country's gross external financing needs at 103% of current account receipts and usable reserves in 2023, as well as at 107% of such receipts and reserves in 2024, and 107.5% in 2025. In addition, it projected usable foreign currency reserves at around $28bn during the 2023-26 period, which will be sufficient to cover external debt repayment needs. It said that it could downgrade the ratings if Nigeria's capacity to repay its commercial obligations continues to weaken as a result of elevated liquidity risks. In contrast, it noted that it could upgrade the ratings in the next 12 months if economic performance picks up and/or if the fiscal and external balances improve significantly.

Source: S&P Global Ratings

CÔTE D'IVOIRE

Sovereign ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Côte d'Ivoire's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'BB-', three notches below investment grade, and maintained the 'stable' outlook on the long-term ratings. It also affirmed the Country Ceiling at 'BB', and maintained the short-term local and foreign currency IDRs at 'B'. It indicated that the ratings balance the economy's strong growth prospects with the country's low development indicators and its elevated dependence on commodities. It noted that the ratings reflect the authorities' efforts to adjust the recent deterioration in the country's fiscal balance. Also, it noted that the government agreed with the International Monetary Fund on a 40-month $3.5bn program that aims to narrow the budget deficit from 6.8% of GDP in 2022 to 3% of GDP by 2025. Further, the agency forecast the government's debt level to peak at 58.4% of GDP in 2024 and to ease to 57.7% in 2025, in case of fiscal consolidation and strong growth. It anticipated that lower global food and oil prices would narrow the current account deficit to 5.8% of GDP in 2023, 5.3% of GDP in 2024 and 4.7% of GDP in 2025. In parallel, it said that it could downgrade the ratings if security conditions and political stability in the country deteriorate, if the government's debt level increases, and if economic activity slows down in the medium term. But it noted that it could upgrade the ratings in case of sustained progress on governance indicators, or further efforts to reduce the government's debt level.

Source: Fitch Ratings

BANKING

QATAR

Credit quality stable at main banks

Regional investment bank EFG Hermes indicated that the aggregate net income of Qatar National Bank, Doha Bank, Masraf Al Rayan, Qatar Islamic Bank, the Commercial Bank of Qatar, and Dukhan Bank stood at QAR6.5bn in the second quarter of 2023, constituting decreases of 1% from the first quarter of 2023 and of 4% from the second quarter of 2022, due mainly to the cost of funds at mid-sized banks that led to a sharp decline in the aggregate net interest income of the six banks. It pointed out that the aggregate net interest margin (NIM) of the banks declined by 13 basis points (bps) in the second quarter of 2023 from the same quarter last year, while it regressed by one bp in the second quarter of 2023 from the previous quarter given that higher asset yields outpaced higher funding costs. Further, it noted that the credit quality of the six banks is stable, given that their combined cost of risk remained flat at 104 bps annually in the second quarter of 2023 due to the increase in provisioning charges. It indicated that the aggregate non-performing loans ratio of the six banks stood at 3.6% of total loans at the end of June 2023, despite a marginal increase of the ratio at some of the banks due the decline in the size of their loan book in the covered quarter. In parallel, it noted that the banks' lending grew by 3% in the 12-months ending June 2023, given that credit demand in the private sector more than offset the public sector's repayments of overdrafts. Also, it stated that non-resident deposits decreased from 23% of total deposits at end-June 2022 to 19% of the aggregate deposits at end-June 2023, as the Qatar Central Bank has encouraged banks to reduce their reliance on foreign funding.

