Bank Audi

MENA WEEKLY MONITOR

MAY 14 - MAY 20, 2023
WEEK 20

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MENA equity markets slid back into the red this week, as reflected by a 0.6% retreat in the S&P Pan Arab Composite index, mainly weighed down by US debt ceiling worries and some unfavorable company-specific factors. Also, activity on MENA fixed income markets was mostly tilted to the downside, mainly tracking US Treasuries as investors weighed renewed uncertainties over a US debt ceiling deal and lingering banking industry concerns, against recent US Fed comments, which signaled that interest rates may not have to rise as much as previously expected given the turmoil in the banking sector.

MENA MARKETS: MAY 14 - MAY 20, 2023

Stock market weekly trend	↓	Bond market weekly trend	↑
Weekly stock price performance	-0.6%	Weekly Z-spread based bond index	-3.2%
Stock market year-to-date trend	↑	Bond market year-to-date trend	↓
YTD stock price performance	+2.3%	YTD Z-spread based bond index	+58.6

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ECONOMY

ECONOMIC INTEGRATION A US$ 230 BILLION GDP OPPORTUNITY FOR MIDDLE EAST

The private sector in the Middle East needs to take a more proactive and assertive approach in order to drive growth. That is according to a new report by Majid Al Futtaim, McKinsey & Company, and the World Economic Forum.

Launched in January this year at the 2023 edition of the World Economic Forum, the MENAP Economic Integration Barometer keeps track of the key economic integration indicators in the Middle East, North Africa, and Pakistan region, and the region's interconnectedness with other world markets.

Having established a baseline for the region's competitiveness, with comparisons to global averages, the authors conclude that there is a "massive opportunity" for economic development through more free movement of goods, people, capital, and intellectual property.

"In a nutshell, the MENAP region has fallen short to some degree as a regional economic powerhouse vis a vis the global economy," said the CEO of Majid Al Futtaim, an Emirati retail and leisure holding company that has taken the initiative to develop the Barometer. McKinsey & Company has been selected as knowledge partner.

Analysis of Barometer data shows that setting common standards for a freer flow of capital, data, goods, and services could unlock around US$ 230 billion in GDP. Intraregional exports account for only 2.9% of total combined GDP of the MENAP countries.

Intellectual property is also subject to a similar lack of integration. The flow of intellectual property within the region is only at around 1.4% – that is compared to 62% in the European Union (including Norway, Switzerland, and the UK). This discrepancy is largely due to a lack of pharmaceutical, bio-tech, and aerospace innovation within the region.

The MENAP region receives less foreign investment and has lower levels of investment between its own countries when compared to other regions. However, Dubai and Qatar currently stand out as exceptions, being recognised as among the top global destinations for foreign direct investment for two consecutive years.

Since most of the MENAP region is home to countries that are rich in natural resources but have fewer manufactured goods to export, trade between these countries is lower. Around 22% of the MENAP region's trade with the rest of the world comes from fossil fuels, with metal resources and chemicals accounting for another 7%.

"The region punches well below its weight. Half a billion of the 8 billion people on this planet live in our part of the world, yet they produce only half of what the global citizen does" said the CEO of Majid Al Futtaim. From an economic output perspective, while the region is home to 8.5% of the world's population, it only accounts for 3.4% of global GDP. "So we see – based on pure math – a US$2.5 trillion GDP opportunity just by the MENAP region catching up with global averages."

The US$ 2.5 trillion GDP opportunity is based on the path that the MENAP region advances the economies of its nations to the point where they classify as "upper middle-income countries", as per the definition of the World Bank.

The authors recommend the region to first start on the path of economic integration (to unlock the US$ 230 billion opportunity) and then "navigate a terrain of grand visions" to push for further advancements towards the long-term $2.5 trillion opportunity.

EGYPT'S NON-OIL PRIVATE SECTOR BUSINESS CONDITIONS ON A SOFTENING DOWNTURN IN APRIL

According to preliminary data by Saudi Arabia's General Authority for Statistics (GASTAT), the country has Egypt's Headline Purchasing Managers' Index was recorded at 47.3 in April 2023. This shows an increase of 0.6 points from the month prior which indicates a softer downturn in business conditions in the country's non-oil private sector, as per S&P Global's Egypt PMI report for April 2023.

