Bank Audi

MENA WEEKLY MONITOR

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WEEK 19

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p.9 MARKETS IN BRIEF: ACTIVITY ON MENA CAPITAL MARKETS MOSTLY SKEWED TO UPSIDE

MENA equity markets bounced back this week, as reflected by a 0.9% rise in the S&P Pan Arab Composite index, mainly supported by price gains in the heavyweight Saudi Exchange. In parallel, activity on MENA fixed income markets remained mostly tilted to the upside, after recent US economic data showed that inflation has moderated further in April 2023 and weekly jobless claims hit a 1-1/2 year high, potentially giving the US Federal Reserve room to halt further interest rate hikes.

MENA MARKETS: MAY 7 - MAY 13, 2023

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+0.9%	Weekly Z-spread based bond index	+1.1%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+2.9%	YTD Z-spread based bond index	+63.8%

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ECONOMY

GROWTH IN MENA PROJECTED TO DECELERATE FROM 5.3% IN 2022 TO 3.1% IN 2023 AS PER IMF

According to the Regional Economic Outlook published by the IMF, growth prospects are set to weaken across the MENA region and Pakistan as tighter monetary and fiscal policies to safeguard macroeconomic stability dampen domestic demand in EM&MIs (Emerging Market and Middle-Income Countries); heightened fragility, fiscal pressures, and persistently high inflation weigh on growth prospects and worsen living standards in LICs and FCS; and economic growth moderates in oil exporters because of lower oil production in line with the October OPEC+ agreement. As a result, growth in the MENA region is projected to decelerate from 5.3% in 2022 to 3.1% in 2023 before increasing slightly to 3.4% in 2024. Meanwhile, inflation is projected to be more persistent in EM&MIs and LICs (Low-Income Developing Countries) than previously expected. Yet with marginally decreasing (except for Egypt) but still high debt levels and projected large gross public financing needs and current account deficits, fiscal and external vulnerabilities are expected to remain elevated in the region's EM&MIs.

Real GDP growth for MENA oil exporters is expected to slow from 5.7% in 2022 to 3.1% in 2023 (and to broadly maintain that pace in 2024) as the main driver of growth in most oil exporters shifts to nonhydrocarbon activities, reflecting agreed oil production cuts. Non-oil GDP is forecast to expand at a healthy clip in 2023 (about 3.7%), broadly unchanged from 2022, as the positive momentum in the retail and service sectors (Kuwait, Saudi Arabia, United Arab Emirates) is sustained thanks to abundant liquidity, continued reform momentum, and rapid acceleration of private investment (Saudi Arabia), partially offsetting the impact of slow growth in major trading partners.

Growth in MENA EM&MIs is projected to slow from 5.1% in 2022 to 3.4% in 2023. Growth in Egypt is forecast to decelerate from 6.6% in 2022 to 3.7% in 2023 because of tight financing conditions, past exchange rate depreciation, high inflation eroding households' purchasing power, and weak external demand growth. Similarly, Pakistan's growth rate is expected to slow materially from 6.0% in 2022 to 0.5% this year, reflecting challenging macroeconomic conditions, including damage from widespread flooding, broad-based inflationary pressures, and tighter monetary and financial conditions. By contrast, Morocco is set to grow faster this year, mainly because of a rebound in agricultural output following a severe drought in 2022; growth in the nonagricultural sector is forecast to remain weak. Activity in Jordan and Tunisia is projected to remain subdued this year and next, reflecting weakening growth in their main trading partners, spillovers from the economic fallout of the war in Ukraine, tighter external and domestic financial conditions, and restrictive fiscal policies. Growth in the region's EM&MIs is projected to gradually accelerate in 2024 (to 4.4% in MENA EM&MIs and 3.5% in Pakistan) and over the medium term as some of the headwinds dissipate, provided countries sustain implementation of policy and structural reforms, particularly under IMF-supported programs (Egypt, Pakistan).

GDP growth in MENA LICs is forecast to rebound from a contraction of 0.6% in 2022 to a modest 1.3% expansion in 2023 before accelerating to 3% in 2024 (still lagging the rest of the region). However, growth prospects are mixed across LICs, with economic activity being driven by country-specific idiosyncratic factors in some countries, such as debt distress in Djibouti and developments in the extractive sector and tight macro policies in Mauritania. For LICs already grappling with fragility, the outlook is dominated by macroeconomic instability—protracted conflict (Yemen), drought conditions (Somalia), and political crisis and lack of financing (Sudan). More broadly, the terms-of-trade shock, persistent drought, and the cost-of-living crisis have exacerbated food insecurity in fragile LICs and pushed more people into poverty. According to the United Nation's Integrated Food Security Phase Classification, more than half of Yemen's population (about 19 million people) and one-third of Somalia's (about 6 million people) are estimated to have experienced acute food insecurity in 2022.

