750 ISSUES+
Issue 781 | November 2, 2023

BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

M&A transactions at $1.6 trillion in first nine months of 2023

S&P Global Market Intelligence indicated that global mergers and acquisitions (M&A) activity totaled $1.6 trillion (tn) in the first nine months of 2023, constituting a decrease of 1.7% from $2.3tn in the same period last year. M&A activity reached $491.1bn in the first quarter, $582.1bn in the second quarter, and $498.6bn in the third quarter of 2023. It pointed out that 30,740 M&A transactions took place in the first nine months of 2023, representing a decline of 21% from 38,936 deals in the same period last year. Further, it said that global equity issuance reached $220bn in the first nine months of 2023, constituting a decline of 21.4% from $280bn in the same period of 2022. Global equity issuance stood at $61.4bn in the first quarter, $83.2bn in the second quarter, and $75.4bn in the third quarter of 2023. It added that the number of equity issuance transactions totaled 2,745 in the first nine months of 2023, down by 9.4% from 3,031 transactions in the same period last year. There was 918 transactions in terms of equity issuance in the first quarter, 959 deals in the second quarter, and 868 transactions in the third quarter of 2023. In parallel, it noted that the global volume of initial public offerings (IPOs) stood at $95.1bn in the first nine months of 2023, constituting a drop of 34.1% from $144.4bn in the same period of 2022. The global volume of IPOs was $24.2bn in the first quarter, $37.2bn in the second quarter, and $33.8bn in the third quarter of 2023. It pointed out that there were 1,052 IPO transactions in the covered period relative to 1,276 in the first nine months of 2022.

Source: S&P Global Market Intelligence

Merchandise trade down 8% in second quarter of 2023

The World Trade Organization indicated that the value of global merchandise trade decreased by 8% in the second quarter of 2023 from the same quarter of 2022 relative to a contraction of 2% in the first quarter of 2023 from the same quarter of the previous year and to an increase of 17% in the second quarter of 2022 from the same quarter of 2021. It noted that the value of merchandise exports and imports decreased by 8% each in the second quarter of 2023 from the same quarter of 2022. On a regional basis, it estimated that the value of merchandise exports declined by 9% in South & Central America and in Asia in the second quarter of 2023 from the same quarter of the previous year, followed by exports from North America (-7%) and Europe (-1%), while merchandise exports from other regions dropped by 25% in the covered period. In parallel, it estimated that the value of merchandise imports regressed by 13% in South & Central America in the second quarter of 2023 from the same quarter of 2022, followed by merchandise imports to Asia (-12%), to North America (-8%), and to Europe (-6%). In contrast, merchandise imports to other regions increased by 7% in the covered period.

Source: World Trade Organization

MENA

Renewable energy capacity at 12,564 MW at end-2022

The International Renewable Energy Agency (IRENA) indicated that the aggregate capacity of renewable energy in 12 Arab countries reached 12,564 megawatts (MW) in 2022, constituting an increase of 25.7% from 9,994 MW in 2021 and relative to a capacity of 3,645 MW in 2013. It defines renewable energy capacity as the maximum net generating capacity of power plants and other installations that use renewable energy sources to produce electricity. In comparison, the aggregate capacity of renewable energy in Asia stood at 1,636,557 MW and accounted 48.4% of global capacity, followed by Europe with 705,851 MW (21%), North America with 490,596 MW (14.5%), South America with 265,820 MW (8%), Eurasia with 118,878 MW (3.5%), Africa with 58,796 MW and Oceania with 57,718 MW (1.7% each), the Middle East with 29,434 MW (0.9%), and Central America & the Caribbean with 18,107 MW (0.5%). Further, it noted that the renewable energy capacity of the UAE stood at 3,591 MW at end-2022, followed by Jordan with 2,555 MW, Iraq with 1,599 MW, Syria with 1,557 MW, Qatar with 824 MW, Lebanon with 732 MW, Oman with 705 MW, Saudi Arabia with 443 MW, Yemen with 257 MW, Palestine with 192 MW, Kuwait with 97 MW, and Bahrain with 12 MW. Also, the distribution of renewable energy capacity in the Arab world shows that the installed solar power capacity stood at 8489 MW or 67.6% of the total in 2022, followed by 3,583 MW from hydropower sources (28.5%), 684 MW from wind energy (5.4%), and 34 MW from biogas (0.3%).