The main drivers behind the softening downturn of business conditions are a slower fall in demand levels as well as easing inflationary pressures. Although, overall high prices and import controls continued to weigh on inventories and a sustained economic weakness contributed to the most pessimistic outlook recorded in the survey's history.

In details, output levels and new orders rose to a six month and four month peak respectively in April. However, regardless of the improvement, a notable contraction in sales and activity has been registered during the month. Surveyed businesses believed that high inflation, which weakened client demand, stands as the main factor behind the decline in sales. Additionally, import controls continued to negatively affect capacity levels, as per the surveyed companies.

The construction industry has recorded the first increase in output and new orders seen in 10 months while the manufacturing, wholesale & retail and services industries all registered declines in the aforementioned sections.

Following the multi-year high inflationary pressure registered at the end of 2022, it is believed that these pressures have been easing. This comes as the currency market has relatively stabilized and global supply conditions have improved which in turn softened input cost pressures on companies, as per S&P Global's Egypt PMI report for April 2023.

Staff wages recorded the softest uptick in eight months which lead input costs to increase at the softest pace in a year. In parallel, the rate of inflation was recorded below the long-run trend. In turn, and with the addition of efforts to increase sales, a softening in output prices was noticed for the third month in a row.
Purchasing activity recorded a decline in April as companies opted to use existing inventories amid elevated material prices. This led to stock levels decreasing for the sixth month in a row and to the marginal lengthening of lead times.

Companies in the non-oil private sector continued to register a lack in the complete usage of capacities which led to backlogs of work retracting further for the third month in a row. However, import restrictions led to this retraction to remain mild. As workload decreased, a further decrease in headcount was also registered all the while being the softest seen in five months.

On the level of future outlook for companies in Egypt's non-oil private sector, despite the softening of price inflation, positivity for future output dropped to the lowest recorded over the survey's history. The main drivers standing behind this drop are the weakening of local and international demand as well as high price levels which leaves the path for future activity highly ambiguous, as per S&P Global's Egypt PMI report for April 2023.

NON-OIL PRIVATE SECTOR PERFORMANCE REMAINS ON AN IMPROVEMENT IN SAUDI ARABIA DURING APRIL

Saudi Arabia's Headline Purchasing Managers' Index (PMI) was recorded at 59.6 in April 2023, showing a 0.9 point increase from figures in the month prior. This comes as part of an upward trend in business conditions in the non-oil private sector of Saudi Arabia noticed since September 2020, as per Riyad Bank's Saudi Arabia PMI report for April 2023.

A sustained improvement in overall business performance was registered in the country's non-oil private sector during the month with new orders expanding to the highest level since September 2014 amid strong domestic demand. Additionally, job creation was sustained during the month with the rise in total employment numbers for the thirteenth month in a row.

In details, a sharp expansion in new business volumes stood as the main driver behind the rise in PMI during the month. In parallel, the rate of growth for new orders was the fastest recorded in over eight and a half years. The main factors standing behind the boost in customer demand were rising tourism numbers, new business opportunities tied to major infrastructure projects as well as higher consumer spending.

A marginal downturn in export sales was noticed in contrast to the increase in domestic demand as intense competition and less favorable economic conditions in overseas markets hindered new orders from abroad for the first time since February 2022, as per Riyad Bank's Saudi Arabia PMI report for April 2023.

A moderate uptick in staffing numbers was recorded as overall workload was high during April 2023. This led the rate of job creation to stand fractionally above the trend seen in Q1 2023. The main drivers that led to increased job creations were long-term plans for business expansion which consequently led to a reduction in backlogs of work. Backlogs fell for the eleventh month in a row despite the sharp uptick in new orders.
In parallel, a strong expansion in stocks purchases was recorded in April as companies seek to accumulate stock to better facilitate incoming new work. The rate of expansion for stock purchases was the second fastest since November 2022.

Concurrently with the expansion of input purchases, an improvement in supplier performance was noticed for the fifteenth month in a row. This comes following successful negotiations with major suppliers for faster deliveries, especially with suppliers in the domestic market.

A robust increase in input prices and staff wages was recorded in April. However, overall business expenses registered the softest increase in three months. This comes as raw material prices increased as well as salary payments to assist with staff retention.

