

## COUNTRY RISK WEEKLY BULLETIN

### NEWS HEADLINES

#### WORLD

##### **Corporate bond issuance at \$3,048bn in first 11 months of 2013**

Standard & Poor's indicated that global corporate bond issuance totaled \$3,048bn in the first 11 months of 2013 and included \$1,716bn in investment grade, \$474bn in speculative grade, and \$858bn in unrated bonds. S&P expected total bond issuance in 2013 to exceed last year's aggregate issuances of \$3,108bn and to constitute the second highest issuance on record, lower than only the 2009 level of about \$3.3 trillion. Bond issuance in Europe totaled \$1,068bn in the covered period and accounted for 35% of global bond issues, followed by the U.S. with \$1,002bn (32.9%), emerging markets with \$646bn (21.2%), and other developed markets with \$331bn (10.9%). Speculative grade issuance in the U.S. reached \$260bn and represented 54.9% of global speculative grade issues, followed by Europe with \$139bn (29.3%), emerging markets with \$59bn (12.4%) and other developed markets with \$16bn (3.4%). Issuance by non-financial institutions totaled \$1,607bn and accounted for 52.7% of global corporate bond issuance, while issuance by financial firms represented the remaining \$1,441bn (47.3%). Investment-grade issuance in the non-financial sector totaled \$752bn and accounted for 43.8% of global investment grade issues, while speculative grade issuance in the non-financial sector reached \$377bn and represented 79.5% of global speculative grade issues.

*Source: Standard & Poor's*

##### **Corporate default rate at 2.7% at end-November 2013**

Moody's Investors Service indicated that the rate of global speculative-grade corporate defaults reached 2.7% at the end of November 2013, down from 2.9% in the preceding month, 3.1% at the end of 2012 and 2.8% at end-November 2012. It noted that corporate defaults have been stable so far this year compared to the same period last year, supported by ample credit market liquidity and robust economic growth. It expected the current trend to continue in 2014. It said that 55 corporate issuers have defaulted in the first 11 months of the year, similar to the number of defaults in the same period last year. It forecast the global speculative-grade default rate at 2.8% at the end of 2013 and at 2.7% at the end of November 2014. Measured on a dollar volume basis, the global speculative-grade bond default rate reached 1.6% at the end of November 2013, down from 1.7% in the previous month and up from 1.3% a year earlier. Moody's added that its speculative-grade corporate distress index, which measures the percentage of rated issuers that have debt trading at distressed levels, stood at 7.3% at the end of November 2013, down from 8.3% at end-October 2013 and from 15.1% a year earlier.

*Source: Moody's Investors Service*

##### **Volume of letters of credit up 3.7% in first nine months of 2013**

The aggregate volume of letters of credit sent through SWIFT totaled 3,583,626 in the first nine months of 2013, constituting an increase of 3.7% from the same period last year. The number of letters of credit from the Asia-Pacific region stood at 2,452,274 and accounted for 68.4% of the global volume, followed by the Eurozone with 281,356 (7.9%), Africa with 257,950 (7.2%), the Middle East with 248,350 (6.9%), non-Eurozone European economies with 163,813 (4.6%), Latin America with 93,210 (2.6%) and North America with 86,673 (2.4%). Also, the aggregate number of L/Cs from Asia-Pacific increased by 7.8% in the first nine months of the year, followed by Africa with a 2.6% rise; while L/Cs from the Middle East dropped by 9%, followed by North America with a 6.6% decrease, the Eurozone with a 5.7% decline, Latin America with a 4.7% drop, and the non-Eurozone European economies with a 1.9% drop. In parallel, the total number of reimbursement authorizations stood at 432,273 in the first nine months of 2013, constituting a 9.1% decrease from the same period of 2012. The volume of authorizations in the Asia-Pacific region reached 241,702 in the covered period and accounted for 55.9% of the global aggregate volume, followed by the Middle East with 79,458 (18.4%), Africa with 54,734 (12.7%), Latin America with 37,480 (8.7%), non-Eurozone European countries with 10,519 (2.4%), the Eurozone with 5,734 (1.3%), and North America with 2,646 (0.6%).