Source: IRENA, Byblos Research

Rule of law in region lags global trends

The World Justice Project ranked the UAE in 37th place among 142 countries globally and in first place among 10 Arab Countries on its Rule of Law Index for 2023. Kuwait followed in 52nd place, then Jordan (62nd), Tunisia (72nd), Algeria (84th), Morocco (92nd), Lebanon (107th), Sudan (132nd), Mauritania (133rd), and Egypt (136th). The index measures the implementation of the rule of law in each country by evaluating eight broad factors that affect the rule of law and by assigning a score to each country. Based on the same set of countries included in the 2022 and 2023 surveys, the rankings of six Arab countries deteriorated, the position of one economy improved, and one country's rank was unchanged from the preceding survey; while the scores of five countries increased and those of four Arab countries decreased. The UAE ranked first regionally on six out of eight factors, and Tunisia came in first place on two factors. The average score for Arab countries stood at 0.477 points relative to an average score of 0.469 points in the 2022 survey and 0.55 points in the 2012-13 index. It also came lower than the global average score of 0.55 points, as well as the average score of the European Union & North America (0.74 points), East Asia & the Pacific region (0.59 points), Latin America & the Caribbean (0.52 points) and Eastern Europe & Central Asia (0.5 points). But it is exceeded the average scores of Sub-Saharan Africa (0.46 points) and of South Asia (0.43 points).

Source: World Justice Project, Byblos Research

OUTLOOK

AFRICA

Economic outlook subject to downside risks

The World Bank revised its real GDP growth rate for Sub-Saharan Africa (SSA) to 2.5% for 2023 from 3.1% last April. It attributed the downward revision to tighter monetary and fiscal policies across the region to control still elevated inflation rates, heightened debt vulnerabilities, adverse weather conditions, rising conflicts and violence, as well as to the slowdown in the global economy and tight financial conditions worldwide. It forecast the real GDP growth rate in SSA to accelerate to 3.7% in 2024 and 4.1% in 2025, in case of a recovery in private consumption and gross fixed investments as a result of receding inflationary pressures, a rebound in global trade and output, and the easing of global financial conditions.

Further, it projected economic activity in the SSA region, excluding Angola, Nigeria and South Africa, its three largest economies, to expand by 3.1% in 2023, by 4.7% in 2024 and by 5.2% in 2025. It expected non resource-rich economies to grow by 3% in 2023, by 4.8% in 2024 and by 4.3% in 2025, due mainly to an expansion in the services sector, a recovery in consumption, and to lower import bills. But it anticipated real GDP growth in resource-rich countries at 2.2% this year due to lower commodity prices, and to rebound to 3% in 2024 and 3.3% in 2025.

Further, it considered that risks to the SSA region's economic outlook are tilted to the downside and include tighter global financial conditions, a steeper-than-expected economic slowdown in China, as well as an increase of geoeconomic tensions that could affect global trade, commodity prices and global output, which would weigh on the external demand for the region's exports. Also, it said that domestic risks include the increasing threat of debt distress in SSA sovereigns in case authorities in the region do not step up fiscal consolidation efforts.

Source: World Bank

ALGERIA

Real GDP growth to average 2.5% annually in 2024-25 period

The World Bank projected Algeria's real GDP growth rate to decelerate from 3.2% in 2022 to 2.1% in 2023, due mainly to lower hydrocarbon output in line with oil production cuts under the OPEC+ agreement, and to a decline in exports. It also anticipated real non-hydrocarbon GDP to slow down this year, as private consumption decreases and the rise in imports offsets the impact of increasing investments. It forecast real GDP growth to accelerate to 2.5% in each of 2024 and 2025, in case agricultural output recovers from its contraction this year and if crude oil production levels increase. In addition, it anticipated the average inflation rate to gradually decline from 9.3% in 2023 to 8.6% in 2024 and 8% in 2025, as the delayed effects of the Algerian dinar's appreciation and receding food prices offset rising money supply and public spending.