Source: EFG Hermes

NIGERIA

Outlook on bank ratings revised to 'stable'

S&P Global Ratings affirmed the long- and short-term foreign and local currency issuer credit ratings of 12 Nigerian banks at ‘B-’ and ‘B’, respectively, and upgraded the long- and short-term national scale ratings of four banks from 'ngBBB-/ngA-3' to 'ngBBB+/ngA-2'. It also revised the outlook on the long-term ratings of the 12 banks from 'negative' to 'stable' following its similar action on the sovereign ratings, due to the authorities decision to lift fuel subsidies and to securitize the government's large debt to the Central Bank of Nigeria at a lower interest rate, which will result in combined savings of 2.5% of GDP and improve fiscal metrics. It noted that the banking sector is exposed to short credit cycles and high credit risks amid the currency's depreciation and Nigeria's high dependence on hydrocarbons. It said that a prolonged currency depreciation will result in higher risk-weighted assets and reduce the sector's capitalization. It expected the banking sector's profitability to remain in line with its 2022 strong performance, with return on average equity at 16% for 2023. Further, it pointed out that credit risks linked to the depreciation of the local currency and to energy transition risks persist, as lending to the hydrocarbon sector accounts for 30% of the banks' loans portfolio. It forecast credit losses to increase to an average of 2% in 2023, amid high inflation and interest rates in the country and for the non-performing loan ratio to deteriorate to 5.7% in 2023. In parallel, it noted that it could upgrade the banks' ratings in case of a sovereign upgrade or if macroeconomic conditions improve.

Source: S&P Global Ratings

IRAQ

Agencies take rating actions on banks

Moody's Investors service placed the 'Caa2' long-term deposit ratings and the 'caa2' Baseline Credit Assessments of Mosul Bank for Development & Investment, Elaf Islamic Bank, and Trust International Islamic Bank on review for downgrade. Also, it changed the outlook on the long-term ratings for the three banks from 'stable' to 'ratings under review'. It attributed its decision to the Central Bank of Iraq's (CBI) recent ban on these banks' access to its US dollar sales window, which restricts their ability to conduct transactions in US dollars. It said that is not clear to what extent these banks will be able to meet their US dollar obligations, although they have liquid assets in US dollars. It added that, despite the ban, the three banks still have access to other foreign currency sales windows, and they are not formally subject to any U.S. sanctions. It noted that the review for downgrade will focus on the banks' franchises and financial fundamentals, and mainly the extent of any impact of the ban on their profitability, funding, and liquidity metrics. But it pointed out that the three banks have ample liquidity buffers and rely heavily on equity to fund their assets, which reduces the potential impact of any deposit outflows. In parallel, Fitch Ratings placed the 'CCC+' long-term issuer default ratings and the 'ccc+' Viability Ratings of the International Islamic Bank and Sumer Commercial Bank on Rating Watch Negative (RWN). It noted that the RWN reflects the ban that the CBI imposed on the two banks that prohibits them from dealing in US dollars due to compliance issues related to international dollar transfers that they made in 2022. It considered that the ban could weaken the business, risk, and financial profiles of the two banks if the CBI does not lift it rapidly.

Source: Moody's Investors Service, Fitch Ratings

TÜRKIYE

FATF urges Ankara to address AML/CFT deficiencies

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that, since October 2021, Türkiye has made a high-level political commitment to work with the FATF in order to strengthen the effectiveness of its AML/CFT regime. It noted that the Turkish authorities have taken several steps to improve the country's AML/CFT regime, including by increasing the authorities' on-site inspections of reporting entities, enhancing the use of financial intelligence to support investigations of money laundering (ML) cases, as well as taking steps to improve a risk-based approach for the supervision of non-profit organizations to prevent their abuse for terrorist financing (TF). In addition, the FATF called on Türkiye to step up efforts on the implementation of its action plan to address its strategic deficiencies, including by conducting more complex ML investigations and prosecutions, as well as by performing additional financial investigations in terrorism cases and prioritizing TF investigations and prosecutions related to UN-designated groups. Further, it noted that, despite the authorities' progress on the country's action plan, all deadlines that it set for Türkiye to address the deficiencies have now expired. As such, it encouraged the authorities to continue to implement their action plan in order to address the prevailing strategic deficiencies as soon as possible.

