Bank Audi

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WEEK 9

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Economy

p.2 NEW WORLD BANK REPORT ANCHORED ON HOW TO PREVENT A LOOMING CRISIS IN MENA

Across the Middle East and North Africa (MENA region), land is scarce and immensely valuable because of strong geographic and climatic constraints (84% of land in the region is barren and only 3.5% is cultivated) as per a new report issued by the World Bank on the region.

Also in this issue

Surveys

p.5 SAUDI ARABIA RANKS 1ST IN MENA REGION IN TELECOMMUNICATIONS RISK/REWARD INDEX, AS PER FITCH SOLUTIONS

Fitch Solutions released the Q2 2023 MENA Telecoms Risk/Reward Index, which observed mostly positive score changes across the surveyed markets, thus inflating the regional average score eight-tenths of a point to reach 49.7 out of a potential 100, bringing MENA closer to the global average of 50.0.

Also in this issue

Corporate News

p.7 ACWA POWER SIGNS US$ 8.5 BILLION INVESTMENT AGREEMENT FOR NEOM GREEN HYDROGEN PROJECT

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Also in this issue

Markets In Brief

p.9 MARKETS IN BRIEF: WEEKLY PRICE REBOUNDS IN MENA CAPITAL MARKETS, BOND MARKETS REMAIN UNDER DOWNWARD PRICE PRESSURES

MENA equity markets bounced back this week, as reflected by a 1.0% rise in the S&P Pan Arab Composite index, mainly supported by oil price gains on signs of a strong economic rebound in top crude importer China and given some favorable company-specific factors. In contrast, regional fixed income markets remained under downward price pressures, mainly tracking US Treasuries move, with the 10-year benchmark yield touching the 4% level for the first time since November 2022, as strong employment data and persistently high inflation drove a hawkish reassessment of the outlook for the US Federal Reserve policy.

MENA MARKETS: FEBRUARY 26 - MARCH 4, 2023

Stock market weekly trend	↑	Bond market weekly trend	↓
Weekly stock price performance	+1.0%	Weekly Z-spread based bond index	+8.7%
Stock market year-to-date trend	↓	Bond market year-to-date trend	↓
YTD stock price performance	-1.5%	YTD Z-spread based bond index	+23.9%

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ECONOMY

NEW WORLD BANK REPORT ANCHORED ON HOW TO PREVENT A LOOMING CRISIS IN MENA

Across the Middle East and North Africa (MENA region), land is scarce and immensely valuable because of strong geographic and climatic constraints (84% of land in the region is barren and only 3.5% is cultivated) as per a new report issued by the World Bank on the region. The projected increase in the demand for land stemming from demographic trends, coupled with the shrinking supply of land arising from climatic and governance factors, are indicative of a looming crisis at a time the region is also facing a dramatic social and political transformation. The reserves for land cultivation are almost exhausted, and the room for expanding cropland under rainfed conditions is the lowest in the world, limited to only 9–17% of the existing area under cultivation, as opposed to 150% globally.

Urbanization trends are also exerting pressure on land. With the urban population expected to increase by 60% (190 million) by 2050, under current conditions the total urban built-up area in the MENA region will likely have to expand by at least 50% (1.3 million additional hectares). And yet land remains inefficiently, inequitably, and unsustainably used.

Meanwhile, both firms and individuals face high barriers to accessing land, with adverse effects throughout the MENA region. 23% of firms in the manufacturing and service sectors identify land accessibility as a major constraint on their business operations.

Political connections are used to access land, which may result in the misallocation of land to politically connected firms instead of to more productive ones. In the MENA region, there are twice as many politically connected firms (5.9%) as in the Europe and Central Asia (ECA) region (2.4%), with a few countries experiencing very high levels of political connections among firms (up to 28%).

In the MENA region, land governance systems are complex as they reflect the cumulation of regime changes and associated reforms throughout history. Legal frameworks are frequently outdated and not aligned with reality or the needs of the modern economy. In all but the rich countries in the region and Jordan, poor property registration remains a key problem, reflecting complex land tenure situations, onerous registration procedures, and a low perception of the benefits of registration. Furthermore, land governance policies are often poorly implemented because of institutional fragmentation at the central level and the weak reliability of land administration infrastructure, which complicates information sharing and coordination across central state institutions. It is not uncommon for countries in the region to have up to 10 institutions competing for responsibilities for state land management.

Finally, in many MENA countries high levels of public land ownership, strong state control of the land sector, and centralized, opaque decision making processes on the allocation of land outside market allocation principles have contributed to inefficient land use and facilitated elite capture and cronyism. According to the Bertelsmann Transformation Index country reports for 2020, in 16 of the 17 MENA countries covered, corruption, political interference, or cronyism affected property rights. The lack of effective administration and allocation of property rights is compounded by distortive policies, especially those for agriculture. For example, water subsidies to agriculture incentivize unsustainable use of land and are very common practice in a region that spends 2% of its GDP on water subsidies—the highest level in the world. As for regulatory constraints, inadequate zoning regulations contribute to low densities, inefficient land consumption, and environmental harm. Poorly designed and improperly functioning property taxation systems do not encourage efficient land use. For example, several countries exempt vacant residential units from property taxation, which gives owners an incentive to maintain empty properties. Some cities in the region have large amounts of vacant land (in some, more than 75% of the footprint), leading a few countries to attempt to use fiscal instruments, such as a vacant land tax, to encourage the use of land for construction in urban centers.