In parallel, it projected the fiscal deficit at 6.8% of GDP in 2023 and in 2024, and to narrow to 6.4% of GDP in 2025. It expected the authorities to finance the fiscal deficits in part through Treasury savings accumulated in 2022. It also forecast the public debt level to rise from 57% of GDP at the end of 2023 to 57.8% of GDP by end-2025. Further, it projected the current account surplus to decline from 2% of GDP in 2023 to 0.3% of GDP in 2024, and to shift to a deficit of 0.8% of GDP in 2025.

The World Bank considered that uncertainties about the global economic outlook and developments in Russia's war on Ukraine could have significant consequences on the volatility of global oil prices and on hydrocarbon exports and, as a result, on the performance of Algeria's external and fiscal balances. Also, it expected that the authorities' successful efforts to attract large investments to the country's hydrocarbon and mining sectors, amid Europe's efforts to diversify its energy supply away from Russian gas towards Algerian gas output, could support higher growth prospects. It added that structural reforms that upgrade the business environment, encourage private sector-led diversification, and improve the efficiency of public spending will be key to reduce the economy's dependence on hydrocarbons.

Source: World Bank

EGYPT

Direction of conflict to affect economic outcome

The Institute of International Finance (IIF) indicated that Egypt's macroeconomic prospects have been difficult since mid-2022, as the country has been facing double-digit inflation rates, pressures on its managed exchange rate, declining foreign currency reserves, and portfolio outflows. It projected Egypt's real GDP growth rate at 3.3% in the fiscal year that ends in June 2024 and at 4.1% in FY2024/25 prior to the war in Gaza, while it expected the fiscal deficit to narrow from 11.1% of GDP in FY2023/24 to 8.2% of GDP in FY2024/25 before the eruption of the military confrontation. It also anticipated the current account balance to post deficits of 2.9% of GDP in FY2023/24 and 2.4% of GDP in FY2024/25, and forecast foreign currency reserves to rise from $27bn at the end of June 2024 to $31bn at end-June 2025.

However, given the ongoing war, the IIF developed two scenarios. The first scenario assumes that the fighting remains limited to Gaza. In this case, it projected Egypt's real GDP growth rate to decelerate to 3% in FY2023/24 and 3.8% in FY2024/25, while it anticipated the fiscal deficit to widen to 11.4% of GDP in FY2023/24 and 9.5% of GDP in FY2024/25. It also forecast the current account deficits to widen further to 3.3% of GDP in FY2023/24 and 2.9% of GDP in FY2024/25, and expected a more modest rise of foreign currency reserves from $25bn at the end of June 2024 to $28bn at end-June 2025.

The second scenario assumes a large-scale ground operation by Israel and higher chances of regional conflict that would extend for more than six months. Under this scenario, it considered that a prolonged and extended war will have severe repercussions on the Egyptian economy, as it anticipated that the conflict will weigh on tourism and on the exchange rate, and will negatively affect foreign direct investments. It projected Egypt's real GDP to growth rate to slow down to 1% in FY2023/24 and 1.5% in FY2024/25. It also anticipated the fiscal deficit to widen even more to 12.3% of GDP in FY2023/24 and 11.3% of GDP in FY2024/25. Further, it forecast the current account deficit to steepen to 5% of GDP in FY2023/24 and 4.8% of GDP in FY2024/25, and expected foreign currency reserves to drop from $21bn at the end of June 2024 to $13bn at end-June 2025.

Source: Institute of International Finance

IRAQ

Non-hydrocarbon growth rate to average 4.1% in 2023-24 period

The International Monetary Fund projected Iraq's real GDP to contract by 2.7% in 2023 and to grow by 2.9% in 2024. It noted that the impact of foreign currency rationing on import-dependent sectors in the country are constraining growth this year. It forecast the country's real non-oil GDP to grow by 3.7% in 2023 and 4.5% in 2024, and estimated the country's nominal GDP at $255bn in 2023 and $271.5bn in 2024. Also, it anticipated the average inflation rate at 5.3% in 2023 and 3.6% in 2024. In parallel, it projected the government's fiscal balance to post deficits of 7.7% of GDP in 2023 and 7.8% of GDP in 2024. Further, it forecast the non-oil fiscal deficit at 85.2% of non-oil GDP in 2023 and at 78.6% of non-oil GDP in 2024, and attributed the deterioration in the non-oil primary balance to higher public wages and subsidies. Also, it expected the public debt level at 49.2% of GDP at the end of 2023 and at 54.6% of GDP in 2024. In parallel, the IMF forecast Iraq's exports of goods & services at $109.8bn in 2023 and $110.9bn next year, and expected the country's imports of goods & services to reach $111bn this year and $119.3bn in 2024. As such, it projected the current account balance to shift from a surplus of 17.3% of GDP in 2022 to deficits of 1.9% of GDP in 2023 and 4.3% of GDP in 2024. Also, it anticipated the country's gross external debt to decrease from 23.1% of GDP at end-2023 to 21.3% of GDP by end-2024. In addition, it forecast Iraq's gross foreign currency reserves at $93.7bn, or 9.4 months of import coverage at end-2023, and at $85.2bn or 8.4 months of imports at end-2024.