Source: Financial Action Task Force

ENERGY / COMMODITIES

Oil prices to average $88 p/b in third quarter of 2023

ICE Brent crude oil front-month prices averaged $80.4 per barrel (p/b) in the first 30 weeks of 2023, constituting a drop of 23% from $104.4 p/b in the same period of 2022, as concerns about slowing demand outweighed the prospect of tighter supply from global producers amid the recently announced oil production cuts under the OPEC+ agreement. Further, prices reached $83.5 p/b on August 16, 2023, constituting decreases of 1.7% from $84.9 p/b on the previous day and of 4.7% from a recent high of $87.6 p/b on August 9, 2023. The decline in oil prices is attributed to expectations of weaker economic growth prospects in China, as well as to a stronger US dollar and potential interest rate hikes by the U.S. Federal Reserve, despite a large drawdown in U.S. crude stocks. In parallel, Standard Chartered Bank considered that the tighter supply conditions in the oil market are supporting prices, while concerns about a potential economic downturn in China have receded. It expected that the recent strong global demand for oil, combined with the highly effective oil production cuts by global producers, which was mainly led by Saudi Arabia, could result in oil prices breaching the $100 p/b benchmark before the end of the year. It forecast oil prices to average $88 p/b in the third quarter and $93 p/b in the fourth quarter of 2023, as well as $92 p/b in the first quarter and $94 p/b in the second quarter of 2024. It also expected prices to rise by 20% from an average of $91 p/b in 2023 to $98 p/b in 2024.
Source: Standard Chartered Bank, Refinitiv, Byblos Research

OPEC's oil basket price up 7.8% in July 2023

The price of the reference oil basket of the Organization of Petroleum Exporting Countries (OPEC) averaged $81.06 per barrel (p/b) in July 2023, constituting an increase of 7.8% from $75.19 p/b in May 2023. The price of Saudi Arabia's Arab Light was $83.45 p/b, followed by Kuwait Export at $82.39 p/b, and Angola's Girassol at $82.09 p/b. All prices in the OPEC basket posted monthly increases of between $5.06 p/b and $6.27 p/b in July 2023.
Source: OPEC

Middle East demand for gold jewelry down 6.4% in the first half of 2023

Demand for gold jewelry in the Middle East totaled 89.3m tons in the first half of 2023, constituting a decrease of 6.4% from 95.4 tons in the first half of 2022, and accounted for 9.4% of global demand for gold jewelry. Demand for gold jewelry in the UAE reached 20.3 tons, representing 22.8% of the region's consumption in the covered period. Saudi Arabia followed with 19.3 tons (21.6%), then Egypt with 14.9 tons (16.7%), Iran with 13.8 tons (15.4%), and Kuwait with 7.2 tons (8.1%).
Source: World Gold Council, Byblos Research

Saudi Arabia's oil export receipts at $19bn in May 2023

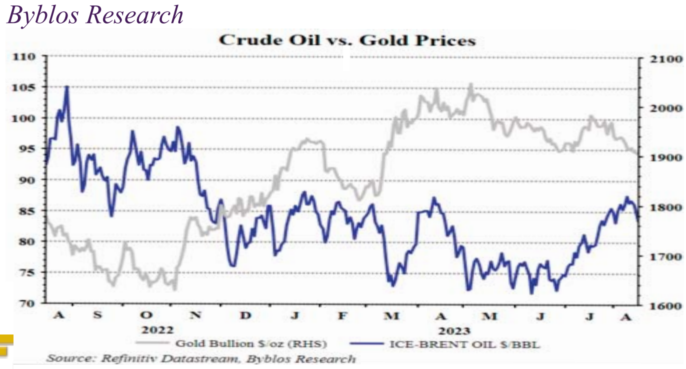
Total oil exports from Saudi Arabia amounted to 8.3 million barrels per day (b/d) in May 2023, constituting a decrease of 6.3% from 8.86 million b/d in April 2023 and declined by 3.2% from 8.57 million b/d in May 2022. Further, oil export receipts reached $19.2bn in May 2023, representing a decrease of 14% from $22.4bn in April 2023 and a decline of 37.7% from $30.8bn in May 2022.
Source: JODI, General Authority for Statistics, Byblos Research