The inefficient allocation of land and the heavy control by the state reduce the effectiveness of local economic development policies. For example, it is not uncommon for industrial zones to be established in locations with insufficient infrastructure and disconnected from labor markets. Weak land administration (registration and valuation) prevents the use of land as collateral, restricts the funds available for investment, and undermines the growth of credit and mortgage markets. For example, the percentage of households in the MENA region with an outstanding mortgage on their property (housing loan penetration) is only 9%, which is below the world average. The weakness of land administration, in particular the lack of recognition of tenure rights and costly and cumbersome formalization processes, combined with a limited formal land supply and poor urban planning, have contributed to the widespread informal housing and slums. Indeed, 24% of the urban population is currently living in slums, thereby perpetuating tenure insecurity, complicating dispute resolution, increasing the costs of service provision, and harming the surrounding environment.

If MENA countries are to avert the looming crisis stemming from land that is scarce, unequally accessed, and used unproductively, they need to urgently turn their attention to the land sector. This requires both focusing on sector-specific issues and realizing that forward looking policies are required to respond to the megatrends of high population growth and climate change and the aspiration for economic, political, and social transformation as per the World Bank report.

QATAR'S CPI INFLATION AT 4% IN JANUARY

Qatar's Consumer Price Index (CPI) for January 2023 posted an inflation of 4.2% year-on-year against prices in January 2022. The main drivers behind this increase are inflations noticed in Housing, Water, Electricity & Other Fuel (11.1% year-on-year) with a weight of 21.2%, Transport (1.1% year-on-year) with a weight of 14.6% and Culture & Education (12.5% year-on-year) with a weight of 11.1%, as per the Qatari Planning and Statistics Authority.

Inflations between January 2023 and January 2022 were also noticed in Restaurants & Hotels with 6.9% year-on-year and Education with 4.3% year-on-year. Prices of Health and Footwear & Clothing inflated by 1.6% and 1.8% year-on-year respectively between January 2023 and the same month of the previous year.

Prices remained relatively stable in some groups such as Miscellaneous Goods & Services with a minimal inflation of 0.5% year-on-year as well as Tobacco products which remained constant between January 2023 and January 2022. Food & Beverages as well as Furniture & Household Equipment showed a minimal deflation of 0.2% and 0.1% respectively year-on-year.

Communications stood as the only group showing a substantial deflation in prices with a 4.8% decrease year-on-year between January 2023 and January 2022, as per the Qatari Planning and Statistics Authority.

However, when comparing prices in Qatar between January 2023 and December 2022, we can notice a downwards trend of prices with a deflation in CPI of 2.6% month-on-month.

KUWAIT'S CPI INFLATION AT 3% IN JANUARY

Kuwait's Consumer Price Index (CPI) for January 2023 posted an inflation of 3.3% year-on-year against prices in January 2022. The main drivers behind this increase are inflations noticed in Housing Services (1.4% year-on-year) with a weight of 33.2%, Food & Beverages (7.4% year-on-year) with a weight of 16.7% and Furnishing Equipment & Household Maintenance (1.8% year-on-year) with a weight of 11.4%, as per the Kuwaiti Central Statistical Bureau.

It is worth mentioning that all monitored groups posted price increases during the period.

Clothing & Footwear posted a 6.0% year-on-year increase in prices between January 2023 and January 2022. Inflation of prices in Miscellaneous Goods & Services, Restaurant & Hotels and Recreation & Culture of 3.9%, 3.5% and 3.2% respectively year-on-year were seen between January 2023 and the same month of 2022. Prices of Transport and Health inflated by 2.9% and 2.6% year-on-year in the aforementioned period. In parallel, Communication prices edged slightly upwards with a year-on-year inflation of 1.2% in the aforementioned period, as per the Kuwaiti Central Statistical Bureau.

Cigarettes & Tobacco products along with education remained relatively stable in prices with minimal inflations of 0.2% and 0.4% respectively year-on-year between January 2023 and January 2022.

IRAQ SIGNS DEALS FOR THE CREATION OF SIX NEW OIL AND GAS FIELDS

The Iraqi government has signed deals with the UAE Crescent Petroleum firm as well as two Chinese companies for the development of six new oil and gas fields in the country. This comes as Iraq works towards the improvement of local production in order to meet the needs of the energy sector in a bid to lower gas imports. These new deals are forecasted to provide Iraq with an additional 800 million standard cubic feet of natural gas daily (mcf/d), as per the Iraqi Minister of Oil.

In details, Crescent Petroleum saw the signing of three contracts with the Iraqi Ministry of Oil for the development of oil and natural gas fields in the Basra and Diyala provinces in northeastern Baghdad. A contract with a life-span of 20 years will enable the UAE-based company to develop two fields in the Diyala province (Gilabat-Qumar and Khashim) with an expected initial production of 250 mcf/d. Additionally, Crescent Petroleum will be responsible for the exploration and the development of the Khider Al-Mai block in the Basra province. The additional supply from these activities are expected to improve local economic development and services, as per the Executive Director of Crescent Petroleum's exploration and production.