Source: International Monetary Fund

JORDAN

Economy to feel impact of Gaza war

The Institute of International Finance (IIF) projected Jordan's real GDP growth rate at 2.8% in 2023 and 2.5% in 2024 prior to the Gaza war, while it expected the fiscal deficit to narrow from 3.7% of GDP this year to 3% of GDP next year before the eruption of the military confrontation. It also anticipated the current account balance to post deficits of 5.4% of GDP in 2023 and 4.3% of GDP in 2024, and forecast foreign currency reserves at $11bn in the 2023-24 period. However, given the ongoing war, the IIF developed two scenarios. The first scenario assumes that the fighting remains limited to Gaza. In this case, it projected Jordan's real GDP growth rate to decelerate to 2.3% in 2023 and 1.5% in 2024, while it anticipated the fiscal deficit to widen from 4.1% of GDP this year to 4.9% of GDP next year. It also forecast the current account deficit to widen further to 5.8% of GDP in 2023 and 6.2% of GDP in 2024, and expected foreign currency reserves to decline from $10bn at end-2023 to $9bn at end-2024. The second scenario assumes a large-scale ground operation by Israel and higher chances of regional conflict that would extend for more than six months. Under this scenario, it projected Jordan's real GDP to grow by 2.2% in 2023 and to contract by 0.5% in 2024. It also anticipated the fiscal deficit to widen to 5.3% of GDP this year to 7.4% of GDP next year. Further, it forecast the current account balance to post deficits of 6.4% of GDP in 2023 and 10.2% of GDP in 2024, and expected foreign currency reserves to decline from $9bn at end-2023 to $7bn at end-2024.

Source: Institute of International Finance

IRAN

Sovereign ratings affirmed, outlook 'stable'

Capital Intelligence Ratings affirmed Iran's short- and long-term foreign and local currency ratings at 'B', and maintained the 'stable' outlook on the long-term ratings. It attributed the affirmation of the ratings to the government’s moderate debt level and very low external debt. It noted that the ratings are supported by the country's large hydrocarbon reserves and the agency's assumption that the usable foreign exchange assets under the control of the Central Bank of Iran are currently adequate for balance of payments purposes. It added that the ratings reflect Iran's fairly diversified economy and the agency's expectation that the current account will post moderate surpluses in the next two years. It forecast the current account surplus at 3.3% of GDP in the fiscal year that ends in March 2024 due to high commodity prices and increasing terms of trade with China and Russia. Further, it projected the fiscal deficit to widen from 5.5% of GDP in FY22/23 to 5.7% of GDP in FY23/24, driven by elevated spending. It added that, despite the country's very low external debt level, the authorities' ability to service the debt on time has weakened due to U.S. sanctions on Iranian oil exports and on financial institutions. In parallel, it said that the 'stable' outlook balances the slight easing in external liquidity pressures, against the continued adverse impact of U.S. sanctions. The agency indicated that it could downgrade the ratings in case of an escalation in geopolitical tensions or a materialization of large contingent liabilities for the central government.