As a result of strong sales pipelines, the long-term impact of government economic policy objectives as well as confidence towards domestic business conditions, future outlook in Saudi Arabia's non-oil private sector remained positive about growth prospects. However, the degree of optimism dropped to the lowest seen in four months while remaining comfortably above the optimism trend noticed in the year prior, as per Riyad Bank's Saudi Arabia PMI report for April 2023.

SURVEYS

OUTLOOK FOR MENA CONSTRUCTION GROWTH REMAINS FAVORABLE, AS PER FITCH SOLUTIONS

At a time when the global construction industry is exhibiting a slowdown in growth, particularly amid unsupportive monetary and fiscal policy, construction activity in the MENA region is forecast to remain largely unfazed, according to Middle East & Africa Infrastructure Insight report released by Fitch Solutions.

Fitch Solutions forecasts that the MENA's construction industry to grow by 3.2% y-o-y in real terms during 2023, before averaging 3.5% y-o-y in the medium term through to 2027.

Among the region's largest markets, Egypt and Algeria would see the strongest real growth in 2023, particularly propelled in Egypt by a robust project pipeline. Continuing private investment in construction and infrastructure activity would sustain Egypt's growth in the near term, despite limited scope for direct fiscal support in the market.

Works in the New Administrative Capital (NAC) continue, driven in particular by the presence of Chinese contractors undertaking construction projects within the zone. Associated improvements to the operating environment in the sector would likely draw in foreign and local investment as the prospect of greater private sector ownership of key entities in the industry poses upside risks for transparency and bureaucracy in the sector.

Moreover, a prevailing favorable oil price environment would continue to enable steady investment spending by government and government-related entities across the region, thus, benefiting tourism, logistics and crucial infrastructure projects. Higher energy prices would boost oil exporters' external positions and public finances, which would strengthen their ability to increase capital spending in the non-oil economy, particularly infrastructure to support long-term economic diversification.

On the other hand, the report said that thermal power would remain the dominant power source in the MENA region, despite an expected decline in the technology's share of the regional power mix. Fitch Solution expects North Africa and GCC markets would see the largest decline in thermal power's share of their generation mixes. Major markets within the MENA region are aiming to diversify their power markets with the incorporation of cleaner technologies such as nuclear power and non-hydropower renewables. According to Fitch Solutions' forecasts, thermal power's share in the region's power mix would decline from 94% in 2022 to 88% in 2032.

Major MENA markets from North Africa and the GCC such as Egypt and UAE are expected to have the largest decline in thermal power's share in total electricity generation each reducing by 24% and 17%, respectively. However, thermal power is expected to remain the dominant power source in these markets as well as the rest of MENA.

KSA'S REAL ESTATE MARKET CONTINUES TO FLOURISH IN 1ST QUARTER OF 2023, AS PER JLL

KSA's real estate market continues to flourish in the first quarter of 2023, according to JLL's KSA Real Estate Market Overview Q1 2023 report.

In the office market, around 50,000 square meters of office Gross Leasable Area (GLA) were delivered in Riyadh and Jeddah collectively, in the first three months of 2023. This brought the total existing stock to approximately 4.9 million square meters in the capital and 1.2 million square meters in Jeddah. Over the remainder of this year, an additional 61,000 square meters and 583,000 square meters of office GLA is scheduled to enter the market in Jeddah and Riyadh, respectively. There is tight availability of good quality office space in the market. Indeed, the average market wide vacancy in Riyadh dropped to 1% in Q1 2023. As a result, average Grade A rents increased by 19% y-o-y to reach SR 1,764 per square meters per annum during the same period.

In Jeddah however, the office market is exhibiting signs of softening. That said, well managed, single owned quality office spaces are highly sought after. Consequently, average Grade A rents rose by 15% y-o-y to reach SR 1,199 per square meters per annum in the first quarter of 2023, as per JLL.

JLL expects the office market in the country to sustain its positive momentum. As Riyadh is being positioned as the new commercial nerve center, JLL expects more efforts towards substantially improving the infrastructure of the capital, to cater to its increasing popularity.

Concurrently, in the residential market, Riyadh witnessed the completion of close to 7,800 residential units in Q1 2023, pushing up the total stock to 1.4 million residential units. Over the same period, 4,400 units were handed over in Jeddah to bring the city's residential inventory to 864,000 units. In the remaining months of this year, 45,000 units are planned to be delivered across the two cities combined.