In parallel, the Iraqi government has also signed two deals with Geo-Jade, a China-based company, for the exploration and development rights of the Huwaiza oil field in the south as well as the Naft Khana field, northeast of Baghdad.

The Iraqi government saw the signing of a contract with the Chinese oil and gas company "United Energy Group" for the development of the Sindbad oil field close to Basra.

It is worth noting that the Iraqi government plans the launch of additional bidding rounds for the exploration of northern blocks as well as block in the central and western regions of the country. This is done in order to maximize the domestic production of natural gas in Iraq.

US$ 267 MILLION AGREEMENT FROM THE SAUDI PORT AUTHORITY FOR THE CREATION OF A LOGISTICS ZONE

An agreement was signed between the Saudi Port Authority (SPA) and the Jeddah Chamber of Commerce and Industry, valued at SAR 1.0 billion (US$ 266.7 million). The agreement was created in order to develop an integrated logistics zone in the Al-Khumra region in the southern part of Jeddah. This zone is expected to aid economic development, bolster the role of private companies in the sector as well as attract investments.

In details, the logistics area will cover 3 million square meters of land and will be divided into three sub-areas. These areas include shared modular warehouses, single warehouses, large yards as well as on-demand warehouses. The zone will provide administrative, commercial and residential areas and also fulfill the needs of importers and exporters for additional space.

It is worth mentioning that basic services will be provided within the area which includes ready-made warehouses, areas of re-export, storage yards, specialized storage, multiple logistical sites, subsidiary services which consists of commercial units, resting places for workers as well as housing units.

The intended result from this project on a macroeconomic scale is the aid of the country's infrastructure in addition to the cultivation of urban landscape. Also, this will help the country provide 10,000 direct and indirect jobs within the logistics sector and diversify its assets and companies through the usage of its ports.

SURVEYS

SAUDI ARABIA RANKS 1ST IN MENA REGION IN TELECOMMUNICATIONS RISK/REWARD INDEX, AS PER FITCH SOLUTIONS

Fitch Solutions released the Q2 2023 MENA Telecoms Risk/Reward Index, which observed mostly positive score changes across the surveyed markets, thus inflating the regional average score eight-tenths of a point to reach 49.7 out of a potential 100, bringing MENA closer to the global average of 50.0.

Several changes to the ranking order accompanied this development: Qatar, Bahrain, Oman and the West Bank and Gaza all saw their standings improved, while the UAE, Kuwait, Egypt, Iraq and Lebanon saw slight reductions.

Saudi Arabia remained the 1st in the MENA region and ranked 20th globally in the Telecommunications RRI (Risk/Reward Index), scoring 73.3 points out of 100, as per Fitch Solutions.

MENA TELECOMMUNICATIONS RISK/REWARD INDEX

	Regional Rank	Global Rank	RRI	Industry Rewards	Country Rewards	Rewards	Industry Risks	Country Risks	Risks
Saudi Arabia	1	20	73.3	83.9	70.4	79.2	39.6	79.4	59.5
Qatar	2	51	62.1	67.5	68.5	67.9	19.6	78.0	48.8
UAE	3	52	61.8	67.9	60.0	65.1	19.6	88.4	54.0
Bahrain	4	57	60.3	68.0	66.7	67.6	19.6	66.9	43.2
Kuwait	5	60	59.2	66.3	71.0	68.0	6.5	71.0	38.8
Oman	6	67	57.4	48.9	70.5	56.5	39.6	79.5	57.4
Jordan	7	70	56.5	62.8	66.7	64.2	19.6	57.4	38.5
Morocco	8	72	55.7	60.7	47.9	56.2	55.0	53.7	54.4
Algeria	9	86	50	54.4	55.6	54.8	39.6	38.0	38.8
West Bank and Gaza	10	101	46.2	50.5	60.6	54.0	39.6	16.1	27.8
Egypt	11	122	43.2	46.3	41.7	44.7	27.6	52.1	39.9
Lebanon	12	123	43.2	50.1	66.2	55.7	6.5	21.6	14.1
Iraq	13	129	42.1	47.0	60.8	51.8	11.4	27.5	19.5
Tunisia	14	153	37.6	33.0	48.1	38.3	39.6	32.5	36.0
Libya	15	183	29.3	25.6	57.5	36.8	0.8	22.8	11.8
Syria	16	195	24.7	27.4	42.5	32.7	2.9	9.2	6.0
Yemen	17	196	24.5	32.0	37.4	33.9	2.9	2.3	2.6

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

A closer look at the Telecoms Industry Rewards Scores in Q2 2023 shows that Saudi Arabia took the 1st place, scoring 96.0 points in the subscriber growth and 90.5 in the Average Revenue Per User (ARPU). As to the Telecoms Country Rewards score, Saudi Arabia scored 81.9 points in Urban/Rural Split and 50.3 points in terms of youth population (24 years old and under), noting that younger people have a higher proclivity to engage with and spend on premium telecoms services.