Source: Capital Intelligence Ratings

ANGOLA

Sovereign ratings affirmed, outlook 'positive'

Moody's Investors Service affirmed Angola's long-term foreign and local currency issuer ratings at 'B3', and maintained the 'positive' outlook on the long-term ratings. Also, it affirmed the local and foreign currency country ceiling at 'B1' and 'B3', respectively. It indicated that the 'positive' outlook reflects the government's efforts to restore the strength of its balance sheet and improve foreign exchange management. It also said that the authorities' commitment to run a budget close to balance, even in case of a drop in oil revenues, signals a gradual improvement in governance. In addition, it noted that Angola's ratings point to the country's elevated debt burden and to high risks to foreign currency liquidity. It added that it will assess in the next 12 to 18 months the government's ability to reverse the deterioration in the debt burden and to contain foreign currency risks. It also considered that the implementation of Angola's ambitious reforms agenda will require time to reduce the economy's structural vulnerability to shocks in the oil industry. In parallel, it indicated that it could upgrade the ratings if fiscal metrics continue to significantly improve, if liquidity and funding risks recede, if foreign exchange reserves increase sustainably, and/or in case the non-oil sector's growth rate accelerates at a faster-than-expected pace. It also pointed out that measures that are likely to enhance the quality of Angola's institutional framework and governance would support the sovereign's credit profile. But it noted that it could revise the outlook to 'stable' in case the public debt level does not decline, which would increase liquidity and external risks. It added that it would downgrade the ratings if the materialization of these risks led to wide fiscal deficits and put the debt on an unsustainable path.

Source: Moody's Investors Service

EMERGING MARKETS

US dollar strength to raise vulnerabilities of emerging economies

S&P Global Ratings considered that the renewed appreciation of the exchange rate of the US dollar is exacerbating vulnerabilities in emerging markets (EMs), especially in countries with wide current account deficits and elevated levels of foreign currency debt that mature next year. Also, it indicated that currencies in EM economies, mainly net energy importers, have broadly depreciated in the past month, which suggests that markets have priced in higher-for-longer interest rates in advanced economies, and expectations that global oil prices will remain elevated for longer-than-previously anticipated. In parallel, the agency deemed that higher interest rates will weigh on debt refinancing in several EMs, and expected issuers to face greater obstacles in refinancing their debt, in case the uptick in energy prices and the US dollar strength keep interest rates higher than what markets currently anticipate. Further, it considered that the main risk for EMs is that the additional strengthening of the US dollar in the near term will further strain credit conditions around the world, and that the foreign-exchange pass-through effects will exacerbate inflationary pressures in EMs. It also expected that the uncertain trajectory of inflation rates in EM economies will likely prompt central banks in these countries to be more cautious about easing their monetary policy and likely keep interest rates higher for longer. But it anticipated that the US dollar could weaken in case of an unexpected shock to the U.S. economy, which would alleviate the pressure on financial conditions in EM countries.

Source: S&P Global Ratings

UAE

Neobanks to complement traditional banks

S&P Global Ratings considered that the utilization of neobanks and of the digital offerings of traditional banks in the United Arab Emirates (UAE) is increasing, given the population's intrinsic preference for digitalization, strong digital infrastructure, and supportive regulatory environment for financial technology. It considered that neobanks, which operate online and do not have physical branches, will complement the offering of traditional banks in the UAE rather than replacing them, given that the former's current products and services are limited, as they mainly focus on raising deposits and issuing credit cards. Also, it considered that neobanks could attract a portion of the money transfer operations of UAE banks and exchange houses by lowering transfer fees, providing better exchange rates, and reducing the transfer time. It forecast the number of adults in the UAE with digital-only bank accounts at 35% to 40% of total bank customers by 2027, in line with the global average. But it did not expect a significant migration from traditional banks to neobanks in the foreseeable future. Further, it said that several neobanks in the UAE benefit from traditional banks that have invested or partnered with them to offer customers access to neobank services, which helped strengthen the latter's credibility and made them more accessible to clients. In parallel, it noted that the Central Bank of the UAE will continue to encourage banks to strengthen their digitalization efforts, and will support neobanks by providing necessary licenses and approvals, while ensuring that they meet the necessary regulatory standards.