Inflationary pressures in the MENA region are expected to be more persistent than envisioned in October. Headline inflation is set to remain unchanged at 14.8% in 2023 (14.8% in 2022) and to decline to about 11% in 2024—an upward revision of about 2.5 percentage points for both years since October. The upward revisions for the region are driven primarily by EM&MIs, particularly Egypt and Tunisia, where inflation is expected to accelerate at a faster pace after further exchange rate depreciation in the former and price liberal¬ization and subsidy reform in the latter. Similarly, in Pakistan, inflation is projected to more than double to about 27% this year, reflecting broadening price pressures. For oil exporters, inflation is forecast to remain low in most countries. In the GCC, headline inflation is expected to drop from 3.3% in 2022 to 2.9% in 2023 and 2.3% in 2024. While headline inflation for LICs is poised to moderate, it would remain at very high levels, declining from 83% in 2022 to about 46% in 2023 and 35% in 2024, mainly reflecting inflation above 100% in Sudan in 2022 and declining to about 70% in 2023. The disinflation projected across the region for 2024 is primarily attributable to lower commodity prices, easing supply chain disruptions, and slowing activity because of tighter fiscal and monetary policy stances as per IMF.

SAUDI ARABIA RECORDS REAL GDP GROWTH OF 4% IN Q1

According to preliminary data by Saudi Arabia's General Authority for Statistics (GASTAT), the country has witnessed a real GDP growth of 3.9% in the first quarter of 2023 which shows a 1.6 percentage point (pp) decrease from growth seen in the same period of the year prior.

This growth was mainly driven by a 5.8% increase in non-oil activities in Q1 2023. In parallel, growth in oil activities was marginal standing at 1.3% in Q1 2023 showing a 4.8 pps decrease from growth seen in Q1 2022. The positive non-oil sector performance noticed comes amid the country's Vision 2030 which aims to diversify the economy. The end goal of the vision is to set the share of non-oil sector activity in the country's GDP at 65% by 2030. This vision led private sector performance to improve with the non-oil sector's Purchasing Managers' Index (PMI) being set at 58.7 at the end of 2023's first quarter.

On the other hand, according to Saudi Arabia's Ministry of Economy, the country has noticed a budget deficit of SAR 2.9 billion (US$ 776.0 million) in Q1 2023. Public revenue in Q1 2023 stood at SAR 280.9 billion (US$ 74.9 billion) and public expenditure were recorded at SAR 283.9 billion (US$ 75.7 billion).

In details, oil sector revenue stood at SAR 178.6 billion (US$ 47.6 billion) and non-oil sector revenue was recorded at SAR 102.3 billion (US$ 27.3 billion) in Q1 2023. Additionally, public debt decreased by 2.8% year-on-year to stand at SAR 962.3 billion (US$ 256.6 billion) at the end of Q1 2023.

NON-OIL SECTOR PERFORMANCE IN THE UAE IMPROVES FURTHER IN APRIL

The Purchasing Managers' Index (PMI) for the UAE's non-oil private sector was recorded at 56.6 showing a 0.7 point increase from March's figures and being just shy of August 2022's post pandemic peak. This improvement comes as a result of fast growth in new business, increased output as well as additions to inventories and staffing levels.

The New Order Index rose to the highest level since November 2021 in April on the back of improving market conditions and rising demand which promoted a strong performance in sales. Out of the surveyed businesses, 30% saw a pick-up in new orders from March against only 7% noticing a decrease in new orders against the prior month. The bulk of the new demand came from the domestic market with foreign sales remaining constant as compared with March.

The increase in new orders was mainly driven by an increase in price promotion in April with the charge discounting rate noticed during the month being the fastest seen in 2.5 years. This comes as businesses were hoping to increase demand in a tight market environment. Additionally, relatively mild price measure due to the softest increase in input costs seen in three months aided companies' reduction of output charges, as per S&P Global's UAE PMI report for April 2023.

The level of output in the non-oil private sector noticed the sharpest expansion seen in six months during April. This comes due to the rise in new work which boosted activity growth.

Employment in the UAE's non-oil private sector was elevated and above the long-run set trend, however a softening from March's figures was noticed. The increase in employment is a result of companies' efforts to tackle high workloads and minimize capacity pressures. The increase in employment led to a decrease in work outstanding reaching the slowest point in a 22 month trend of backlog accumulation. However, employment efforts also led to an increase in staff costs which, while remaining only marginal, reached a nine months peak. As demand grows in the market, a considerable increase in input purchasing activity has been recorded. In turn, an increase in total inventory level was noticed.

The accumulation of stocks was supported by a robust improvement in input lead times as companies asked for faster deliveries from their suppliers.

On the level of future outlook, with firms expecting demand to remain on a solid upwards trend, optimism levels for future outlook reached the highest level seen in seven months during April. In addition to growing demands, the improvement of economic conditions, the increase in construction activity as well as an increase in marketing spending have been cited as factors leading to the high level of confidence in the future outlook of the UAE's non-oil private sector, as per S&P Global's UAE PMI report for April 2023.

QATAR'S PUBLIC WORKS AUTHORITY TENDERED A NUMBER OF PROJECTS WORTH US$ 1 BILLION IN Q1

A total of 22 building projects were tendered by Qatar's Public Works Authority (Ashghal) valued at QAR 4.1 billion (US$ 1.1 billion). This comes as part of a plan to develop the country's infrastructure and public buildings worth QAR 8.0 billion (US$ 2.2 billion) in 2023 with more projects to be awarded in the third quarter of the year.