*Source: Citigroup*

##### **Global merchandise trade at \$37 trillion in 2012**

The World Trade Organization indicated that global merchandise trade reached \$37,002bn in 2012, constituting a marginal increase of 0.5% from 2011. It said that world exports rose by 0.4% to \$18,401bn and global imports grew by 0.6% to \$18,601bn. It noted that exports from Europe totaled \$6,385bn and fell by 4% in 2012. Also, exports from the 27-member European Union fell by 4.5% to \$5,803bn in 2012, with intra-EU trade declining by 6.9% to \$3,637bn and extra-EU trade dropping by 0.2% to \$2,1667bn. Further, exports from Asia rose by 2.3% to \$6,111bn, those from North America grew by 3.9% to \$2,371bn, those from the Middle East grew by 6.5% to \$1,349bn, exports from the Commonwealth of Independent States (CIS) rose by 2% to \$805.3bn, those from South & Central America fell by 1.3% to \$749.6bn and those from Africa improved by 5.3% to \$630bn. In parallel, Imports to Europe totaled \$6,530bn and fell by 5.7% in 2012. Also, imports by the 27-member European Union declined by 5.8% to \$5,938bn in 2012, with intra-EU imports regressing by 6.9% to \$3,637bn and extra-EU imports dropping by 4.1% to \$2,301bn. Further, imports to Asia rose by 4% to \$6,205bn, those to North America grew by 3.3% to \$3,192bn, imports to South & Central America increased by 2.8% to \$754.7bn, those to the Middle East improved by 8.8% to \$739.6bn, those to Africa expanded by 7.8% to \$610.2bn and those to the CIS grew by \$569.1bn.

*Source: World Trade Organization, Byblos Research*

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# OUTLOOK

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## ALGERIA

### Non-oil GDP growth at 5.1% in 2013 and 4.6% in 2014

The International Monetary Fund projected Algeria's real GDP growth at 3.1% in 2013 and 3.7% in 2014, compared to a growth rate of 3.3% last year. In parallel, it forecast growth at 2.1% in 2013 and 3.8% in 2014 for the Middle East & North Africa economies and at 1.9% in 2013 and 4% in 2014 for the region's oil exporters. It also forecast non-oil GDP to grow by 5.1% in 2013 and 4.6% in 2014, down from 7.1% last year, and compared to non-oil GDP growth of 3.5% for the region's oil exporting countries this year and 4.5% next year. It expected the country's nominal GDP to reach \$215.7bn this year and \$219.2bn next year, up from \$209.3bn in 2012. It forecast Algeria's annual average inflation rate at 5% in 2013 and 4.5% in 2014, compared to 8.9% in 2012. It also expected broad money to grow by 11% this year and by 12.8% in 2014 relative to a growth rate of 10.9% last year. The Fund projected the central government's fiscal balance to post a deficit of 2.1% of GDP in 2013 and 2.7% of GDP in 2014, compared to surpluses of 4.2% of GDP in 2013 and 3% of GDP in 2014 in oil-exporting economies. It estimated public revenues at 37.6% of GDP in 2013 down from 39.5% of GDP last year, and total expenditures at 39.8% of GDP this year down from 44.6% of GDP in 2012.

The IMF projected Algeria's public debt to reach 10.8% of GDP at end-2013 and 10.4% of GDP at end-2014, up from 10.5% at end-2012. It also forecast total gross external debt at 1.5% of GDP this year and 1.3% next year. Further, the Fund estimated Algeria's exports of goods & services to decrease to \$73.5bn in 2013 and \$72bn in 2014 from \$75.7bn in 2012, and imports of goods & services to rise to \$67.4bn in 2013 and \$66.7bn in 2014 from \$62.7bn in 2012. It also forecast the country's current account surplus at \$4bn, or 1.8% of GDP in 2013 and at \$2.7bn, or 1.2% of GDP in 2014, compared to \$12.3bn, or 5.9% of GDP in 2012 and relative to surpluses of \$354.6bn, or 13.9% of GDP in 2013 and of \$329.2bn or 12.4% of GDP for oil-exporting economies.

*Source: International Monetary Fund*

## CÔTE d'IVOIRE

### Medium-term economic prospects are positive

The International Monetary Fund projected Côte d'Ivoire's real GDP growth at 8.7% in 2013 compared to a growth rate of 9.8% in 2012, supported by strong public investment and improved business and consumer confidence. It indicated that the country's medium-term economic prospects are positive and expected real GDP growth to average 7.8% annually between 2014 and 2018. It forecast the inflation level at 2% at the end of 2013 compared to 3.4% at end-2012, and to remain below 3% during the 2014-18 period.

The IMF expected the fiscal deficit to narrow from 3.4% of GDP in 2012 to 2.7% of GDP in 2013 and 2.3% of GDP in 2014, and to remain around 3% of GDP during the 2015-18 period. It considered that prudent fiscal management is critical for infrastructure and social spending. It called on authorities to broaden the tax base, limit tax exemptions, and to efficiently

manage the wage bill. It welcomed the authorities' commitment to reinforce public financial management and to support the financial position of the electricity sector. Further, the IMF forecast the current account deficit to widen from 3.2% of GDP in 2013 to 8.2% of GDP in 2018, as imports will continue to grow in the context of robust economic activity. It noted that the government will finance the current account deficit through foreign direct investment and other capital inflows. It encouraged Côte d'Ivoire to obtain a sovereign rating and to carefully assess market conditions prior to issuing Eurobonds. In parallel, the IMF indicated that authorities need to implement deeper reforms to improve the business climate and governance, and called on them to strengthen the legal framework and reduce non-competitive bids in order to attract foreign and domestic investors.