Source: S&P Global Ratings

KUWAIT

Low risks to banking system funding

S&P Global Ratings maintained Kuwait's banking sector in 'Group 4' under its Banking Industry Country Risk Assessment (BICRA), with an economic risk score of '5' and an industry risk score of '4'. The BICRA framework evaluates global banking systems based on economic and industry risks facing the banking sector, with 'Group 10' including the riskiest sectors. Other countries in BICRA's 'Group 4' consist of Malaysia, New Zealand, Poland, Saudi Arabia, Slovenia, Spain, and Taiwan. S&P indicated that the economic risk score of the Kuwaiti banking sector reflects "intermediate risks" in economic imbalances and in credit risks in the economy, as well as "high risks" in economic resilience. It expected the weaker operating environment in the country, the high concentration of loans in the real estate sector, and elevated interest rates to contribute to a manageable increase in non-performing loans (NPLs) for the banking sector. It anticipated NPL ratio to increase from 1.4% at the end of 2022 to between 1.8% and 2% in the 2023-24 period. It noted that Kuwaiti banks continue to face high sector and single-name concentration risks due to the structure of the economy and the still-nascent private sector. In parallel, S&P pointed out that the industry score reflects the country's "low risks" in its system-wide funding, "intermediate risks" in its competitive dynamics, and "high risks" in its institutional framework. It indicated that the banking sector has a good institutional framework and favorable funding conditions, while the limited number of local banks and narrow domestic economy constrains lending opportunities. It noted that the trend for the economic and industry risks is 'stable'.

Source: S&P Global Ratings

MOROCCO

Banks' capital adequacy ratio at 15.6% at end-2022, NPLs ratio at 8.4%

The International Monetary Fund considered that the banking sector in Morocco is resilient, well capitalized, and liquid. It indicated that the banks' capital adequacy ratio stood at 15.6% at the end of 2022, well above the minimum regulatory requirement, and that the banks' Tier One capital ratio was 12.4% and their capital-to-assets ratio was 9.5% at end-2022. Also, it said that banks' liquid assets were equivalent to 16% of total assets at end-2022 compared to 16.4% of total assets a year earlier, and that were equivalent to 19.2% of short-term liabilities at end-2022 relative to a ratio of 19.9% at end-2021. It added that the ratio of customer deposits to loans was 106.3% at end-2022 compared to 105.9% at end-2021. In addition, it indicated that lending to non-financial public enterprises increased from 4.5% of total loans at the end of 2021 to 5.2% at end-2022, while loans to the private sector grew from 84.4% of the lending portfolio of the banks at end-2021 to 87.1% at end-2022. It noted that the non-performing loans (NPLs) ratio remained relatively stable at 8.4%, with the NPL coverage ratio at 68.4% at end-2022. It added that that the cost of risk regressed from 1.9% at end-2021 to 0.7% at end-2022. Also, it said that the banks' holdings of government bonds increased from 11% of total assets at end-February 2021 to 14% at end-July 2023. In parallel, it pointed out that the banks' return on assets regressed from 0.8% in 2021 to 0.7% in 2022 and their return on equity declined from 8.2% in 2021 to 6.9% in 2022.

Source: International Monetary Fund

ENERGY / COMMODITIES

Oil prices to average $85 p/b in 2023

ICE Brent crude oil front-month prices averaged $82.7 per barrel (p/b) in the first 10 months of 2023, constituting a drop of 18.7% from $101.7 p/b in the same period of 2022. Further, oil prices have been volatile in October 2023, trading at between $84.1 per barrel (p/b) and $92.4 p/b due to concerns about weaker oil demand in the future and to rising geopolitical tensions and mounting risks of conflict in the Middle East. In parallel, Jadwa Investment indicated that traders are concerned that the violence in the Middle East could intensify and spread to include other regional actors, which could possibly threaten oil supply from the Gulf Cooperation Council (GCC) countries, which would lead oil prices to exceed $100 p/b. It noted that there is potential for some additional supply increases from the UAE and Iraq in 2024, which might add 450,000 barrels per day to the market. Also, it expected higher output from Brazil, Guyana, and Venezuela in the near term. Further, it anticipated that Saudi Arabia and Russia would suspend their the oil production cuts in the second half of 2024, as it expected the U.S. Federal Reserve to cut interest rates in case of a sharp slowdown in the U.S. economy, which would lead to a decrease in U.S. oil demand. In addition, it pointed out that demand for oil products remains robust, mainly from the U.S., China, and India. It added that higher oil demand from the GCC economies is offsetting lower demand in the Levant and North Africa. Also, it indicated the near-term oil price outlook remains contingent to events in the Middle East and North Africa region, and projected oil prices to average $85 p/b in 2023 and $88 p/b in 2024.