In details, six projects valued at QAR 1.1 billion (US$ 302.2 million) for the construction and development of several buildings, have already been awarded. An additional 10 projects valued at QAR 3.0 billion (US$ 824.2 million) are under implementation. These projects include the development of Hamad General Hospital, Madinat Khalifa Health Center, Qatar Sidra Academy as well as the veterinary laboratory building of the Ministry of Municipality.

In parallel, several court projects are in development for the improvement of Qatar's judicial infrastructure. As a result, Ashghal and the Supreme Judicial Council launched a design competition to receive concepts and ideas for eight new counts, including the Court of Cassation and Court Complex.

In details, the Court of Cassation project will span over a 50,000 m2 area in Wadi Al-Sail. On the other hand, the Court Complex project in Wadi Al-Banat, will be built on an area of 100,000 m2. The complex will include seven courts (including the Criminal Court, the Family Court, the Traffic Court, the Investment & Trade Court, the Civil Court, the Court of First Instance and the Enforcement Court).

Ashghal has also been seeking design ideas for the main post office and the land transport customs building in Thumama.

It is worth noting that Ashghal has also recently announced that the first phase of the seasonal storage lagoon for treated sewage water plant was almost complete. The project aims to contribute to the optimal use of treated wastewater as well as contribute to the maximal utilization of renewable water resources. This project comes under Qatar's National Vision 2030 objectives for environmental sustainability.

SURVEYS

UAE RANKS 1ST GLOBALLY AND IN MENA REGION IN POWER RISK/REWARD INDEX, AS PER FITCH SOLUTIONS

Fitch Solutions released the 2023 update of the MENA Power Risk/Reward Index, where the MENA region performed above the global average, ranking third out of all the regions because of its strong Rewards profile.

The UAE was the highest scoring market in the MENA region with an RRI score of 76, and also led globally, owing to the large electricity generation in the market and very stable market conditions.

MENA POWER RISK/REWARD INDEX

	Regional Rank	Global Rank	RRI	Industry Rewards	Country Rewards	Rewards	Industry Risks	Country Risks	Risks
UAE	1	1	76	75.6	65.3	71.5	82.3	83.3	82.8
Qatar	2	14	67.1	61.6	72.4	65.9	67.6	70.2	68.9
Saudi Arabia	3	19	66.4	72.0	63.4	68.5	50.9	75.6	63.3
Oman	5	40	56.9	44.8	62.5	51.9	57.9	71.1	64.5
Kuwait	6	41	56.4	48.9	64.9	55.3	54.8	61.2	58.0
Morocco	7	53	52.4	56.0	56.3	56.1	52.8	40.8	46.8
Egypt	8	54	51.5	73.3	52.8	65.1	27.0	35.5	31.2
Bahrain	9	56	49.8	38.6	55.6	45.4	56.5	56.3	56.4
Iraq	10	57	49.6	76.7	61.9	70.8	18.6	17.0	17.8
Jordan	11	67	45.8	45.9	46.1	46.0	48.0	43.1	45.6
Algeria	12	77	43	56.5	42.0	50.7	38.0	24.9	31.4
Tunisia	13	101	34.5	36.4	34.9	35.8	42.4	22.6	32.5
Lebanon	14	113	26.1	26.1	36.6	30.3	28.0	11.5	19.8
Regional Average	-	-	**52.1**	**54.3**	**55.2**	**54.7**	**49.0**	**47.7**	**48.4**
Global aver-age	-	-	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**

Sources: Fitch Solutions, Bank Audi's Group Research Department

The UAE's increasing global rank from 5th to 1st has been driven by its improved Rewards segment, following Fitch's upwards revision of its growth forecast. The UAE is diversifying its power market through the expansion of renewables and nuclear with the ambition of reaching 30% clean energy generation by 2030. The increasing index score was largely owing to the addition of the sixth phase of the Mohammed bin Rashid Al Maktoum Solar Park to Fitch's 2027 forecast, adding 900 MW capacity, as well as the completion of phase four of the Mohammed bin Rashid Al Maktoum Solar Park that will add 250 MW to the grid in 2023.

According to Fitch, the annual average solar PV generation growth for the UAE from 2023 to 2027 is currently forecasted at 16.6%, representing the second fastest growing segment behind Nuclear, which is expected to expand by 47% on average between 2023 and 2027.

The MENA region scored 52.1 above the global Risk/Reward Index average (50). The Rewards profile is high in the MENA region because of the strong population growth, the real GDP growth and the electricity generation. In contrast, the region's Risks profile remained below the global average because of high long-term and short-term economic risks and high long-term political risks, as well as slower uptake of clean energy policy and liberalization of markets.

In details, the strong Rewards scores for the MENA region are supported by large installed electricity bases, as well as strong forecasted growth between 2023 and 2027. The strong scoring markets are the UAE, Saudi Arabia, Iraq and Egypt, which all have large thermal power sources that utilize the significant oil and gas reserves that these markets have. Additionally, the markets in the region with large oil and gas reserves have much larger installed power and growth than those who do not, and are the driving force behind the region's above-average Industry Rewards scores.