*Source: International Monetary Fund*

## ANGOLA

### Real GDP growth to average 5.5% between 2014 and 2023

Business Monitor International projected Angola's real GDP growth to average 6.5% annually during the 2014-23 period, compared to an annual average growth of 5.5% in Sub-Saharan Africa during the covered period. It expected the country's nominal GDP to more than double from \$194.6bn in 2015 to \$440.6bn in 2022. It anticipated that the increase in public investment and continued expansion in oil production would constitute the main growth drivers. It forecast oil production to rise over the medium-term and to gradually decline to 2.6 million barrels per day by 2022. Overall, it anticipated that global oil prices and domestic production would remain sufficiently supportive of the government's investment plans. It expected the government to focus on investment in infrastructure over the next 10 years given that infrastructure deficiencies constitute a major obstacle to the development of the private and non-oil sectors. It noted that the 2013-17 National Development and 'Angola 2025' plans would significantly improve the country's infrastructure base, enhance its human capital, increase its competitiveness, and attract the needed investment to create jobs and new growth pillars. But it cautioned from a slow rate of progress due to weak institutional capacity, structural bottlenecks, implementation issues and capacity constraints that continue to delay infrastructure projects in the country.

In parallel, BMI pointed out that the oil sector currently accounts for about half of economic growth, which makes the economy vulnerable to fluctuations in global oil prices and to disruptions in oil production. It said that, in addition to addressing infrastructure bottlenecks, the government needs to significantly improve the level of human capital, implement private sector reforms and develop the domestic financial markets in order to achieve economic diversification. It anticipated the energy, transportation and construction sectors to benefit from the expected increase in public investment over the short-term. But it considered that the lack of a reliable electricity source will continue to discourage investments in the energy-intensive manufacturing sector. It added that the agriculture and services sector offer greater prospects to improve the economy's value chain over the foreseeable future.

*Source: Business Monitor International*



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# ECONOMY & TRADE

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## MENA

### Divergence in sovereign ratings to continue in 2014

Fitch Ratings anticipated that sovereign creditworthiness in the Middle East & North Africa region would be stable in 2014. But it expected the divergence between the sovereign ratings of the region's hydrocarbon importers and exporters that started in March 2011 to continue in 2014. It noted that growth prospects among the region's oil importers are much weaker compared to oil exporting economies, as high political uncertainty and fiscal consolidation will weigh on their economic activity. It forecast the fiscal positions of oil exporters in the region to deteriorate due to lower global oil prices and higher public spending. But it added that all oil exporters would still post fiscal surpluses next year and, in turn, would strengthen their fiscal buffer, with the exception of Bahrain. It said that oil importing economies will proceed with fiscal consolidation in 2014, which would narrow their fiscal deficits. But it noted that fiscal consolidation efforts will vary among oil importers and that most oil importing economies would see their debt level rise. Fitch indicated that a deterioration in the fiscal position of oil importing economies would put pressure on their ratings. It added that a rise in global oil prices would adversely affect oil importers' public finances while it would benefit those of oil exporters.

*Source: Fitch Ratings*

## JORDAN

### Ratings downgraded on weakening public finances

Capital Intelligence downgraded Jordan's long-term foreign sovereign rating to 'BB-' from 'BB' and its long-term local sovereign rating to 'BB' from 'BB+'. It affirmed the short-term foreign and local currency ratings at 'B'. It also revised the outlook on the long-term ratings to 'stable' from 'negative'. The agency attributed the downgrade to the country's wide fiscal deficit, rising public debt level and high financing requirements. It added that high geopolitical risks continue to weigh on the country's limited fiscal resources, medium-term growth potential and socioeconomic situation. It expected the government to miss its fiscal deficit targets of 4.5% of GDP in 2014 and 3% of GDP in 2015 due to the politically sensitive nature of the planned reforms and to rising spending pressure related to the growing number of Syrian refugees. It forecast the public debt level to exceed the legal limit of 80% of GDP this year compared to 60% of GDP in 2008, reflecting the wide fiscal deficit and the continued issuance of government-guaranteed debt to mainly finance the National Electricity Production Company. Further, it said that refinancing risks remain high given that the amount of debt maturing next year is equivalent to 21% of GDP. But it noted that refinancing risks over the near-term are mitigated by the fact that the majority of the debt stock is in local currency, the government already covered 12.5% of its next year's financing requirements through the issuance of a \$1.25bn bond guaranteed by the U.S. government, and local banks are willing and able to provide financing. It noted that Jordan's balance-of-payments position remains vulnerable, and that prospects for sustainable reserve accumulation are uncertain.