The government has introduced several measures to expedite home-ownership among Saudi nationals and boost the residential sector. Demand has been increasing and is expected to continue to trend-up. Undeniably, in the first quarter of 2023, average sale prices and rents in Riyadh increased by 7% and 2% y-o-y respectively. On the same basis, in Jeddah, average sale prices increased by 11% annually and average rents climbed by 9%.

At the level of the hospitality sector, there were no new hotel developments completed in the capital in Q1 2023, keeping the total stock stable at 21,000 keys. During the same period, Jeddah saw the delivery of 300 keys, increasing the total existing supply to 16,000 keys. An additional 3,000 keys are scheduled to enter the market in 2023 in both the cities combined. Of this, around 2,000 keys are expected to enter in Riyadh and the remaining 1,000 keys in Jeddah.

The Saudi market is currently going through a cultural shift, where new entertainment venues are being created and global events are being hosted to establish its presence on the global tourism map. Looking at the growth prospects of the hotel industry, majority of the operators who already have a presence in the country are planning to aggressively expand their offerings in the Kingdom and increase the volume of rooms under their portfolios. That said, owners of hospitality developments, are seeking to attract new unique operators.

FITCH RATINGS AFFIRMS MOROCCO'S OUTLOOK AT "BB+" WITH A "STABLE" OUTLOOK

Fitch Ratings affirmed Morocco's long-term foreign-currency Issuer Default Rating (IDR) at "BB+" with a "stable" outlook.

Morocco's "BB+" ratings reflect a record of sound macroeconomic policies and an institutional framework that has supported resilience to shocks, favorable debt composition, including a moderate share of foreign-currency debt in central government (CG) debt, official creditor support and a comfortable external liquidity buffer.

The ratings are constrained by weak development and governance indicators, high public debt and a budget deficit larger than peers, as well as the volatility of agriculture output, highlighting Morocco's vulnerability to the climate.

Economic growth slowed in 2022 to 1.2% from 7.9%in 2021, as agricultural output contracted by 15% due to a severe drought. Fitch projects GDP growth would recover in 2023 to 3% supported by better agricultural output. Agricultural performance remains dependent on weather conditions. The level of rainfall and filling rate of dams have been lower than expected by April 2023 (5.43 billion cubic meters; vs 5.52 in April 2022), threatening rain-fed agricultural prospects.

Inflation peaked at 10.1% y-o-y in February 2023 (from an average of 6.6% in 2022), driven by food inflation (+20.1% y-o-y), due to shortages in local supply as cold weather, water scarcity and high production costs affected agricultural output. To stabilize domestic prices and ensure domestic supply, Morocco temporarily restricted vegetable exports, simplified the procedures for VAT exemptions on agricultural inputs and food products and plans additional subsidies for sugar beet farmers. Inflation eased in March 2023 to 8.2%, with food inflation at 16.1% y-o-y. Non-food prices also eased to 3.0% y-o-y from 3.6% y-o-y in February.

In 2024, Fitch Ratings forecasts Morocco's growth at 3.2%, driven by the industrial sectors. Downside risks stem from high inflation, monetary policy tightening, slowdown in key trading partners, and weather patterns. Nevertheless, the implementation of key structural reforms would support investment and economic growth.

CORPORATE NEWS

QATARENERGY AWARDS US$ 10 BILLION EPC CONTRACT FOR NORTH FIELD SOUTH PROJECT

QatarEnergy awarded an Engineering, Procurement, and Construction (EPC) contract for the North Field South (NFS) project, valued at around US$ 10 billion to a joint venture of Technip Energies and Consolidated Contractors Company (CCC), as revealed in a company's statement.

The scope of the contract covers the construction of two mega LNG trains with a capacity of 8 MTPA each, with associated facilities for gas treatment, natural gas liquids recovery, as well as helium extraction and refining within Ras Laffan Industrial City.

NFS, together with the North Field East (NFE) project, would increase Qatar's LNG production capacity from the current 77 MTPA (Million Tons Per Annum) to 126 MTPA.

QatarEnergy holds a 75% interest in the NFS project and has already signed partnership agreements with TotalEnergies, Shell, and ConocoPhillips for the remaining 25%.