On the other hand, as to the Telecom Industry Risk scores, Saudi Arabia ranked 1st, scoring 37.2 in Regulatory Independence and 42.0 in Regulatory Resources And Openness. At the level of the Telecoms Country Risks Scores, Saudi Arabia scored 85.4 in the Long-Term Economic Risk Index and 51.8 in the Long-Term Political Risk Index.

Elsewhere to the region, Qatar was able to move up into the second place despite its score continuing to hover at 62.1, due to a 0.3 point reduction to the UAE's overall score.

Finally, Lebanon's macroeconomic situation continues to recover from the Covid-19 pandemic and the Beirut blast, and this is reflected in the increases made to the Country Risk sub-pillars, which lead to an overall increase of 1.4 points to reach 50.1 points, as stated by Fitch. However, Fitch Solutions noted that Lebanon's inflation rate would remain the second highest globally - behind Zimbabwe - and is therefore still a highly challenging environment for operators attempting to achieve returns on investment.

Furthermore, power shortages and mass walkouts continue to impact Lebanon's telecoms industry, with senior management of the mobile network operators calling on the government for support, stating that they do not have sufficient funds to address the issues. These challenges are a key factor in why the country remains below the regional average on the Index, as per Fitch Solutions.

MOODY'S DOWNGRADES EGYPT'S RATINGS TO "B3" WITH A "STABLE" OUTLOOK

Moody's (Moody's Investors Service) downgraded the Government of Egypt's long-term foreign currency and local currency issuer ratings from "B2" to "B3" and changed the outlook from "negative" to "stable". Moody's has also downgraded Egypt's foreign currency senior unsecured ratings to B3, and its foreign-currency senior unsecured MTN program rating to (P) B3.

The drawdown of foreign currency liquidity buffers in the monetary system in response to sharp capital flow reversals and external market disruptions in the past year, have reduced the government's external shock absorption capacity. While the situation may stabilize, Moody's does not expect Egypt's liquidity and external positions to rebound quickly.

Liquid FX reserves have declined to US$ 26.7 billion at the end of December 2022 from US$ 29.3 billion at the end of April 2022, while the net foreign liability position in the monetary system has increased to US$ 20 billion at the end of December from US$ 13 billion in April. The drawdown of FX liquidity has significantly reduced coverage of upcoming medium-term and long-term external debt service payments amounting to US$ 20.4 billion in fiscal 2024 (ending June) and US$ 23.2 billion in fiscal 2025, in addition to US$ 26 billion in short-term debt, amid tight external funding conditions.

The rating also takes into account a gradually narrowing current account deficit to a projected 3% in fiscal 2024 from 3.5% in fiscal 2022 and the financial support measures outlined in the US$ 3-billion, 46-month Extended Fund Facility (EFF) program approved by the IMF on 16 December 2022, to cover the estimated cumulative US$ 17 billion funding gap over the duration of the program, conditional on implementation of continued competitiveness reforms under a durably flexible exchange rate regime, as announced by the Central Bank of Egypt on 27 October 2022.

The financing sources include almost US$ 9 billion in State-owned asset sales including to regional partners in the Gulf Cooperating Council (GCC) starting this fiscal year, in addition to about US$ 5 billion from official lenders in addition to the US$ 3 billion provided by the IMF.

Since announcing the shift in exchange rate policy in late October 2022, the Egyptian pound has depreciated by almost 35% against the US-dollar, bringing the cumulative depreciation since the start of the Russian invasion of Ukraine in February 2022 to almost 50%, largely replicating the impact of the initial flotation of the currency in November 2016 and among the largest depreciations witnessed globally.

While a truly flexible currency regime would foster increased price competitiveness to grow Egypt's export base and help rebalance external accounts by reducing excessive imports and demand for foreign exchange, the pass-through from higher exchange rate volatility in the future carries the risk of potentially prolonging inflationary pressures, resulting in higher than currently assumed interest rates and borrowing costs for the government, in addition to social risks in light of the population's deteriorating purchasing power. With headline inflation running at 21.4% year-on-year in December and core inflation at 24.5% and additional inflationary pressures resulting from the renewed devaluation in January, Moody's expects demand on social spending support measures to increase, reducing the government's spending flexibility.

The "stable" outlook balances upside and downside risks. Downside risks relate to liquidity risks reflected in tight international capital market conditions, as well as higher domestic borrowing costs and social spending pressures in an inflationary environment. These risks are mitigated by the government's dedicated domestic funding base and the government's track record of consistently generating primary surpluses, which Moody's expects will help reduce the debt burden after a temporary setback. Meanwhile, upside risks relate to the implementation of stated competitiveness reforms that may enhance the economy's export base and support foreign direct investment inflows which, in turn, would enhance the economy's external debt carrying capacity and sustainably reduce the economy's external vulnerability risks as per Moody's.

CORPORATE NEWS

ACWA POWER SIGNS US$ 8.5 BILLION INVESTMENT AGREEMENT FOR NEOM GREEN HYDROGEN PROJECT

ACWA Power Company, a leading Saudi developer, signed financing agreements for a total investment of US$ 8.5 billion for the NEOM Green Hydrogen Project (NGHP), which is expected to be commissioned in 2026, as mentioned in a company's statement.