*Source: Capital Intelligence*

## DEM REP CONGO

### S&P assigns sovereign ratings

Standard & Poor's assigned to the Democratic Republic of the Congo (DRC) long-term foreign and local currency sovereign credit ratings of 'B-' and short-term foreign and local currency ratings of 'B'. It noted that the long-term ratings have a 'stable' outlook. The sovereign ratings are six notches below investment grade. The agency indicated that the ratings are constrained by weak institutions, continuing conflict in the Eastern part of the country, poor governance and extremely low income levels, high dependence on external financing, and very limited economic policy flexibility. But it noted that the ratings are supported by a sustained growth in real GDP per capita of between 4% and 5% in coming years, and by the low public debt burden following the 2010 debt forgiveness. It considered that the economy is vulnerable to a downturn in global commodity prices, mainly copper, given that mining and mining-related investments are key growth drivers. It expected net FDI inflows to remain high during the coming years and to constitute a key source of external financing. But it cautioned from the adverse impact of political instability and volatility of global commodity prices on such inflows. It forecast the DRC's net external debt to rise from 65.7% of CARs in 2013 to 124.5% of CAR in 2016, and for its gross external financing needs to increase from 123.7% of CARs in 2013 to 155.4% of CARs in 2016.

*Source: Standard & Poor's*

## BURKINA FASO

### Ratings affirmed on ongoing investments and moderate debt burden

Standard & Poor's affirmed Burkina Faso's long- and short-term sovereign credit ratings at 'B' with a 'stable' outlook on the long-term ratings. It said that the Transfer & Convertibility assessment is at 'BBB-'. The agency indicated that the ratings are supported by ongoing donor support, mainly in the form of concessional loans, and by a moderate public debt burden. But it noted that the ratings are constrained by the country's low level of economic development, weak policy effectiveness and vulnerability to terms-of-trade shocks. S&P forecast the average annual real GDP per capita growth at more than 4% between 2013 and 2016, supported by favorable cotton output, rising gold production, FDI inflows into mining, and public investment in the energy and transport sectors. It expected the fiscal deficit at around 3% of GDP during the 2013-16 period, and forecast the net public debt level to remain below 30% of GDP during the same period and for debt servicing to absorb less than 5% of public revenues. It projected the current account deficit to average about 5% of GDP during the 2013-16 period compared to 11% of GDP during the 2004-08 period, supported by rising gold and cotton output and increased remittance inflows from Côte d'Ivoire. It forecast the external gross financing needs to average about 114% of current account receipts (CARs) plus usable reserves during the 2013-16 period, and for the narrow net external debt to decrease to 36% of CARs during the covered period. It noted that Burkina Faso's external position will remain highly vulnerable to price fluctuations of gold and cotton, which together account for 85% of its exports.

*Source: Standard & Poor's*



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# BANKING

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## JORDAN

### Bank ratings downgraded, outlook revised to 'stable'

Capital Intelligence downgraded to 'BB-' from 'BB' the long-term foreign currency ratings of Arab Bank, the Housing Bank for Trade & Finance, Capital Bank of Jordan, Arab Banking Corporation (Jordan), Arab Jordan Investment Bank, Cairo Amman Bank, Investbank, Jordan Ahli Bank, Jordan Islamic Bank, Jordan Commercial Bank, and Jordan Kuwait Bank. It revised the outlook on the banks' long-term foreign currency ratings to 'stable' from 'negative'. Also, it affirmed the banks' short-term foreign currency ratings at 'B'. The agency attributed its actions to its earlier downgrade of the sovereign ratings as the banks' ratings are highly linked to the sovereign's creditworthiness. It noted that a change in Jordan's creditworthiness would have a corresponding effect on the banks' ratings. Further, the agency indicated that the Financial Strength Ratings (FSR) of the 11 banks are currently under review. It pointed out that Jordanian banks have managed well their balance sheets in the face of continued elevated credit and geopolitical risks. However, it noted that the domestic and regional operating environment remains challenging, which makes the banks' FSR vulnerable to downward pressure.