Base Metals: Zinc prices to average $2,320 per ton in third quarter of 2023

The LME cash prices of zinc averaged $2749.6 per ton in the first 30 weeks of 2023, constituting a drop of 26% from an average of $3719.8 a ton in the same period of 2022, driven by monetary tightening in advanced economies and a decrease in energy prices that led to the reopening of zinc smelters, which raised concerns of a market surplus. In parallel, S&P Global Market Intelligence projected global refined zinc production to increase from 13.59 million tons in 2022 to 13.96 million tons in 2023, with mine output representing 91.4% of global output this year, due to stronger Chinese zinc smelter operating in the second quarter of the year. Also, it expected global refined zinc consumption at 14.02 million tons this year, constituting a decrease of 1.2% from 13.8 million tons in 2022. It expected demand for zinc in the United States to grow by 1.3% in 2023 and 1.7% in 2024 due to stronger-than-expected economic growth in the U.S, while it anticipated the consumption of the metal in Europe to remain stable in the near term. In addition, it downgraded its price forecast to an average of $2,711 per ton in 2023 following a lower zinc market surplus, as it expected to reach 53,000 tons this year. Moreover, Standard Chartered Bank projected zinc prices to average $2,320 per ton in the third quarter $2,520 a ton in the fourth quarter of 2023. As such, it expected zinc prices to average $2,661 a ton in 2023.
Source: S&P Global Market Intelligence, Standard Chartered Bank, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $1,925 per ounce in third quarter of 2023

Gold prices averaged $1,934.8 per troy ounce in the first 30 weeks of 2023 period, constituting an increase of 4.5% from an average of $1,850.7 an ounce in the same period of 2022, mainly due to higher demand for gold, as well as to the acceleration of inflows into gold-backed exchange traded funds in recent months. In parallel, the World Gold Council indicated that global gold demand totaled 2,001.4 tons in the first half of 2023 and decreased by 8.3% from 2,182.6 tons in the first half of 2022. It attributed the decline to a decrease in investments in exchange-traded funds as inflows shifted to outflows, to a decrease of 12% in demand from the technology sector, and to a retreat of 1% in jewelry consumption, which were partly offset by a surge of 37.3% in net purchases by central banks and by an increase of 5.6% in demand for bars & coins. In addition, it noted that Türkiye was a major driver of the global demand for gold bars and coins in the second quarter in 2023. Also, Standard Chartered Bank projected gold prices to average $1,925 per ounce in the third quarter, and $1,900 per ounce in the fourth quarter of 2023. As such, it forecast gold prices to average $1,923 an ounce in the full year 2023.
Source: World Gold Council, Standard Chartered Bank, Refinitiv, Byblos Research



Source: Refinitiv Datastream, Byblos Research

COUNTRY RISK METRICS

Countries	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	-	-	-	-								
	-	-	-	-	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B-	B3	B-	-								
	Stable	Positive	Stable	-	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B	B3	B	B+								
	Negative	RfD**	Negative	Negative	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC	Caa1	CCC-									
	Negative	RfD	-	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD	Ca	RD	-								
	-	Stable	-	-	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	-	Ba3	BB-	-								
	-	Positive	Stable	-	-4.1	43.2			14.3		-3.5	1.4
Libya	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Dem Rep	B-	B3	-	-								
Congo	Stable	Stable	-	-	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BB+	Ba1	BB+	-								
	Stable	Stable	Stable	-	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	-	Caa2	CCC-	-								
	-	Negative	-	-	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B	-	-	-								
	Stable	-	-	-	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+	B2	B+	-								
	Negative	Negative	Stable	-	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+	B2	B+	B+								
	Positive	Negative	Stable	Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	-	-	-	B								
	-	-	-	Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B-	Caa1	B-	-								
	Stable	Stable	Stable	-	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+	B1	BB-	B+								
	Stable	Positive	Stable	Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+	A1	AA-	A+								
	Stable	Stable	Stable	Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD	C	C	-								
	-	-	-	-	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB-	Ba2	BB	BB								
	Positive	Positive	Positive	Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA	Aa3	AA-	AA								
	Stable	Positive	Positive	Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A	A1	A+	A+								
	Stable	Positive	Stable	Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-
UAE	-	Aa2	AA-	AA-								
	-	Stable	Stable	Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	-	-	-	-								
	-	-	-	-	-	-	-	-	-	-	-	-