NGHP comprises the development, financing, design, engineering, procurement, manufacturing, factory testing, transportation, construction, erection, installation, completion, testing, commissioning, insurance, ownership, operation and maintenance of a world scale green hydrogen and green ammonia facility in the NEOM region of Saudi Arabia, under a 30-year green ammonia offtake contract with Air Products.

The investment funded by a combination of long-term debt and equity was agreed with NEOM Green Hydrogen Company (NGHC), a joint venture between ACWA Power, Air Products and NEOM Company, with ACWA Power holding a 33.3% equity stake.

The total financing consists of US$ 5,852 million senior debt and US$ 475 million of mezzanine debt facilities, both arranged on a non-recourse project finance basis, as follows:

- US$ 1.50 billion from National Development Fund (NDF) on behalf of National Infrastructure Fund (NIF).

- US$ 1.25 Billion is in the form of Saudi riyal denominated financing from Saudi Industrial Development Fund (SIDF).

COMPANIES FROM UAE, EGYPT, JORDAN AND BAHRAIN SIGN INDUSTRIAL AGREEMENTS WORTH US$ 2 BILLION

Companies from the UAE, Egypt, Jordan and Bahrain signed industrial agreements exceeding US$ 2 billion at the third Higher Committee meeting of the Industrial Partnership for Sustainable Economic Development, as mentioned in a company's statement.

In details, Soda Chemical Industries, an Egyptian company, announced an investment of US$ 500 million to produce sodium carbonate, "soda ash", which is the main raw material in many industries, such as the glass and detergent sector. The facility would have a production capacity of 500,000 tons annually. The company signed a MoU for a strategic partnership with the Emirates Flat Glass Company, owned by Dubai Investments, to purchase the final product.

M Glory Holding, the UAE-based automotive manufacturer, announced the launch of a large manufacturing project with an investment of US$ 550 million. The project would establish three electric vehicle factories with specialized production and assembly lines in the UAE, Jordan and Egypt. Production capacity would reach 40,000 compact crossover SUVs during the first three years of operation. M Glory Holding signed a MoU with the Jordan Design and Development Bureau and Egypt's Arab Organization for Industrialization as manufacturing partners, and with Bahrain's GARMCO to supply aluminum sheets.

Emirati investor-owned CFC Group, which is the largest industrial complex for feed and chemicals in Africa and the MENA Region, plans to invest US$ 400 million to establish an industrial complex for fertilizers and chemicals in Egypt. It signed MoUs with Jordan-based Arab Potash and Egypt's Misr Phosphate Company to supply raw materials. The industrial complex would have an annual production capacity of half-a-ton of fodder and potash fertilizers, and 1.1 tons of chemicals.

Emirates Global Aluminium, a leader in global aluminium production, announced a US$ 200 million investment to establish a silicon metal plant in the UAE with a production capacity of 55,000 tons annually. The company signed a MoU with the Jordan's Manaseer Group to supply the required crystalline silica.

Manaseer Group announced the expansion of a US$ 70 million magnesium oxide plant in Jordan. Once completed, the plant would have a total production capacity of 270,000 tonnes annually, which will be exported to the UAE. It would sell its product to Emirates Global Aluminium. Production is set to commence in 2024.

The UAE's Globalpharma entered a partnership with Egypt's Nerhadou to develop advanced technology for the manufacturing of medicines and supplements. The two companies signed an agreement to transfer technology to two Jordanian companies, Savvy Pharma and Triumph. Both projects would start in 2023 with a total investment value of US$ 60 million. Production capacity is expected to reach 5 million packages annually per product.

Jordanian company Itqan announced a technology transfer partnership and contract manufacturing agreement with Globalpharma and ADCAN Pharma to manufacture syringes, aerosols, and inhalers. It also signed a MoU with Egypt's Marcyrl for the transfer of technology in manufacturing biosimilars in Jordan at a total investment of US$ 10 million, with the aim of launching products by the fourth quarter of 2024.

Bahrain-based Alpha Biotic signed two MoUs for knowledge and technology transfer as well as contract manufacturing with Jordan's Dar Al Dawa and Egypt's EIPICO, to manifacture general products, oncology products, medical solutions, and other pharmaceutical products. At an investment value of US$ 174 million over two phases, the project's production capacity is expected to reach 350 million pills per year.

Finally, Gulf Biotech, a Bahraini company, plans to establish a plant to manufacture raw materials for vaccines and other products at an investment worth up to US$ 103 million and a production capacity of 105 doses annually. It signed earlier this month, a technology transfer agreement with Egypt's BioGeneric Pharma.

MASDAR TO INVEST US$ 1.2 BILLION IN UK BATTERY STORAGE

Masdar, a UAE-government owned renewable energy company based in Abu Dhabi, plans to invest US$ 1.2 billion (£1 billion) in battery storage technology across the UK, as mentioned in a company's statement.

Masdar is committed to invest a billion pounds across the UK to accelerate the battery storage solutions and aims to deploy 100 gigawatts of renewables globally to help the UAE diversify away from fossil fuels.

The announcement follows Masdar's acquisition last year of British battery storage system developer Arlington Energy.