Source: Jadwa Investment, Refinitiv, Byblos Research

ME&A's oil demand to grow by 3.7% in 2023

The Organization of Petroleum Exporting Countries (OPEC) projected the consumption of crude oil in the Middle East & Africa to average 13.17 million barrels per day (b/d) in 2023, which would constitute a rise of 3.7% from 12.7 million b/d in 2022. The region's demand for oil would represent 23.4% of demand in non-OECD countries and 13% of global consumption in 2023.

Source: OPEC

MENA's crude oil exports down 6.7% in 2023

The International Monetary Fund anticipated crude oil exports from the Middle East & North Africa region to reach 18.2 million barrels per day (b/d) in 2023, which would constitute a decrease of 6.7% from 19.5 million b/d in 2022. The GCC countries' oil exports would account for 68.7% of the region's oil exports this year. On a country basis, it projected Saudi Arabia's crude oil exports at 6.4 million b/d this year, or 35.2% of the region's oil exports, followed by Iraq at 3.3 million b/d (18%), and the UAE at 2.5 million b/d (13.7%).

Source: International Monetary Fund, Byblos Research

Global steel output down 1.6% in September 2023

Global steel production reached 149.3 million tons in September 2023, constituting decreases of 2.2% from 152.6 million tons in August 2023 and of 1.6% from 151.7 million tons in September 2022. Production in China totaled 82.1 million tons and accounted for 55% of global steel output in September 2023, followed by output in India with 11.6 million tons (7.8% of the total), Japan with 7 million tons (4.7%), the U.S. with 6.7 million tons (4.5%), Russia with 6.2 million tons (4.2%), and South Korea with 5.5 million tons (3.7%).

Source: World Steel Association, Byblos Research

Base Metals: Nickel prices to average $18,461 per ton in fourth quarter of 2023

The LME cash price of nickel averaged $22,448.6 per ton in the first 10 months of 2023, constituting a decrease of 13.8% from an average of $26,028.1 a ton in the same period of 2022, due to global macroeconomic concerns, financial market turbulence, and monetary tightening. Also, nickel prices dropped below $19,000 per ton for the first time in nearly two years and reached $17,789 a ton on November 1, 2023, due to elevated nickel supply. In parallel, S&P Global Market Intelligence projected the total supply of nickel at 3.39 million tons in 2023, which would constitute an increase of 11.7% from 3.03 million tons in 2022. Also, it forecast the global demand for nickel at 3.17 million tons in 2023, which would represent a rise of 8.2% from 2.93 million tons in 2022. It anticipated the global supply of nickel to continue to outpace demand in 2023, and for the surplus in the market to increase from 106,000 tons in 2022 to 221,000 tons in 2023. It indicated that the prospect of a slowdown in global economic activity, in addition to another year of oversupply in the primary nickel market in 2024 would put downward pressure on nickel prices, as it expected higher production of nickel from Indonesia, China, and Russia next year. Further, it projected nickel prices to average $18,461 per ton in the fourth quarter of 2023 and $21,963 a ton in full year 2023.

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

Precious Metals: Gold prices to average $1,980 per ounce in fourth quarter of 2023

Gold prices averaged $1,929.8 per troy ounce in the first 10 months of 2023 period, constituting an increase of 6.6% from an average of $1,810.3 an ounce in the same period of 2022, mainly due to higher demand for gold, which reinforced the appeal of the metal as a safe haven for investors. Further, gold prices in October fluctuated between $1,818.4 per ounce on October 5 and $1,997.8 an ounce on October 30, 2023, as the sharp escalation of the conflict in the Middle East led to elevated gold demand. But prices regressed from $1,995.9 per ounce on October 31 to $1,985.2 on November 1, given that the U.S. Federal Reserve kept interest rates unchanged. In parallel, the World Gold Council indicated that global demand for gold totaled 3,285.7 tons in the first nine months of 2023 and decreased by 3.2% from 3,395.6 tons in the first nine months of 2022. It attributed the decline to a surge of 831% in outflows from gold-backed exchange-traded funds (ETF), to a decrease of 8.8% in demand from the technology sector, to a contraction of 1.1% in demand for bars & coins, and to a retreat of 0.6% in jewelry consumption, which were partly offset by an increase of 14.3% in net purchases by central banks. Also, the global supply of gold increased by 4.7% from 3,528.1 tons in the first nine months of 2022 to 3,692.4 tons in the same period of 2023, with mine output representing 74.3% of the total. In addition, Citi Research expected gold prices to increase in the near term, as it anticipated a slowdown in global economic activity, which would lead to higher inflows into gold-backed ETFs. Also, it projected gold prices to average $1,980 per ounce in the fourth quarter of 2023 and to average $1,955 an ounce in full year 2023.