The Country Rewards score for the MENA region is the highest scoring RRI component. 11 out of 15 markets scored above 50 (global average), owing to strong population and real GDP growth, which would continue driving up power demand, as stated in the report. On the other hand, the region's Industry Risks and Country Risks segments score are below the global average, mainly burdened by Tunisia and Lebanon's market. Lebanon and Tunisia have the lowest scorers due to very unstable economic and political conditions that have driven up risks.

Lower energy policy and competitive landscape scores weigh on the Industry Risks scores. The competitive landscape, which measures the openness of the power sector, is weighed down by very low scores for markets such as Lebanon, in which the power sector is dominated by incumbent State-owned utility Électricité du Liban (EDL), limiting growth of the private sector and competitiveness in the markets.

Moreover, energy policy is a limiting factor for the region's Risks scores, which are driven down because of markets high greenhouse gas emissions from reliance on fossil fuels that are undermining sustainable policy action. It is worth mentioning that major markets such as the UAE and Morocco have comprehensive energy policies to shift from oil and gas to renewables.

Finally, the Country Risks segment is the lowest scoring part of the RRI because of the low economic and political risks that weigh on this score. However, Tunisia's Country Risks remain high because of social discontent mainly fueled by worsening living conditions (double-digit inflation and stubbornly high unemployment rate) and rising opposition to the government and president. Lebanon also suffers from high inflation, likely to exceed 200% in 2023, and a high risk of unrest and violence in the market from poor socio-economic conditions. These unstable conditions dampen economic activity, undermine investment and limit growth in the sector.

YEARLY EXPANSION IN RIYADH'S HOSPITALITY MARKET OVER FIRST TWO MONTHS OF 2023, AS PER EY

Ernst & Young (EY) published its "Middle East Hotel Benchmark Survey Report", covering the performance of 4 and 5 star hotels in key hotel markets across selected countries and cities in the Middle East region. In details, Riyadh's hospitality sector observed a RevPAR increase of 29.7%, from US$ 123 in 2M 2022 to US$ 160 in 2M 2023. The average room rate rose by 23.1% from US$ 169 in 2M 2022 to US$ 208 in 2M 2023, along with an occupancy rate expansion of 3.9% to reach 76.9% over the covered period. Elsewhere in the region, Dubai's hospitality market saw an occupancy expansion of 7.7% during the first two months of 2023 when compared to the same period last year to attain 84.4%, as per EY. This was coupled by an 3.0% decrease in the average room rate, moving from US$ 378 in 2M 2022 to US$ 367 in 2M 2023. Accordingly, RevPAR went up by 6.7%, from US$ 290 in 2M 2022 to US$ 310 in 2M 2023.

Dubai's hospitality sector performance could be attributed to events such as World Government Summit 2023 bringing over 10,000 international delegates, 11th edition of Sikka Art and Design Festival, Dubai Marathon 2023 and various other Dubai Destinations initiatives, which attracted around 1.63 million visitors to Dubai in February 2023 with the majority of travelers from India, Russia, Oman and UK.

Furthermore, hosting MICE (Meetings, Incentives, Conventions and Exhibitions) events such as 30th edition of Arabian Travel Market (ATM) 2023, Dubai Africa Trade Expo and GETEX 2023 (Global Education & Training Exhibition) are expected to enhance the sector performance.
Concurrently, Kuwait's hospitality sector witnessed a RevPAR rise of 28.5%, from US$ 85 in 2M 2022 to US$ 110 in 2M 2023. This was driven by an occupancy increase of 20.8% in 2M 2023 when compared to the same period last year to reach 56.1%, coupled with a decrease in average room rate of 19.2%, standing at US$ 195 in 2M 2023. Kuwait's sector performance could be attributed to the limited number of events and conferences held during the period along with the market's heavy reliance on business travelers.

Together with hosting of several MICE events such as KETEX 2023 (Kuwait Education and Training Exhibition), International Conference on Medical & Health Science and the projects such as XZero City aiding sustainable tourism solutions in association, with Vision 2035, are expected to benefit the hospitality sector in the medium to long term.

Finally, Abu Dhabi's hospitality market witnessed a retreat in occupancy rate of 3.1% in 2M 2023 when compared to 2M 2022 to reach 82.7%. This was coupled by an increase in the average room rate of 46.2% from US$ 82 in 2M 2022 to US$ 120 in 2M 2023. Consequently, RevPAR went up by 41.0% from US$ 70 in 2M 2022 to US$ 99 in 2M 2023. Based on the report, the upcoming 20th edition of Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX), 32nd edition of Abu Dhabi International Book Fair 2023 (ADIBF) and DCT Abu Dhabi's initiatives to boost corporate events and provide incentive travel for event organizers, agencies, and companies to host their meetings in the Emirate, are expected to accelerate Abu Dhabi's sector performance.

CORPORATE NEWS

MENSHA VENTURES AND CHINESE FIRMS TO INVEST US$ 1 BILLION IN GREEN ENERGY PROJECTS

UAE-based tech investment company Mensha Ventures signed a Memorandum of Understanding (MoU) with Chinese firms, namely, Asia Development & Investment Bank (ADIB), Hoover Investment Group and Shenzhen Sinomaster Investment Group, to jointly invest US$1 billion in green energy infrastructure projects in the region, as revealed in a company's statement.