Source: Capital Intelligence

## TUNISIA

### Agency takes rating actions on banks

Capital Intelligence downgraded the long-term foreign currency rating and the Financial Strength Rating (FSR) of Banque Internationale Arabe de Tunisie (BIAT) to 'BB' from 'BB+', and those of Banque de Tunisie (BT) to 'BB+' from 'BBB-', those of Amen Bank of Tunisia (ABT) to 'B+' from 'BB-'; while it upgraded those of Attajiri Bank (AB) to 'BB' from 'BB-' and affirmed those of Arab Tunisian Bank (ATB) at 'BB+'. It also reduced the long-term foreign currency rating of Banque Nationale Agricole (BNA) to 'B+' from 'BB-' and its FSR to 'B' from 'B+'. It said that the outlook on the long-term foreign currency rating of ATB and BT is 'negative', and that on the ratings of BIAT, AB, ABT and BNA is 'stable'; while it noted that the outlook on the FSR of each bank is 'stable'. It attributed the downgrade of BIAT and BT's ratings to the rising level of non-performing loans (NPLs), falling coverage and low capital adequacy. It noted that the downgrade of BT and ABT reflects their high NPLs ratio, weak provisioning coverage and tight liquidity. It added that it reduced BNA's ratings due to its weak asset quality, insufficient coverage and low levels of liquidity and capital. It said that the upgrade of AB's ratings reflects its better-than-average liquidity, sound profitability, adequate capital, and stable asset quality.

Source: Capital Intelligence

## SUDAN

### Liquid assets at 40% of total assets as at June 2013

The risk-weighted capital adequacy ratio of banks operating in Sudan reached 14.9% at the end of June 2013 relative to 12% at the end of 2012 and 13% at end-2011. Also, the Tier-One capital ratio increased to 13.6% at end-June 2013 from 10.5% at end-2012 and 11% at end-2011. The sector's liquid assets accounted for 39.8% of total assets at end-June 2013, compared to 41.7% at end-2012 and 36.3% at end-2011; while they represented 96.7% of total short-term liabilities at the end of June 2013, relative to 102.5% at end-2012 and 93.8% at end-2011. Also, banks' deposits and investment accounts represented 65.1% of their total assets at the end of June 2013 compared to 63.4% at the end of 2012 and 63.5% at the end of 2011. The banks' off-balance sheet commitments were equivalent to 28.9% of their total assets at the end of June 2013 relative to 32.2% at the end of 2012 and 29.8% at the end of 2011. Further, foreign currency loans accounted for 11.8% of the sector's total loans at the end of June 2013 compared to 15.7% at the end of 2012 and 9% at the end of 2011; while foreign currency deposits represented 24.9% of total deposits at end-June 2013 relative to 27% at the end of 2012 and 18.7% at the end of 2011. The sector's non-performing loans reached 10.4% of total loans at end-June 2013, down from 11.8% at end-2011 and 12.6% at end-2010. Also, the sector's provisions-to-NPLs ratio rose to 43.7% from 36.5% at end-2012 and 39.8% at end-2011. In parallel, the banks' annualized pre-tax return on assets was 1.3% in June 2013 relative to 4.4% in 2012 and 4.2% in 2011, while their annualized pre-tax return on equity reached 10% in June 2013, compared to 36.4% in 2012 and 27.8% in 2011.

Source: Fitch Ratings

## IRAQ

### Anti-money laundering deficiencies remain

The Financial Action Task Force (FATF), the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that Iraq made in October 2013 a high-level political commitment to work with the FATF and the FATF-style regional body MENAFATF to address its AML/CFT deficiencies. The FATF indicated that Iraq will work on implementing its action plan to address its remaining deficiencies, including by adequately criminalizing money laundering and terrorist financing; establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; introducing effective customer due diligence measures; establishing a fully operational and effectively functioning Financial Intelligence Unit; ensuring suspicious transaction reporting requirements; and establishing and implementing an adequate AML/CFT supervisory and oversight program for all financial sectors. The FATF encouraged authorities to continue the process of implementing their action plan.

Source: Financial Action Task Force



# ENERGY / COMMODITIES

## Global LNG exports to grow by 3% in 2014

Global liquefied natural gas (LNG) exports are projected to rise by 3.4% in 2014 from an estimated growth rate of 0.3% in 2013, mainly due to a rise in Australia's output as well as increases in Russian, Algerian and Omani exports. Qatar is expected to remain the world's leading LNG supplier and to maintain its exports level at 105.4 billion cubic meters in 2014, as its additional gas production would be consumed domestically. In parallel, Japan is forecast to remain the world's largest importer of LNG in 2014 as it accounts for about 35% of the LNG's consumer market. LNG prices for delivery to North Asia rose significantly in the fourth quarter of 2013 as nuclear plants' shutdowns in Japan and South Korea, along with the opening of new regasification units in China, contributed to a tight spot market. As such, LNG prices reached record-high levels during the quarter and are expected to continue into the first quarter of 2014 before additional Australian supply comes online in the middle of next year. Japanese LNG prices are forecast to average \$17.5 per million British thermal unit in the first quarter of 2014, up 1.7% from the fourth quarter of 2013.