It is worth highlighting that the NFS project plays an important step towards achieving QatarEnergy's target of more than 11 MTPA of CO2 capture and sequestration by 2035.

WEBUILD AND SAJCO JV TO BUILD US$ 1.5 BILLION NEOM RAILWAY

Webuild, an Italian industrial group specialised in the construction and civil engineering, and its joint venture partner Shibh Al Jazira Contracting Company (SAJCO) signed a contract worth US$ 1.53 billion (€1.4 billion) to design and build 57 kilometers of a high-speed railway in NEOM, along the north Red Sea coast of Saudi Arabia, as mentioned in a company's statement.

The contract covers the design and build for the major part of the Connector, a railway connecting Oxagon, NEOM's center for advanced and clean industries with The Line, a future-forward city.

The JV agreement is split 70/30 between Webuild, through its local branch and unit Salini Saudi Arabia, and SAJCO. The partnership includes civil works for the two high-speed and two freight railway tracks, with Webuild leading the execution of work.

The contract also covers viaducts, road bridges, and road and rail underpasses to facilitate train speeds up to 230 km/hour.

As a result of this agreement, more than 4,000 direct and indirect jobs are expected to be generated in the Saudi market.

Once completed, NEOM would be powered by 100% clean energy, through renewable solar, wind and green hydrogen-based energy.

It is worth noting that NEOM, a region designed as a blueprint for sustainable urban living with enhanced livability, is among Saudi Arabia's key giga-projects.

MA'ADEN ACQUIRES STAKE IN IVANHOE ELECTRIC FOR CIRCA US$ 127 MILLION

Saudi-based Ma'aden, one of the largest multi-commodity mining and metals companies in the Middle East, finalized an agreement with Ivanhoe Electric (IE), an American minerals exploration and development company, to purchase shares in the company for US$ 126.5 million and form a 50/50 joint venture to undertake one of the largest exploration programs ever conducted, as reported in a company's statement.

The deal would provide Ma'aden, through the joint venture, with IE's Typhoon geophysical survey technology to accelerate the exploration of Saudi Arabia's lands, estimated to hold US$ 1.3 trillion of untapped minerals.

The joint venture (JV) with Ivanhoe Electric would explore an area larger than Denmark, covering highly prospective license areas with potential for major new copper, nickel, gold, silver and other strategic mineral discoveries.

The JV would deploy US$ 66 million of the US$ 126.5 million to fund exploration activities and the purchase of three new generation Typhoon machines.

As part of the agreement, Ma'aden would acquire approximately 10.2 million common shares in IE, representing 9.9% of IE, with a top-up option to maintain its 9.9% ownership.

ZAIN AND OMANTEL LAUNCH JOINT VENTURE FOR WHOLESALE SERVICES

Zain, a leading telecom operator in MEA, and Omantel, a top telecom provider in Oman, launched Zain Omantel International (ZOI), a joint venture (JV) that would establish itself as the Middle East's premier international wholesale services provider, as indicated in a company's statement.

ZOI signifies a substantial advancement in the telecommunications industry and is poised to become a global powerhouse due to Zain's extensive regional presence and success in the retail and digital arenas, combined with Omantel's exceptional wholesale capabilities and comprehensive international subsea and terrestrial networks.

The joint venture would cater to the end-to-end telecommunications needs of operators in the Middle East, as well as international carriers, data centers, hyperscalers, content, and cloud providers seeking services within the region and beyond.

As a result, ZOI would manage all international wholesale requirements of Zain and Omantel operations in eight countries, serving over 55 million customers. Furthermore, ZOI would optimize the existing wholesale businesses of both companies by reducing operating costs and increasing competitiveness through access to state-of-the-art low-latency and high-capacity services over its extended footprint.

ZOI is set to be a game changer in the telecommunications wholesale industry, offering a wide portfolio of services and solutions to meet the increasing demands of wholesale customers.

MASDAR AND AIRBUS SIGN AGREEMENT TO BOOST SUSTAINABLE AVIATION FUEL MARKET

UAE-based Madar, a leading developer and operator of utility-scale renewable energy projects, signed an agreement with Airbus, the world's largest manufacturer of airliners as well as the leading helicopter manufacturer, to support the development and growth of Sustainable Aviation Fuel (SAF), as mentioned in a company's statement.