The partnership aims to build the UAE's sustainable capabilities and capacity by developing green energy infrastructure projects.

While this partnership is expected to open up new avenues for sustainable investment opportunities in the region, it would also help drive economic growth.

Further to the above, Mensha Ventures and the Asian Development & Investment Bank (ADIB) signed a MoU to launch their new Green Tech Fund. The fund would have a primary focus in the GCC and aims to build portfolio companies with global expertise and best-in-class industry knowledge in Green Technology.

The fund would focus on sectors such as new energy, including electric vehicle infrastructure, engineering, storage, and transportation.

It is worth highlighting that this initiative would help the UAE achieve its renewable energy targets, while reducing its carbon footprint.

WEBUILD UNIT SECURES US$ 439 MILLION SAUDI WATER PROJECT CONTRACTS

Italian-based Fisia Italimpianti, a subsidiary of the Webuild Group and a worldwide leader in the sustainable design and execution of water treatment and desalination plants, won two contracts worth a combined value of US$ 439 million (€ 408 million), for the construction and management of a water treatment plant in the Zuluf onshore oil facilities in Saudi Arabia, as mentioned in a company's statement.

The first contract involves Engineering, Procurement and Construction (EPC) services worth US$ 327 million. The project scope includes the construction of a plant for the Zuluf Central Processing Facilities that is required for the onshore structures.

Fisia Italimpianti would build the plant that would treat, degas and filter water from iron and suspended solids at a maximum production capacity of 185,000 cubic meter per day.

The project is expected to take three years to complete and create approximately 1,500 direct and indirect jobs.

For the second contract, worth US$ 112 million, Fisia Italimpianti would be a joint-venture partner with Almar Water Solutions, Aljomaih Energy and Water Company and Aquatech International. It involves the operation and maintenance of the completed plant for 25 years.

KHAZNA PARTNERS WITH BENYA TO BUILD A US$ 250 MILLION DATA CENTER IN EGYPT

UAE-based Khazna Data Centers, one of the leading and trusted wholesale data center providers in the MENA region, unveiled its plan to enter the Egyptian market with Benya Group, the leading digital and ICT infrastructure provider in Egypt and the MEA region, through an investment worth US$ 250 million, to build a state-of-the-art data center, which would be Egypt's first hyper-scale data center, as revealed in a company's statement.

The project would be built at the Maadi Technology Park, the first specialized investment zone in Egypt, with an expected capacity of 25 megawatt (MW) of IT load.
The construction of the new data center is expected to commence later in 2023, with an objective to be completed within three years.

The data center would unlock opportunities for businesses in the African nation with the goal of expanding internationally and targeting multinational corporations that seek growth and innovation in the MENA markets.

The new center would also contribute to attracting more investments for business sectors involving intensive operations, supporting cloud computing and content system operators.

ALPHA DHABI BUYS MAJORITY STAKE IN ADX-LISTED HOSPITALITY FIRM FOR US$ 199 MILLION

Alpha Dhabi Holding, one of the fastest-growing investment holding companies in the UAE that is listed on the Abu Dhabi Securities Exchange (ADX), acquired a 36.4% stake in the National Corporation for Tourism and Hotels, an ADX-listed and Abu Dhabi-based hospitality owner, manager and operator, for US$ 199 million (AED 730 million), as mentioned in a company's statement.

The acquisition makes Alpha Dhabi the single largest shareholder in ADX-listed National Corporation for Tourism and Hotels.

The latest acquisition adds to Alpha Dhabi's asset-rich hospitality portfolio, which includes Cheval Blanc Randheli LVMH's second hotel venture St Regis Saadiyat, as well as Al Wathba Luxury Collection Desert Resorts.

MABANY EDRIS INVESTS UP TO LE 6 BILLION IN KOUN PROJECT ON EGYPT'S NORTH COAST

Real estate developer Mabany Edris launched the Koun project in Ras El Hikma on Egypt's North Coast, with an investment of LE 6 billion, as mentioned in a company's statement.
The residential project, spread over an area of 447,658 square meters, comprises waterfront units offering lagoon views and sea views.

The development, including a commercial area, a clubhouse, and a hotel, would be built in three phases, while the residential portion would feature twin houses, townhouses, chalets, duplexes, and standalone units.

The construction is set to commence in the fourth quarter of 2023, with the first phase to be delivered within four years.

It is worth noting that Koun is the first residential, entertainment, and tourism project for Mabany Edris in the North Coast. The project is a part of the company's plan to develop various projects that meet clients' needs and demands in coastal cities.

STC AND HUAWEI TO DEPLOY AGILE AND AUTOMATED INFRASTRUCTURE

STC Group, the digital enabler of telecommunications services in Saudi Arabia and among the operators in the Middle East, announced a collaboration strategy, which includes a partnership with Huawei to build the industry's best cloud infrastructure and deliver the highest service experience to its end users, as reported in a company's statement.