Source: Economist Intelligence Unit, Byblos Research

## Libya's eastern ports to reopen by March 2014

Eastern Libyan ports are expected to reopen by the end of March 2014 following significant progress in talks between the government and rebels, which would lead to a recovery in the country's oil exports. Protests at ports and oilfields reduced crude oil production to 210,000 b/d in November, down significantly from an average output of 1.55 million b/d in 2010 and constituting the lowest level since 2011. Libya estimated its cumulative economic losses from the ongoing partial shutdown at about \$7bn. Libya holds Africa's largest proven oil reserves.

Source: Eurasia Group, Wall Street Journal, Bloomberg

## Saudi Arabia carries OPEC's largest spare oil capacity

Saudi Arabia held 47% of the Organization of Petroleum Exporting Countries' (OPEC) reliable spare oil capacity as at November 2013, constituting the biggest share among members. It was followed by Libya with 22% of the total, Nigeria with 8%, Iran with 6%, Iraq with 5%, Venezuela with 4%, Angola with 3%, the UAE with 2%, and Qatar, Algeria and Kuwait with 1% each. In parallel, Saudi Arabia is currently OPEC's largest crude oil producer with 32% of total production.

Source: Business Monitor International

## BP signs \$16bn deal to develop Omani gas field

Oman and British multinational oil & gas company, BP, signed a gas sales agreement and an amended production sharing agreement for the development of the Khazzan field. The full-field development will include a 15-year drilling program of about 300 wells with a production capacity of one billion cubic feet of gas per day and 25,000 barrels of gas condensate per day. The volume is equivalent to about 33% of Oman's current total daily domestic gas supply. The total investment in the full-field development is about \$16bn. The Khazzan's project construction work will begin in 2014, while gas is expected to be extracted in late 2017. The project's total gas production is forecast to reach 7 trillion cubic feet in 2018.

Source: BP

## Base Metals: Steel consumption to grow by 4% on average during 2014-15

Global steel consumption is expected to grow by 3.9% year-on-year to 1,647 million tons in 2014 and by 4.2% in 2015 as both emerging and mature economies improve. In parallel, global steel production is projected to increase by 4.4% year-on-year to 1,650 million tons next year. The Eurozone's steel output is forecast to grow by 4.3% in 2014 relative to a contraction of 5% in 2013 as the region's economic growth accelerates. The global steel market is anticipated to post a deficit in 2013 as the metal's consumption outweighs supply. But the market is expected to shift to a surplus during the 2014-15 period as output increases in order to meet higher demand levels. Asian steel prices remain the world's lowest due to the region's excess supply but they are projected to increase in the first quarter of 2014 on improved seasonal demand. EU hot rolled coil steel prices are forecast to average \$600 a ton in the first quarter of 2014, constituting an increase of 4.7% from an average of \$573 a ton in the fourth quarter of 2013.

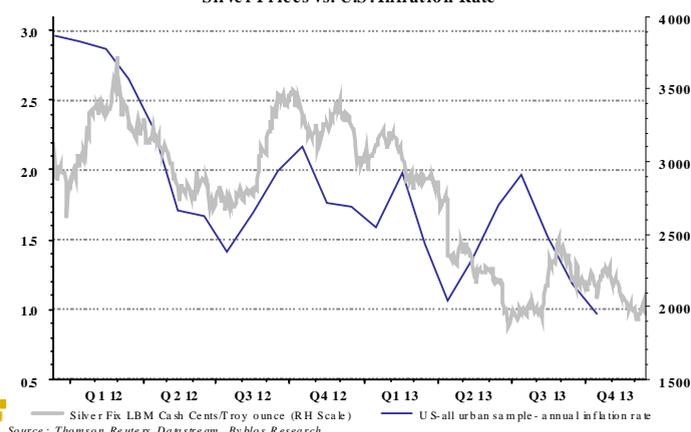
Source: Economist Intelligence Unit, Byblos Research