The agreement highlights areas of collaboration between the two companies, including Sustainable Aviation Fuels (SAF), Green Hydrogen, Direct Air Capture technologies, as well as supporting the development and implementation of 'book and claim' solutions, which allow aircraft operators to book sustainable fuel for aircraft at other locations rather than have it transported to sites where it is unavailable, resulting in a lower carbon footprint.

Direct Air Capture technologies enable the capturing of atmospheric CO2, which could in combination with hydrogen, be used to produce synthetic SAF.

The use of SAF based on green hydrogen and direct air capture is estimated to reduce greenhouse gas emissions by up to 95% when compared to conventional jet fuel.

This MoU with Airbus further amplifies Masdar's commitment to accelerating the reduction of global carbon emissions and pioneering worldwide efforts towards decarbonization.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES SLIDE BACK INTO RED ON US DEBT CEILING WORRIES AND DUE TO SOME UNFAVORABLE FINANCIAL RESULTS

MENA equity markets slid back into the red this week, as reflected by a 0.6% retreat in the S&P Pan Arab Composite index, mainly weighed down by US debt ceiling worries and some unfavorable company-specific factors.

The UAE equity markets continued heading south this week, as reflected by a 2.1% fall in its S&P UAE index, mainly dragged by some unfavorable financial results, and on reduced investor sentiment after US debt ceiling talks were put on hold and following weaker-than-expected economic data in China and the US.

In Dubai, Commercial Bank of Dubai's share price plunged by 4.9% week-on-week to AED 4.46. Salik Company's share price declined by 1.6% to AED 3.00. Salik Company announced 2023 first quarter net profits of AED 275 million versus net profits of AED 403 million a year earlier. Aramex's share price decreased by 1.0% to AED 3.11. Emaar Development's share price dropped by 2.8% to AED 5.29. Emaar Development announced a 33% year-on-year contraction in its 2023 first quarter revenue to reach AED 2.4 billion. Deyaar Development's share price went down by 1.7% to AED 0.676. Tabreed's share price nudged down by 0.3% to AED 2.91. AlphaMena cut its recommendation on Tabreed to "Add" from "Buy", with a price target of AED 3.68, which implies a 26% increase from last price.

In Abu Dhabi, Al Waha Capital's share price dropped by 2.5% week-on-week to AED 1.19. Al Waha Capital reported a 49% year-on-year contraction in its 2023 first quarter net profits to reach AED 75 million. Bayanat's share price plunged by 7.4% to AED 4.24. Bayanat reported 2023 first quarter net profits of AED 22 million versus net profits of AED 43 million a year earlier. ADNOC's share price fell by 4.2% to AED 4.12. ADNOC Gas' share price closed 4.2% lower at AED 3.21. Dana Gas's share price retreated by 2.2% to AED 0.807.

Activity on the Qatar Stock Exchange was skewed to the downside this week, as reflected by a 0.4% decline in the S&P Qatar index, mainly weighed down by US debt worries and global growth concerns, in addition to some unfavorable company-specific factors. 28 out of 50 traded stocks registered price falls, while 19 stocks posted price gains and one stock saw no price change week-on-week. Industries Qatar's share price edged down by 0.3% to QR 13.090. AlphaMena cut its recommendation on Industries Qatar to "Add" from "Buy", with a price target of QR 15.20, which implies a 17% increase from last price. Qatar Electricity & Water Company's share price dropped by 2.4% to QR 17.50. Qatar Islamic Bank's share price fell by 1.1% to QR 18.540. The Commercial Bank's share price decreased by 2.3% to QR 5.950.