LUBEREF AWARDS CONTRACT VALUED AT US$ 148 MILLION FOR YANBU PLANT EXPANSION

Saudi Aramco Base Oil Company, Luberef, which is one of the world's leading suppliers of high-quality base oils and the only virgin base oil producer in Saudi Arabia, awarded a major engineering, procurement and construction (EPC) contract worth US$ 148 million (SR 555 million) to Egyptian group Petrojet, for the expansion of its facility at Yanbu in Saudi Arabia, as revealed in a company's statement.

Luberef plans to scale up the existing units at the oil plant to their maximum potential production capacity. This aligns with the company's objectives to increase the oil production of Group II or start the manufacturing process of Group III.

The 30-month agreement aims to expand the facility's annual production capacity to nearly 1.30 million metric tons per annum in 2025.This expansion would allow flexibility for the production of additional Group II and Group III Base Oils based on market demand.

The positive financial impact of the project is expected once commercial operations begins at the Yanbu plant by the second half (H2) 2025.

CAPITAL MARKETS

EQUITY MARKETS: MENA EQUITIES REBOUND ON OIL PRICE GAINS AND SOME FAVORABLE COMPANY-SPECIFIC FACTORS

MENA equity markets bounced back this week, as reflected by a 1.0% rise in the S&P Pan Arab Composite index, mainly supported by oil price gains on signs of a strong economic rebound in top crude importer China and given some favorable company-specific factors.

The heavyweight Saudi Exchange registered price rebounds this week, as reflected by a 1.3% increase in the S&P Saudi index, mainly on improved investor sentiment after KSA outlined plans for SR 192 billion (the equivalent of US$ 51 billion) of investments by local companies under the Shareek government incentive program as the Kingdom seeks to accelerate a plan to diversify its economy away from oil. Saudi equity price gains were also supported by some favorable company-specific factors and oil price gains. In fact, Brent oil prices surged by 3.6% week-on-week, hitting the US$ 85.83 per barrel on Friday on growing optimism about the global oil demand outlook after the Chinese economy showed signs of a stronger rebound in February 2023 after COVID restrictions were eased.

A closer look at individual stocks shows that Bahri's share price jumped by 6.1% week-on-week to SR 27.90. Bahri signed a SR 1.5 billion pact with Shareek program to invest in gas transportation sector. Sipchem's share price increased by 2.5% to SR 35.05. Advanced Petrochemical Company's share price climbed by 8.5% to SR 48.05. Saudi Kayan Petrochemical Company's share price surged by 3.4% to SR 12.72. ACWA Power's share price closed 0.4% higher at SR 139.40. ACWA Power reported 2022 net profits of SR 1.5 billion versus net profits of SR 759 million a year earlier. Taiba Investments' share price went up by 2.5% to SR 26.25. Taiba Investments announced 2022 net profits of SR 140 million versus a net loss of SR 117 million a year earlier. SABIC Agri-Nutrients' share price increased by 1.9% to SR 128.80. HSBC raised its recommendation on SABIC Agri-Nutrients' stock "Buy" from "Hold", with a price target of SR 150.80, which implies a 16% increase from last price.

The Qatar Stock Exchange shifted to a positive territory this week, as reflected by a 1.2% rise in the S&P Qatar index, mainly driven by rising oil prices and attractive valuations since Qatari stocks traded at a P/E of 12.0 times versus a higher regional P/E of 13.1 times. 31 out of 49 traded stocks posted price gains, while 16 stocks recorded price falls and two stocks saw no price change week-on-week. A closer look at individual stocks shows that Industries Qatar's share price increased by 1.9% to QR 14.100. Gulf International Services' share price jumped by 4.6% to QR 1.884. Mesaieed Petrochemical Holding Company's share price went up by 1.1% to QR 2.130. QNB's share price closed 0.6% higher at QR 16.210. Qatar Islamic bank's share price increased by 1.5% to QR 18.600. Doha Bank's share price climbed by 4.8% to QR 1.698.

EQUITY MARKETS INDICATORS (FEBRUARY 26 - MARCH 4, 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	160.4	11.1%	24.4%	5.3	19.7%	0.1	18,131	1.5%	-	0.34
Jordan	410.0	0.9%	5.4%	41.4	14.2%	22.6	27,573.8	7.8%	8.7	1.68
Egypt	223.9	-1.9%	-5.4%	266.5	23.4%	2,155.7	34,332.9	40.4%	8.0	1.92
Saudi Arabia	456.2	1.3%	-2.1%	5,305.1	82.2%	533.46	2,600,065.0	10.6%	13.1	4.40
Qatar	172.9	1.2%	-2.2%	536.9	18.3%	559.5	167,568.2	16.7%	12.0	1.57
UAE	136.0	0.3%	-1.1%	2,612.7	22.6%	1,709.7	840,653.9	16.2%	12.5	1.84
Oman	265.1	3.2%	1.8%	31.4	37.8%	44.9	22,095.0	7.4%	13.2	1.12
Bahrain	198.2	0.1%	2.8%	16.7	450.8%	11.3	18,093.4	4.8%	10.2	1.36
Kuwait	138.9	0.5%	0.1%	390.1	-2.2%	313.5	138,325.8	14.7%	19.6	1.94
Morocco	223.7	-0.9%	0.8%	21.6	-67.3%	1.4	53,717.6	2.1%	20.1	3.30
Tunisia	62.0	1.7%	-0.1%	10.2	86.9%	2.3	7,537.1	7.1%	10.1	2.07
Arabian Markets	**898.9**	**1.0%**	**-1.5%**	**9,237.8**	**47.8%**	**5,354.6**	**3,928,093.8**	**12.2%**	**13.1**	**3.53**