## Precious Metals: Gold prices to rise by 1% in first quarter and to regress by 6% in 2014

Global gold consumption is expected to contract by 9.6% year-on-year in 2013. But demand is projected to recover to positive territory during the 2014-15 period due to lower ETFs outflows, driven by the metal's lower average prices and persistent concerns about inflation in developing countries, as well as steady purchases by the world's Central Banks. In parallel, global gold production is forecast to rise by an average of less than 1% during the 2014-15 period, as growth in mine supply decelerates. The gold market is expected to shift to a small deficit, as jewelry demand proves resilient and as the ETF market stabilizes; while a weaker mine supply growth and strong jewelry demand would lead to a larger market deficit in 2015. Gold prices are projected to drop by 14.8% in 2013 and to further decline in 2014 and 2015 as the global economic recovery accelerates and as the materializing U.S. monetary tightening leads more investors out of the gold market. Gold prices are forecast to average \$1,325 a troy ounce in the first quarter of 2014, constituting a rise of 1.1% from the fourth quarter of 2013. Overall, gold prices are expected to drop by 6.3% year-on-year to \$1,331 a troy ounce on average in 2014 and to decline to \$1,251 a troy ounce on average in 2015.

Source: Economist Intelligence Unit, Byblos Research

Silver Prices vs. U.S. Inflation Rate



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Africa</b>													
Algeria	-	-	-	-	BB	-3.9	8.6	3.2	8.1	1.1	2.6	6.2	2.0
	-	-	-	-	Stable								
Angola	BB-	Ba3	BB-	-	BB	7.0	28.0	15.9	32.4	3.0	49.1	8.5	0.3
	Stable	Stable	Positive	-	Stable								
Egypt	B-	Caa1	B-	B-	CCC	-10.9	80.4	13.5	59.0	4.3	324.4	-3.1	0.6
	Stable	Negative	Negative	Negative	Stable								
Ethiopia	-	-	-	-	B	-2.3	22.2	18.2	111.2	-	-	-6.1	0.2
	-	-	-	-	Stable								
Ghana	B	B1	B	-	B	-5.6	44.9	21.5	36.2	-	-	-9.1	3.2
	Negative	Negative	Stable	-	Stable								
Ivory Coast	-	-	-	-	B	-3.7	62.6	18.8	33.4	-	-	-3.1	0.3
	-	-	-	-	Stable								
Libya	-	-	B	-	B	19.4	-	6.5	16.5	2.5	-	21.8	-
	-	-	Stable	-	Stable								
Dem Rep Congo	B-	B3	-	-	-	-2.4	36.0	21.0	-	-	-	-12.4	16.3
	Stable	Stable	-	-	-								
Morocco	BBB-	Ba1	BBB-	-	B	-5.9	58.9	30.8	64.6	4.6	180.2	-8.5	2.5
	Negative	Negative	Stable	-	Stable								
Nigeria	BB-	Ba3	BB-	-	B	-0.4	14.7	4.8	6.9	0.5	-	3.5	1.9
	Stable	Stable	Stable	-	Stable								
Sudan	-	-	-	-	C	-4.0	112.1	84.8	159.6	-	-	-7.8	-
	-	-	-	-	Stable								
Tunisia	B	Ba3	BB-	-	CCC	-5.5	46.7	53.6	103.1	9.3	299.8	-8.7	2.4
	Negative	Negative	Negative	-	Stable								
<b>Middle East</b>													
Bahrain	BBB	Baa2	BBB	BBB	BB	-1.5	32.4	147.5	399.2	16.2	905.0	3.7	-4.1
	Stable	Negative	Stable	Stable	Stable								
Iran	-	-	-	B	CCC	-3.5	14.6	3.2	13.1	17.6	19.1	-1.6	3.8
	-	-	-	Negative	Stable								
Iraq	-	-	-	-	CCC	-1.9	76.2	70.9	94.9	-	83.1	23.1	1.5
	-	-	-	-	Stable								
Jordan	BB-	B1	-	BB-	CCC	-7.1	79.7	57.9	47.8	6.4	213.8	-16.1	5.4
	Negative	Stable	-	Stable	Stable								
Kuwait	AA	Aa2	AA	AA-	A	28.2	6.9	19.0	16.7	12.4	142.9	40.5	-4.4
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B-	B1	B	B	CCC	-9.7	140.7	102.1	131.1	19.2	118.0	-12.6	1.1
	Negative	Stable	Stable	Stable	Stable								
Oman	A	A2	-	A	A	7.0	4.9	18.2	23.5	3.4	101.7	11.3	3.8
	Negative	-	-	Stable	Stable								
Qatar	AA	Aa2	-	AA-	AA	6.5	35.6	69.7	94.4	11.6	704.8	32.9	0.2
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	A	15.5	5.7	13.7	21.8	2.1	13.3	28.3	2.1
	Positive	Stable	Positive	Stable	Stable								
Syria	-	-	-	-	CC	-16.3	48.5	-	87.7	-	-	-13.3	0.3
	-	-	-	-	Negative								
UAE	-	Aa2	-	AA-	BB	4.4	22.4	51.1	36.6	4.4	476.9	16.4	1.0
	-	-	-	Stable	Stable								
Yemen	-	-	-	-	CC	-5.7	44.9	17.8	72.4	-	157.5	-2.7	
	-	-	-	-	Stable								



# COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
<b>Asia</b>													
Armenia	-	Ba2	BB-	-	-	-3.1	34.2	73.3	148.0	11.9	459	-9.8	4.7
	-	Stable	Stable	-	-								
China	AA-	Aa3	A+	-	BBB	-1.3	22.2	9.6	47.1	1.7	23.4	2.3	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa2	BBB-	-	BB	-9.5	67.6	19.8	90.3	6.3	146.6	-3.8	1.5
	Negative	Stable	Stable	-	Stable								
Kazakhstan	BBB+	Baa2	BBB-	-	BB	3.5	12.4	66.8	131.8	17.5	611.8	6.2	5.7
	Stable	-	Stable	-	Stable								
<b>Central &amp; Eastern Europe</b>													
Bulgaria	BBB	Baa3	BBB-	-	BB	-0.5	18.9	86.2	141.0	22.8	285.4	1.1	3.6
	Stable	Stable	Stable	-	Stable								
Romania	BB+	Baa3	BBB-	-	B	-2.2	34.6	76.6	178.9	25.2	315.4	-3.7	1.0
	Stable	-	Stable	-	Stable								
Russia	BBB	Baa1	BBB	-	BBB	0.5	11.0	29.5	90.6	11.8	123.1	5.2	-0.1
	Stable	Positive	Stable	-	Stable								
Turkey	BB+	Baa3	BBB-	BB+	B	-1.5	36.8	42.5	178.8	33.0	341.1	-6.1	1.4
	Stable	Stable	Stable	Stable	Stable								
Ukraine	B	B3	B	-	CC	-4.5	38.3	78.5	143.5	34.3	472.2	-8.3	2.9
	Negative	Negative	Negative	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit; Institute of International Finance; Moody's Investors Service; Byblos Research - The above figures are estimated for 2012



## SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	30-Oct-13	No change	18-Dec-13
Eurozone	Refi Rate	0.25	05-Dec-13	No change	09-Jan-14
UK	Bank Rate	0.50	05-Dec-13	No change	09-Jan-14
Japan	O/N Call Rate	0-0.10	21-Nov-13	No change	20-Dec-13
Australia	Cash Rate	2.50	03-Dec-13	No change	04-Feb-14
New Zealand	Cash Rate	2.50	12-Dec-13	No change	30-Jan-14
Switzerland	3 month Libor target	0.00-0.25	12-Dec-13	No change	20-Mar-14
Canada	Overnight rate	1.00	04-Dec-13	No change	22-Jan-14
<b>Emerging Markets</b>					
China	One-year lending rate	6.00	06-Jul-12	Cut 31bps	N/A
Hong Kong	Base Rate	0.50	30-Oct-13	No change	18-Dec-13
Taiwan	Discount Rate	1.88	19-Dec-13	No change	26-Dec-13
South Korea	Base Rate	2.50	12-Dec-13	No change	10-Jan-14
Malaysia	O/N Policy Rate	3.00	07-Nov-13	No change	29-Jan-14
Thailand	1D Repo	2.25	27-Nov-13	Cut 25bps	22-Jan-14
India	Reverse repo rate	7.75	29-Oct-13	Raise 25bps	18-Dec-13
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	08-Dec-13	Cut 50bps	N/A
Turkey	Base Rate	4.50	19-Nov-13	No change	17-Dec-13
South Africa	Repo rate	5.00	03-Dec-13	No change	29-Jan-14
Kenya	Central Bank Rate	8.50	05-Dec-13	No change	Jan-14
Nigeria	Monetary Policy Rate	12.00	19-Nov-13	No change	13-Jan-14
Ghana	Prime Rate	16.00	27-Nov-13	No change	19-Feb-14
Angola	Rediscount rate	20.00	06-Apr-11	Cut 50bps	N/A
Mexico	Target Rate	3.50	06-Dec-13	Cut 25bps	31-Jan-14
Brazil	Selic Rate	10.00	27-Nov-13	Raise 25bps	15-Jan-14
Armenia	Refi Rate	8.00	12-Nov-13	Cut 50bps	N/A
Romania	Policy Rate	4.00	06-Nov-13	Cut 25bps	N/A
Bulgaria	Base Interest	0.02	01-Nov-13	Cut 1bps	N/A
Kazakhstan	Refi Rate	5.50	04-Jan-13	No change	N/A
Ukraine	Discount Rate	6.50	13-Aug-13	No change	N/A
Russia	Refi Rate	8.25	10-Jun-13	No change	N/A



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