STC Group has completed the 5G Core Network functions automatic upgrade test case with Huawei MBB Autonomous Engine (MAE) solution and associated team. This signifies a giant step taken forward under the STC Network Cloudification and automation strategy.

The STC strategy aims to deploy an agile cloud-native, next-generation platform including 5G edge computing, convergent and digital network through a sustainable shortened Time To Market (TTM) and optimized Total Cost of Ownership (TCO) approach.

STC Group and Huawei would continue to innovate in service reliability, agility and automation, bringing advanced and mature business practices to the STC network, which better meets the requirements of various industries, and helps digital telecom transformation better cope with the development of the 5G era.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES SHIFT TO POSITIVE TERRITORY, MAINLY SUPPORTED BY PRICE GAINS ON HEAVYWEIGHT SAUDI EXCHANGE

MENA equity markets bounced back this week, as reflected by a 0.9% rise in the S&P Pan Arab Composite index, mainly supported by price gains in the heavyweight Saudi Exchange.

The Saudi Exchange, whose market capitalization represents two-thirds of the total regional market capitalization, shifted to a positive territory this week, as reflected by a 2.0% increase in the S&P Saudi index, mainly driven by some upbeat corporate earnings and favorable company-specific factors. A glance on individual stocks shows that Petrochemicals giant Saudi Aramco's share price jumped by 5.6% to SR 33.65. Saudi Aramco announced plans to introduce a mechanism for performance-linked dividends that would be on top of the base dividend it currently distributes, signaling that it targets a payout of between 50% and 70% of annual free cash flow. Within this context, Morgan Stanley analysts said that the payout boost by Saudi Aramco would be positive for the stock. SABIC's share price closed 4.5% higher at SR 93.00. Saudi Kayan Petrochemical Company's share price increased by 2.2% to SR 12.96.

Also, Banque Saudi Fransi's share price edged up by 0.5% week-on-week to SR 38.90. Banque Saudi Fransi announced a 23% year-on-year rise in its 2023 first quarter net profits to reach SR 1.1 billion. Solutions' share price jumped by 6.6% to SR 292.20. Solutions reported 2023 first quarter net profits of SR 304 million, up by 7.4% year-on-year. Bahri's share price went up by 2.4% to SR 31.70. Bahri reported 2023 first quarter net profits of SR 493 million against net profits of SR 65 million a year earlier. Fitness time's share price closed 0.4% higher at SR 113.0. Fitness time announced a 36% year-on-year increase in its 2023 first quarter net profits to reach SR 63 million. Eastern Province Cement Company's share price rose by 0.6% to SR 42.60. EPCCO reported 2023 first quarter net profits SR 56 million versus net profits of SR 26 million. Etihad Etisalat's share price surged by 3.3% to SR 46.90. The telecom firm reported 2023 first quarter net profits of SR 465 million versus net profits of SR 319 million a year earlier.

The Qatar Stock Exchange reported a 0.9% increase in prices this week, mainly supported by some foreign demand ahead of the MSCI semi-annual index review result on May 11, 2023. 42 out of 49 traded stocks registered price gains, while seven stocks posted price falls. A closer look at individual stocks shows that Dukhan Bank's share price surged by 3.7% to QR 3.420. Dukhan Bank has been added to MSCI Qatar Mid Cap Index in the MSCI latest semi-annual index review. Qatar Islamic bank's share price surged by 3.1% to QR 18.740. Doha Bank's share price increased by 2.8% to QR 1.624. Qatari Investors Group's share price rose by 3.4% to QR 1.718. Mesaieed Petrochemical Holding's share price closed 0.5% higher at QR 2.077. Barwa Real Estate's share price surged by 3.9% to QR 2.838. Ezdan Holding's share price jumped by 6.6% to QR 1.175. Vodafone Qatar's share price went up by 2.1% to QR 1.839.

EQUITY MARKETS INDICATORS (MAY 7- MAY 13, 2023)

Market	Price Index	week-on-week	Year-to-Date	Trading Value	week-on-week	Volume Traded	Market Capitalization	Turnover ratio	P/E*	P/BV*
Lebanon	162.7	-3.3%	26.1%	8.5	41.2%	0.4	18,387	2.4%	-	0.32
Jordan	374.1	0.3%	-3.8%	32.9	5.9%	23.5	24,775.6	6.9%	8.1	1.32
Egypt	225.2	-0.2%	-4.9%	295.6	75.6%	2,674.4	35,670.6	43.1%	8.5	2.10
Saudi Arabia	499.9	2.0%	7.3%	6,241.2	8.8%	839.42	2,990,748.3	10.9%	15.0	4.82
Qatar	175.6	0.9%	-0.7%	734.0	11.4%	1,209.9	172,925.4	22.1%	12.3	1.66
UAE	134.2	-1.1%	-2.4%	1,950.4	-32.3%	2,588.6	904,846.1	11.2%	14.4	2.70
Oman	253.3	-1.7%	-2.7%	29.5	-3.4%	46.8	22,286.9	6.9%	13.3	1.07
Bahrain	212.5	3.6%	10.2%	20.2	71.4%	19.3	18,299.4	5.7%	10.7	1.42
Kuwait	130.4	-1.7%	-6.0%	435.8	-7.9%	385.6	131,706.0	17.2%	17.4	1.86
Morocco	229.4	2.3%	3.4%	65.2	-48.6%	5.7	54,845.0	6.2%	19.1	3.15
Tunisia	63.9	-2.2%	3.0%	8.0	-62.2%	3.4	7,848.0	5.3%	10.8	2.09
Arabian Markets	**939.4**	**0.9%**	**2.9%**	**9,821.3**	**-3.2%**	**7,796.9**	**4,382,338.4**	**11.7%**	**14.7**	**4.05**

Values in US$ million; volumes in millions   ** Market cap-weighted averages*

Sources: S&P, Bloomberg, Bank Audi's Group Research Departement.