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	B+ Positive	Ba3 Stable	BB- Stable	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+ Stable	Caa3 Stable	CCC -	- -	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C CWN***	Ca Negative	C -	- -	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B Negative	B2 Negative	B Negative	B+ Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD	CCC -	- -	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
***Review for Downgrade*
**** CreditWatch with negative implications*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting Date	Last meeting Action	Next meeting
USA	Fed Funds Target Rate	5.50	26-Jul-23	Raised 25bps	20-Sep-23
Eurozone	Refi Rate	4.25	27-Jul-23	Raised 25bps	14-Sep-23
UK	Bank Rate	5.25	03-Aug-23	Raised 25bps	21-Sep-23
Japan	O/N Call Rate	-0.10	28-Jul-23	No change	22-Sep-23
Australia	Cash Rate	4.10	01-Aug-23	No change	05-Sep-23
New Zealand	Cash Rate	5.50	16-Aug-23	No change	04-Oct-23
Switzerland	SNB Policy Rate	1.75	22-Jun-23	Raised 25bps	21-Sep-23
Canada	Overnight rate	5.00	12-Jul-23	Raised 25bps	06-Sep-23
Emerging Markets					
China	One-year Loan Prime Rate	3.55	20-Jul-23	No change	21-Aug-23
Hong Kong	Base Rate	5.50	26-Jul-23	No change	20-Sep-23
Taiwan	Discount Rate	1.875	15-Jun-23	Raised 12.5bps	21-Sep-23
South Korea	Base Rate	3.50	13-Jul-23	No change	24-Aug-23
Malaysia	O/N Policy Rate	3.00	06-Jul-23	No change	07-Sep-23
Thailand	1D Repo	2.25	02-Aug-23	Raised 25bps	27-Sep-23
India	Reverse Repo Rate	3.35	10-Feb-23	No change	N/A
UAE	Base Rate	5.50	26-Jul-23	Raised 25bps	20-Sep-23
Saudi Arabia	Repo Rate	6.00	26-Jul-23	Raised 25bps	20-Sep-23
Egypt	Overnight Deposit	19.25	03-Aug-23	Raised 100bps	21-Sep-23
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	17.50	20-Jul-23	Raised 250bps	24-Aug-23
South Africa	Repo Rate	8.25	20-Jul-23	No change	21-Sep-23
Kenya	Central Bank Rate	10.50	26-Jun-23	Raised 100bps	28-Aug-23
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	26-Aug-23
Ghana	Prime Rate	30.00	24-Jul-23	Raised 50bps	25-Aug-23
Angola	Base Rate	17.00	14-Jul-23	No change	15-Sep-23
Mexico	Target Rate	11.25	10-Aug-23	No change	28-Sept-23
Brazil	Selic Rate	13.25	02-Aug-23	Cut 50bps	N/A
Armenia	Refi Rate	10.25	01-Aug-23	Cut 25bps	12-Sep-23
Romania	Policy Rate	7.00	07-Aug-23	No change	05-Oct-23
Bulgaria	Base Interest	2.96	26-Jul-23	Raised 19bps	30-Aug-23
Kazakhstan	Repo Rate	16.75	05-Jun-23	No change	25-Aug-23
Ukraine	Discount Rate	22.00	27-Jul-23	Cut 300bps	14-Sep-23
Russia	Refi Rate	8.50	21-Jul-23	Raised 100bps	15-Sep-23

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