EQUITY MARKETS INDICATORS (MAY 14- MAY 20, 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	164.5	1.1%	27.5%	8.2	-4.0%	0.1	18,589	2.3%	-	0.36
Jordan	375.1	0.3%	-3.6%	29.0	-11.7%	20.1	24,882.7	6.1%	8.1	1.34
Egypt	219.8	-2.4%	-7.1%	253.6	-14.2%	1,990.1	34,470.9	38.3%	8.0	2.08
Saudi Arabia	500.1	0.0%	7.4%	6,921.8	10.9%	830.36	2,908,652.5	12.4%	14.6	4.64
Qatar	174.8	-0.4%	-1.1%	667.1	-9.1%	879.1	172,810.3	20.1%	12.4	1.66
UAE	131.5	-2.1%	-4.4%	1,841.4	-5.6%	1,816.2	889,740.5	10.8%	15.2	2.97
Oman	255.2	0.7%	-2.0%	26.7	-9.5%	42.5	22,450.8	6.2%	14.6	1.09
Bahrain	213.2	0.3%	10.6%	9.9	-50.9%	12.0	18,456.3	2.8%	10.6	1.46
Kuwait	127.2	-2.5%	-8.3%	501.9	15.2%	431.9	128,541.1	20.3%	17.1	1.83
Morocco	227.3	-0.9%	2.4%	35.7	-45.3%	3.5	54,404.8	3.4%	19.2	3.11
Tunisia	64.4	0.7%	3.8%	7.4	-8.1%	2.8	7,822.9	4.9%	11.0	2.16
Arabian Markets	**933.5**	**-0.6%**	**2.3%**	**10,302.7**	**4.9%**	**6,028.6**	**4,280,821.5**	**12.5%**	**14.6**	**3.97**

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

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

In contrast, the Saudi Exchange, whose market capitalization represents two-thirds of the total regional market capitalization, saw mixed price movements this week, which resulted into a nil change in the S&P Saudi index. A glance on individual stocks shows that Saudi German Health's share was the top gainer on the Saudi Exchange this week, registering strong price gains of 25.6% to reach SR 53.20. Saudi German Health announced 2023 first quarter net profits of SR 50 million against net profits of SR 21 million a year earlier, exceeding average analysts' estimate. The second best performer on the exchange was Tawuniya, which posted a 20.7% surge in its share price to reach SR 126.20. Tawuniya's Board of Directors recommended increasing the firm's capital by 20% through one-for-five bonus share distribution and a 10% cash dividend at a rate of SR 1 per share for 2022.

On the other hand, petrochemicals stocks came under downward price pressures this week, mainly on concerns about global oil demand outlook following weaker-than-expected Chinese industrial output and retail sales growth in April 2023, which suggested that the world's second-largest economy lost momentum at the start of the second quarter. Petrochemicals giant Saudi Aramco's share price shed 3.7% to SR 32.40. SABIC's share price closed 1.9% lower at SR 91.20. Advanced Petrochemical Company's share price decreased by 1.6% to SR 46.25. Yansab's share price retreated by 0.8% to SR 42.85.

FIXED INCOME MARKETS: ACTIVITY ON MENA BOND MARKETS MOSTLY SKEWED TO DOWNSIDE

Activity on MENA fixed income markets was mostly tilted to the downside this week, mainly tracking US Treasuries move as investors weighed renewed uncertainties over a US debt ceiling deal and lingering banking industry concerns, against recent US Fed comments, which signaled that interest rates may not have to rise as much as previously expected given the turmoil in the banking sector.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 registered price decreases of 0.38 pt to 1.75 pt this week. Saudi Aramco'25 closed down by 0.38 pt. SEC'28 traded down by 0.13 pt. Saudi Arabia returned to international debt markets for the second time this year, raising US$ 6 billion from the sale of a dual-tranche Sukuk: a six-year tranche priced at 80 bps over US Treasuries versus an initial price guidance of 110 bps over UST; a 10-year tranche priced at 100 bps over US Treasuries as compared to an initial price guidance of 135 bps over UST.

In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price contractions of up to 1.0 pt week-on-week. Prices of Omantel'28 went down by 0.35 pt. Moody's upgraded the Government of Oman's issuer and long-term senior unsecured ratings to "Ba2" from "Ba3" and maintained the "positive" outlook. Moody's also upgraded the Government of Oman's senior unsecured medium-term note program rating to "(P)Ba2" from "(P)Ba3". The upgrade reflects, as per Moody's, the improvements in Oman's debt burden and debt affordability metrics during 2022, mainly as a result of the large oil and gas revenue windfall, which increase the sovereign's resilience to potential future shocks.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 saw price declines of 0.13 pt and 1.13 pt respectively week-on-week.