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

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

Activity in the UAE equity markets was tilted to the upside this week, as reflected by a 0.3% rise in the S&P UAE index, mainly helped by oil price gains and some favorable company-specific factors. In Abu Dhabi, Taqa's share price increased by 2.1% to AED 3.48. Taqa's Board of Directors recommended the distribution of dividends at a rate of 3.25 fils per share for the year 2023. ADNOC Drilling's share price went up by 3.9% to AED 3.48. ADNOC Drilling signed pact to buy 10 hybrid rigs for US$ 252 million. First Abu Dhabi Bank's share price closed 0.7% higher at AED 74.30. ADIB's share price rose by 1.2% to AED 10.32. In Dubai, DEWA's share price increased by 1.7% to AED 2.41. Emaar Properties' share price surged by 5.4% to AED 5.68. Emaar Development's share price closed 1.5% higher at AED 4.82. Dubai Islamic Bank's share price edged up by 0.7% to AED 5.69.

In contrast, the Egyptian Exchange extended its downward trajectory this week, as reflected by a 1.9% fall in the S&P Egypt index, mainly dragged by some unfavorable company-specific factors and as a fourth currency devaluation is looming. Sociéte Générale said in a recent note that Egypt is likely to devalue its currency again in the "not-too-distant future," and the pound may end the quarter 10% below current levels. Oriental Weavers' share price retreated by 0.5% to LE 11.03. Oriental Weavers announced a 22% year-on-year contraction in its 2022 net profits to reach LE 843 million. Commercial International Bank's share price dropped by 3.6% to LE 52.83. Citi cut CIB's stock to "Sell" from "Neutral". Talaat Moustafa Group's share price fell by 1.0% to LE 9.55. Juhayna Food Industries' share price closed 1.0% lower at LE 10.50.

FIXED INCOME MARKETS: MENA BOND MARKETS REMAIN ON FALL, TRACKING US TREASURIES MOVE

MENA fixed income markets remained under downward price pressures this week, mainly tracking US Treasuries move, with the 10-year benchmark yield touching the 4% level for the first time since November 2022, as strong employment data and persistently high inflation drove a hawkish reassessment of the outlook for the US Federal Reserve policy.

In the Abu Dhabi credit space, sovereigns maturing in 2026, 2027 and 2031 registered price contractions of 0.38 pt, 1.13 pt and 0.75 pt respectively week-on-week. Mubadala'26 and'27 closed down by 0.50 pt and 0.75 pt respectively. Prices of ADNOC'29 decreased by 0.75 pt. Taqa'26 and '28 traded down by 0.63 pt and 0.50 pt respectively. Prices of Etisalat'26 fell by 0.38 pt.

In the Dubai credit space, sovereigns maturing in 2029 registered weekly price falls of 0.50 pt. DP world'30 was down by 0.63 pt. Majid Al Futtaim'29 registered price declines of 0.25 pt. Emaar Properties'26 recorded price retreats of 0.25 pt.

Regarding plans for new issues in the UAE credit space, Bank of Sharjah mandated Abu Dhabi Commercial Bank, Bank ABC, Crédit Agricole CIB, Emirates NBD Capital, First Abu Dhabi Bank, JP Morgan and Mashreq as Joint Lead Managers to arrange a series of physical fixed income investor meetings in the Middle East, Asia and the UK commencing on the 27th February 2023, ahead of the sale of a five-year US dollar-denominated benchmark Regulation S only senior unsecured bond to be issued under the US$ 2.5 billion EMTN Program of BoS Funding Limited, with an unconditional and irrevocable guarantee by the Bank of Sharjah.

In the Jordanian credit space, sovereigns maturing in 2026, 2027 and 2030 posted weekly price contractions of up to 0.63 pt. In the Kuwaiti credit space, sovereigns maturing in 2027 traded down by 0.28 pt week-on-week. In the Iraqi credit space, prices of sovereigns maturing in 2028 declined by 0.13 pt this week.

In the Saudi credit space, sovereigns maturing in 2026, 2027, 2030 and 2031 saw price falls of up to 0.63 pt this week. Saudi Aramco'25 was down by 0.13 pt. Prices of SEC'24 and '28 retreated by 0.38 pt and 0.50 pt respectively.

In the Omani credit space, sovereigns maturing in 2026, 2027 and 2029 registered price decreases of 0.13 pt, 0.25 pt and 0.63 pt respectively week-on-week. In the Bahraini credit space, sovereigns maturing in 2031 and 2032 saw price contractions of 0.24 pt and 0.67 pt respectively this week.