In contrast, the UAE equity markets extended their downward trajectory this week, as reflected by a 1.1% fall in its S&P UAE index, mainly tracking global equity weakness (-0.6%) after weaker economic data from the US and China fueled concerns about the global economy and the oil demand outlook. In Dubai, Emirates NBD's share price nudged down by 0.4% to reach AED 14.00. Commercial Bank of Dubai's share price declined by 1.2% to AED 4.69. Aramex's share price fell by 4.3% to AED 3.14. Aramex reported 2023 first quarter net profits of AED 23.9 million, down by 49% year-on-year. Dubai Investments' share price dropped by 3.5% to AED 2.22. Emaar Development's share price went down by 2.2% to AED 5.44. Al Mazaya Holding's share price plunged by 9.9% to AED 0.891. In Abu Dhabi, Etisalat's share price shed 1.5% to AED 2.304. First Abu Dhabi Bank's share price retreated by 1.0% to AED 13.96. Taqa's share price decreased by 2.2% to AED 3.11. ADNOC's share price dropped by 2.5% to QR 4.30. ADNOC Drilling's share price declined by 1.1% to AED 3.75.

FIXED INCOME MARKETS: ACTIVITY ON MENA BOND PRICES REMAINS MOSTLY TILTED TO UPSIDE

Activity on MENA fixed income markets remained mostly tilted to the upside this week, after recent US economic data showed that inflation has moderated further in April 2023 and weekly jobless claims hit a 1-1/2 year high, potentially giving the US Federal Reserve room to halt further interest rate hikes.

In the Saudi credit space, sovereigns maturing in 2030 and 2031 posted price increases of 0.25 pt and 0.13 pt respectively, while sovereigns maturing in 2026 recorded prices decreases of 0.25 pt this week. Saudi Aramco'25 closed down by 0.13 pt. Prices of STC'29 prices rose by 1.0 pt. SEC'28 traded up by 0.50 pt.

In the Omani credit space, sovereigns maturing in 2029 posted price gains of 0.13 pt , while sovereigns maturing in 2027 recorded prices decreases of 0.13 pt this week. Prices of Omantel'28 went up by 0.10 pt.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 saw price rises of 0.25 pt and 0.50 pt respectively week-on-week. Ooredoo'26 was up by 0.13 pt. Amongst financials, prices of QNB'25 went up by 0.25 pt. Qatar Islamic Bank'24 was up by 0.63 pt.

In the Bahraini credit space, sovereigns maturing in 2026, 2027 and 2032 registered price contractions of 0.13 pt, 0.17 pt and 0.40 pt respectively this week.

In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 posted weekly price declines of up to 0.38 pt. Fitch Ratings affirmed Jordan's long-term foreign currency Issuer Default Rating at "BB-" with a "stable" outlook. Jordan's ratings are supported, according to Fitch, by a record of macroeconomic stability, progress in fiscal and economic reforms, and resilient financing linked to the liquid banking sector, public pension fund and international support.

In the Iraqi credit space, prices of sovereigns maturing in 2028 decreased by 0.38 pt this week. In the Abu Dhabi credit space, sovereigns maturing in 2026 registered price increases of 0.13 pt, while sovereigns maturing in 2027 saw price retreats of 0.13 pt week-on-week. Prices of ADNOC'29 rose by 0.25 pt. Taqa'28 was up by 0.13 pt. Mubadala'26 and'27 closed up by 0.13 pt and 1.88 pt respectively. Amongst financials, Abu Dhabi Islamic Bank Perpetual (offering a coupon of 7.125%) registered price gains of 0.75 pt. Prices of First Abu Dhabi Bank'24 and '26 went up by 0.50 pt and 0.63 pt respectively.

In the Dubai credit space, sovereigns maturing in 2029 registered weekly price gains of 0.38 pt this week. Emaar Properties'26 recorded price expansions of 1.00 pt. Majid Al Futtaim'29 traded up by 0.25 pt. Emirates NBD Perpetual (offering a coupon of 6.125%) posted price rises of 0.50 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2032 and 2040 posted price decreases of 1.00 pt, 1.17 pt and 1.00 pt respectively this week, while sovereigns maturing in 2030 recorded prices rises of 0.15 pt. Euro-denominated sovereigns maturing in 2026 and 2031 traded down by 0.98 pt and 0.73 pt respectively. Moody's placed the Government of Egypt's "B3" long-term foreign-currency and local-currency issuer ratings on review for downgrade. The review for downgrade reflects, as per Moody's, the sovereign's increasing liquidity and debt affordability risks.