In the Bahraini credit space, prices of sovereigns maturing in 2026, 2027, 2031 and 2032 fell by 0.31 pt, 1.22 pt, 1.25 pt and 1.25 pt respectively this week. Prices of NOGA'27 retreated by 0.50 pt. Nogaholding raised US$ 750 million from the sale of 10-year Sukuk at a yield of 6.625% as compared to an initial price guidance of 7.25%. The order book size reached US$ 3.75 billion.

In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 posted weekly price declines of up to 0.25 pt. In the Iraqi credit space, prices of sovereigns maturing in 2028 decreased by 0.25 pt this week.

In the Dubai credit space, DP world'30 traded down by 0.38 pt this week. In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered weekly price contractions of up to 1.75 pt. Prices of ADNOC'29 dropped by 0.25 pt. Mubadala'27 closed down by 0.13 pt. As to new issues, Aldar Investment Properties, a subsidiary of Aldar Properties, raised US$ 500 million from the sale of a 10-year inaugural green Sukuk offering a coupon of 4.875%.

In the Kuwaiti credit space, sovereigns maturing in 2027 edged down by 0.04 pt week-on-week. KIPCO'27 posted price decreases of 0.13 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2032 and 2040 posted price expansions of 4.38 pts, 2.57 pts and 4.38 pts respectively this week, while sovereigns maturing in 2030 recorded prices declines of 1.12 pt. Euro-denominated sovereigns maturing in 2026 and 2031 traded up by 2.63 pts and 2.45 pts respectively.

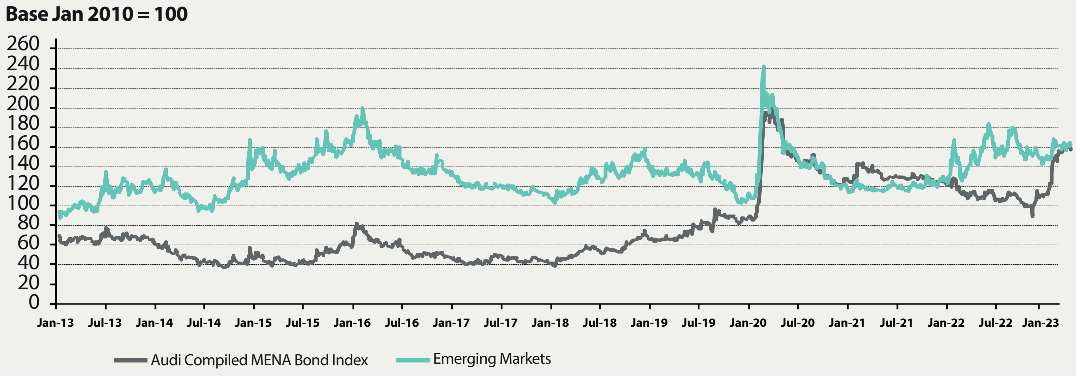
All in all, regional bond markets came mostly under downward price pressures, mainly tracking declines in US Treasuries after US debt-limit negotiations hit a snag and the US Treasury Secretary pointed that more bank mergers may be necessary after a series of bank failures.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	19-May-23	12-May-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	42	44	44	-2	-2
Dubai	82	85	84	-3	-2
Kuwait	46	46	50	0	-4
Qatar	42	44	48	-2	-6
Saudi Arabia	65	66	61	-1	4
Bahrain	266	271	231	-5	35
Morocco	166	175	162	-9	4
Egypt	1,639	1,828	877	-189	762
Iraq	424	474	467	-50	-43
Middle East	308	337	225	-29	83
Emerging Markets	158	139	140	19	18
Global	461	463	533	-2	-72

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

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	Ba2/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$)	19-May-23	12-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)	30.89	30.85	24.71	0.1%	25.0%
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	0.2%	0.2%
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)	250.22	250.23	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	136.00	135.81	137.35	0.1%	-1.0%
Moroccan Dirham (MAD)	10.20	10.10	10.44	1.0%	-2.3%
Tunisian Dinar (TND)	3.09	3.05	3.11	1.4%	-0.7%
Libyan Dinar (LYD)	4.80	4.75	4.83	0.9%	-0.6%
Sudanese Pound (SDG)	596.70	596.53	573.81	0.0%	4.0%

Sources: Bloomberg, Bank Audi's Group Research Department