In the Qatari credit space, sovereigns maturing in 2026 and 2030 posted price falls of 0.50 pt and 1.00 pt respectively week-on-week. Ooredoo'26 closed down by 0.50 pt. Amongst financials, prices of QNB'25 and '26 dropped by 0.50 pt each. Qatar Islamic Bank'24 was down by 0.25 pt.

In the Egyptian credit space, US dollar-denominated sovereigns maturing in 2027, 2030, 2032 and 2040 recorded price contractions of 3.38 pts to 5.13 pts this week. Euro-denominated sovereigns maturing in 2026 and 2031 traded down by 2.94 pts and 4.06 pts respectively.

In the Moroccan credit space, US dollar-denominated sovereigns maturing in 2027 closed up by 0.09 pt week-on-week. Prices of Euro-denominated sovereigns maturing in 2031 increased by 0.06 pt. Morocco plans to return to the international debt markets for the first time since losing its investment- grade rating two years ago. The North African country plans to offer US dollar bonds maturing in five, 10 or 12 years after hiring banks to arrange a series of meetings for investors in the US and London.

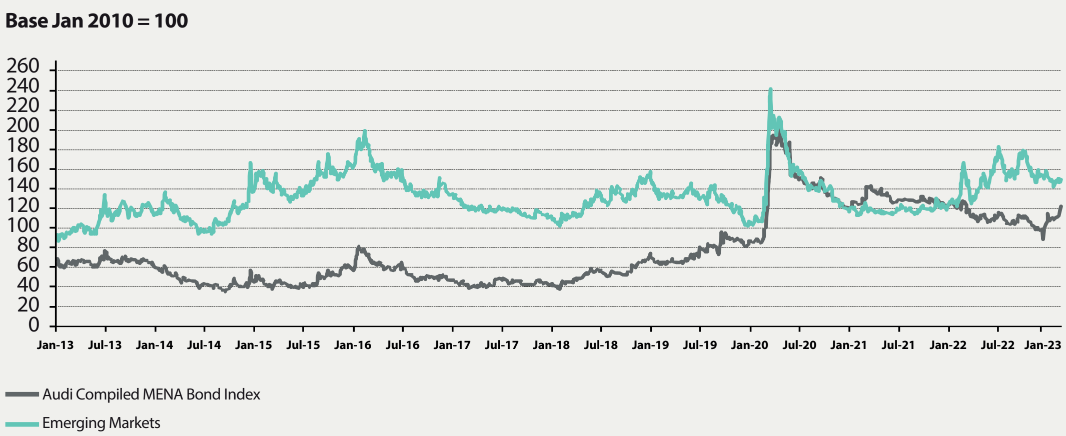
All in all, regional bond markets continued to register across-the-board price contractions this week, mainly tracking increases in US Treasuries yields, as investors raised their outlook on peak rates after the ISM Manufacturing Prices subindex in the US increased to a five-month high level in February 2023.

MIDDLE EAST 5Y CDS SPREADS V/S INTL BENCHMARKS

in basis points	03-Mar-23	24-Feb-23	30-Dec-22	Week-on-week	Year-to-date
Abu Dhabi	39	42	44	-3	-5
Dubai	68	74	84	-6	-16
Kuwait	47	49	50	-2	-3
Qatar	42	46	48	-4	-6
Saudi Arabia	58	65	61	-7	-3
Bahrain	222	236	231	-14	-9
Morocco	151	149	162	2	-11
Egypt	1,143	972	877	171	266
Iraq	431	452	467	-21	-36
Middle East	244	232	225	12	19
Emerging Markets	127	148	140	-21	-13
Global	424	475	533	-51	-109

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/Stable/B	B3/Stable	B+/Negative/B
Iraq	B-/Stable/B	Caa1/Stable	B-/Stable/B
GULF			
Saudi Arabia	A-/Positive/A-2	A1/Stable	A/Positive/F1+
United Arab Emirates	AA/Stable/A-1+*	Aa2/Stable	AA-/Stable/F1+
Qatar	AA/Stable/A-1+	Aa3/Positive	AA-/Stable/F1+
Kuwait	A+/Stable/A-1+	A1/Stable	AA-/Stable/F1+
Bahrain	B+/Positive/B	B2/Stable	B+/Stable/B
Oman	BB/Stable/B	Ba3/Positive	BB/Stable/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$)	03-Mar-23	24-Feb-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)	30.62	30.58	24.71	0.1%	23.9%
Iraqi Dinar (IQD)	1,460.00	1,460.00	1,460.00	0.0%	0.0%
GULF					
Saudi Riyal (SAR)	3.75	3.75	3.76	0.0%	-0.1%
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	0.0%	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)	250.17	250.26	250.24	0.0%	0.0%
NORTH AFRICA					
Algerian Dinar (DZD)	136.51	136.80	137.35	-0.2%	-0.6%
Moroccan Dirham (MAD)	10.38	10.43	10.44	-0.6%	-0.6%
Tunisian Dinar (TND)	3.13	3.13	3.11	0.3%	0.7%
Libyan Dinar (LYD)	4.79	4.82	4.83	-0.5%	-0.7%
Sudanese Pound (SDG)	582.48	577.58	573.81	0.8%	1.5%

Sources: Bloomberg, Bank Audi's Group Research Department