Source: World Gold Council, Citi Research, Refinitiv, 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		LT Foreign currency rating										
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B- Stable	Caa1 Stable	B Negative	B Stable	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	CCC Negative	Caa3 Stable	CCC- -	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD -	Ca Stable	RD -	- -	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Positive	BB- Stable	- -	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BB+ Stable	Ba1 Stable	BB+ Stable	- -	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Tunisia	- -	Caa2 Negative	CCC- -	- -	-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+ Negative	B2 Negative	B+ Stable	- -	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+ Positive	B2 Negative	B+ Stable	B+ 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- Stable	Caa1 Stable	B- Stable	- -	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Positive	BB- Stable	B+ Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ 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+ Stable	Ba2 Positive	BB+ Stable	BB Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	AA- Positive	AA Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- 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	BB- Stable	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 Stable	B2 Negative	B Stable	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*
*** CreditWatch with negative implications*
**** Review for Downgrade*
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	Action	Next meeting
USA	Fed Funds Target Rate	5.50	01-Nov-23	No change	13-Dec-23
Eurozone	Refi Rate	4.50	26-Oct-23	No change	14-Dec-23
UK	Bank Rate	5.25	21-Sep-23	No change	14-Dec-23
Japan	O/N Call Rate	-0.10	31-Oct-23	No change	19-Dec-23
Australia	Cash Rate	4.10	03-Oct-23	No change	07-Nov-23
New Zealand	Cash Rate	5.50	04-Oct-23	No change	29-Nov-23
Switzerland	SNB Policy Rate	1.75	21-Sep-23	No change	14-Dec-23
Canada	Overnight rate	5.00	25-Oct-23	No change	06-Dec-23
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Oct-23	No change	20-Nov-23
Hong Kong	Base Rate	5.75	02-Nov-23	No change	14-Dec-23
Taiwan	Discount Rate	1.875	21-Sep-23	No change	14-Dec-23
South Korea	Base Rate	3.50	19-Oct-23	No change	30-Nov-23
Malaysia	O/N Policy Rate	3.00	02-Nov-23	No change	N/A
Thailand	1D Repo	2.50	27-Sep-23	Raised 25bps	29-Nov-23
India	Repo Rate	6.50	06-Oct-23	No change	N/A
UAE	Base Rate	5.40	01-Nov-23	No change	13-Dec-23
Saudi Arabia	Repo Rate	6.00	01-Nov-23	No change	13-Dec-23
Egypt	Overnight Deposit	19.25	21-Sep-23	No change	02-Nov-23
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	35.00	26-Oct-23	Raised 500bps	23-Nov-23
South Africa	Repo Rate	8.25	21-Sep-23	No change	23-Nov-23
Kenya	Central Bank Rate	10.50	03-Oct-23	No change	N/A
Nigeria	Monetary Policy Rate	18.75	25-Jul-23	Raised 25bps	07-Nov-23
Ghana	Prime Rate	30.00	25-Sep-23	No change	27-Nov-23
Angola	Base Rate	17.00	15-Sep-23	No change	21-Nov-23
Mexico	Target Rate	11.25	28-Sep-23	No change	09-Nov-23
Brazil	Selic Rate	12.25	01-Nov-23	Cut 50bps	N/A
Armenia	Refi Rate	9.75	31-Oct-23	No change	12-Dec-23
Romania	Policy Rate	7.00	05-Oct-23	No change	08-Nov-23
Bulgaria	Base Interest	3.53	25-Oct-23	Raised 24bps	27-Nov-23
Kazakhstan	Repo Rate	16.00	06-Oct-23	Cut 50bps	24-Nov-23
Ukraine	Discount Rate	16.00	26-Oct-23	Cut 400bps	14-Dec-23
Russia	Refi Rate	15.00	27-Oct-23	Raised 200bps	15-Dec-23

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON
Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ
Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA
Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM
Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM
Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE
Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

NIGERIA
Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE
Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293