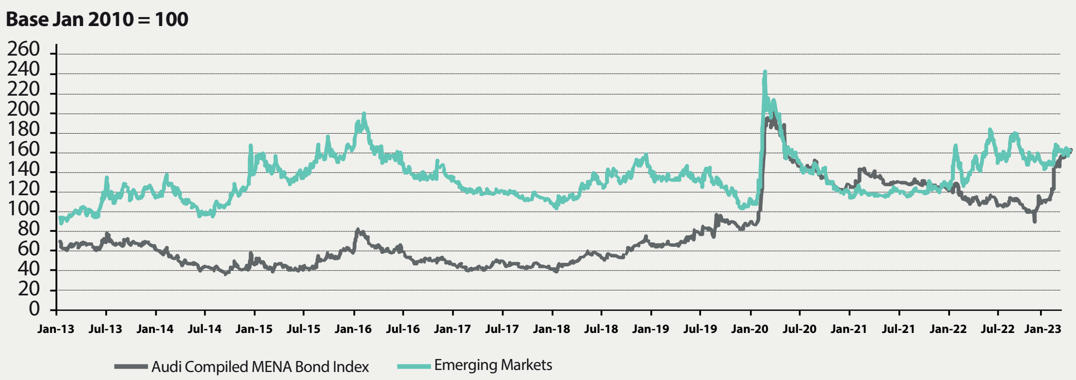
All in all, regional bond markets saw mostly upward price movements this week, as traders lowered the odds that the US Federal Reserve would raise interest rates at the next FOMC meeting in June 2023 following a slower-than-expected US inflation in April 2023 and after US unemployment benefits rose to the highest level since October 2021, adding to evidence that the labor market is gradually cooling.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	12-May-23	05-May-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	44	44	44	0	0
Dubai	85	86	84	-1	1
Kuwait	46	47	50	-1	-4
Qatar	44	44	48	0	-4
Saudi Arabia	66	65	61	1	5
Bahrain	271	264	231	7	40
Morocco	175	165	162	10	13
Egypt	1,828	1,719	877	109	951
Iraq	474	474	467	0	7
Middle East	337	323	225	14	112
Emerging Markets	139	137	140	2	-1
Global	463	621	533	-158	-70

Sources: Bloomberg, Bank Audi's Group Research Department

Z-SPREAD BASED AUDI MENA BOND INDEX V/S INTERNATIONAL BENCHMARKS



Sources: Bloomberg, Bank Audi's Group Research Department

Bank Audi

SOVEREIGN RATINGS & FX RATES

SOVEREIGN RATINGS	Standard & Poor's	Moody's	Fitch
LEVANT			
Lebanon	SD/-/SD	C/-	RD/-/C
Syria	NR	NR	NR
Jordan	B+/Stable/B	B1/Positive	BB-/Stable/B
Egypt	B/Negative/B	B3/Stable	B/Negative/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A/Stable/A-1	A1/Positive	A+/Stable/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa3/Positive	AA-/Positive/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	B+/Stable/B
Oman	BB/Positive/B	Ba3/Positive	BB/Positive/B
Yemen	NR	NR	NR
NORTH AFRICA			
Algeria	NR	NR	NR
Morocco	BB+/Stable/A-3	Ba1/Stable	BB+/Stable/B
Tunisia	NR	Caa2/Negative	CCC+/C
Libya	NR	NR	NR
Sudan	NR	NR	NR

NR= Not Rated RWN= Rating Watch Negative RUR= Ratings Under Review * Emirate of Abu Dhabi Ratings

FX RATES (per US$)	12-May-23	05-May-23	30-Dec-22	Weekly change	Year-to-date
LEVANT					
Lebanese Pound (LBP)	1,507.50	1,507.50	1,507.50	0.0%	0.0%
Jordanian Dinar (JOD)	0.71	0.71	0.71	0.0%	0.0%
Egyptian Pound (EGP)	30.85	30.85	24.71	0.0%	24.8%
Iraqi Dinar (IQD)	1,310.00	1,310.00	1,460.00	-54.5%	-59.1%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.76	0.0%	-0.2%
UAE Dirham (AED)	3.67	3.67	3.67	0.0%	0.0%
Qatari Riyal (QAR)	3.64	3.64	3.64	0.0%	0.0%
Kuwaiti Dinar (KWD)	0.31	0.31	0.31	0.1%	0.0%
Bahraini Dinar (BHD)	0.38	0.38	0.38	0.0%	0.0%
Omani Riyal (OMR)	0.38	0.38	0.38	0.0%	0.0%
Yemeni Riyal (YER)	250.23	250.18	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	135.81	134.93	137.35	0.7%	-1.1%
Moroccan Dirham (MAD)	10.10	9.99	10.44	1.1%	-3.2%
Tunisian Dinar (TND)	3.05	3.04	3.11	0.3%	-2.1%
Libyan Dinar (LYD)	4.75	4.75	4.83	0.0%	-1.5%
Sudanese Pound (SDG)	596.53	596.28	573.81	0.0%	4.0%

Sources: Bloomberg, Bank Audi's Group Research Department